Department of Business and Management

Chair of Corporate Strategy

# How Platform Businesses are reshaping the Tourism Industry and their impact on the accommodation sector in Puglia

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# Table of Contents

# Abstract

Change, development and adaptation are three stages that have always repeated since life took place in that explosion that humans call "The Big Bang". Change because the world is moving continuously, development since it is possible to note a kind of evolution within this movement and adaptation that must be reached for survival. The interesting thing is that changes are happening more frequently and the time for adaptation is narrowing. Technologies are spreading their effects all over the world so shaping new rules and environments and, of course, the economic scenario - industries, businesses and competition- has been overwhelmed by these changes.

The purpose of the dissertation is understanding the impact of the Platform Businesses in the tourism industry focusing the analysis on the accommodation sector in Puglia. This aim will be reached firstly by discussing the differences between the "Pipeline Businesses" and the "Platform Businesses" with an analysis of the latter and in particular of those that are affecting the tourism industry. The second step will be developing a questionnaire that will be administered to enterprises active in the sector mentioned above in order to understand if and how the rules of the game have changed.

# Introduction

The economic activity, and everything that concerns it, is constantly subject to change. Communities have lived for thousands of years of agriculture, handicraft, and commerce, and just after the first industrial revolution the manufacturing sector was created. The 20th century has been the one in which the services' sector developed and became the most important one for the economic development of the most advanced countries. So, during these millennia, all the sectors mentioned above grew having at the base certain logics of value creation which were very specific to each of them. For example, the classic firm within the imaginary of people is the manufacturing company, whose value creation process is very simple: buying inputs, assembling them, and selling outputs.

The 21st century is characterized by the spreading of new technologies which led to the internet and mobile revolution. The effects of this revolution, a faster and cheaper communication, and growing returns to scale on data analysis, enabled the rise and development of Platform Businesses. Moreover, these changes in technology are impacting the way firms act, and the way they produce value for them and for their customers. These are the same technologies which are revolutionizing not only entire sectors, but whole industries since there is not a specific sector in which they can be applied. The firms, or even the individuals adopting these technologies are those who will better exploit the opportunities deriving from the change.

The differences with the previous economic environment are many and deep. The first one stands in the value creation process and it reflects on the architecture of the firm, so how it works, on its strategy and on how it pursues the competitive advantage. Another implication is the influence that these changes have on the market, in fact the changes are so profound that they are actually reshaping the rules of competition, the borders of the companies and, consequently, the way these latter acts within the market. The understanding of these new mechanisms reveals to be important because Platform Businesses are not just the future, but they are the present.

The tourism industry is one of the most affected by the advent of the Platform Businesses, so its study will be useful to understand the deep implications that these new companies are having on the economy. However, in order to really appreciate the truthfulness of the statements done, it is important to have a tangible proof that will be provided by a questionnaire administered to the accommodation structures operating in Puglia which will try to asses the impact of the OTAs (Online Travel Agencies, which are considered Platform Businesses) on the accommodation sector within the region.

# Chapter 1

# A step towards the future

## 1.1 Redesigning Industries

### 1.1.1 Walk of Life

Asking the right questions at the right moment is of fundamental importance in life since the answers given to the questions posed allow people to understand the path through which they should walk. This basic concept applies both to humans and to enterprises willing to grow and prosper within the environment they are surrounded by.

Even if the answers are not easy to find, someone would say that they are a step by step process so, once identified, the question must be broken in smaller sub-questions in order to find the answer for each of them.

It is worth saying that the purpose of this first chapter is highlighting the differences between traditional firms (focusing more in deep on pipeline businesses) and platform businesses; and understanding how has changed the value creation process due to the development of these new form of businesses is the first step to take. However, reaching this goal is possible only by finding a common starting point from which then developing the different logics that drive them.

So, again, what is the right question?

Bearing in mind the purpose of the research, it is possible to state that a good starting point can be given by the question "What is the primary goal of a firm?". And a good answer could be "Making profit".

Here it comes another question "How to maximize profit?". Answering this question will be easier with the help of a simple scheme:

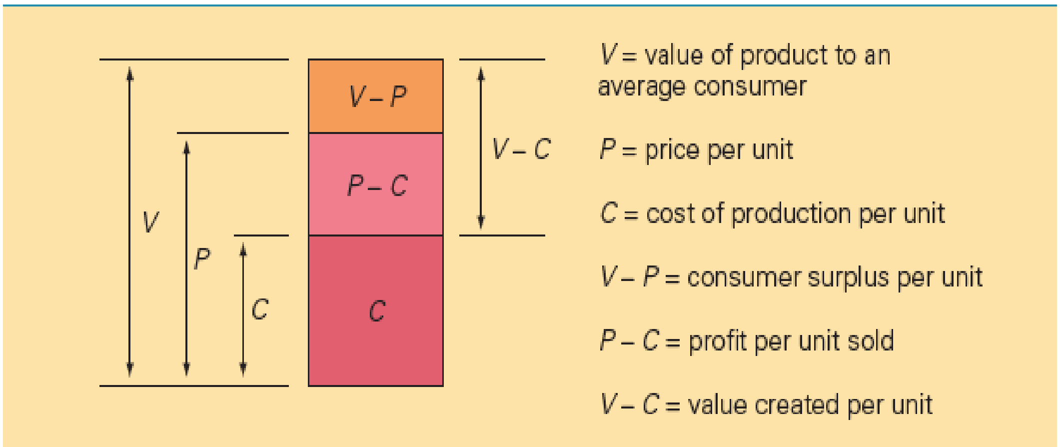


Figure 1- Value Creation[1]

As it is illustrated in the figure, the profit is given by the difference between the price charged to the customer and the cost beard for producing the product or providing the service. It is now easy to understand that in order to maximize the profit it is necessary to decrease the cost of production or to increase the price charged. Another question arises: "Why should be the customer willing to pay a higher price?". Looking at the image is useful to give an answer. If the firm is able to increase the value perceived by its clients, raising the market price for its product could be a good strategy for increasing its profits.

Before thinking on how to increase the value for its customers it is essential for a firm to understand how to produce value and which is the structure needed. As it is going to be explained, the ways to set up this value are different and depend on some factors like the industry in which the firm operates, the technology adopted, the product or service provided and so on.

### 1.1.2 Value Creation

An analysis of the firm's strategically important activities reveals to be necessary to realize how and through which processes value is created, and the economic literature is very useful for solving this hard task.

[1] Marino A., (2016), International Business, Mc Graw-Hill Education, page 230

The first author that focused his strengths for the development of a framework capable of enclosing all the activities involved in the value creation process was Michael E. Porter that theorized the value chain model:

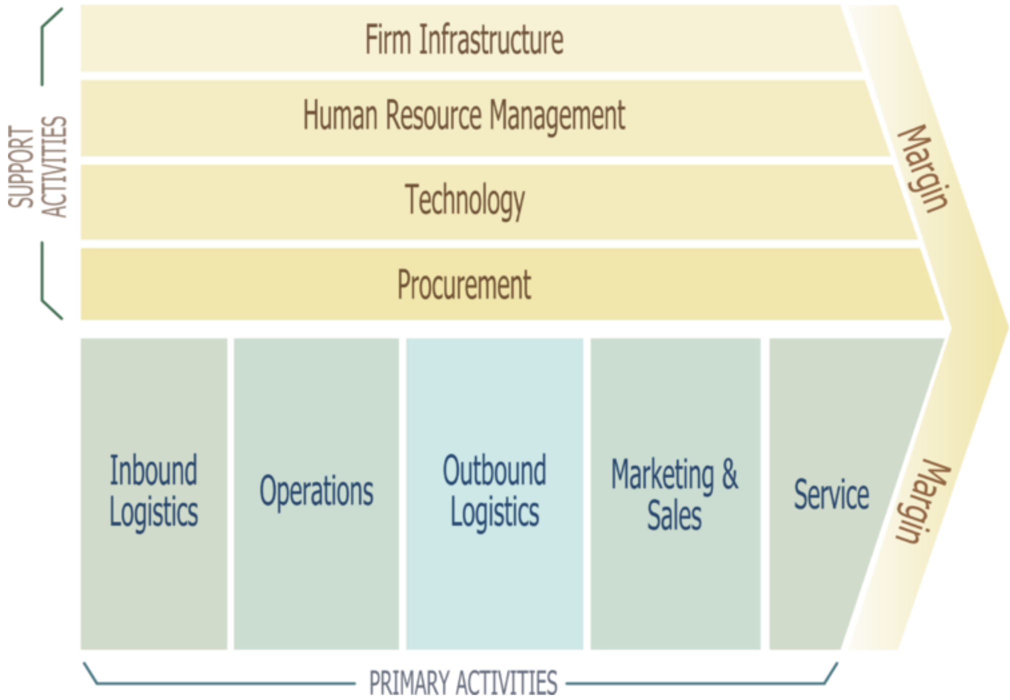


Figure 2- Michael Porter's Value Chain[2]

Porter differentiate between primary activities and support activities: "*The value chain configuration is a two-level generic taxonomy of value creation activities*"[3]. The first ones are those implemented by the firm to create value, while the support activities have the function of improving the performance of the primary ones.

Nonetheless the great importance of Porter's work, further studies have interrogated on the capability of this framework in describing the value creation processes for all the corporations operating in all the industries without any kind of differentiation.

[2] https://en.wikipedia.org/wiki/Value_chain

[3] Porter M. E., (1985), Competitive Advantage: Creating and Sustaining Superior Performance, New York: London: The Free press, Collier MacMillan

Thompson distinguished three possible technologies that could be adopted by firms to drive the businesses: long-linked, intensive, and mediating technologies[4]. Starting from this distinction, Fjelstad and Stabell state that each of these technologies has a diverse manner of delivering value to customers and so behind each one there is a different value creation logic[5].

While for the long-linked technology the Porter's value chain model is perfectly applicable since value is delivered by transforming inputs into products so describing the operations relative to a typical manufacturing firm, for the remaining two technologies the authors feel the need of rewriting the American economist's value configuration.

For this purpose, they propose other two models for the description of the value creation process that better fits firms adopting intensive and mediating technologies which respectively are the "Value Shops" and the "Value Networks"[6].

The value shop model relies on an intensive technology. Within this model, the value is not delivered anymore to the customer through the transformation of the inputs into products, but through the mobilization of resources and activities toward the same direction with the only objective of solving the customer's problem. Even if the support activities are the same of those identified by Porter, the primary activities completely change.

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[4] Thompson J. D., Scott R. W., Zald M. N., (1967), Organizations in Action: Social Science Bases of Administrative Theory, Transaction Publishers

[5] Stabell C. B., Fjelstad O. D., (1998), Configuring Value for Competitive Advantage: on Chains, Shops and Networks, Strategic Management Journal, Vol.19, no. 5, page 413

[6] Stabell C. B., Fjelstad O. D., (1998), Configuring Value for Competitive Advantage: on Chains, Shops and Networks, Strategic Management Journal, Vol.19, no. 5, page 414

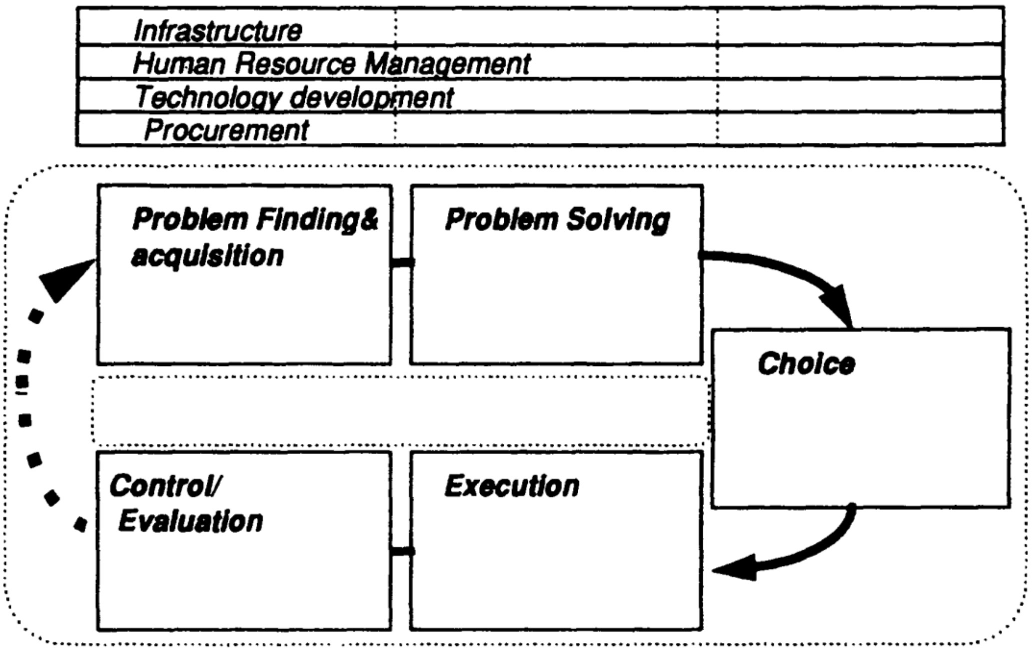


Figure 3- The Value Shop Diagram[7]

It is possible, depending on the firm taken into account, that the five Porter's primary activities are still present within the economic cycle of the firm, but this new diagram is better in explaining the logic underlying the value creation in firms using intensive technology which mainly are service professional firms like consulting firms, IT firms but also firms composed by lawyers, architect or engineers.

The last value creation process identified by Fjelstad and Stabell is named Value Network. It involves the presence of a mediating technology and it is the value configuration that in their opinion applies to firms operating within the insurance or retail bank sectors as well as in companies acting in the telephone sector.

As it is showed in Figure 4, even in this case the support activities are the same as those in the previous two value creation diagrams, so the differences can be seen comparing the primary activities:

[7] Stabell C. B., Fjelstad O. D., (1998), Configuring Value for Competitive Advantage: on Chains, Shops and Networks, Strategic Management Journal, Vol.19, no. 5, page 424

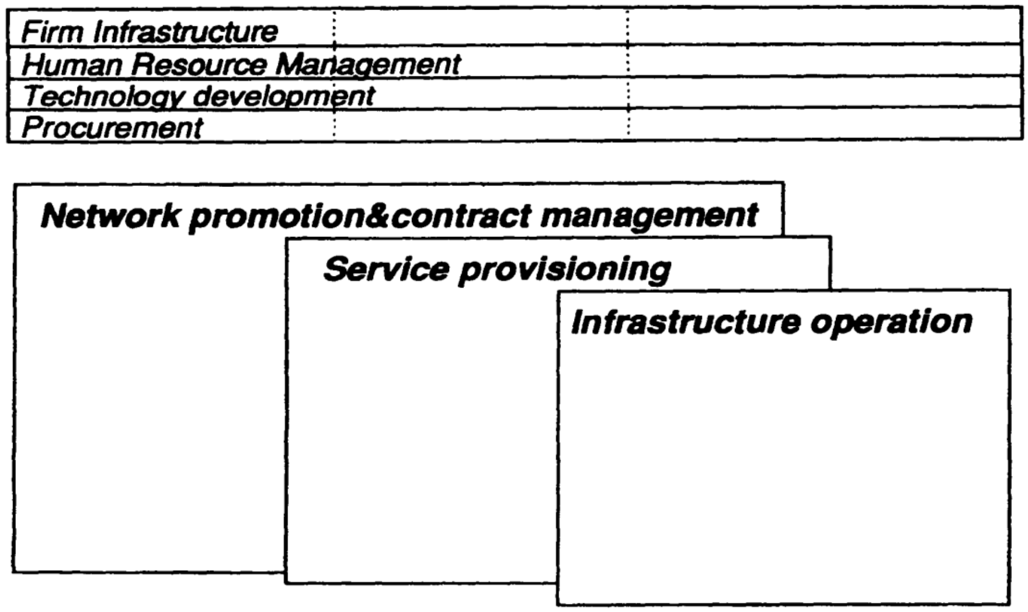


Figure 4- The Value Network Diagram[8]

At this point in time, it seems worthwhile to spend some words on the explanation of this last diagram since it will be important for the further considerations.

The first phase is the one during which the firm must establish the network and try to sell the service that it will provide. In the second phase the service is provided to the customer and the last one consists with operating and maintaining the physical and information infrastructure.

It is important to focus on the logic of the value creation process. In this case the establishment of the network is just the first part of the value creation process that continues during the second phase in which the service has to be created by the firm and delivered to the client: "*The firm itself is not the network. It provides a networking service*[9]".

[8] Stabell C. B., Fjelstad O. D., (1998), Configuring Value for Competitive Advantage: on Chains, Shops and Networks, Strategic Management Journal, Vol.19, no. 5, page 430

[9] Stabell C. B., Fjelstad O. D., (1998), Configuring Value for Competitive Advantage: on Chains, Shops and Networks, Strategic Management Journal, Vol.19, no. 5, page 427

### 1.1.3 What about Platforms?

The Fjelstad and Stabell's research was published on the Strategic Management Journal in May of 1998, a year in which for sure the internet already existed, but it obviously was not so spread as it is nowadays and so it seems reasonable to think that the Platform Businesses were not involved in their study.

Here we have another question: How do Platforms create value?

"*Interactions on a platform resemble any economic or social exchange… In every such exchange, the producer and the consumer exchange three things: information, goods or services, and some form of currency*[10]". This sentence has a fundamental importance in the understanding of the platform's role within this exchange.

In fact, Platforms are not the producers of the goods or services exchanged, they are the networks through which the exchange relies, the mean through which the exchange is possible. So, their role is to gather, analyze and elaborate the information that producers and consumers using the platform provide in order to match them.

In the Platform's world the value creation process is completely changed, and it is transformed into a co-creation of value that is not managed by the platform alone, but by equal-partners that could offer their products, their services, their time in exchange of "some form of currency".

It is clear that the traditional management frameworks mentioned above do not fit the new context, for this reason a new model showing the core activities that a platform need to manage has been created:

[10] Parker, G.G., Van Alstyne, M.W., Choudary, S.P., (2016), Platform Revolution: How Networked Markets Are Transforming the Economy - and How to Make Them Work for You, 1st Edition, W.W. Norton Company, page 36

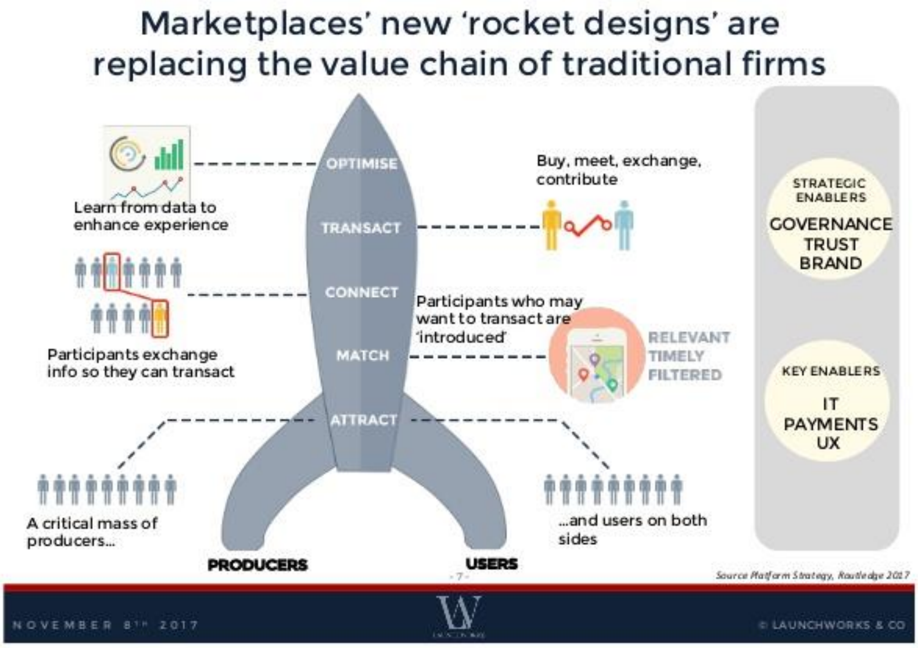


Figure 5- The Rocket Model[11]

This new way of creating value is not only allowing platforms to create new form of business activities, it also implies the emergence of new business entities able to compete with traditional firms[12] but that are completely revolutionizing the way of doing business in the sectors in which they act, so reshaping the entire industries. In fact, considering the first three value creation models, each of them was used by all the firms operating in a certain industry (all manufacturer firms operate through the value chain framework). Nowadays, the advent of platforms has allowed new firms to compete in the same old sectors but using a new value creation model (the Rocket Model) that permits them to completely change the way in which business is conducted.

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[11] Reillier, L.C., Reillier, B., (2017), Platform Strategy: How to Unlock the Power of Communities and Networks to Grow Your Business, 1st Edition, Routledge, page 46

[12] Parker, G.G., Van Alstyne, M.W., Choudary, S.P., (2016), Platform Revolution: How Networked Markets Are Transforming the Economy - and How to Make Them Work for You, 1st Edition, W.W. Norton Company, page 68

From now on in this chapter, there will be a focus on the differences that come from the diverse way through which value is created between the Pipeline businesses and the Platform businesses.

## 1.2 Pipeline Business

The Corporate Strategy is the path through which a firm identifies the competitive advantage of its business units and coordinates them in order to create value[13]. The ultimate objective of the corporate strategy is to define, choose, implement, and manage the strategic alternatives aimed at the growth of the company[14].

How a firm is able to create and sustain a competitive advantage, and so the corporate strategy, depends on different factors that could be internal or external to the firm, technological and so on. This leads the corporate strategy to differ among industries, firms, and centuries, so it is the best tool that can be used to study the differences between Pipeline and Platform Businesses.

Some of the steps needed for the scope of the analysis are: the understanding of the forces and logics at the basis of the theory of the firm, the different value creation processes already analyzed, and the different architectures of the enterprises taken into consideration.

Following the considerations of Alex Moazed[15] it will be possible to understand how the shift in the economy that society is living today is deeper than what it was possible to foresee. Indeed, while within the Pipeline economy there are centralized companies that operate in a decentralized market, nowadays Platforms are creating and are themselves centralized markets that aggregate both centralized and decentralized producers, allowing them to compete, in many cases also with the Platform itself, for the same stake of the market.

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[13] Fontana, F., Boccardelli, P., (2015), Corporate Strategy: Una Prospettiva Organizzativa e Finanziaria per la Crescita, Hoepli, page 3

[14] Fontana, F., Boccardelli, P., (2015), Corporate Strategy: Una Prospettiva Organizzativa e Finanziaria per la Crescita, Hoepli, page 7

[15] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press

### 1.2.1 The Firm of the 20th Century

As Moazed asserts: "*Our story starts with an age-old problem: What's the best way to organize an economy? Should economies be centrally organized, or decentralized and orchestrated through market activity?*"[16].

Basically, the problem is: How to allocate the resources more efficiently?

The Nobel Prize Leonid Kantorovich, in its masterpiece *The Best Use of Resources*, demonstrated that perfect market and perfect planning were equivalent. However, the *conditio sine qua non* both perfect market and perfect planning were possible was "perfect information". So, what was needed to demonstrate the greater efficiency of an economic organization with respect to the other was a method that could enable one of them to collect, store and transmit the information so permitting the efficient allocation of resources.

Friedrich Hayek sustained the better functioning of the free market over a centrally organized economy because of its better adaptation to what he called "Local Knowledge". In his view, a central planner could have never been able to organize an economy because even if he had had a method to collect and transmit the information, they constantly change at a local level and this would have not permitted him to take the best decisions to allocate resources efficiently. Instead, the free market could have dealt with the problem of the local knowledge through the price mechanism. Prices adjust when situations change, and this allows for a better allocation of resources.

Here it comes another Nobel Prize, Ronald Coase. He points out that the allocation of the resources does not depend just on the price mechanism. In fact, within the firm is the "*entrepreneur-co-ordinator*" who directs production and so, that allocates resources[17]. At this point a question arises. In fact, if markets can allocate

[16] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 52

[17] Coase, R. H., (1937), The Nature of the Firm, Wiley on behalf of The London School of Economics and Political Science and The Suntory and Toyota International Centers for Economics and Related Disciplines, Vol. 4, No. 16, page 388

resources efficiently by themselves, why do the figures of the entrepreneur and of the firm come into existence?

Ronald Coase's answer is "Transaction Costs".

"*A transaction cost is a cost in making any economic trade when participating in a market*[18]". Furthermore, Williamson explains that "*A transaction occurs when a good or service is transferred across a technologically separable interface*[19]*"*. He also adds that there are two behavioral assumptions on which the transaction cost analysis relies, and these are bounded rationality and opportunism[20]. The bounded rationality is strictly connected with the imperfect flow of information, while opportunism derives from a lack of trust between the parties involved in the exchange. So, firms come into existence since they are able to internalize and handle some actions more efficiently than markets. Indeed, within a firm information flows effectively and trust is maximized. This leads to a tremendous decline in the cost of transactions within the firm, so reaching the economies of scale theorized by Henderson. These concepts suggest that the bigger the company is, the greater should be the cost advantage over its rivals.

The two concepts described above, the Henderson's economies of scale and the transaction costs, are the two complementary of the Porter's value chain. All three together are the fundamental pillars of the theory of the firm of the 20$^{th}$ century. In fact, the activities internalized by the firm to reduce the transaction costs are exactly those that Porter described in its value chain. So, if the latter points out the activities handled internally by a firm, the transaction costs are the glue that keeps these activities together, and the Henderson's economies of scale are the gain that comes from settling the firm itself.

The ability of the company of reducing transaction costs through a better allocation of resources derives from the control of a mechanism for collecting, storing and

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[18] Mitchell, B., Brooksbank, D., Firth, I., (2010), Buy-side Firms Use TCA to Measure Execution Performance, FIXGlobal

[19] Williamson, O. E., (1981), The Economics of Organization: The Transaction Cost Approach, American Journal of Sociology, Vol. 87, No. 3, page 552

[20] Williamson, O. E., (1981), The Economics of Organization: The Transaction Cost Approach, American Journal of Sociology, Vol. 87, No. 3, page 553

using the information more efficiently than the market. So, the enterprise could now be seen as a centrally planned economy that operates within a larger and decentralized market system[21].

It is now possible to imagine the firm as a star floating in a larger galaxy. However, this special kind of star is governed by its own rules and it uses its own resources that can differ from those of the other stars surrounding it. Through a wise management this star is able to change position within its galaxy, it can become bigger or explode. The only thing that is sure, it is that the star has some borders that separate it from the rest of the universe.

The questions now are: which are the borders of the firm? And, can these borders be broken, so, can the firm grow? As it has been said above, this is the aim of corporate strategy.

The borders of the firm extend along three dimensions: horizontal, vertical and of portfolio. Consequently, the firm has three different borders along which it could expand.

Firstly, the horizontal extension refers to the growth of the firm within the sector in which it already operates. It is conducted through both the development of the market power and of the market share of the enterprise with respect to its direct competitors.

The second growth strategy is along the vertical dimension. The traditional firm creates value by purchasing the inputs from the suppliers, transforming and selling them to its customers.

[21] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 56


Figure 6- The linear firm[22]

However, the output that leaves the firm it is not always the final product that arrives to the consumers. Indeed, usually the product passes from firm to firm since it is completed. So, it is right thinking to a company as a value chain inserted in a wider value system (production chain). The vertical integration strategy highlights those choices that entail the increase of the number of the activities of a production chain that are held within the organizational borders of the firm[23].

Last but not least, the growth strategy of the portfolio implies the entrance of the firm in new markets placed in different geographic contexts, internationalization, or in new industries that could be more or less correlated to the ones in which it already operated, horizontal diversification.

Each of these strategies can give the firm some benefits. As it is going to be noted, those benefits enable the enterprise to compete stronger and gain a competitive advantage over its rivals. In fact, through these strategies the firm can enlarge its borders, so exploiting the economies of scale, scope, and learning, it can decrease some transaction costs, it could be able to enter high growth markets and exploit from the multipoint competition and so on.

The understanding of the reasons why the firm come into existence and the borders that separate it from the market were the first steps to undertake for the study of the firm of the 20th century. From now on, the study will focus on the determinants of

[22]Reillier, L.C., Reillier, B., (2017), Platform Strategy: How to Unlock the Power of Communities and Networks to Grow Your Business, 1st Edition, Routledge, page 42
[23] Fontana, F., Boccardelli, P., (2015), Corporate Strategy: Una Prospettiva Organizzativa e Finanziaria per la Crescita, Hoepli, page 5

the firm's growth (the strategic tripod) and on the strategies identified for gaining a competitive advantage.

### 1.2.2 The Strategic Tripod

#### 1.2.2.1 Sector

During the 30s of the 20th century many studies were conducted at the Harvard University with the goal of understanding which were the determinants that could lead the firm to earn profits over the average. These studies led to the formulation of the SCP paradigm. This economic theory tied the Performance of the firm directly to its Conduct and indirectly to the Structure of the environment in which it operates. It means that the performance of the firm, and so the profits that it is able to earn, it is strictly dependent from the industry within which it acts.

Some years later, Porter developed a framework used to determine the sector's potential profitability degree. Its framework identifies five different competitive forces that influence each industry, and he divided them in "horizontal" and "vertical" competition sources.

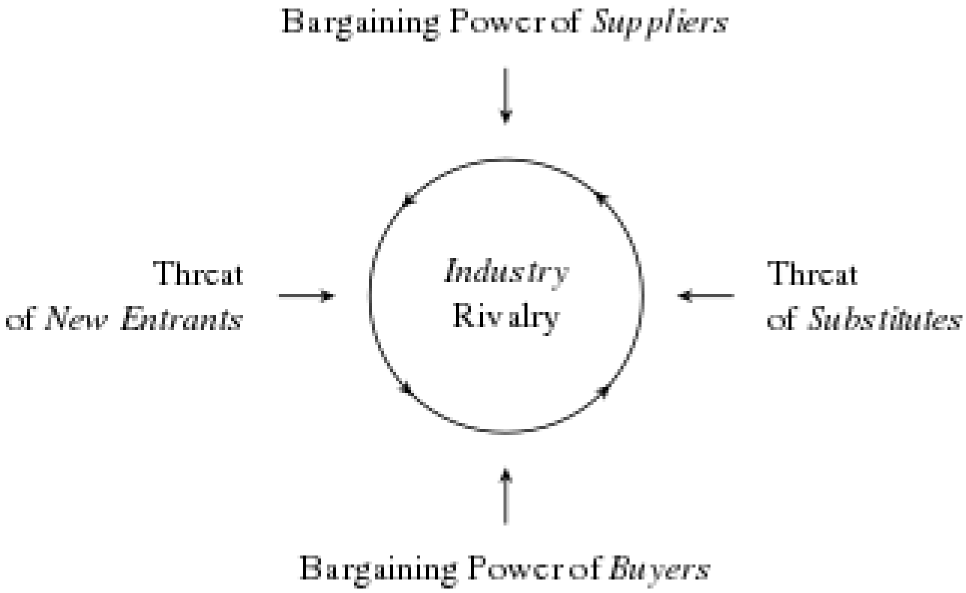


Figure 7- Porter's five forces of competition framework[24]

The three sources of horizontal competition influence one of the firm's border dimensions mentioned above. Indeed, the threat of entry, the industry rivalry (existing competitors) and the threat of substitutes are crucial to the determination of the market power and market share of the firm in the industry. It is important for the purpose of the paper to have clear in mind which are the elements of each force that determine their thickness in the industry. For example, there are seven different sources of barriers to entry: capital requirements, economies of scale, absolute cost advantage, product differentiation (brand recognition and customer loyalty), access to distribution channels, government and legal barriers and retaliation by established producers. Furthermore, the intensity of competition among established firms depends on six factors: the concentration's degree of the firms in the industry, the diversity of competitors in terms of their origins, objectives, costs and strategies, the product differentiation, the excess capacity and exit barriers, and the cost conditions (scale economies and the ratio of fixed to variable costs). The threat of substitutes is the last source of horizontal competition, and it has its determinants

[24]https://www.google.it/search?q=porter%27s+five+forces&source=lnms&tbm=isch&sa=X&ved=0ahUKEwit_4D6gNjaAhXhQJoKHd8NDZ0Q_AUICigB&biw=1093&bih=521#imgrc=x_qXmOQq8EBFCM:

in the buyer's propensity to substitute and in the relative prices and performances of substitutes.

Moving on toward the analysis of the two sources of vertical competition, it is possible to state that they can influence the second border's dimension of the firm, the vertical one. In fact, as it has been said above, the traditional firm is a value chain inserted in a wider production chain. So, it has to buy inputs and sell outputs. However, the price at which the firm is going to buy the inputs and sell the outputs depends on the relative bargaining power of both its buyers and suppliers. Their bargaining power, in turn, it is influenced by their size and concentration and by the information to which the acquiring part has access to.

The SCP paradigm and the Porter's five forces framework have been the first tools for the analysis of the corporate strategy. However, other contributions to the economic literature have led the corporate strategy to enlarge its horizons and to focus the attention not just anymore to the external industry, but also to some internal factors.

#### 1.2.2.2 Resources and Management

"*As firms' industry environments have become more unstable, so internal resources and capabilities rather than external market focus has been viewed as a more secure base for formulating strategy*[25]".

What is a resource? "*A firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm*[26]". The resource-based view imagines the firm as a collection of productive resources. These resources can be tangible, intangible or human resources and their ultimate goal is to permit the firm to achieve and sustain a competitive advantage. The ability of the resources in reaching their goals depend on some characteristics like scarcity, relevance, durability, transferability, and replicability. Furthermore, once resources have been acquired, the focus and efforts of the firm shifts on the exploiting of some isolated mechanisms which permit it to protect the resources already obtained, and

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[25] Grant, R. M., (2010), Contemporary Strategy Analysis, 7th edition, Wiley, page 122

[26] Warnefeld, B., (1984), A Resource-based View of the firm, Strategic Management Journal, Vol. 5, page 171-180

on substitutability schemes to prevent the lost of the advantage so granting the company the maintenance of its position[27]. However, resources are not productive on their own, so, to perform a task, they should be organized within the firm and provide it a distinctive capability. So, internal resources and capabilities are the basis for a firm to develop and sustain long-term competitive advantage.

However, during the last years the nature of competition evolved through hypercompetition and this produced a "*growth in the weight of the temporary performance component*[28]", which means that nowadays flexibility and adaptability are fundamental for the survival of the firm. There has been a shift from the research of the long-term competitive advantage to the short-term one, and the management plays a pivotal role in this research.

#### 1.2.2.3 Institution-based view

Firms operate within two different external environments that delimit their growth potential. The first one is the industry, and it has been already discussed about it above. The second, it is the institutional one.

Indeed, institutions have to deal with some problems that derive from the markets and from how companies act within these markets. The problems in question are: information asymmetries, power asymmetries, contract execution, incentives to the exchange and production, and collective actions[29]. The answers that institutions give to these problems obviously influence and shape the behaviors of the actors in the market, and firms are one of these actors. Moreover, the answers that in turn companies can give to institutions can vary from acquiescence to manipulation depending on their strength on the market itself.

So, institutions can be defined as the bodies that rule and structure the political, social, and economic exchanges[30]. Even if obviously there are differences between

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[27] Fontana, F., Boccardelli, P., (2015), Corporate Strategy: Una Prospettiva Organizzativa e Finanziaria per la Crescita, Hoepli, page 26
[28] Fontana, F., Boccardelli, P., (2015), Corporate Strategy: Una Prospettiva Organizzativa e Finanziaria per la Crescita, Hoepli, page 13
[29] Fontana, F., Boccardelli, P., (2015), Corporate Strategy: Una Prospettiva Organizzativa e Finanziaria per la Crescita, Hoepli, page 43
[30] Fontana, F., Boccardelli, P., (2015), Corporate Strategy: Una Prospettiva Organizzativa e Finanziaria per la Crescita, Hoepli, page 39

the regulations enforced for the Pipeline and the Platform Businesses, it is possible to state that the general logics below the institution-based view are applicable to both of them.

What the strategic tripod does, it is giving a framework to the firm for the analysis of both external and internal factors that can influence its performance and growth. The next part will be focused on the strategies that traditional firms can implement in order to reach the aspired competitive advantage.

### 1.2.3 Competitive Advantage

Basically, there are two different strategies for a firm to achieve competitive advantage, and those are: cost and differentiation.

#### 1.2.3.1 Cost Advantage

Offering the same product of your rivalries at a lower cost is a good strategy for winning the race. Seven different cost drivers have been identified, however, their importance varies across industries, across firms within an industry and across the different activities within a firm[31].

The first cost driver are the economies of scale. In traditional pipeline businesses there are supply side economies of scale. It means that they derive from the fact that increasing the production schedule, the unit cost per output produced decreases. These are exactly the economies of scale theorized by Henderson, and they follow this trend:

[31] Grant, R. M., (2010), Contemporary Strategy Analysis, 7th edition, Wiley, page 231

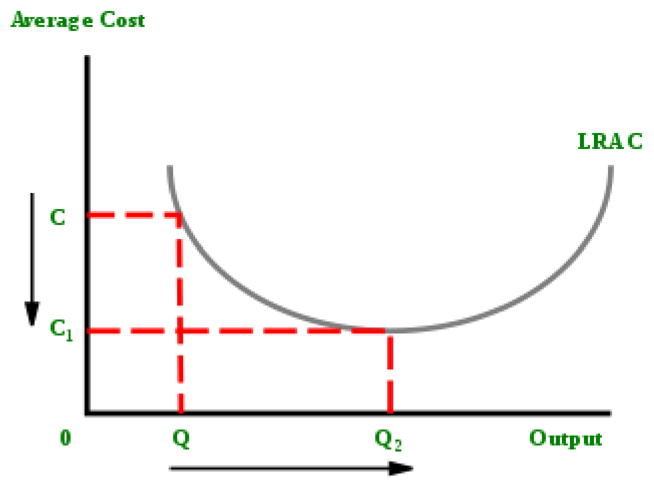


Figure 8- Economies of scale[32]

The economies of learning are the second cost driver. They are based on the concept of learning-by-doing and are due to the fact that repetition develops both individual skills and organizational routines. Input costs also have a big impact on the total cost of a product. Four sources of lower input costs have been identified: location advantages, ownership of low-cost sources of supply, nonunion labor, and bargaining power. The remaining four cost drivers are the production techniques, the product design, the capacity utilization and the residual efficiency.

#### 1.2.3.2 Differentiation Advantage

"*Differentiation advantage occurs when a firm is able to obtain from its differentiation a price premium in the market that exceeds the cost of providing the differentiation*[33]". It is not just about product features, but it also involves the understanding of the customers, of their needs and desires in order to match them better than the competitors do. So, a firm looking for differentiation should examine both its supply side and demand side possibilities.

[32]https://www.google.it/search?q=supply+economies+of+scale&source=lnms&tbm=isch&sa=X&ved=0ahUKEwi52uu21traAhUUV8AKHXs3CGYQ_AUICigB&biw=1093&bih=521#imgrc=hbQF2nKKNFjHvM:

[33]Grant, R. M., (2010), Contemporary Strategy Analysis, 7th edition, Wiley, page 246

Demand side differentiation means focusing the attention on the customers, what they want, how they choose and what motivates them[34]. Customers are driven both by physical and psychological needs, and a firm must be aware of the reasons that can push customers in or out their offering systems.

Supply side differentiation, instead, is much more focused on the product created by the company. So, the attention is shifted on the internal resources and capabilities through which it is possible to create a differentiated product. Porter says that the product features and performance, its complementary services, the marketing activities, the quality, and the skills and experience of employees are the factors influencing this kind of differentiation, in other words, the drivers of uniqueness. The linkage of this strategy with the traditional firm and its value chain it is so strict that it is possible to use the value chain itself to identify the opportunities for differentiation:

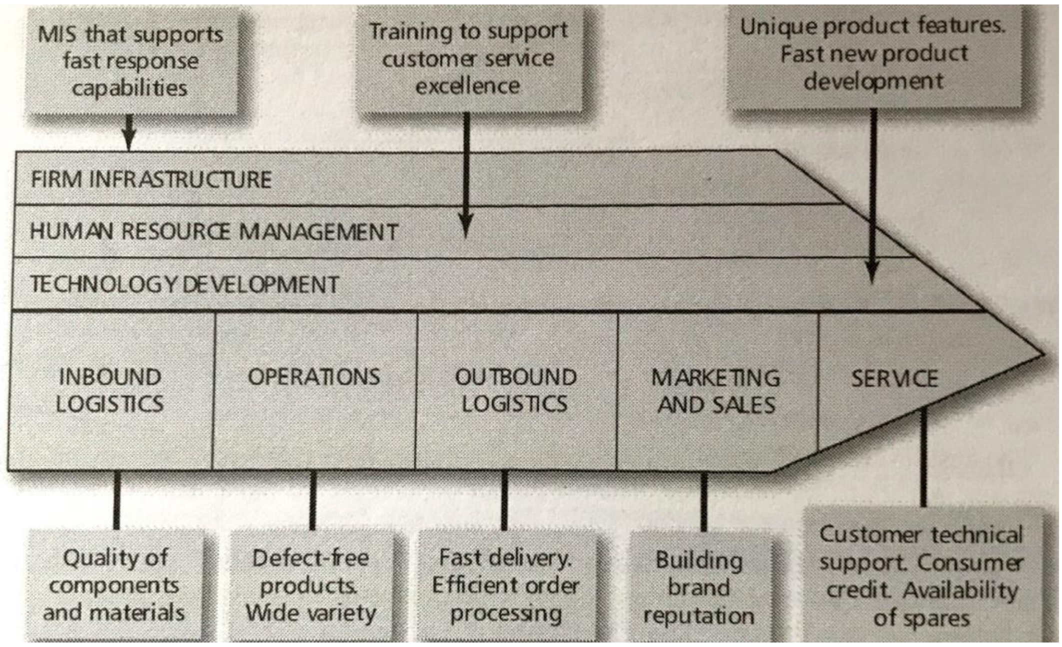


Figure 9- Using the value chain to identify differentiation potential on the supply side[35]

[34] Grant, R. M., (2010), Contemporary Strategy Analysis, 7th edition, Wiley, page 247
[35] Grant, R. M., (2010), Contemporary Strategy Analysis, 7th edition, Wiley, page 250

### 1.2.4 The focal points

The analysis conducted started from the very origins of the firm and led to the understanding of how it reaches its objectives.

It has been said that the firm was created to reduce some costs that are found within the market, costs related to the problems of the bounded rationality and of the opportunism, the transaction costs. These are the same costs that keep the Porter's value chain together, which is the way the firm creates value and that defines its architecture also considering the process through which it works, buying inputs and transforming them into outputs.

So, the firm has been defined as a centrally planned economy operating in a larger and decentralized market system. This means that even if the transaction costs have been reduced within the firm, they exist outside it and continue in shaping its behavior and strategy. In fact, outside the boundaries defined above, there are many other firms with which the company has to deal with. It is worth saying that networks of firms, like keiretsu, have been created to further reduce problems related with transaction costs outside the boundaries of the firm. These are networks within which multiple companies cooperate and, through this cooperation they try to reach a competitive advantage over the other competitors in the industry since their collaboration has a great impact on the reduction of the transaction costs still present outside the firm. However, the network object of this study, the one present in each Platform company, it is very different from the one just described.

Furthermore, the object of the discussion was also the way in which traditional firms work for the achievement of the competitive advantage, and it is clear the raise of some characteristics. First of all, the focus of the Pipeline firms is on its product and on its customers as it is possible to understand from the cost and uniqueness drivers used respectively for reaching the cost and differentiation advantage. So, this kind of firm usually owns and controls a lot of valuable assets, and it tries to optimize these internal resources. So, again, its focus is mainly directed internally. Indeed, these firms view the external environment as an enemy, and fights with all its resources to erect barriers that it "think" can protect it.

As it is going to be described, many of the things said for the Pipeline Businesses completely change for the Platform Businesses.

## 1.3 Platform Business

### 1.3.1 Time flows, technology changes: some problems with Pipes

As it is explained above, the firm's origins are strictly linked to the Coase's transaction costs theory: the firm come into existence to minimize these costs. The internalization of some actions that were previously done on the market within the borders of the firm leads to the Henderson's economies of scale. So, in theory, the greater is the firm, the more effective are these economies. However, Henderson's economies of scale are U-shaped (Figure 8), which means that, once the firm has reached a certain size, it starts experiencing diseconomies of scale, because of the rise of coordination, information and transaction costs. Hayek's local knowledge problem recurs within the firm: "*The U-shaped economy of scale curve that businesses experienced was a demonstration in microcosm of why central planning didn't work for an entire economy*[36]". At this point, growth costs more than it's worth, so many companies stop expanding at a size well below the total control of their market. Furthermore, since transaction costs are the glue of the Porter's value chain, a change in their equilibrium could lead the value chain itself to break or be reorganized.

The Polish economist Oskar Lange was sure of the fact that Hayek's local knowledge problem was "old fashioned", and that the advent of computers could have led to a more centralized and equal efficient economy. Thanks to the computers, information processing and storage costs decreased, and they were important fractions of the transaction costs. How it is said above, as transaction costs fall, the bonds that keep the value chain together start weakening since small and new competitors are enabled to attack and disintermediate a piece of the company's value chain. However, computers alone could not maintain the promise

[36] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 60

of a more centralized economy. Even if they were able to store and process large amount of information, they could not solve the problem of how to transmit the information processed.

A step forward for the creation of a centralized economy was made thanks to the internet and the mobile revolution, which led four key changes: the democratization of processing power, the declining cost of communication, the rise of ubiquitous connectivity and sensors, and growing returns to scale on data analysis[37].

The democratization of processing power and the declining cost of communication decreased transaction costs, so disaggregating and fragmenting the traditional firm and its value chain. Instead, the rise of ubiquitous connectivity and sensors, and the growing returns to scale on data analysis permitted the existence and the spreading of the Platform Businesses.

Before of the explanation of how these Platforms are changing our economy, it is important to focus on their architecture, strategy and functioning, so that the differences with the Pipeline Businesses will be clearer.

### 1.3.2 The Architecture

The heart of the theory of the firm of the 20th century was the Porter's value chain which combined the activities with the objective of creating the greater value and the better product for the lower cost.

Platform Businesses create value in a very different way with respect to the Traditional ones. In fact, the value is co-created by the Platform and its participants. So, in order to exchange this value, there are some actions that must be implemented by these parties.

The participants are both the producers and the consumers using the platform, and they are involved in the implementation of the "core transaction". The core transaction is the set of actions consumers and producers must complete in order to

[37] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 65

exchange value, and it includes four actions: create, connect, consume, and compensate[38].

So, the participants have a fundamental and active role for the correct functioning of the platform. Considering the rocket model as the framework for studying platforms, it is possible to note that the attraction of producers and consumers is in fact the first thing to do. The other actions that must be performed by the platform have to support the core interaction among the participants, and they are (keep in mind figure 5): match, connect, transact, and optimize[39].

Furthermore, it is worth saying that the co-creation of value means that the platform has to design a value proposition for each side of the participants, but the value is provided or created by the producers which receive something back from the consumers (money, feedbacks, ratings, like on Facebook, etc.). The platform is the mean through which this exchange among participants is made possible.

#### 1.3.2.1 Attract

The Platform attract function consists in identifying high-potential users and producers, training, incentivizing, retaining, or even terminating them.

There are four different platform's stakeholders: consumers, producers, partners, and the platform itself. Each of them has a different value proposition for every counterpart, so, identifying these value propositions it is of fundamental importance for the initial development of the platform since it helps to identify the target producers and consumers that could be attracted to the platform. This is also a difference from the traditional business since it had just one value proposition which was produced by itself and directed to its customer. The identification of the different value proposition it is also very useful to develop the tools and services needed by the parts to participate, so encouraging their contributions.

Once the target participants have been identified, if launching a platform from the scratch, the chicken-and-egg problem has to be solved. This is a platform specific

[38] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 112
[39] Reillier, L.C., Reillier, B., (2017), Platform Strategy: How to Unlock the Power of Communities and Networks to Grow Your Business, 1st Edition, Routledge, page 46

problem and derives from the fact that at beginning there is nobody on board, so, no value is created or can be exchanged on the platform. This means that consumers do not want to subscribe because there are no producers and producers do not create value because there are no consumers.

The ultimate goal of the attract function is to reach the critical mass. The critical mass can be defined as the point at which the network becomes large enough to continue growing by itself. For reaching this point, the platform should be able to engage and retain the participants, so creating a network. Initially, great efforts from the platform are needed, but it is also necessary to create viral loops through which users and producers pull each other into the network itself. Moreover, product and customer experience improvements are essential for retention. Finally, keeping the growth of both parties balanced and continue to innovate the value proposition with new features and tools in order to meet the needs of the actual users are strategic moves to have in mind during the acquisition and retention phases.

#### 1.3.2.2 Match

The matching function is one of the most important. Indeed, a good matching will result in lower costs for searching the counterpart on the market with which to proceed at the exchange: lower transaction costs for the participants. This function usually uses the information that the parties have already provided to the platform and, considering their requests, it filters the better options. Too much choices it is not always a good thing, especially when the result is a massive amount of confusing information. So, "*capturing relevant information can enable efficient matching*[40]".

Once that the mechanism starts working, it is important to automate it while keeping the matching quality and its timeliness high during its growth phase. Feedbacks from platform's participants help to discover if there is something wrong with the matching algorithm.

[40] Reillier, L.C., Reillier, B., (2017), Platform Strategy: How to Unlock the Power of Communities and Networks to Grow Your Business, 1st Edition, Routledge, page 84

#### 1.3.2.3 Connect

The connect function developed by the platform goes hand in hand with the connect action that has been found among the four actions of the core transaction mentioned above. In fact, the platform must provide the tools and services needed by the participants to interact. However, these tools must be carefully designed since, even if they should allow the parties to communicate, they must also be able to convince the participants to remain and finish the transaction on the platform. Only in this way, in many cases, the platform is then able to monetize its efforts.

During the connection phase, users and producers exchange information useful for the conclusion of the transaction, information that were not available in the matching stage. In this manner trust is maximized between the parties since they have a direct contact which can reduce information asymmetries.

Since platforms are not like traditional businesses, they can be shaped by the usage that the participants do of it. So, also the connection function will change if the usage of the tools or the needs of participants change. Mapping the different interactions between participants it is valuable to identify inefficiencies, governance, or trust issues.

#### 1.3.2.4 Transact

If the previous functions enabled the participants to meet and exchange the necessary information, probably they are now willing to transact, and the platform has to be prepared to allow them to do it.

Even at this stage, the design of the platform should be smooth to facilitate the conclusion of the agreement. Furthermore, many platforms use this stage to capture part of the value created (monetize) by the parties.

Reducing the friction during and after the transaction through improvements of the customer experience can help in maximizing the number of transactions.

#### 1.3.2.5 Optimize

The optimization is a data-driven function that allows platforms to “optimize” the matching, connecting, and transacting functions. It permits the continuous enhancement of the platform. Nowadays, big data are considered by platforms input of production, strategic asset, and tradable goods[41].

Initially, platforms ask participants general data to enable the attract function to be smooth. Through the elaboration of these data, the first matches are rendered possible.

However, when interactions and connections increase, the platform stores more information that will allow it to better know and understand its users in order to customize the platform for each one.

Flexibility is a key characteristic of platforms because participants can use them for activities that may not have been identified before. So, optimization should focus on monitoring how the platform is used and on how to adjust its growth trajectory.

### 1.3.3 Network effects

An important issue that Platforms have to face is how to gain competitive advantage over its rivals. If Pipelines identified in the strategic tripod the tool for guiding growth and the cost and differentiation strategies as the ways to walk to gain the competitive advantage, things change with Platforms. This does not mean that the literature of the 20th century is not useful anymore, or that those rules do not apply to the new era's companies. However, the focus of the firm has passed from the control of key resources to the management of large ecosystems of users which have become the main source of competitive advantage. Moreover, growth comes not from horizontal or vertical integration, but from network orchestration.

"*Network effects refers to the impact that the number of users of a platform has on the value created for each user*[42]". The good management of the positive network effects together with the orchestration of the ecosystem determine the competitive advantage. Strictly linked to network effects are the concepts of externalities and demand side economies of scale since both can increase the value of the service

[41] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 50

[42] Parker, G.G., Van Alstyne, M.W., Choudary, S.P., (2016), Platform Revolution: How Networked Markets Are Transforming the Economy - and How to Make Them Work for You, 1st Edition, W.W. Norton Company, page 17

provided when the number of users grows. Demand economies of scale are much more important for these firms than the traditional supply economies of scale since they can give to a platform a network advantage that is extremely difficult to overcome.

However, in order to exploit the advantages deriving from the network, the firm must build it. It is worth saying that "*growth in network isn't random. It's path dependent*[43]". This statement implies that the composition of the network today determines which users it will attract tomorrow. So, the Platform has the best possibilities for shaping the network and its community in its early days, when it is still forming. Scaling the network is fundamental for the achievement of the competitive advantage, but its growth has to be sustainable and its quality high. The first framework developed for understanding how to grow quality systematically as a network expands is the network effects ladder:

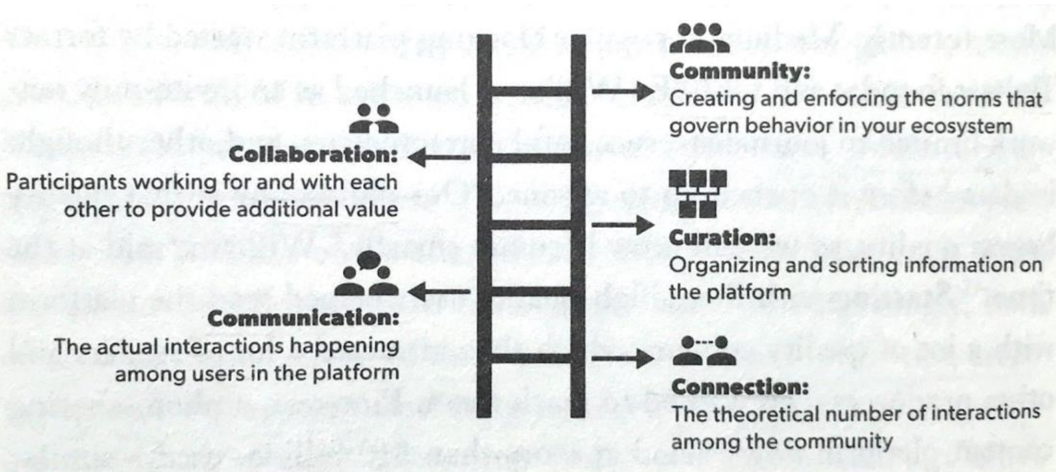


Figure 10- The network effects ladder[44]

[43] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 178

[44] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 182

The first thing to do is giving people a reason to be part of the platform, a reason to connect among them. So, at this stage the platform creates a certain number of potential interactions. The next step is giving the community the right tools to communicate, so encouraging real transactions among users with the goal of allowing the value exchange. Here it comes curation, which involves getting users to contribute to the network by acting individually. Collaboration brings users' involvement to the next level by inviting them to work with and for each other. The last stair of this ladder consists in the transformation of the community from an agglomerate of people pursuing their self-interest, to a network able to govern and maintain itself through the rules dictated step by step by the platform. Through this framework it is possible to manage the quality of the network by the empowerment of the users. It seems now important to look at other features of the networks.

As it has been said, platforms usually attract two different sides of the market, producers and consumers. So, the dynamic that works for growing the network is called two-sided network effect. It is important for a platform to look at the growth of both sides and to stimulate viral loops through which the increase in one side stimulates the growth of the other: "*scaling the network requires that both sides of the market grow proportionally*[45]".

Another feature of networks is that they are local, which means that probably a user is not willing to connect to every user on the platform but just to other users that are metaphorically "near" (it does not refer just to literal distance or location) to him. So, even if the more people are active on the platform the more the value of the network increases, what matters is to make the environment dense around users so that it will be possible to create value for them and not just for the platform itself.

There exist four kind of network effects, the "same-side effects" are those created by users of one side of the market that impact on users of the same side, the "cross-side effects", instead, are those created by one side that reflect on the users of the other side. Both could be positive or negative, so they are four.

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[45] Parker, G.G., Van Alstyne, M.W., Choudary, S.P., (2016), Platform Revolution: How Networked Markets Are Transforming the Economy - and How to Make Them Work for You, 1st Edition, W.W. Norton Company, page 25

As it has been explained above, a well-managed platform is able to build its ecosystem exploiting the positive network effects and a framework has been provided (Figure 10). However, while growing, the platform can incur also in negative network effects which can bring some problems. The risks encountered in scaling low-quality networks can lead the Platform to failure because of the presence of trolls, fake profiles, and spammers that decrease the quality so creating these negative network effects. In the end, this process culminates when the Platform becomes a ghost town since there are a lot of subscribers, but no one is active.

Understanding how to build and scale the network is the core issue for platform managers, and it involves decisions regarding who can enter the ecosystem and when he can do it. Sentences like “growth is not always good”, and “not all users are equal” must be always kept in mind to attract the right participants at the right time and so minimizing the negative network effects.

### 1.3.4 Competition

Compared with Pipeline companies, Platforms radically change the way in which value is created and delivered and competitive advantage is sought. These differences obviously have repercussions on the functioning of the firm and on the competitive forces it has to face. For example, the two sources of vertical competition, bargaining power of buyers and suppliers, are not as relevant as before since the firm is not anymore a center of production but it is a center of connection and exchange. Furthermore, barriers to entry change, in fact, what is needed today in order to compete with Platforms already operating is to create a network, which is certainly very difficult, but it does not require the capital investments that where needed to enter some industries few years ago. It would be an exaggeration to say that the last decades have demolished the Porter’s five forces model, it is still useful. However, the nature of competition has become more complicated and dynamic than before.

Platforms are transforming the business landscape in three different ways: de-linking assets from value, re-intermediation, and market aggregation[46]. These three characteristics obviously influence and shape competition.

There are different layers of competition in the Platforms' world. Since they aggregate the supply of products and services accessible from the platform, the suppliers who sell through it become partners of the platform itself and have to compete among themselves. It is possible to recognize the second layer of competition when the platform is providing and selling the same products of its partners. These two layers of competition act within the platform and, if they are well managed, they can enhance the network.

However, Platforms face competition also outside of their ecosystems both with Pipelines or with other Platforms. Someone would say that when competing with Pipelines, Platforms always win because of different reasons. First, demand economies of scale are more efficient than supplies' one. Furthermore, platforms eliminate gatekeepers, they unlock new sources of value creation and supply so enlarging the market capacity and monetize from the improvement of the network. The lower capital requirements are an incredible advantage since Platforms drastically reduce, for example, maintenance and storage costs. In order to renew their offer, they have to curate and enlarge the network, but there is no need to search new assets or upgrade the old ones.

The fourth layer of competition is the one among Platforms. The battlefields where these companies fight are different from those of Pipelines. Indeed, traditional firms competed on cost and differentiation, instead platforms use other weapons. Their first aim is to prevent multihoming and they do this by developing rules, practices, and protocols to discourage it. They also try to foster innovation by giving partners frictionless opportunities to do it, and then they capture value from it. Another important battle is fought by leveraging the power of data since their correct usage

[46] Parker, G.G., Van Alstyne, M.W., Choudary, S.P., (2016), Platform Revolution: How Networked Markets Are Transforming the Economy - and How to Make Them Work for You, 1st Edition, W.W. Norton Company, page 69

is increasingly a source of advantage. Finally, the platform design and the ease of its use can bring participants from a platform to another.

### 1.3.5 Centrally Planned Markets

Industries characterized by strong network effects and high multihoming or switching costs are perfect for the development of Platform Businesses. Moreover, given that platforms' margins increase as their networks grow, their presence often leads to Winner-Take-All-Markets. Traditional monopolies are usually accused of breaking down market forces and exploiting their dominant position to gain higher returns while harming consumers. Instead, Platform monopolies are "*the result of markets working correctly, a phenomenon that economists call a natural monopoly*[47]". Indeed, the larger is the network, the greater is the value, the efficiency, and the convenience for users. More Platforms within the same industry mean more communities and markets, so, the potential value that could have been created through network effects goes unrealized, and all of this results in higher prices and fewer transactions.

The Winner-Take-All-Economy, together with the great fall in transaction costs have led Platforms to be "*a synthesis of Coase's firm and Hayek's market*[48]". What these Platforms are essentially creating are centrally planned markets and, in this way, they are unlocking new economic and social value. This new value is then spread off, thanks to Platforms, to a larger community of individuals that do not necessarily have to be organized in firms in order to capture it. Indeed, this new redistribution of value is rendered possible thanks to the breaking bonds that held the value chain, and so the firm together. The different parts of the value chain are, in fact, being substituted by decentralized networks of autonomous individuals, and the tourism industry is one of the most hit and reshaped by these changes.

Welcome to the new economics' era!

[47] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 103
[48] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press, page 70

# Chapter 2

# Platforms in the tourism industry

Tourism is an information-based and information-intensive industry. Indeed, travelers first have to investigate options, compare prices, and make reservations, and only at the end of this process the tourist products and services become tangibles. This pivotal role of information in the industry has allowed the growth and proliferation of the Platform Businesses within it, since these latter permit the speeding and spreading of information across the market.

It is important to acknowledge that the so called "sharing economy" is just a little part of this larger phenomenon. In fact, the term service provider refers both to "*private individuals who share assets, resources, time and skills on an occasional basis, or regular service providers acting in a professional capacity*[49]". The consequence is that there are Platforms of every kind, some using as service providers only private individuals or professionals, and other where both of them can offer their services. Moreover, another feature must be underlined. True sharing comes from services that do not generate an economic benefit beyond the recovery of costs and it usually involves only occasional economic transactions. However, private individuals can use Platforms both for offering true sharing or to generate an economic outcome.

This new shape of the tourism industry is enlarging the horizons of both service providers and visitors, with the digital platforms in the middle acting like touristic operators with infinitely wider networks. As it is explained in the first chapter, it is the network that creates value, so allowing visitors to benefit from the broader choice and lower prices put on the platform by the great range of service providers which can also offer new experiences that were not even conceived before.

[49] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt.

The importance of Platform Businesses in the tourism industry is expected to continue growing in the coming years. Their impact has involved all the five areas and sectors that allow the functioning of the whole industry: information, accommodation, transport, food & beverage, and tourism activities. This chapter is going to summarize the most important platforms acting in each area also trying to explain the changes that are occurring.

## 2.1 Information services

Nowadays, online platforms are the principal way through which travelers gather information. In fact, users can consult them in order to search for nearby attractions, accommodations, activities like excursions or guided tours, restaurants, events, and many other things.

Essentially, those information platforms provide user-generated content in the form of reviews and ratings. This new way of spreading information brings some benefits for the different counterparties. For example, visitors have a fast and easy access to reliable information which can help them to take better informed decisions on what to do or what to visit. Destinations can increase their visibility since these platforms are also an important channel for marketing and promotion. Finally, service providers have a low cost and time saving method for reaching a wider audience. Moreover, feedbacks can help service providers or DMOs identify weaknesses and transform them into strengths.

However, the information services do not give just new opportunities, they also pose some challenges. For example, the management of the quality of the information is crucial for the good functioning of the system. Furthermore, small and medium enterprises which are not familiar with these new instruments might have the need to be helped for properly learning how to use them. Another challenge is to foster collaboration between platforms and traditional tourism information offices that "*should be considered complementary and not competing with one another*[50]".

[50] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 28

The most widespread platforms for information services are TripAdvisor and Yelp. Given their similarity, it will be useful for the purpose of the research to analyze at least one of them.

### 2.1.1 TripAdvisor

TripAdvisor was founded and launched in 2000 by Stephen Kaufer and then acquired in 2004 by Sebastian Mendoza. It collects reviews on hotels, private houses, restaurants and the most varied tourism activities from millions of subscribers. Each review is filtered from its staff in order to verify the credibility of the content and, even if the company has been criticized for this practice, it can be viewed as an effort to manage, ensure, and built trustworthiness among users and service providers. The platform does not only provide tools to rate attractions, but it has also created a system to rate users and personalize their profile. Indeed, when a user writes reviews, posts photos or suggests new places that were not previously present on the portal, TripAdvisor assigns him some badges that identify him as a credible user. Moreover, users can personalize their personal profile by adding their tastes, the places that they have visited, those that they have liked and those that they have not. These information are obviously collected by the platform which is then able to suggest attractions that fit more the users' tastes, so customizing the advices. TripAdvisor's revenue model is very differentiated. In fact, it sometimes drives the traffic on other websites or platforms like Expedia, Booking, or any other hotel site. In this case it monetizes from click based advertising, so the more people arrive to these websites from TripAdvisor, the more it gains. Many other times it allows to book some activities directly from its site, and in this case, it earns a fee from each transaction. Other two ways for monetizing are from display advertising and from the subscriptions of the service providers. So, TripAdvisor, after many years in the sector, has developed many kinds of functions beyond the merely provisioning of information. However, it is considered a colossus in the information area, in fact, the large amount of feedbacks and reviews present on the platform are far greater than those present on any other platform also thanks to its longevity, for this reason, it has been analyzed in this section.

## 2.2 The Accommodation sector

The Accommodation sector is probably the most impacted by the advent of the Platform Businesses which are radically changing and reshaping it. There is a broad range of offer provided, indeed, depending on the platform used, it is possible to rent an entire property, a single room, a sofa, some platforms permit the rental of the primary or secondary properties by private individuals, other offer commercial operators' properties, other both of them.

This new landscape of the accommodation sector is the background for many opportunities that can be caught by the different actors. First, the destination that is able to carefully manage these new instruments has the potential of increasing its room capacity and offering new experiences to visitors by bringing them closer to the local communities. The increasing competition will lead to a larger variety and lower prices for the accommodations so reaching new segments of tourists like the young generation. Furthermore, the raise of competitiveness can also result in an increasing quality of the offer. Local communities can be revitalized by the development of neighborhoods that otherwise would not have been served, and hosts have the possibility of increasing their revenues, meeting new people and live enriching experiences in the place where they live. However, in order to catch these opportunities, some challenges must be overcome. One of the most urgent regards the regulation of the phenomenon. Indeed, ensuring the enforcement of compliance with tax obligations and the registration of the activity are just two examples but they are fundamental to leveling the playing field and avoid unequal conditions and unfair competition. Access to data is another great problem, and it is also related to the regulative one since data are needed to distinguish between true sharing and "*sharing economy with commercial orientation*[51]". Moreover, Platforms can have some negative repercussions also on the local community, in fact, because of the increasing convenience of renting the apartments for short-term periods to tourists, the availability for long-term rentals to residents is declining and so the prices are splashing up. Other problems could be related to the "touristification" of residential

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[51] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 32

neighborhoods causing some kind of emotional problems to residents which can therefore feel less at home, so complaining with the local authorities.

It is worth saying that something is moving to solve the problems mentioned above. Public authorities are seeking the collaboration of the private Platforms to gather data and regulate the sector. The role of the tourism authorities should be also that of raising public awareness on the topic through "*educational and promotional campaigns aimed at making owners aware of their responsibilities before the law, on the fines applicable if they break it, and the options available for regularization*[52]". However, the path is still long, furthermore, the sector is changing shape, but it is not clear what will be its shape in the next ten years. For this reason, its regulation is not an easy topic to address at all.

Proceeding with the analysis of some of these platforms will be useful to understand how the sector is working today.

### 2.2.1 Airbnb

Airbnb is probably the most famous Platform company operating in the accommodation sector. The website was created during the October of 2007 and then launched the following year by Brian Chesky, Joe Gebbia, and Nathan Blecharczyk. Nowadays, Airbnb is present in more than 34000 cities across more than 190 countries. These are very huge numbers that lead to a company valuation of $31 billion. It is an incredible growth for a firm that just 12 years ago neither existed, a growth rendered possible just by the characteristics of the Platform Businesses, in fact, its network effects and flexibility permit it to have a widespread number of accommodations in the best locations of the world without even the need of acquiring or maintaining one of them. Airbnb was born as a simple and revolutionary idea: private people with an extra bed willing to share it with a stranger in exchange for money. However, since its launch, things have changed and now the platform allows hosts not only to offer a bed in their primary house, but, according to the regulations, it also permit short-term rentals of secondary houses. Furthermore, visitors have also the possibility to book an experience and

[52] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 34

not just a place to sleep, experience that could be offered by the host of the house where the visitor is going to pass the night. So explained, it seems that Airbnb is the perfect site for young travelers, and it is, however its offer does not stop here. Trying to compete for another customer segments, Airbnb has also developed some offers for people that travel for business, for families, for group travelers and also for longer-term rentals. Given the absence of facilities to manage, its efforts can focus on other aspects of the business that allow it to enlarge and improve its offer, and in the meantime to create the trusted environment needed. Airbnb earns from the commissions for the transactions. Indeed, it charges a transaction fee to the travelers of the 3% of the booking amount, and another 10% commission from hosts upon every booking confirmed.

### 2.2.2 OTAs

The booking process in the accommodation sector has passed through different cycles of intermediation and disintermediation. Initially, it was possible to book a night stay in a hotel only with the first means of communication like telephone and fax, so having a direct contact with the counterpart. Subsequently, the entrance in the market of the off-line tour operators changed the way through which things worked, these were the first kind of intermediaries within the market. The advent of the internet challenged these latter since became easier for the service providers (hotel, b&b, etc.) to reach the consumers, it was a tool to overcome the intermediaries and to avoid paying fees to them. However, once all the providers understood the convenience and the easiness of using the web, this became a crowded theatre in which each actor tried to prevail on the other. All of this resulted in a great confusion, a deafening noise, and a bad show for the aspiring travelers. In this context it is possible to collocate the development of the OTAs, which, putting order to the situation, have been able to exploit the confusion and making profit on it. OTAs can be considered the new intermediaries of the sector, or the on-line tour operators. What they have done was to aggregate all the offer, or most of it, to organize it, and to make it available to the consumers willing to consult it. Slowly, this aggregation process of the offer led OTAs to be an irreplaceable pivot of the sector, and so they have gained a great bargaining power on the private accommodation providers since nowadays many of them have in the OTAs their single market channel. Someone tried to disintermediate again the sector because of the platforms ability of subtracting direct bookings to the hotels and earning from the fees collected, but OTAs' bargaining power is probably now too strong to reinvert the process, and they have also been able to impose to the structures willing for a place in their platform "rate parity" and "availability parity" clauses, so forcing them to not sell on their official websites at a lower rate or to not advertise rooms if they are not available also on the OTAs' platform. However, it seems important to remark that these platforms work well, and even if they eat a consistent percentage of the booking price, they remain a strong marketing tool for accommodations that consequently see their earnings increasing when they subscribe to the platform. So, OTAs are creating the centrally planned markets mentioned in the first chapter, and through them they have met the need of travelers of rapidly and easily comparing prices, availability, and quality of the accommodations.

The two greater giants operating in this market segment are Booking.com and Expedia.

#### 2.2.2.1 Booking

Booking.com is part of the Booking Holdings, or, as it was named, Priceline group, which comprises also other platform companies like Agoda, Kayak.com, Reantalcar, and OpenTable, just to name few of them. Booking.com was formed when Booking.nl, founded in 1996 by Geert-Jan Bruinsma, and Bookings online merged in 2000. Booking.com does not only allow to book a hotel or a b&b, in fact, given its partnerships, it is possible to book from its website also travel packages including accommodations, flights, and cars. However, its wider offer is in the accommodation sector, for this reason, it seems appropriate to discuss it in this section, and the same reasoning applies to Expedia. Booking's website is traduced in more than 40 languages, and it offers more than 1 million lodgings across approximately 230 countries. These numbers give an idea of its spread at a global level. Each hotel profile has its descriptions, photos, specific information, prices, but also feedbacks left by previous customers which provide an authentic experience. It seems important to underline some features. For example, the payments on Booking occurs only at the check-out moment, so the tourist does not pay anything in case of cancellation of its booking. The way through which the Platform manages payments also benefits the lodging structures which are paid at the check-out moment, together with Booking. OTAs, and Booking as well, have basically three ways to monetize: earning agency fees, buying rooms from hotels and reselling them on the platform (merchant business model), and advertising. Most of the profits for Booking comes from the agency fee. Concluding, it is worth to highlight the fact that its presence is stronger in the European market and weaker in the American one.

#### 2.2.2.2 Expedia

The Expedia group includes several different platforms apart of Expedia itself, like Orbitz, Hotel.com, Venere, Trivago and Travelvelocity. Expedia has the major stake of the American market, while it suffers the Booking competition in Europe. Its offer comprises more than 430 thousand hotels all over the world. The variety of its offer is probably wider than that of Booking, in fact, its travel packages do not only include hotels, cars and flights, but it is possible also to book cruises. Expedia poses more constraints with respect to Booking to both travelers and lodging structures. Indeed, the payment is done directly to Expedia at the moment of the booking which keeps a percentage as a fee. This means that if the customer deletes the booking, it loses that percentage. Moreover, Expedia pays the accommodations later that its direct competitor. Another “disadvantage” of Expedia is its high rate of commission fee, which is about the 25%. Expedia collects the majority of its revenues acting as a merchant, so buying and reselling rooms.

## 2.3 The Transport sector

The transport sector is the one, together with the accommodation one, that has been more impacted until now from the advent of this phenomenon that is called Platform. The UNWTO (United Nation World Tourism Organization), considering different parameters like the driver, the ownership of the vehicle, and the distance travelled, distinguishes four different kind of transportation services: short distance ride-hailing (i.e. Uber), long distance ride-sharing (i.e. BlaBlaCar), private car-sharing (i.e. Getaround), and institutional car-sharing (i.e. Enjoy). Even if these services are used in the first place by locals, they match visitors’ needs as well.

According to their functions, the area covered, and the distance travelled, each of these services is actually competing with operators that were yet present within the market. Indeed, long distance transport services can be good alternatives to trains or planes as well as short distance transport services offer other options to taxis and public transports. They increase transportation options and so the overall competitiveness of the environment so leading to greater convenience, affordable prices, better accessibility, and improvement of the average service. Sometimes they can also result in superior quality, clearer cars and friendly drivers, which will bring the consumers to live a different and probably better customer experience. International travelers can benefit from the fact that they can use just one application all over the world, indeed, since the service is similar from country to country, there is not the need of adaptation to the national transport services. Furthermore, because of the less need of owning a car linked to the wide variety of rides available, it could be possible to reduce traffic congestion, improve local air quality and free up parking spaces. Remote areas without a well-established transportation network have the occasion of improving their connectivity without the need of investing in infrastructures, and the touristic destinations can gain from an increased visibility and accessibility, so spreading the new value brought across the local communities. Obviously, even in the transport sector, as well as in the accommodation one, there are many regulatory issues that pose challenges on the sustainability of the coexistence of the older and newer transport services.

### 2.3.1 Uber

There are several companies that can be used for the short distance travel-hailing, like for example Lyft, Cabify or Taxify, but probably the most famous and representative one is Uber. Uber Technology Inc. was designed in 2009 by Garett Camp and Travis Kalanick. Its services are available in 77 countries and 616 cities, which are quite great numbers considering that the company has not even achieved the 10$^{th}$ year of age. Uber has its principal headquarter in San Francisco. It connects passengers with drivers and it is a direct competitor of the taxis. From its very beginning, Uber has differentiated its offer and it is nowadays able to provide different services and match the needs of different customer segments. UberX, for example, is the economic version of the service while UberPool allows a user to share a ride with another, so permitting them to save even more money. Uber Black, instead, is the rental service of a black sedan car with a professional rider. Moreover, it exists also UberEats which is a food delivery service. Often, Uber has been at the center of some legal controversies linked to tax regulation, unfair competition, not licensed drivers, and many others. It is also worth mentioning the fact that short-distance ride-hailing is usually not considered true sharing since it is aimed at the earning of some profits.

### 2.3.2 BlaBlaCar

In 2004 Vincent Caron founded the web platform Covoiturage which permitted users to talk and organize in order to travel on a single car so dividing the expenses. In 2006, Frédéric Mazzella acquired Covoiturage through the just founded Comuto S.A. which in the subsequent years enlarged covering a great part of Europe and became known under the name of BlaBlacar. Nowadays, it operates across 22 countries and has more than 25 million users. The service, initially free, started asking fees in 2011. BlaBlaCar, together with Sidecar, OpenRide and Rdvouz, is a representative of the long distance ride-sharing transport services. Opposite to the short distance ride-hailing, these services are considered as true sharing, so, without the aim of earning profit but just with the intention of recovering the costs. Moreover, to be clear, "*long distance ride-sharing consists of connecting drivers who have empty seats and are travelling to a certain destination, with individuals looking to travel on the same route*[53]". So, BlaBlaCar is placed within the economic model of collaborative consumption in which many economists glimpse the mean for the passage from the property era to the accessibility era. Depending on the rider's destination, BlaBlaCar can potentially offer passages in each angle of the world, it can also arrive where public or private transport cannot since they would need large capital investments, also bearing the risks connected with uncertain returns. So, the long-distance ride-sharing platforms have the potentiality of improving the connectivity of remote areas and further develop tourism in the regions. It poses itself as a direct competitor of both trains and planes, which seems incredible given the differences in infrastructures and assets owned, and also in

[53] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 37

years of activity within the market. However, this is one of the platforms' features: a good idea with a large network can conquer the world.

### 2.3.3 Getaround

Getaround is the representative of another type of transport service through digital platforms, it is a private car-sharing company. This means that the owners of the cars rented are private individuals. It is used for short-term travels, which means that through this application it is possible to move around a city or a neighborhood, but it is not possible to do longer travels as permitted by other platforms like BlaBlaCar. Given these features, Getaround positioned as a competitor of cities' transport services like public transports (subway, tram, autobus) or also private transports like taxis. It is worth saying that "*anybody with a driving license can rent a car for short periods of time*[54]", so it is a very easy accessible service. The company was founded in 2009 by Sam Zaid, Jessica Scorpio, and Elliot Kroo, and it was launched to the public in 2011. Nowadays, its offer is widening, and it is possible to rent very different kind of cars: vans, luxury cars, SUVs, and Tesla, just to name a few. It is not so widespread as the others described above, in fact it operates just in 6 American cities (San Francisco, Berkeley, Chicago, Oakland, Portland, and Washington D.C.), and it is easy to understand why. In fact, in order to bring people to rent your personal car to an unknown user of the platform, a very strong trust toward the platform itself must be built, and it requires time. However, it is growing, and it has the potentiality of exploiting many other markets in cities all around the world.

### 2.3.4 Enjoy

Enjoy is an Italian brand belonging to the Eni's group. Together with Zipcar, Car2go, and Drive-now, it is an institutional car-sharing transport service. The main difference with private car-sharing is that the owner of the car rented is not a private individual but a company. So, the firms in this case own the assets through which they provide the service, and, for this reason, they probably can not be considered Platform Businesses since they lack the main characteristics which have been object

[54] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 38

of discussion in the first chapter. However, they can be considered part of the sharing economy and, together with the platform businesses described above, they are changing the way people move around the city, for these reasons, it seemed important to talk also about them. Enjoy operates in five Italian cities, Milan, Rome, Florence, Turin, and Catania. It places a certain number of cars or scooters in each city and all the subscribers of the platform can rent them just with few clicks on the app. The cars used are FIAT 500, and it is charged a rate per minute to the users. However, there exist also hourly and daily rates. As their private counterparts, institutional car-sharing transport services are directly competing with both public and private cities' transport services.

## 2.4 The F&B sector

Even if the F&B sector has not been yet reshaped like the ones already discussed, it is possible to identify some changes which are contributing to its evolution toward a platform-based industry. Not only the information gathering and the booking process, but also the kind of food and beverage experiences that visitors can live are being influenced by the spreading of the platforms. Indeed, there are basically two different kind of platforms operating within this sector. The first typology allows travelers, and locals too, to get an overview of the restaurants present in a certain country, region, city, area, or neighborhood, also allowing them to book and to exploit of some discounts which are possible thanks to the strength of the network that the platform owns. Instead, the second ones are more about meal sharing, so they are very different kind of experiences.

### 2.4.1 TheFork and OpenTable

These two platforms, TheFork and OpenTable, belong both to the first category of F&B platforms mentioned above, so they are strictly linked with the activity of the local restaurants and help them in gaining visibility and increasing bookings. TheFork was created in France in 2007 and it is available in Italy since 2015, when it was bought from TripAdvisor under the name of Restopolis, and immediately relaunched on the market. It is possible to search for the perfect restaurant for the evening filtering the research for nearness, prices, kind of food eaten, or even discounts available. Once the user creates its personal profile, a personal page is also created with the bookings and the preferred restaurants. Moreover, the more the app is used, the more will be the points assigned to the user, points which can be transformed in discounts valid in every restaurant on the platform. TheFork also offers to the restaurateurs "TheFork Manager", a software which helps them optimizing the booking management, so simplifying many of the restaurant's daily activities. The platform monetizes keeping a percentage of the booking tariff which is paid by the restaurants. The other famous platform which operates as a connector between restaurants and customers is OpenTable. OpenTable was founded in 1998 in San Francisco by Chuck Templeton, and it basically works the same way TheFork does. Its large spread permits the platform to ask a monthly fee to the restaurants willing to enjoy the network. These two platforms give advantages to both the sides of users. Indeed, restaurateurs which do not often have time or competencies to take care of their own website are provided with tools to manage reservation and of visibility on the web, while customers can benefit from the aggregation of the offer which results in an easy to consult archive.

### 2.4.2 The meal sharing platforms

This second type of platforms operating in the F&B sector connect different counterparts with respect to the ones described above. In fact, while TheFork and OpenTable are able to connect restaurants and customers, the "meal sharing" platforms are more used by visitors to live a new kind of experience with locals. Some examples of platforms working in this way are Eatwith, Feastly, and PlateCulture. These platforms give an opportunity to better understand the local community since "*homemade food can show tourists the culinary richness and heritage of the destination they visit*[55]". Obviously, there are also some concerns. Indeed, in the F&B area some issues raise about health, hygiene, and consumer protection: "*While restaurants are usually strictly regulated and monitored when it comes to hygiene and cleanliness, food services provided by private individuals are not*[56]". It seems important to state that even if today do not raise competition

[55] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 40
[56] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 41

problems between restaurants and these "substitutes", if these platforms will continue to spread, tomorrow there will probably be, and institutions should be prepared to face them.

## 2.5 Tourism Activities

As for the ones operating in the F&B sector, also the platforms used for living different kind of tourism activities are not so spread as those active in the accommodation, information, and transport sectors, hence they have not generated great discussions in terms of opportunities, challenges, and action taken. Another reason why these platforms have attracted less attention than the others is due to the fact that they mainly compete with small and medium enterprises, so their voice is very difficult to hear. What these platforms do is connecting visitors with "*engaged locals who rely on their knowledge to design a wide range of tours, outings, and other activities*[57]". Just to name a few, some of the platforms operating in this area are Withlocals, Toursbylocal, and Vayable. The offer present within these platforms is very large, and it is usually possible to choose not only the experience, but also your guide which is introduced to you with photos, videos, descriptions, and feedbacks. Moreover, the guide can sometimes be a professional one, and other times he could be a normal people willing to spend a day differently or to earn some extra money. The activities range from excursions to guided tours, from dinners to visiting Rome with a Vespa, from going out with the friends of the host to practicing surf. It is easy to understand the possible linkages and consequences of a well-developed offer on one of these platforms for a certain city. In fact, it can help living the best experiences and discovering the best places which many times are neither mentioned in a touristic guide book and that only people who live there since they were born can know. This, in turn, can lead to a strengthened of the reputation and positioning of the destination. It is not only an opportunity to generate income, but also to foster tourism development. Even if many people think that these services are challenging the traditional role of the DMOs, tourist offices, or visitor centers, it is important to stress the fact that what is needed is collaboration among these

[57] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 40

parties, the platforms, the private individual providers, and the professional one. Indeed, if the sector is evolving, it would be good to see that also the roles of the different counterparties are changing in order to adapt to the new context.

## 2.6 Governance issues

Some of the problems linked to the spreading of the platform businesses have been already mentioned during the descriptions of the various companies operating in the tourism industry. However, it seems important to address more specifically these problems. Indeed, even if the number of opportunities given by the platforms is very huge, it is also important to focus on the economic, social, and environmental challenges deriving from their usage.

The UNWTO identifies four main areas of governance within which it is possible to encounter different challenges: tourism planning and sustainability, fair competition, consumer protection, and labour condition for service providers and workforce[58] .

A good management of the tourism planning and sustainability area can bring incredible benefits, for example, it has a great role for the growth of the neighborhoods, or it can boost the local economic development by offering new employment opportunities for the local communities. Moreover, the positive effects can be also found in the availability of more services, and in the increased safety. However, when growth is badly managed it can bring tourism to have a negative impact on the quality of life of the local population. Key possible issues could be: territorial development and urban planning, housing pressure, quality of life, cleanliness, waste collection, noise level, safety and security, and environmental protection[59].

The second governance area within which many problems can arise refers to fair competition and to levelling the playing field, and it is mainly related to "*the*

[58] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 7
[59] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 44

*relationship between new private offers and the existing commercial supply*[60]". In fact, many times the tourism services offered through digital platforms take the shape of real businesses, so they should be threated as such. It is worth saying that there is a sort of grey area not covered by regulation which brings problems related to the registration, licensing, and certification of the activity, which then lead to taxation issues. All of this results in unfair competition, since the already existing commercial activities could be charged of expenses which private operators on platforms do not bear instead.

Consumer protection is another governance area jeopardized by platform businesses. The law has always tried to protect consumers since they are considered as the weaker counterpart during the occurring of a transaction, and with this goal in mind the regulation has been shaped to fit the way traditional businesses operate. Platforms are a relatively young phenomenon, and it takes time to reformulate laws and norms which can apply also for this kind of businesses. Issues related to consumer protection can range across different fields: transparency of information, quality standards, health and safety, privacy, equal treatment, accessibility requirements, and security[61].

Last but not least, also the labour conditions for service providers and workforce are claiming for being regulated. It is true that platforms have created new employment opportunities, many times in the form of self-employment, but "*it is not always clear what terms and conditions have been agreed between private providers and platforms, as well as what are the rights and obligations to suppliers and consumers*[62]". In this area, it is possible the raising of issues related to working hours and remuneration, health and safety (again), social legislation, social security,

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[60] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 44
[61] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 44
[62] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 44

insurance, qualification and training, externalized labour, liability and responsibility, and equal treatment[63].

Given the different challenges deriving from the emergence of the platforms, it is important to identify a path to walk in order to adapt at the changes that the economy is living, which are in turn dictated by the technological advancements. The UNWTO tried to theorize this path dividing it in three different steps.

When coming across an unknown phenomenon the first thing that the instinct suggests to do is to stop a moment and rationalize. This is exactly the first step proposed by the UNWTO: understanding and monitoring. Indeed, given the impact that platforms are having on the industry, assessing the new size and the new structure of the market is fundamental to appreciate the extent of the phenomenon and to try to foresee its implications. For this scope, the access to data and their effective measurement coming from a strict cooperation between relevant authorities and digital platforms are essential.

Once the first phase has been accomplished, so the phenomenon understood and monitored, it arrives the time to put in place a regulation which better fits the new environment. Distinguishing between services that do not generate economic benefits and those who generate them is probably the first thing to do "*in order to ensure that new platform tourism services positively affect the management and reputation of a destination whilst protecting visitors and local communities*[64]*"*. It is worth to remember that the regulation is the framework that defines the borders within which businesses can move, so providing a solid structure in these terms is the only way to face the issues that could be encountered.

The third and last step identified by the UNWTO is: "*Adapting to the new platform tourism services based on a 4C approach – communication, collaboration, cooperation, and coordination*[65]*"*. Indeed, the ultimate goals should be to reap the

[63] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 45
[64] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 8
[65] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 9

benefits and address the challenges. So, this 4C approach must be pursued by all the stakeholders: destinations, tourism operators, platforms, private providers, commercial entities, tourism authorities, governments, workers, and local communities. Given the intertwining of their interests, all of them need to make the whole mechanism working well, and this is the reason why can not be done steps forward without communication, collaboration, cooperation, and coordination among these counterparties.

# Chapter 3

# The Puglia Region

## 3.1 An Historical Overview

The Puglia Region, as it is going to be showed, has always been territory of disputes. These controversies raised because of its beauty, because of its 784 kilometers of coastline, and because of its strategic position which made the region the meeting point of many and different populations. However, the first dispute about the region regards the derivation of its name. Paolo Diacono, an Italian historian, poet, and writer who lived during the VIII century after Christ, thought that the name Puglia meant "Extermination, ruin"; other authors attributed it other meanings like "territory dense of people", or "open territory, without mountain passes". Fazio degli Uberti, a Florentine poet who lived in the XIV century, wrote:

"*Apuglia è detta, che 'l caldo v'è tale,*
*che la terra vi perde alcuna volta*
*la sua vertù e fruttifica male".*

Paraphraising Fazio degli Uberti, the origin of the name is linked to the climate that characterizes the region itself, who is of course hit by the sun for the greater part of the year. So, Fazio degli Uberti agrees with another theory according to which the word Puglia comes from the Latin "*a-pluvia"*, which means "without-rain". However, the most spread theory is the one that links the name of the region to how the Latins (and the Greeks) called the ancient population which lived in that territory during the pre-roman era: Apuli (Japigi). The denomination "*Apulia*" was officially used for the first time with specific territorial and administrative meaning during the August's empire.

Traces of the human settlement in Puglia during the prehistory are spread all over the region, from the Tavoliere to the Salento. The oldest proofs of the human culture appear near Otranto in some caves, like the Romanelli cave, which were used as dwellings. Moreover, many villages dated back to the Neolithic are present in the Tavoliere, on the Murge, but also in the area near Bari as, for example, in the Pulo of Molfetta. However, the most famous buildings of the prehistoric era are the so called "specchie", which are probably more famous under the name of *dolmen* and *menhir*. Nonetheless the great number of evidences, the historians have not been able to identify the origin of the populations who lived in Puglia around the III millennium before Christ. Indeed, the only thing on which historians agreed was the common Indo-European origin, but someone thought that these populations came from Illyria, someone else considered them coming from the Aegean Sea, others from Crete. However, these populations that, as it has been said above, the Greeks called Japigi, and the Romans called Apuli, were divided in some ethnic subgroups: the Dauni which occupied the Capitanata and the Gargano, the Peucezi who lived in the area of Bari, and the Messapi settled in Salento. Starting from the XIX century before Christ, those populations suffered from a first Aegean colonization, especially the Messapi who adopted the Greek alphabet, and this explains why still nowadays in many cities in Salento it is talked a dialect which is very similar to the Greek language. However, a more complete Greek colonization started in the VIII century when the Spartans founded Taranto, Gallipoli, and Otranto. The Samnite wars opened to the Romans the total conquer of the Apulia despite the several turbulences due to the Carthage's expansionist ambitions. Under the guide of Rome, the Region had a huge economic development and experienced safety, well-being, and peace until the fall of the Western Roman Empire in 476 after Christ. From now on, the Puglia became the battlefield among Byzantines, Lombards, Saracens, Franks, and the Church until the end of the X century after Christ, when Byzantines took the control and favored the recovery of the economic activities. The new state of well-being stimulated a new desire for freedom which consequently led to riots against the Byzantines who ended up with the Norman domination, whose most famous king was Federico II. He favored both the economic and the cultural development, and a proof of the splendor achieved under his reign is Castel del Monte. The sunset of the Swabian dynasty led the Puglia toward a total decadence to which undoubtedly contributed the Angevins. The first step was the transfer of the capital of the reign from Bari to Naples by Carlo I d'Angiò, but things did not get better neither with the passage of the kingdom of Naples to the Aragonese dynasty. Neither the Spanish domination worried about lifting the conditions of the Region which were better off only in the XVIII century when the Bourbons rose to the throne of Naples. During these years the streets and the ports were improved, and the feudal abuses contained. These improvements marked the beginning of a process of evolution that accompanied the Region until the unity of Italy in 1861.

## 3.2 The Tourism in Puglia

In order to better understand the tourism in Puglia it is not enough to describe the principal attractions, cities, and areas all around the region, that will be anyway discussed in the next paragraph. In fact, the tourism in Puglia is also influenced by its competitors and its image both within the Italian and the foreign markets which respectively present great differences, and the analysis conducted by Federica Montaguti and Valeria Minghetti on the SWG's investigation[66] will be useful in the assessment of the impact that these factors have on the tourism activities of the region.

It seems now important to understand and highlight the way in which the image of a product, a brand, or a location is built within the mind of the potential customer, and how it influences its choices. In this sense, each source of information impacts in a different way on the creation of the image and, two types of images are identified: the "induced image", and the "organic image". The first is shaped by the communication and promotion strategies, the second is influenced by all the information non-intentionally transmitted by the locations' promoters, so, those are the information coming from the history, the word of mouth, the politics, the cinema, the literature and so on. While the organic image plays an important role in the pre-screening phase during which the travelers are taking into consideration all the different options that they have, the induced image is fundamental in the

[66] https://www.agenziapugliapromozione.it/portal/documents/10180/127304/Analisi%20Ciset%20su%20elaborazioni%20SWG

subsequent phase, when the decisions concerning the details of the voyage must be taken[67].

Taking a step back, the first differences between the Italian and the international markets are evidenced by the notoriety index which identifies Puglia as the second most known destination for the Italians after Sicily, while it ranks just 13th in the foreigners' minds. Difficulties are encountered both by Italian and international tourists in identifying the cultural heritage and the craft products as belonging to the region. Indeed, usually the tourists are conscious about the existence of some places, but they actually do not know that these places are located in Puglia (Alberobello for the foreigners is an example). Considering the "Made in Puglia", even in this case Italians and foreigners agree, and both associate the region with products like "Olio d'oliva", "orecchiette", and "focacce".

Puglia is a very varied region both because of its natural characteristics and its cultural traditions, and, for this reason, it is able to offer diverse typologies of tourism, so attracting different targets. To be more precise, it is possible to identify seven possible kind of tourism practicable within the region: seaside, naturalistic, city, amusement, cultural, religious, and food and wine tourism. Analyzing the reasons why Italians and international tourists visit Puglia, it has been found that they pursue two completely different kind of vacations:

[67] https://www.agenziapugliapromozione.it/portal/documents/10180/127304/Analisi%20Ciset%20su%20elaborazioni%20SWG

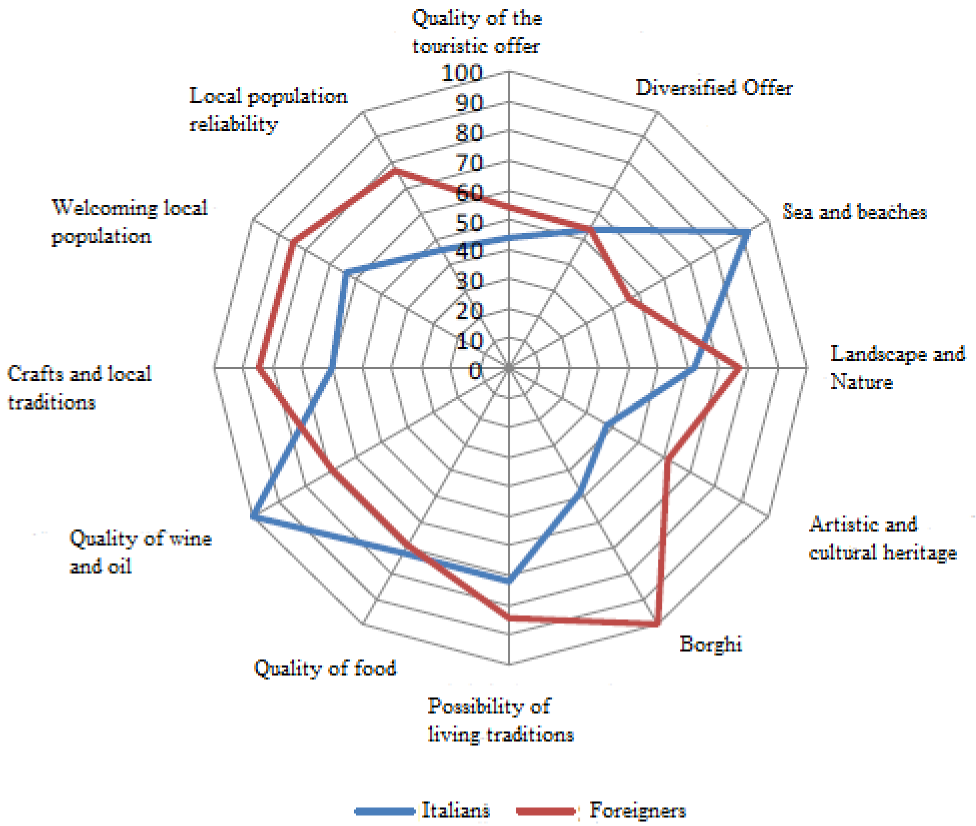



Figure 11- Aspects associated to Puglia: comparing Italian and foreign markets[68]

As it is possible to note from Figure 11, Italians seek a vacation more oriented at relaxing, they want to enjoy the sea and the beaches, which are put at the center of their travel, and then match them with good food and good wine. Foreigners' vacation, instead, is aimed toward the discover of the cultural heritage, of the landscapes, of the nature, of the traditions, and of the "borghi". These differences in how the vacation is actually conceived are due to how they gather information, and to which are the places that they know. Indeed, while the most known areas by Italians are, in order, Gargano, Tremiti, Daunia, Salento, Brindisi, Trulli, and Valle d' Itria, foreigners have a different geographic knowledge. In order, the most famous areas for them are: Brindisi, Valle d' Itria, Bari, Murge, and the Ionic coast.

[68]https://www.agenziapugliapromozione.it/portal/documents/10180/127304/Analisi%20Ciset%20su%20elaborazioni%20SWG

These results are in line with the kind of vacation the two groups seek for, and, how it has been said above, they are also dependent on the sources from which information are collected. In fact, Italians come to know about the destinations in Puglia mainly from three sources, which are word of mouth, documentaries on TV, and posts on social networks. On the opposite, foreigners are used to consult touristic guides and articles of journals, but they also like to be informed from the direct experience of the people that have already been there.

Considering three different points, typologies of resources of the destination (sea, beaches, landscapes and nature, traditions, cultural and artistic heritage, and borghi), products quality and local productions (food quality, wine and oil quality, crafts and local productions), and characteristics of the local population (hospitality and reliability of the local population), the analysis conducted by Federica Montaguti and Valeria Minghetti has identified a group of competing regions and countries, and it seems very interesting the study of how Puglia is positioned with respect to these competitors. Firstly, taking into account the Italian market, Puglia seems to have a lesser score on all the ten parameters of Figure 11 if compared with Greece, while it overcomes Sicily only for the score concerning the quality of wine and oil. However, Puglia is more competitive when compared with Calabria, Sardinia, Campania, Croatia, and Balearic Islands. In fact, only Sicily (for sea and beaches, landscapes and nature, and crafts and local productions) and Croatia (for borghi) perform higher than the Italy's south-east region. When compared with Veneto, Emilia Romagna, Catalonia, and Andalucía, Puglia underscores only for the aspect regarding the reliability of the local population, while it wins on all the ten parameters in the comparison with Basilicata, Montenegro, and Albania. Moreover, it is worth saying that, even if it is considered to be a better place to spend time for a seaside travel than Tuscany, the latter has higher scores when considering the cultural heritage, the borghi, and the reliability of the local population. Passing on the analysis of the international panorama, even if the notoriety of the brand Puglia is nowadays more present than some years ago in the mind of the foreigners, the performance of the region is completely different. Indeed, it loses on all the parameters when compared with Greece, Tuscany, Sicily, Sardinia, Balearic Islands, Croatia, Catalonia, and Andalucía, while it seems to have scores which are similar to Calabria, Basilicata, Serbia and Montenegro, Emilia Romagna, Veneto, and Campania.

The analysis conducted until now has taken into account, as it is mentioned above, the destination's resources, the products quality and local production, and the characteristics of the local population. However, it seems interesting the study of the positioning of Puglia related to other two parameters, the quality and the characteristics of the offer (represented on the horizontal axis), and the attractiveness of the places (on the vertical axis). Even in this case, the Italian and the international market differ.

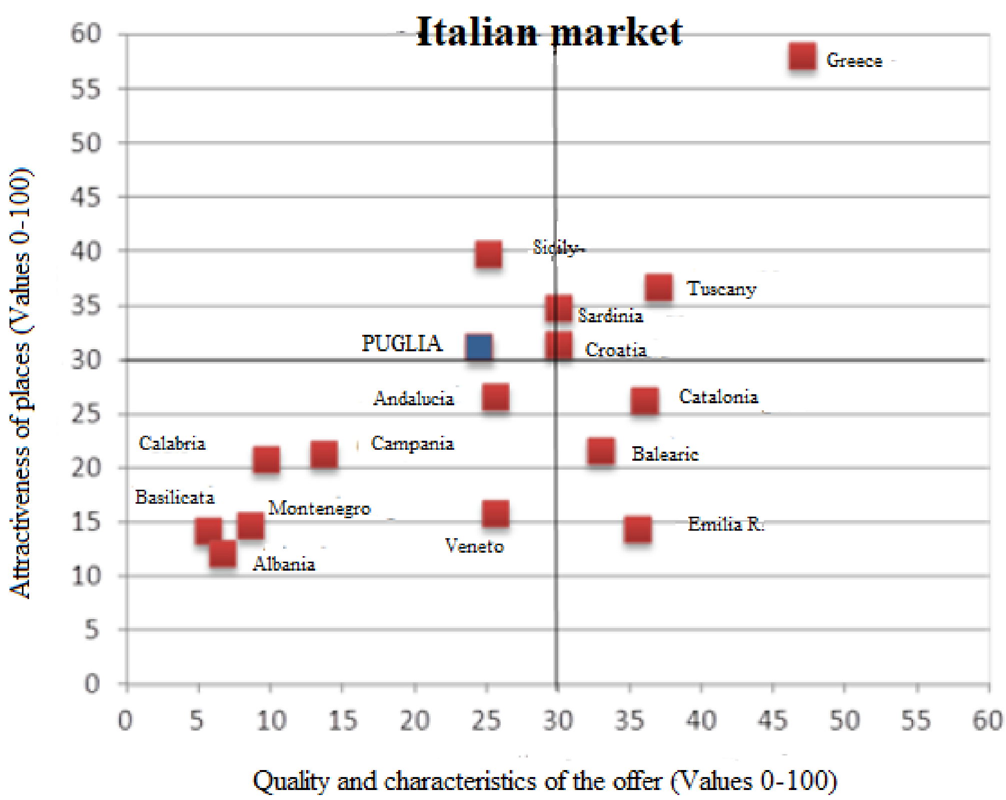



Figure 12 – Quality of the offer and attractiveness of the places: positioning of Puglia and of the competing regions/countries within the Italian market[69]

[69]https://www.agenziapugliapromozione.it/portal/documents/10180/127304/Analisi%20Ciset%20su%20elaborazioni%20SWG

As it is possible to note from Figure 12, Italians consider Greece as the place with the best quality of touristic offer and the highest attractiveness of the places. Tuscany, Sardinia, and Croatia follow the Greece on both the aspects, while Puglia and Sicily present an attractiveness of the places superior to their touristic offer, which means that adequate investments can lead them in the top-right box. Catalonia, Balearic Islands, and Emilia Romagna are considered of having greater quality of offer, but low attractiveness, while all the others score low on both the parameters. As usual, things change when considering the international market because of the different perceptions:

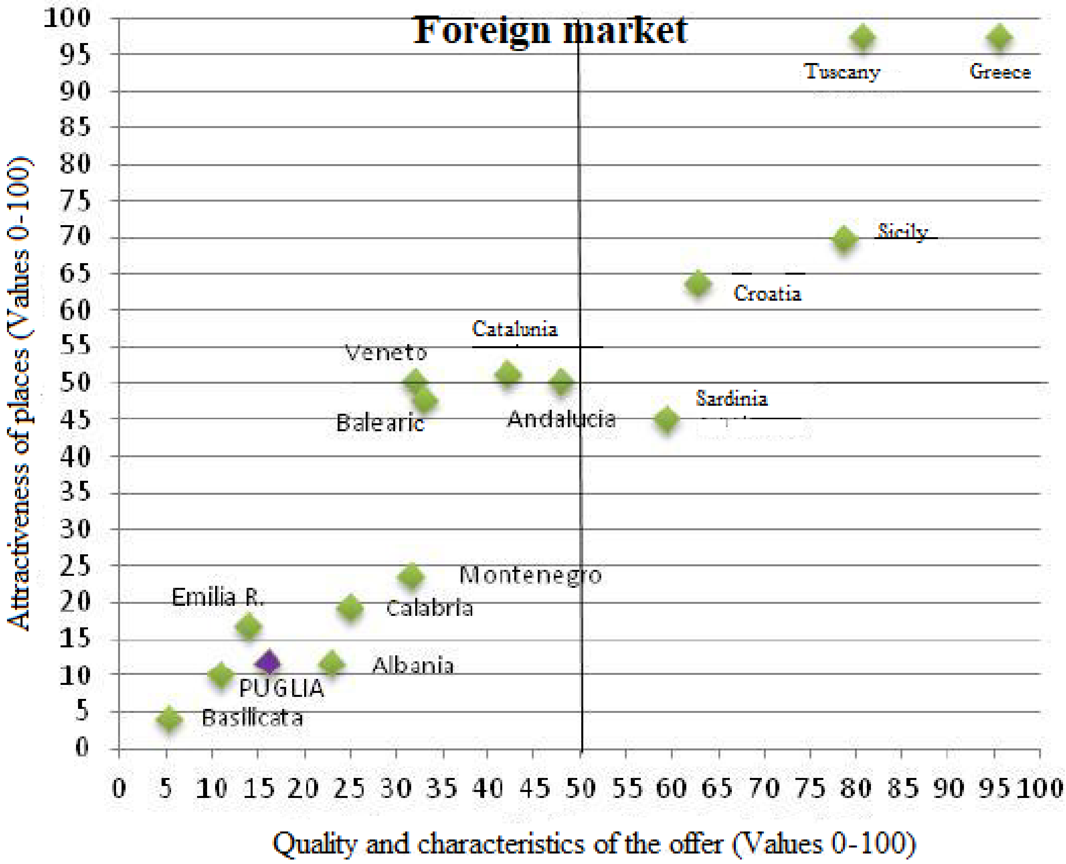



Figure 13 - Quality of the offer and attractiveness of the places: positioning of Puglia and of the competing regions/countries within the international market[70]

In this case, Tuscany, Sicily, and Croatia improve their positioning within the top-right box, so going closer Greece. Catalonia, Andalucía, and Veneto reach the top-left box, while Sardinia decreases to the bottom-right one. All the other, including Puglia, are positioned in the bottom-left box, which is the worst.

Knowing the regions/countries Puglia is competing with is of fundamental importance in order to understand the image of the brand in the mind of both the actual and the potential customers. This knowledge can then be used to construct a new brand awareness which could allow the region to differentiate from its

[70] https://www.agenziapugliapromozione.it/portal/documents/10180/127304/Analisi%20Ciset%20su%20elaborazioni%20SWG

competitors by highlighting those undervalued features with a high attraction potential. So, selling a destination is like selling a product, and doing it good it is a matter of studying the competitive environment, understanding what your customers expect and what they find, and conveying the right information within the right channel so driving and matching the touristic offer and the touristic demand. For example, noting that the region is not attractive for foreigners as it is for Italians, together with the knowledge of the tastes of the two categories, it is helpful to manage the flow of information toward the right potential customers, so increasing the conversion rate.

The tourism industry in Puglia is one of the engines of the economy, and the improvements of the destination’s brand are paying back the investments made during the last years. Data show that Puglia has been the first Italian region for increase of overnights stay during the decade 2006-2016, ranking tenth, in the last year of this decade, on the overall ranking of the nights stay in all the Italian regions. Looking at the graphs of the arrivals and of the nights stay within the region of the last five years could be useful to have a clearer idea of the extent of the phenomenon:

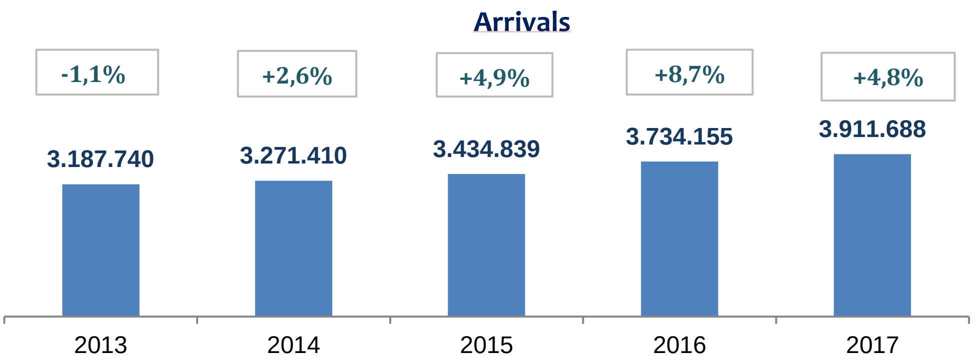



Figure 14 – Arrivals in absolute values and percentage variation with respect to the previous year[71]

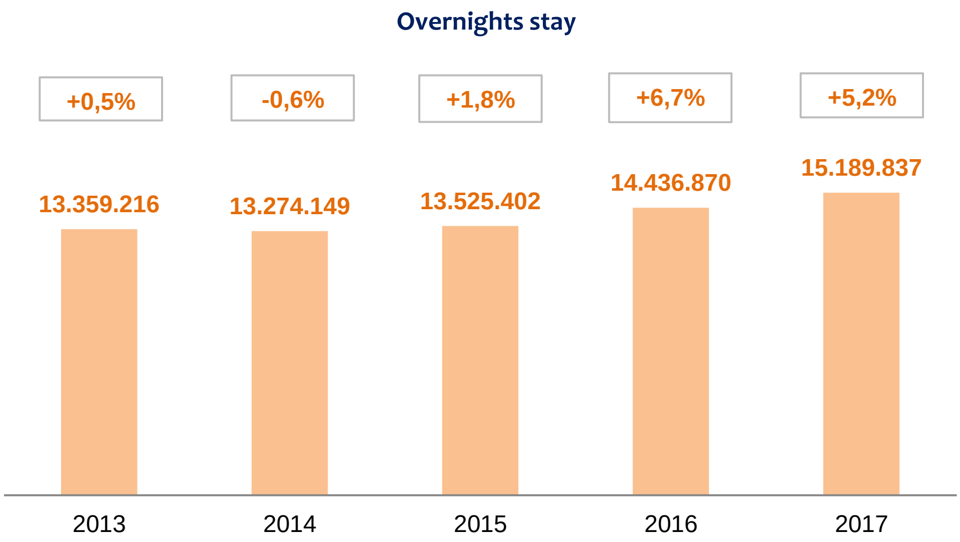



Figure 15 – Overnights stay in absolute values and percentage variation with respect to the previous year[72]

As it is possible to note from Figure 14, the arrivals have constantly increased during the five years taken into consideration, passing from a little bit more than 3

[71] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

[72] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

million, to almost 4 million with an average increase per year of 3,98%. The overnights stay have increased of almost 2 million during these years, passing from more than 13 to more than 15 million. The growth was especially registered within the last two years, in fact, in 2016 there was an increase of nights stay of 6,7% more than 2015, and in 2017 the growth was of 5,2% with respect to the previous year.

Given the differentiation that has been done in this paragraph between Italian and foreign markets, it seems important to evaluate how huge is the foreign market with respect to the Italian one, and if it is growing:

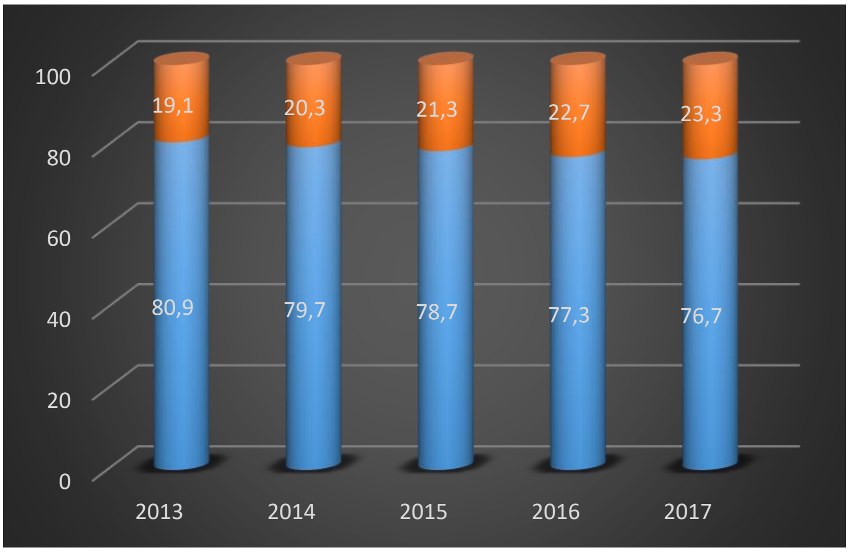



Figure 16 – Arrivals internationalization rate[73]

[73]https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017


Figure 17 – Overnights stay internationalization rate[74]

As it is possible to note, there has been a constant increase of the international flows of both arrivals and nights stay which confirm the data assessing the enlargement of the foreign market. Foreign tourists come especially from Germany, France, and Switzerland.

## 3.3 The Tourist Itinerary

Puglia can be appealing for different reasons and characteristics, even if the observer does not have a careful eye and he is not conscious about all the wonders offered by the territory. However, a deep knowledge of all its diverse details reveals necessary in order to have a profound appreciation of all its places. So, with the aim of deepening this knowledge, the touristic itinerary will be done by dividing the region in six sub-regions: Gargano and Daunia, Imperial Puglia, Bari and its coast, Magna Grecia, Murge, and Gravine, Valle d' Itria, and Salento. At the end of the description of each of these sub-regions, data regarding the accommodation sector will be provided.

[74]https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017


Figure 18 – Puglia's sub-regions[75]

Starting from the upper part of the region, the tourist itinerary will lead the reader across the whole region until the arrival to the lower part, which is Salento.

### 3.3.1 Gargano and Daunia

The starting point is the area denominated, for simplicity, Gargano and Daunia, which, apart from these two beautiful zones, it also comprises Foggia and all the cities in its province, and a great part of the Tavoliere.

Foggia rises in the heart of the Tavoliere and it dominates the routes of the transhumance traveled by the shepherds who once used to cross southern Italy from Abruzzo to the Puglia. The name "Foggia" derives from the Latin *fovea* that was the term used to denominate the underground cisterns where corn was stored. There are many baroque churches to visit within Foggia, but the most famous, the Cathedral, mixes two different styles, roman and baroque. It is interesting also the

[75] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

visit to the hypogeum of Saint Agostino. In the surroundings of Foggia there is also the archaeological park of “Passo di Corvo” which is one of the greatest Neolithic villages that could be visited in Europe.

So, the central area of this sub-region is occupied by part of the famous “Tavoliere delle Puglie”, which continues down toward the Imperial Puglia until it crosses the water of the Ofanto river. The name Tavoliere derives from the fact that the lands were registered in the *Tabulae Censuariae*, the land registry belonging to the tax authorities. Until the XX century, the Tavoliere was a swamp area used by shepherds to feed the flock, and only after the reclamation the economy changed and passed from a pastoral to an agricultural one. Nowadays, it is known as the Italian barn, but it is also spread the cultivation of barley, beetroot, tomato, olives, and grapes. The three cities symbol of the Tavoliere and of its agricultural economy, in addition to Foggia, are San Severo, Lucera, and Cerignola.

The Dauno sub-Apennines is located at the west part of the region, at the border with Basilicata, Campania, and Molise. It is characterized by centenarian woods, rivers, and streams, and the best way to get to know its fauna consisting of foxes, wolves, and roe deer, it is doing excursions by foot, bicycle, and horses. All around the Dauni’s mountains there is a dense presence of borghi that are just waiting for being discovered. The first one, from the north of the area, is Pietramontecorvino, and the tour proceeds down toward the last which is Ascoli Satriano. During this tour, travelers will be amused by the visits to Troia, where the famous wine “Nero di Troia” is produced and which is also a stop of the “Via Francigena del Sud”, Orsara, that is an excellence of the gastronomic productions like cacioricotta goat cheese, asparagus, and durum wheat bread, and Bovino, where there is the Ducal castle built by Normans and restored by Federico II.

The area of the Gargano is probably the most varied and wild part of the sub-region described in these lines, and, consequently, it offers different kind of tourism activities. Its coast gives the possibility of going to the discovery of beautiful beaches and caves along the itinerary that starts from Manfredonia and arrives to Peschici, also passing from Mattinata and Vieste. The Tremiti islands allow tourists to live many other activities apart from relaxing near the seaside, like for example birdwatching, kayak, snorkeling, and boat trips. The hinterland of Gargano offers a completely different panorama, the Umbra forest dominates the landscape, and trekking becomes the practicable sport. Religious tourism attracts people from all over the world to San Giovanni Rotondo, where Padre Pio lived and died, and to Monte Sant' Angelo. Last but not least, Rodi Garganico is also inserted within the list of the "most beautiful Italians borghi".

It is worthwhile the analysis of the data concerning the accommodation sector within the area described:

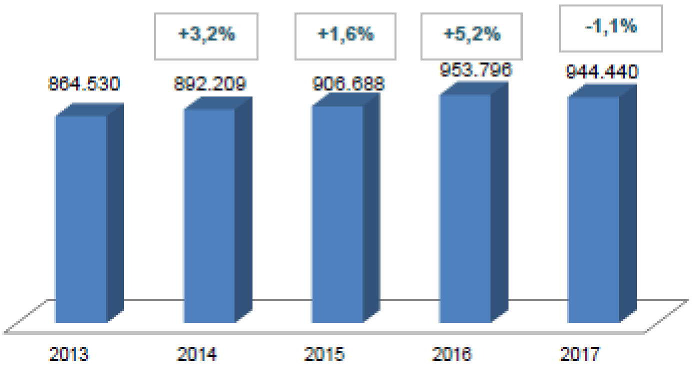



Figure 19 – Gargano and Daunia arrivals[76]

[76] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

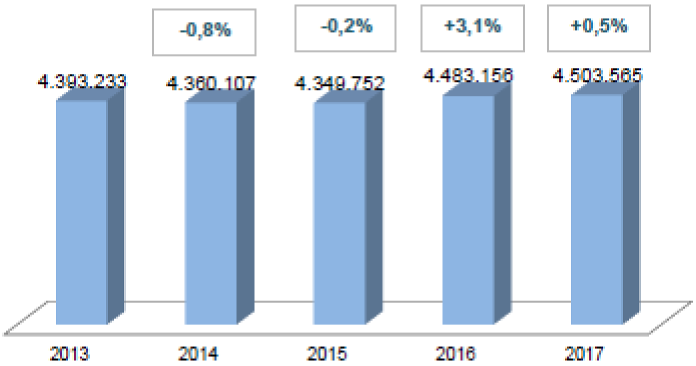



Figure 20 – Gargano and Daunia overnights stay[77]

The graphs show an increasing of both the arrivals and the nights stay. The first have grown at an average of 2,3% during the years studied, and it was registered a soft decrease just during 2017. Instead, the seconds have grown just in the last two years, especially the 2016 recorded a growth of more than 3%.

### 3.3.2 Imperial Puglia

The Imperial Puglia is that sub-region comprised among Capitanata, the Adriatic Sea, Basilicata, and the Bari's plain, so, also this territory offers diverse typologies of areas that range from the seaside to a little part of the Murge's upland. Margherita di Savoia, Barletta, Trani, and Bisceglie are coastal cities, and each of them has its characteristics that make them places to visit not only for their beaches. For example, Margherita is also famous because of its salt flats and baths, while Barletta has a beautiful historical center near of which there is the archeological site of "Canne della Battaglia", where Hannibal defeated the Roman army. It is also worth mentioning the Trani's cathedral, which is considered the queen of the cathedrals in Puglia. Moving towards the inside of the region, at 17 kilometers from Andria there is Castel del Monte, built by Federico II within the XIII century, it is in the UNESCO's list of the patrimony of humanity. Minervino Murge is known as the balcony of the Murge since it is located just in front of the National Park of the high

[77] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

Murgia which changes the panorama thank to its naturalistic beauties, so passing from sea sights to an unprecedented rural landscape.

It is important the analysis of data of the accommodation sector also for this area:

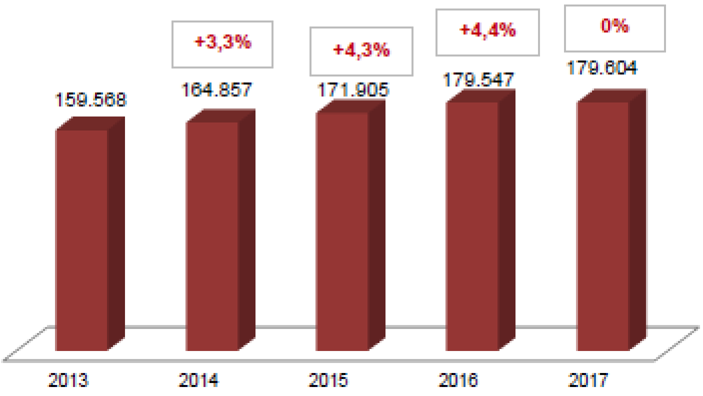



Figure 21 – Imperial Puglia arrivals[78]

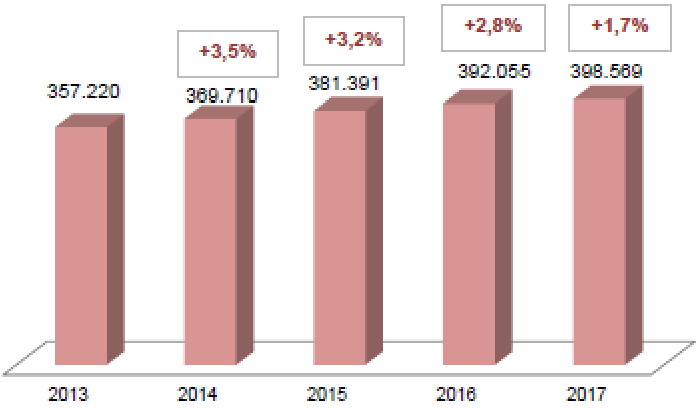



Figure 22 – Imperial Puglia overnights stay[79]

Both the graphs show positive trends. The arrivals have constantly grown since 2013 until 2016 at rates between 3% and 4,5%, only the 2017 has not registered an

[78]https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

[79]https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

increase. Moreover, even if the overnights stay have not grown at rates high as those of the arrivals, the 2017, in this case, has recorded an increase of 1,7% that compensate the lower growth rates with respect to the arrivals data. However, it must be considered that, as data show, this is the sub-region with the lower arrivals and nights stay registered.

### 3.3.3 Magna Grecia, Murge, and Gravine

This sub-region is defined at the west by the border with Basilicata and by the Ionic coast, and it is surrounded by Salento, Valle d'Itria, Bari and its coast, and Imperial Puglia. The high Murgia characterizes the northern part where the cities of Gravina in Puglia, Altamura, and Gioia del Colle rise. Gravina in Puglia takes its name from the fact that, it is built on the edge of a ravine, and visiting its caves and its historical center is an amazing experience. Altamura derives its name from the megalithic walls erected between the VI and III centuries before Christ to defend the city from Taranto. The bread of Altamura is very renowned, and it is unmissable for the passionate willing to discover local tastes. It is worth mentioning the Mercadante forest that is just 25 kilometers far from Altamura. Gioia del Colle is famous for its production of mozzarella and wine, but naturally the Norman-Swabian castle is its principal attraction. Going down toward the Ionic coast, the tourist will encounter the cities of Massafra and Mottola, which are famous because of the presence of many rock churches, and those of Castellaneta, Laterza, and Ginosa, which are all built, as Gravina in Puglia is, at the edges of three different ravines. Taranto is built on a beautiful gulf but, even if it has a wonderful historical center and some attractions like the Aragonese castle, it is not what can be called "a touristic city". However, it divides its Ionic coast within two parts, the first comprises the cities located at its west, like Castellaneta Marina and Marina di Ginosa, which are famous because of their beaches, the second, instead, comprises those cities at east of Taranto, like Marina di Pulsano and Campomarino. It is important also to mention Manduria, that is famous to produce the wine Primitivo, and Grottaglie, which self-proclaimed itself as the southern capital of ceramics. This overview is useful to understand that even in this area it is possible to practice different kind of tourism activities, and this can help the reader in understanding the data regarding the accommodation sector:

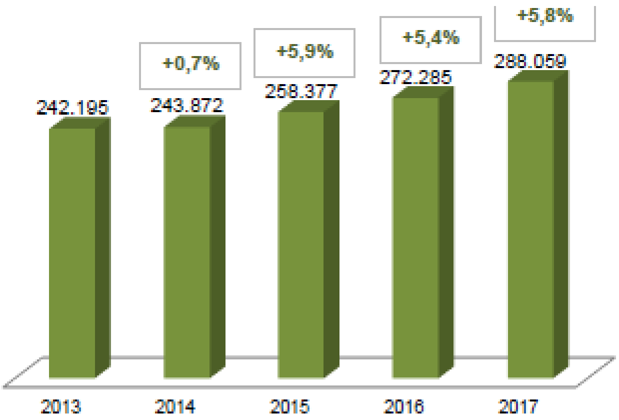



Figure 23 – Magna Grecia, Murge, and Gravine arrivals[80]

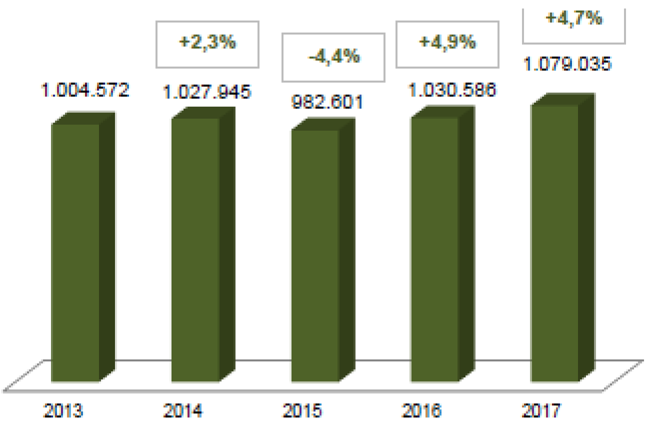



Figure 24 – Magna Grecia, Murge, and Gravine overnights stay[81]

[80] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

[81] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

Considering the years from 2013 to 2017, the area registered an overall increase of both the arrivals and the nights stay. The first have grown exponentially, especially during the last three years taken into consideration, when the growth reached an average superior to the 5%. The overnights stay, instead, have suffered from a great decrease in 2015, but they have increased again the next year, and they have also experienced a growth of 4,7% in 2017.

### 3.3.4 Bari and its coast

Probably, this is the less known part of the Adriatic coast, in fact, it is comprised between the two more famous areas of Salento and Gargano which undoubtedly attract the greater part of the seaside tourism. However, nonetheless the high competition, this sub-region is not less varied and welcoming than its renowned counterparts. The itinerary starts from Bari, the capital of the region. Bari is a city of maritime and commercial tradition and, despite the difficulties and contradictions of the growth, it is still now the center of the regional economic activities. The best places to visit within the city are its historical center, the Basilica of Saint Nicholas which is a pilgrimage destination, and the theatre Petruzzelli. Along the north coast of Bari there are two cities, Molfetta and Giovinazzo, which have beautiful historical centers, and both offer beautiful walks along the seafront. Polignano and Monopoli are located at the south of Bari instead. While the first is famous for its historical center that falls overhanging the sea, Monopoli offers delicious beaches, boat and cycling trips, and excellent food. The hinterland is represented by the cities of Bitonto, that is famous for the oil production and for the Romanic cathedral, and Conversano, which delimits the start of the Murge plateau.

The data regarding both arrivals and overnights stay show an increasing trend during the last 5 years. Even if this area is certainly not the most touristic one, the data confirm its growing attractiveness which is certainly also linked to the great importance given by the region to the tourism activities during the last years:

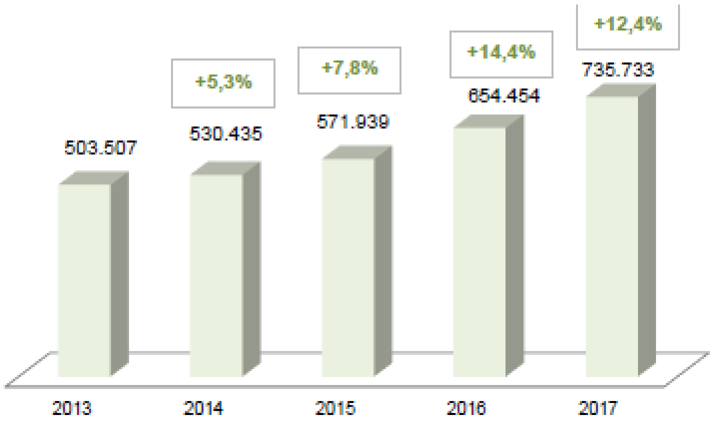



Figure 25 – Bari and its coast arrivals[82]

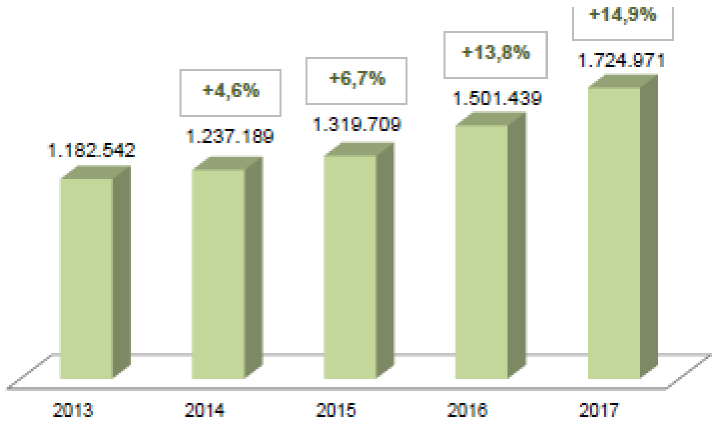



Figure 26 – Bari and its coast overnights stay[83]

### 3.3.5 Valle d' Itria

The Valle d' Itria, to be precise, is the karst depression located among the cities of Locorotondo, Cisternino, and Martina Franca, but it also gives the name to all the area around. It confines at north with the area of Bari, at west with the Magna Grecia (Taranto and Murge), and at south with Salento. It is the perfect destination for people who can not choose between see or hinterland, relax or parties, meet or

[82] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

[83] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

fish[84]. Martina Franca is the greatest city of the area, and it is worth visiting it because of its baroque buildings and its capocollo which is an incredible Eno-gastronomic experience. Cisternino is one of the most beautiful Italian borghi, and in Locorotondo is produced very good wine. Alberobello is also comprised in the list of the cities located in Valle d' Itria, and it is famous because of the wonderful sight of its trulli. Moreover, Noci has a medieval historical center, while in Fasano there is the zoo to visit. Near Putignano there is the longest cave complex in Italy, Castellana Grotte. Ostuni is built on the highest point of a hill, and for this reason it is possible to have one of the best landscapes ever from it: the green of the Regional Natural Park of the Coastal Dunes, and then the blue of the Adriatic Sea. It is worth mentioning, even if they are not part of the Valle d' Itria because of their proximity to the sea, the city of Egnazia, which is famous for the archeological site, and Savelletri, where people go in order to eat ricci.

As for the other sub-regions, the value of the data is fundamental for the understanding of how the tourism is developing within the territory:

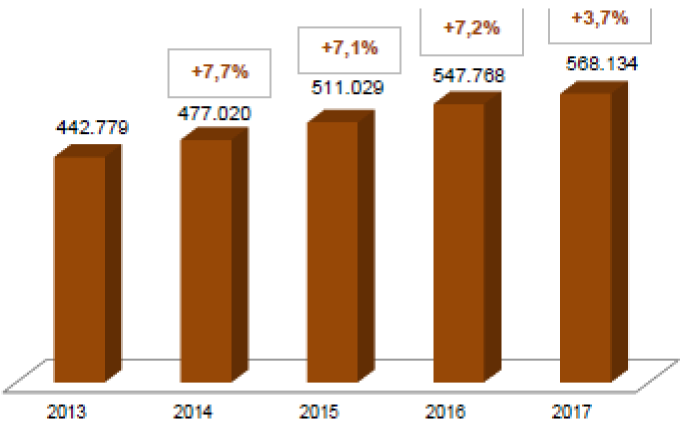



Figure 27 – Valle d' Itria arrivals[85]

[84] Rando, C., Vassallo, S., Cardinali, M., Ragonese, R., (2017), Puglia, Lonely Planet Global Limited and EDT S.r.l.
[85] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

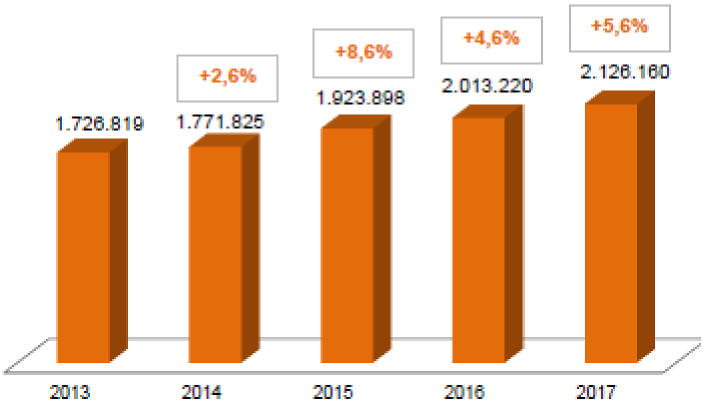



Figure 28 – Valle d' Itria overnights stay[86]

The arrivals have registered a growth of more than 7% during the years 2014, 2015, and 2016. In 2017 the growth was of 3,7% with respect to the previous year and, overall the arrivals have passed from being 442.779 in 2013 to 568.134 in 2017. Also, the nights stay have experienced an increasing trend with a peak in 2015 when the growth reached 8,6% with respect to the previous year. Overall, the overnights stay have passed from 1.726.819 in 2013 to 2.126.160 in 2017.

### 3.3.6 Salento

The Salento is that part of the region which starts from the north of Brindisi, it crosses the whole region arriving to the Ionic coast, and it goes down and covers the heel of that boot that is Italy. This is the sub-region that attracts the highest number of tourists with respect to all the other areas described above, and there are many places to talk about. First, Brindisi is located in an incredible position, indeed, it rises on a promontory, inside a bay, and it has one of the most important port of the whole region also because it has always been the point of connection with the Greece and the East. Moreover, the Brindisi's hinterland is beautiful too, and cities like Mesagne and Oria deserve to be mentioned. Few kilometers at the north of Brindisi, along the cost, tourists encounter Torre Guaceto, which was a sighting tower during the XV century. Lecce and the cities within its province have been subjected to different dominations, so they have had a lot of diverse influences

[86] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

which it is possible to note still nowadays. For example, there exist twelve cities whose inhabitants talk a dialect named "griko", since it is more similar to the Greek language than to the Italian one. However, Lecce itself is a city that must be visited by a traveler even if it is not located on the seaside. Saint Oronzo's square, the Basilica of Santa Croce, and the Castle of Carlo V are the three principal reasons to stop and enjoy the city. Going down along the Adriatic coast, the itinerary reserves wonderful places and beaches like Torre dell' Orso, the Alimini lakes, Otranto, Porto Badisco, Santa Cesarea Terme, Castro, Specchia which was named "tourist destination of excellence in rural tourism", and Santa Maria di Leuca that is located where the Adriatic and the Ionic coast meet each other, and it is also the most southern city of the region. The Ionic coast does not offer less beauties than its Adriatic counterparts. For example, Gallipoli is the destination preferred by young people searching for parties and night life, while Marina di Pescoluse, renamed the Maldive of Salento, it is more suitable for family vacations.

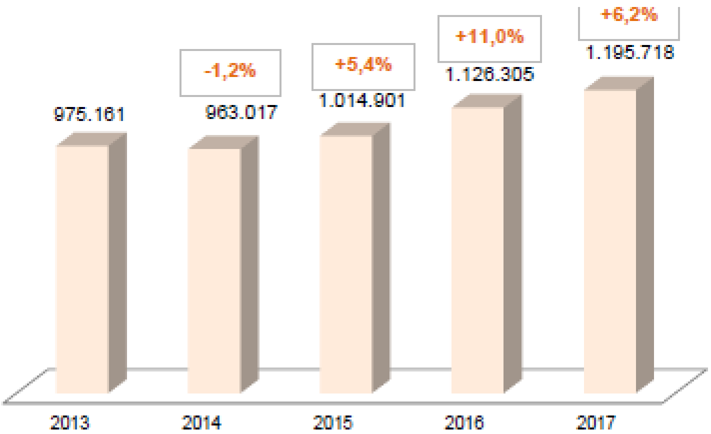



Figure 29 – Salento arrivals[87]

[87]https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

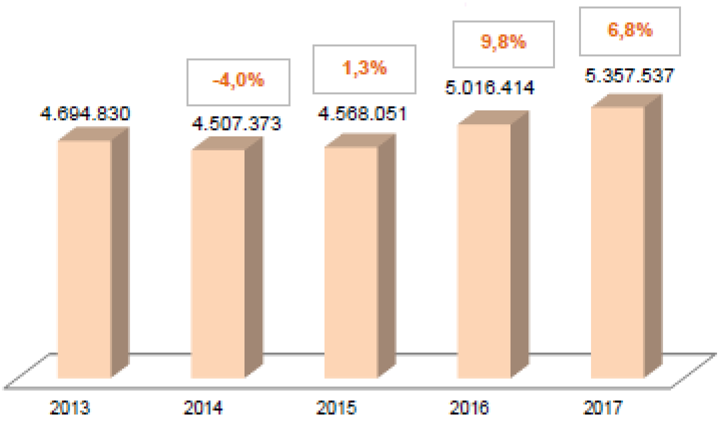



Figure 30 – Salento overnights stay[88]

Apart from the decrease registered in 2014, the data reveal a growth during the last 3 years in both the arrivals and the nights stay. The year in which there had been the greatest increase for both variables was 2016. In fact, the arrivals registered a growth of 11 %, and the overnights stay recorded an increase of 9,8% with respect to the previous year.

[88]https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

# Chapter 4

# The impact of the OTAs on the accommodation sector in Puglia

## 4.1 Survey methodology and participation

The accommodation structures invited to participate in the survey were 5527, all located and operating in Puglia, and the research was conducted between the end of June and the start of August 2018. The program used to send the questionnaire was "Google Questionnaire", and it was received by the respondents by e-mail.

A total of 101 responses were collected from all the 6 territorial areas in which the region is divided: 17 responses were collected from Bari and its coast, 15 from Gargano and Daunia, 9 from Magna Grecia, Murgia and Gravine, only 1 respondent came from Imperial Puglia while the answers from Salento were 42 and those from Valle d' Itria, Murgia and Trulli were 17.

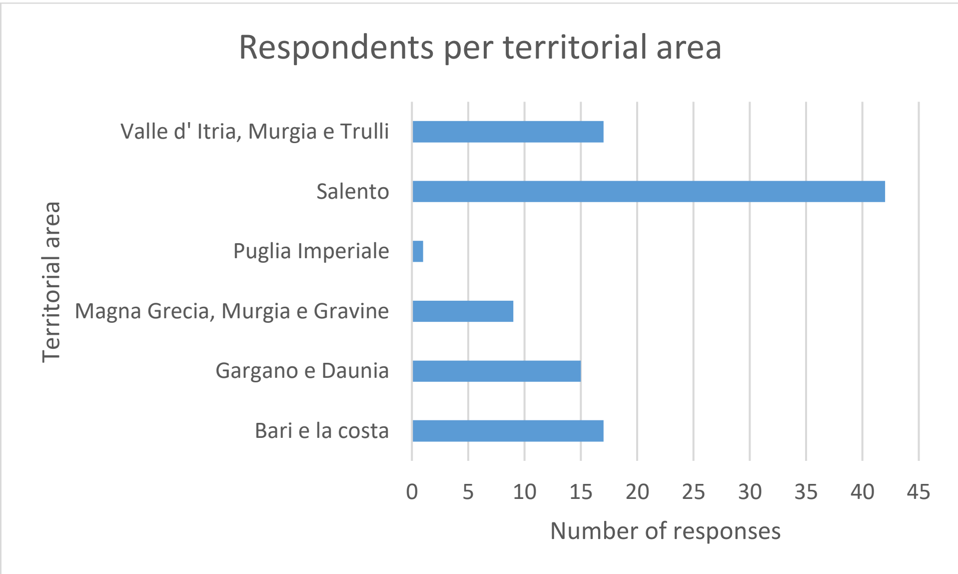



Figure 31 – Respondents per territorial area

The questionnaire was divided in five sections, but it must be underlined that in section III there is just one question since it must be considered a continuation of section II. The first section has the purpose of knowing the principal features of the respondents, like the number of rooms available, the typology of the structure, and the city in which it operates. The second one has to be filled only in case the accommodation structure uses OTAs, and it aims at valuing the specific impact of these latter on the bookings and profits of the respondents. Section III, as it has been told above, is a continuation of the previous section. Section IV investigates which are the other distributive channels utilized by the entrepreneurs beyond the OTAs. The last section, instead, must be filled only by those respondents that do not use OTAs as distributive channels.

The time needed to complete the survey was less than 5 minutes, in fact, the majority of the questions were multiple choices and, moreover, the open answers were not even mandatory. The language of the questionnaire was just Italian since it was sent only to structures operating in Puglia.

## 4.2 The Questionnaire

### 4.2.1 The Nature of the respondents

It seems now important also to understand the nature of the respondents, and this can be done by considering the typology of the structures, and the number of rooms available.

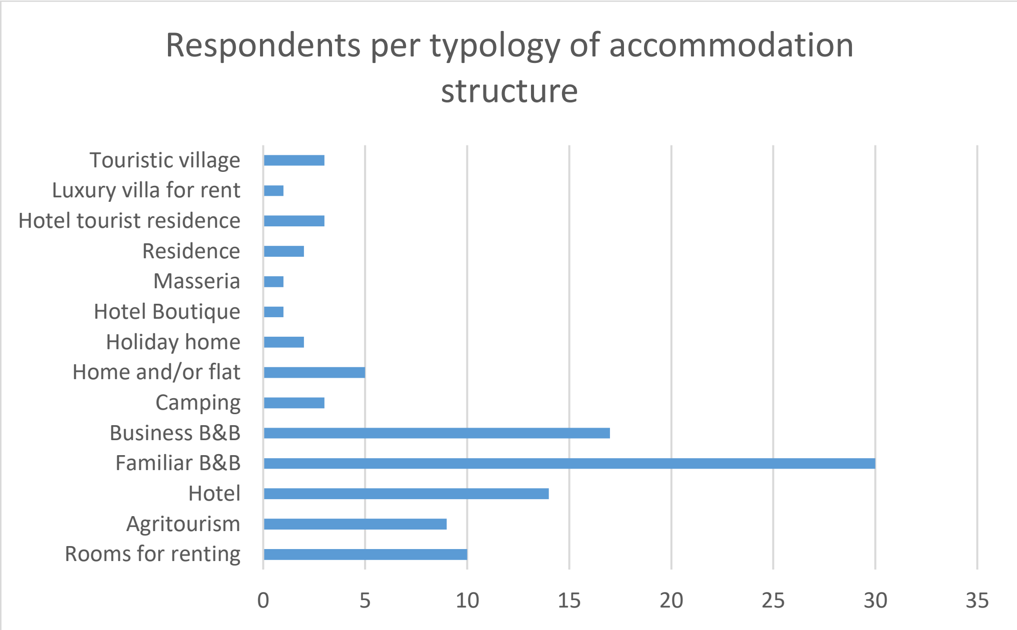



Figure 32 – Respondents per typology of accommodation structure

As it is possible to note, the typology of the respondents is really varied, even if the most of them manage a familiar B&B. It is important to underline that there is a great presence also of businesses like B&B, Hotels, rooms for renting, and Agritourism, while all the other represent a smaller percentage of the whole.

Considering the number of rooms available, three categories have been identified: small, medium, and large. The small structures are those that can host less than ten people per night, the medium ones are those with a number of beds comprised between ten and thirty, while the large are the structures with more than thirty beds available per night.


Figure 33 – Number of beds available

The graph shows that the accommodation structures with less than ten beds are the most spread ones, and the respondents of the research that belonged to this category were 48, followed by the medium size structures which were 36. The large size ones were 17 out of 101 respondents.

### 4.2.2 Respondents registered on OTAs

As it has been said above, the first section has the purpose of knowing the principal features of the respondents’ structures, and it closes with the question: “Is your structure registered on an OTA?”. The answers were not equally distributed between “yes” and “no”, but they were skewed toward “yes”, which received 94 answers out of 101. So, only 7 of the respondents do not make use of Online Travel Agencies. Considering the 94 structures using OTAs, it is possible to state that, even if the most of them is subscribed on Booking.com, there is a great number of platforms which are used for renting out rooms. Not only Expedia or Airbnb, the hoteliers are slowly learning to use also Homeaway, TripAdvisor, Travel UK, Agoda, and many other. Moreover, when respondents were asked about the reasons that convinced them to subscribe on the platforms, they identified those reasons in increasing visibility and profitability. So, these were the expectations of the hoteliers about OTAs, but have these platforms satisfied the expectations?

For this purpose, it is interesting to know which part of the total reservations is booked via the OTAs, and these were the results:

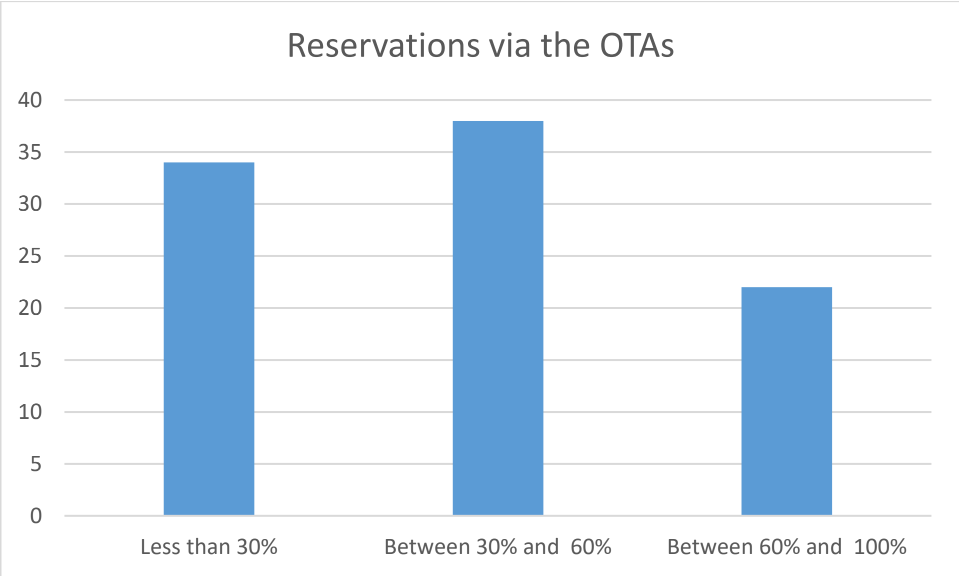



Figure 34 – Reservations via the OTAs

The graph shows that just 34 out of 94 of the respondents using OTAs have a percentage of the bookings through these platforms inferior to the 30%, which means that to the remaining 60 hoteliers the OTAs count for more than the 30%, and for 22 of them, platforms collect more than the 60% of the bookings.

It seems to be of great interest to know how much time is passed since the subscription of the structures on the platforms:

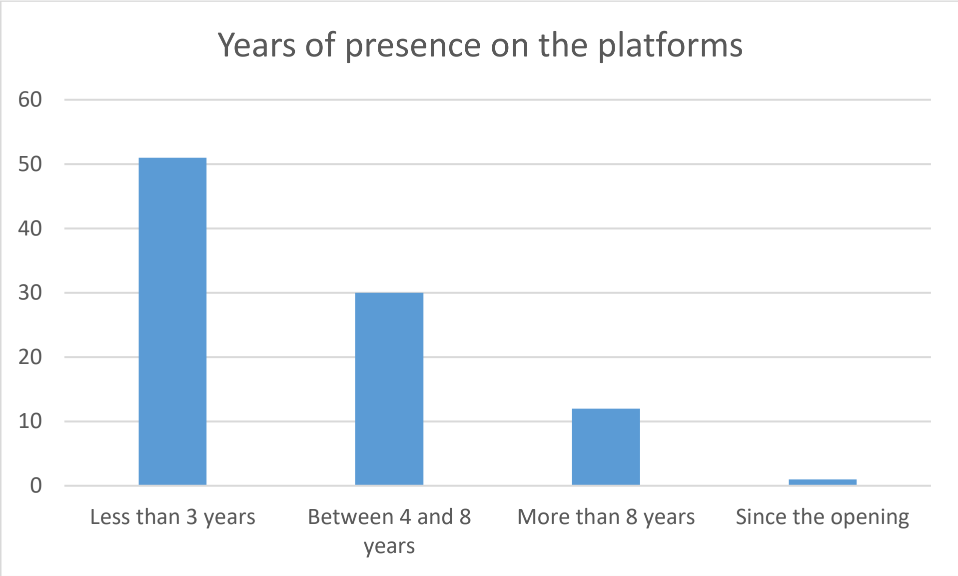



Figure 35 – Years of presence on the platforms

As it is possible to note, the boom of the subscription there has been within the last three years, when 51 out of the 94 respondents using platforms started to conduct their businesses through these technological interfaces. Between 4 and 8 years ago, 30 respondents subscribed on platforms, and 12 did it more than 8 years ago. One of the respondents did not specify the years passed since his subscription, but he just wrote that his presence on the platform is stable since his opening. So, what it is possible to say is that, nonetheless booking platforms are not a recent phenomenon, their usage has exploded just during the last three years, and this is a clear sign of how the market has changed during the last years.

At this point the questionnaire asked to the respondents if they have noted an increase in the bookings since their subscription on the platforms, and just 13 out of 94 respondents using platforms answered “NO”:

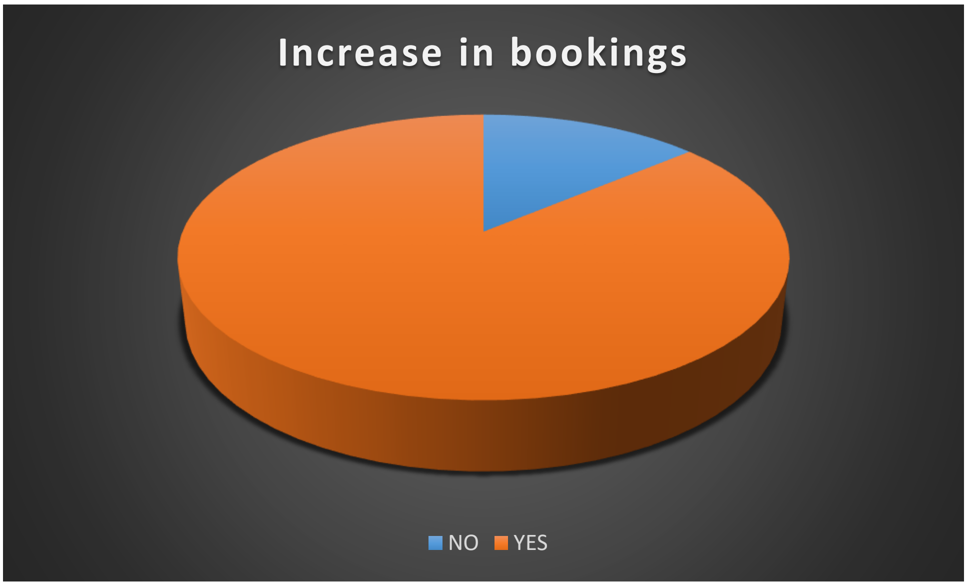



Figure 36 – Increase in bookings noted since the subscription

To the 81 remaining respondents who answered "YES" to the previous question was also asked to quantify the percentage increase in bookings:


Figure 37 – Percentage increase in bookings

The results show that 20 out of 81 respondents registered an increase inferior to the 20%, 27 accommodation structure owners increased their bookings of a percentage comprised between 20% and 50%, 20 respondents had an increase between 50% and 70%, 12 hoteliers stated that their increase was comprised between 70% and 90%, and, finally, 2 respondents registered an increase in bookings superior to the 90%. Even if this trend was attributed to the presence on the OTAs by the hoteliers themselves, they also identified some other reasons that could have influenced the increase in bookings during the last years, some examples are: the increase of the overall touristic flow toward the region, the increase of bookings through other selling channels, increase of the visibility, someone else identified the reasons in their customer care, or because of the discounts they have applied or the word-of-mouth they are subjected to.

When was asked to the hoteliers which has been the impact of the OTAs' usage on their profits, only 7 out of 94 complained a reduction of their earnings. Moreover, 5 out of these 7 registered a reduction comprised between 0 and 20%, while the remaining 2 recorded a greater decrease of the profit, which varied between 20% and 50%. The remaining 87 respondents registered an increase of the profits, instead. To be more precise, 38 out 87 hoteliers declared a percentage increase in profits of less than 20%, 26 respondents recorded an increase comprised between 20% and 50%. A boost of profits higher than 50%, but lesser than 70% was registered by 14 accommodation structure owners, 6 respondents had an increase comprised between 70% and 90%, and 3 of them stated that the increase in profits exceeded the threshold of the 90%.

It is interesting to note that the base commission paid to the OTAs is quite high, indeed, normally it is not inferior to the 15% of the total price paid. Moreover, 21 respondents over 84 are actually paying a higher commission to the platform in exchange of a greater visibility within the platform itself. So, the fees paid to the OTAs have a certain weight on the total profit of the structures, and the questionnaire investigated how heavy this weight is:

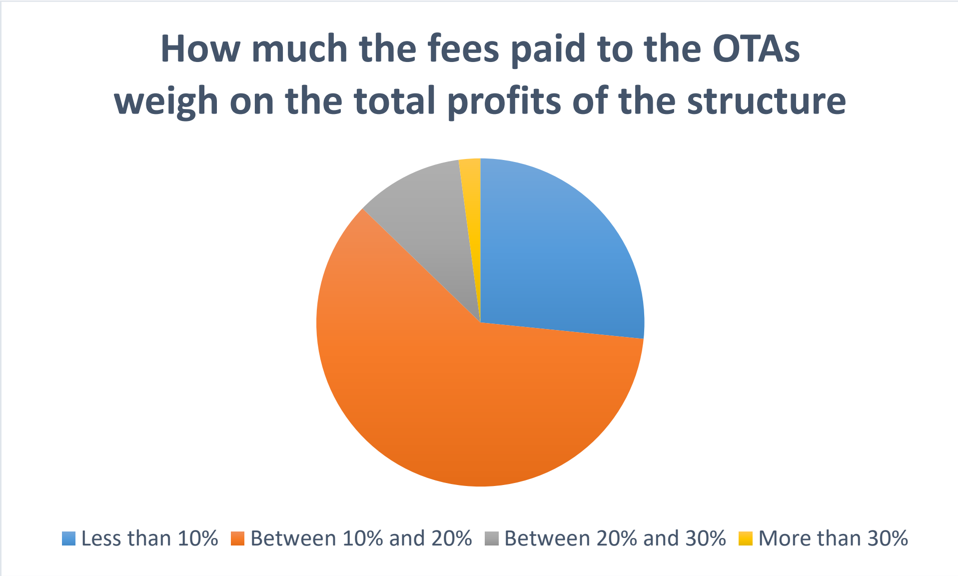



Figure 38 – How much the fees paid to the OTAs weigh on the total profits of the structure

The graph shows that the greater stake of the cake is occupied by those whose fees paid weigh on their total profits for an amount which is comprised between 10% and 20%, which are 57, 25 respondents sustain fees inferior to the 10% of their revenues, 10 hoteliers belong to the grey part of the stake, so paying a fee that can range between 20% and 30%, and finally, only 2 of them pay a fee higher than 30%.

Given the great impact that these commissions paid to the platforms have on the profits of the accommodation structures, it seemed important to ask to the respondents if they encouraged their clients to book via the OTAs, or if they preferred other traditional systems. The results show that the most of them do not encourage the booking through these platforms, indeed, at the question "Do you encourage your clients to book via the OTAs?" there have been 79 "NO", 14 "YES", and 1 abstained. Even if 79 out of 94 respondents do not encourage their clients to book via the OTAs, they are not thinking of delating their structure from the platform. Considering the question "Do you foresee the abandon of the usage of the platform within the next years?", the answers have been clear: 82 "NO", 11 "YES", and again 1 abstained. Indeed, nonetheless some disadvantages identified by the respondents like the "not appreciated customers" booking via the OTAs, the high fee requested by the platform and the consequent decrease in profits, the OTAs are nowadays a non-substitutable player of the sector able to provide visibility and the enlargement of the possible client base through the reaching of the international market. These advantages linked to the usage of the OTAs are the main reasons why 75 out of 94 of the respondents are satisfied by the service offered nonetheless the price paid.

#### 4.2.2.1 Respondents for which OTAs are the only selling channel

As it has been explained above, of the 101 respondents, 94 use the OTAs as a selling channel, and of these 94 hoteliers, for 22 of them the OTAs are their only selling channel and they seem to be able alone to guarantee an average of 71% of rooms booked.

#### 4.2.2.2 Respondents with other selling channels beyond OTAs

The remaining 72 respondents do not have the OTAs as their only selling channel, but they use many other like an internet website, telephone, word of mouth, agencies, Facebook, Instagram, and other social networks, or they could also have an already consolidated customer network that ensure them a certain number of bookings every year. It has been asked to these 72 hoteliers how much of the total bookings derives from these other channels mentioned above, and these are the results:

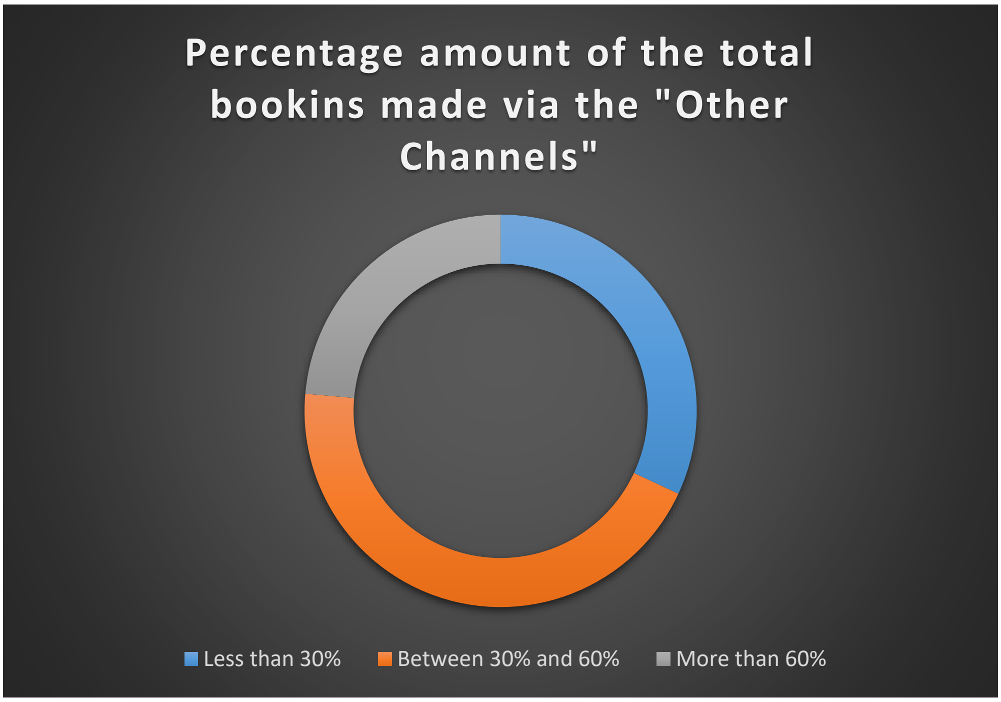



Figure 39 – Percentage amount of the total bookings made via the "Other Channels"

Respectively, 23 out of 72 declared that the "Other Channels" provide them less than the 30% of the total amount of the bookings, 32 respondents answered that the bookings provided by these channels are comprised between the 30% and the 60%, and finally 17 hoteliers said that they work essentially by these "Other Channels", since the percentage of the bookings deriving from them are superior to the 60% of the total amount.

When was asked to the 72 respondents using both OTAs and the other channels to conduct their businesses which typology of customers preferred booking via these other channels, the most popular answer was "clients already hosted once", successively followed by "new clients", and "usual customers". Looking at the graph will give a clearer view of the answers:

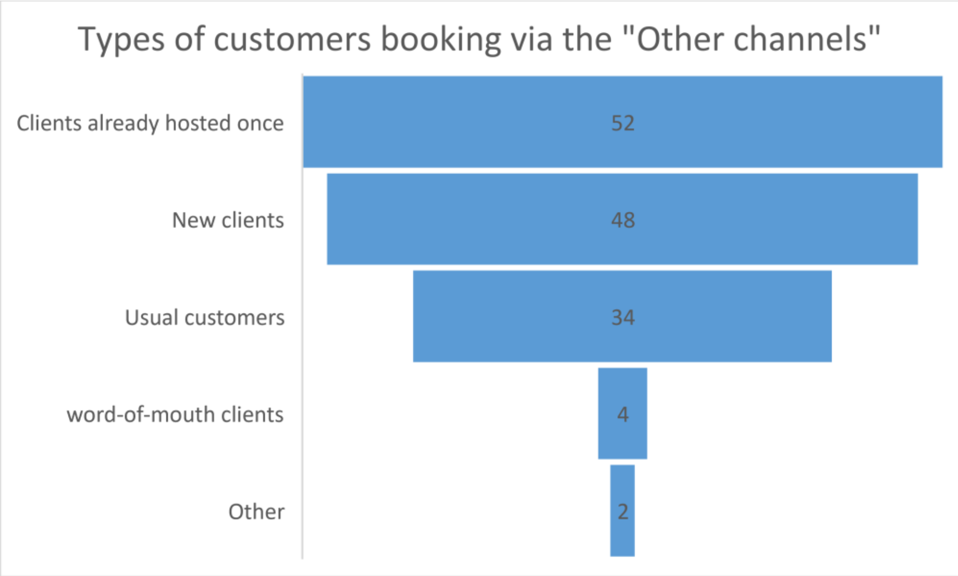



Figure 40 – Types of customers booking via the "Other channels"

Moreover, the same question done to the hoteliers using OTAs as the only selling channel regarding the medium percentage of the rooms booked was asked also to the accommodation structure owners using both OTAs and other channels, and in this case the percentage is 72%. It is interesting to note how the two results are very similar, indeed there is a difference of only 1 percentage point (since the medium percentage for those using just OTAs was 71%).

### 4.2.3 Respondents not registered on OTAs

It is worth saying that only 7 respondents out of 101 are not registered on OTAs. So, they work just using the traditional methods: internet website, telephone, consolidated customer network, and word of mouth.

The reasons why these 7 hoteliers are not registered on OTAs range from "I have never heard about them" to "I do not need them to complete my bookings", passing from "I fear that they take my revenues":


Figure 41 – Reasons why the structures are not registered

Even if the respondents of this category were just 7, the answers are 8 since one of the hoteliers gave two reasons to the fact that the structure he manages is not registered. Moreover, 3 of them are thinking about registering within the next year, while the remaining 4 seem to be not interested.

These seven respondents used other means to gain the visibility that their competitors have through the subscription to the platforms, and some examples are the social networks, website marketing through google AdWords, word of mouth, and direct contact with clients.

It is worth noting that, even in this case, the average percentage of the rooms booked is 71%, a result which is very similar to the one obtained interviewing the hoteliers belonging to the other two categories analyzed above.

## 4.3 Crossing Data

It is interesting to note how, until this moment, the data have been analyzed one by one, firstly to understand the nature of the respondents, their greatness, and the place from they come from, and secondly to have a deeper knowledge of the differences between those which are registered on the OTAs, and those which are not, those which use OTAs as their only selling channel, and those which have many different selling channels. However, it seems to be useful now to cross some of the data that have been already analyzed before, so that some features could be highlighted.

### 4.3.1 Bookings vs size

For example, it is interesting to note how the bookings' increase registered by the accommodation structures from the moment in which they have been subscribed on the OTA changes considering their size.

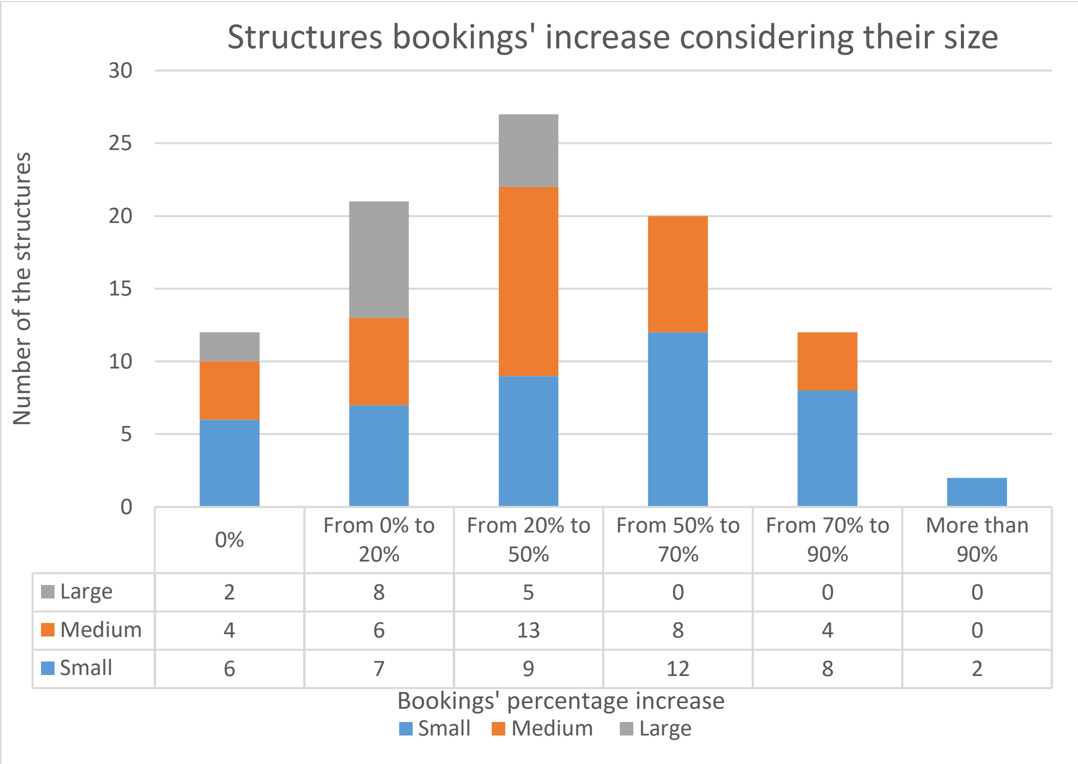


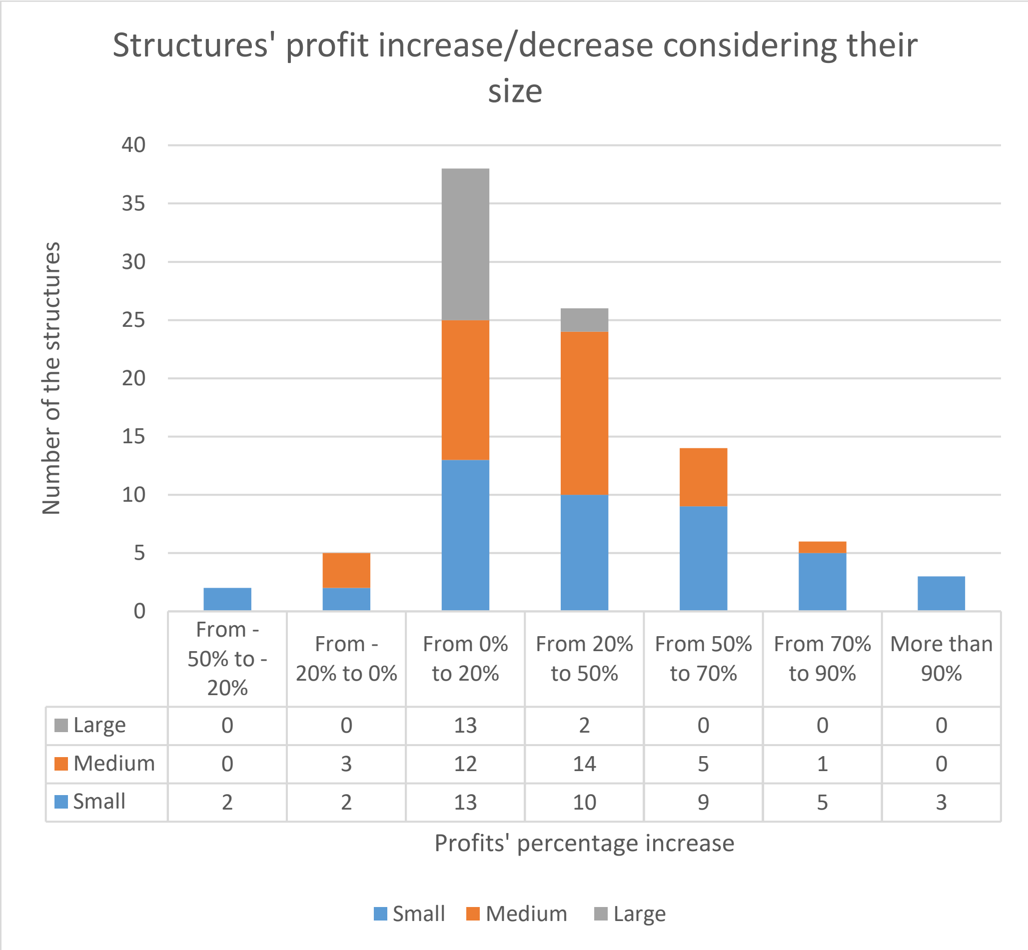

Figure 42 – Structures bookings' increase considering their size

First, it is important to remember that the "small" ones are those with less than 10 beds, the "medium" are those with more than 10 but less than 30 beds, and the "large" ones are the structures with more than 30 beds.

Even if the number of respondents it is not equal among these three categories, it is however possible to make some reflections. Indeed, as it is possible to note from the graph, most of the accommodation structures with more than 30 beds have registered an increase in bookings lower than the 20%, and some of them have had an increase that ranges between 20% and 50%, while no one of these structures has recorded an increase in bookings higher than the 50%. The small size structures, instead, seem to be those better able to exploit the platforms' potential, since 22 out of 44 have registered an increase in bookings higher than the 50%. The medium size structures have a higher number of respondents registering an increase that ranges between 20% and 50% with respect to the small size ones, and a quite high number of structures registering an increase higher than the 50%, even if those are lesser than the small size ones registering the same increase.

### 4.3.2 Profits vs size

Another analysis that goes hand in hand with the previous one, it is that between the size of the structures and the increase or decrease in profits registered.




| | From -50% to -20% | From -20% to 0% | From 0% to 20% | From 20% to 50% | From 50% to 70% | From 70% to 90% | More than 90% |
|---|---|---|---|---|---|---|---|
| Large | 0 | 0 | 13 | 2 | 0 | 0 | 0 |
| Medium | 0 | 3 | 12 | 14 | 5 | 1 | 0 |
| Small | 2 | 2 | 13 | 10 | 9 | 5 | 3 |

Figure 43 – Structures' profit increase/decrease considering their size

When asked to the respondents if they registered from the moment of the subscription on the OTA an increase or a decrease of the profits, 7 out of the 94 answered that they had a decrease of their earnings nonetheless the increase registered for the bookings. Moreover, it is possible to note that there are only 23 structures that have increased their profit in a percentage superior to the 50%, while there were 34 respondents registering an increase in bookings higher than that threshold. So, as it is possible to note from the graph, there are more structures recording profits' increase comprised between 0% and 50%. It seems that the increase in bookings is not directly proportional to the increase in profits.

### 4.3.3 Bookings and profits within the provinces

This data characteristic that shows a not directly proportion between profits and bookings is even more evident when a territorial analysis is done, and the region is divided in provinces.

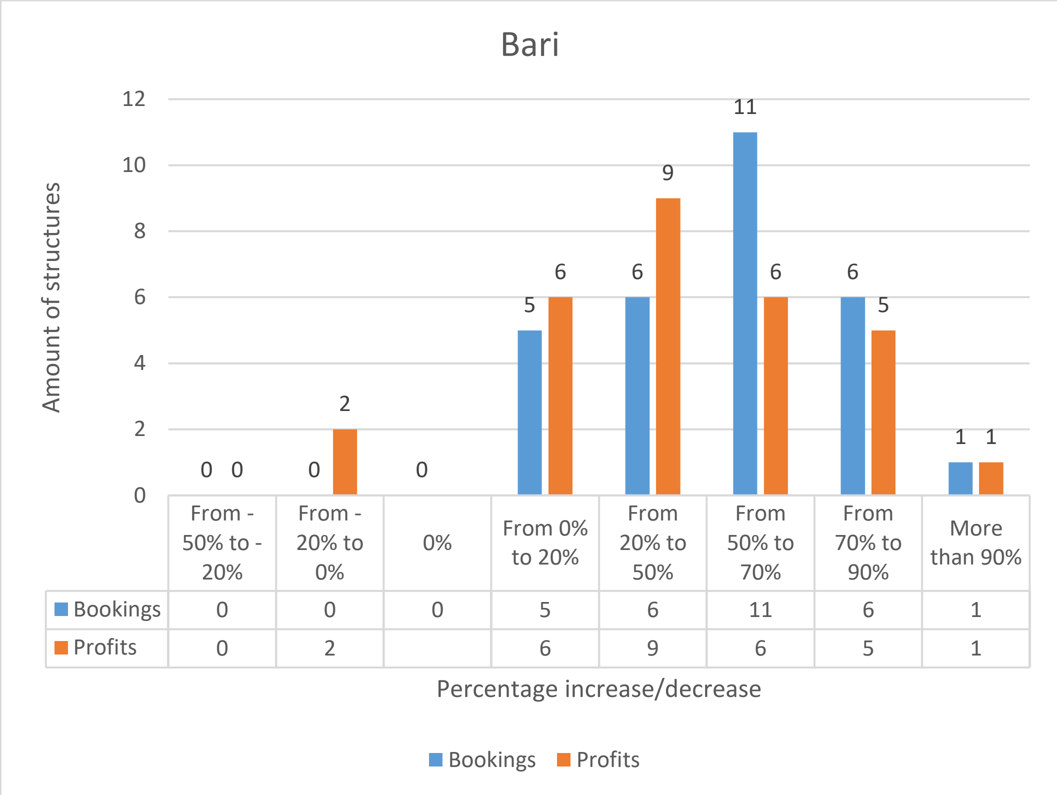



Figure 44 – Differences between profits and bookings within the province of Bari

The trend in the province of Bari respects what has been said until now. Indeed, within the higher bands (from 50% to 70%, and from 70% to 90%), there is a higher number of structures registering an increase in bookings rather than in profits. The opposite happens in the lower and middle bands (from 0% to 20%, and from 20% to 50%). Moreover, it should be underlined that in the province of Bari there are also two structures registering a decrease in profits nonetheless the bookings' increase.

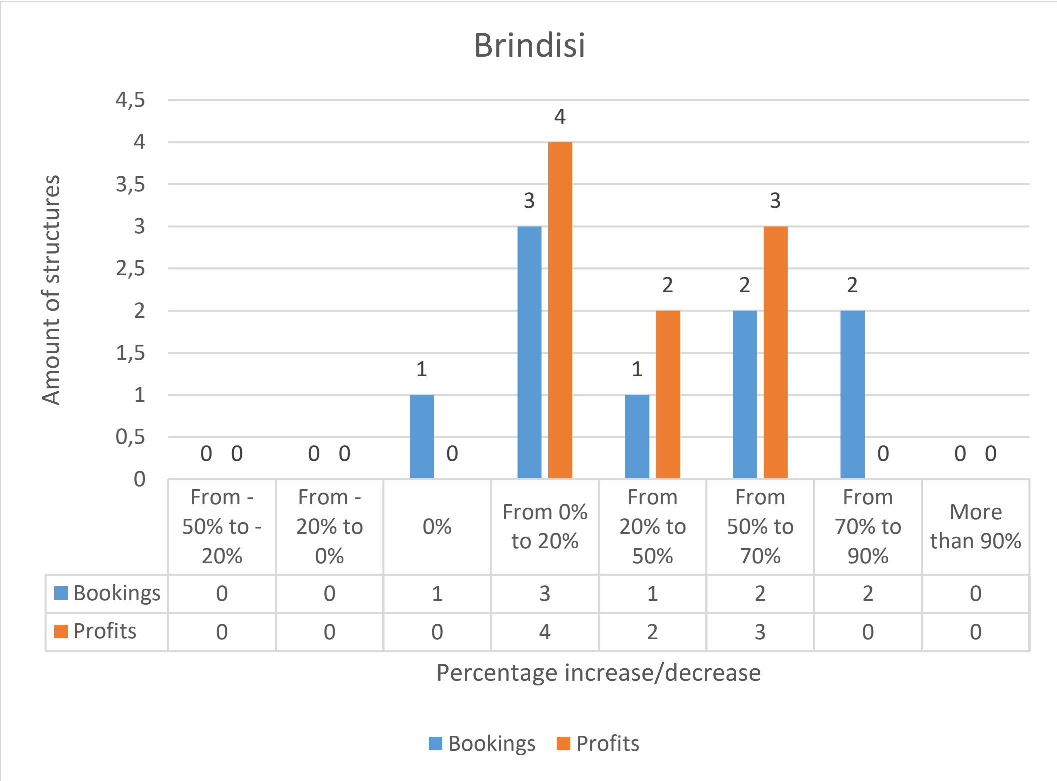



Figure 45 – Differences between profits and bookings within the province of Brindisi

From the province of Brindisi were received only 9 responses, so it seems difficult to draw some conclusions from such a small sample. However, despite the reduced number of answers, there are differences in each of the singular bands, which demonstrates how much independent the two data (bookings and profits) seem to be, while someone could have considered them very close.

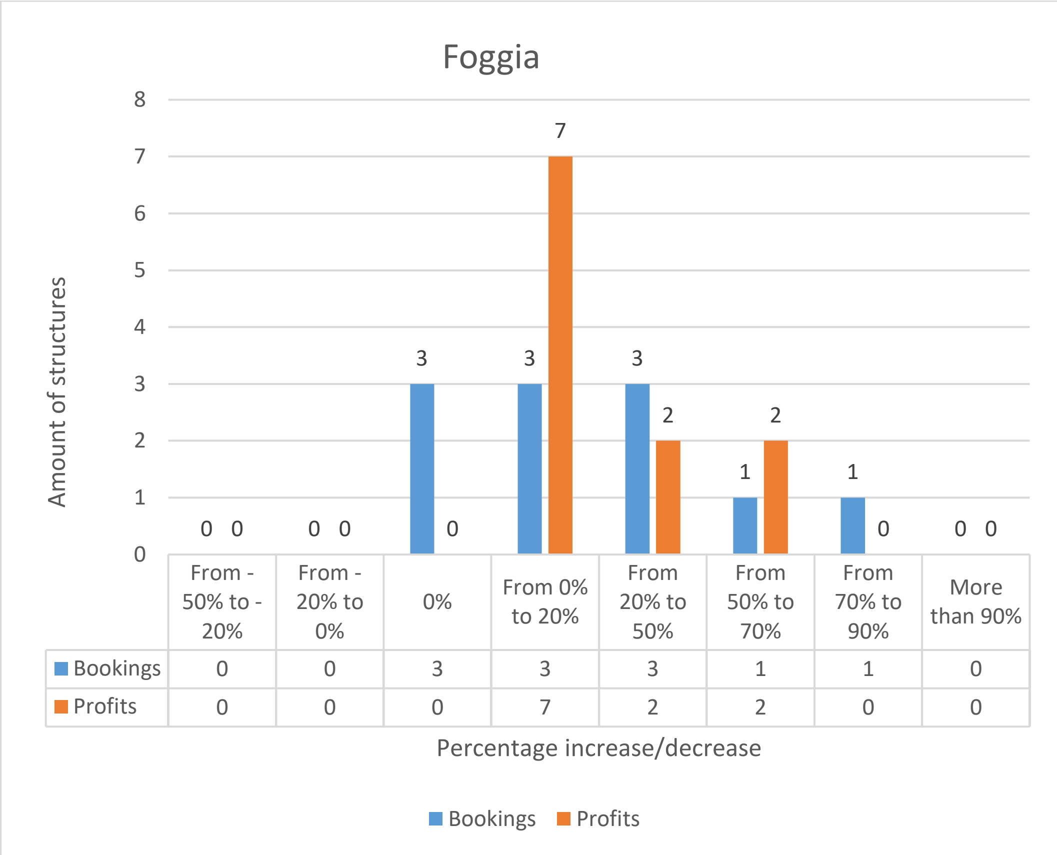



Figure 46 – Differences between profits and bookings within the province of Foggia

The data collected from Foggia have the same problem of those of Brindisi, there is a low number of respondents, and the same difficulty will be encountered during the analysis of those collected in the province of Taranto. However, as it is possible to note from the graph, the greater difference between profits and bookings is registered in the band showing an increase comprised between 0% and 20%, where the structures registering an increase in bookings are 3, while those registering an increase in profits are 7. In fact, there are 3 structures that even not having an increase in bookings have recorded an increase in profits comprised between 0% and 20%.

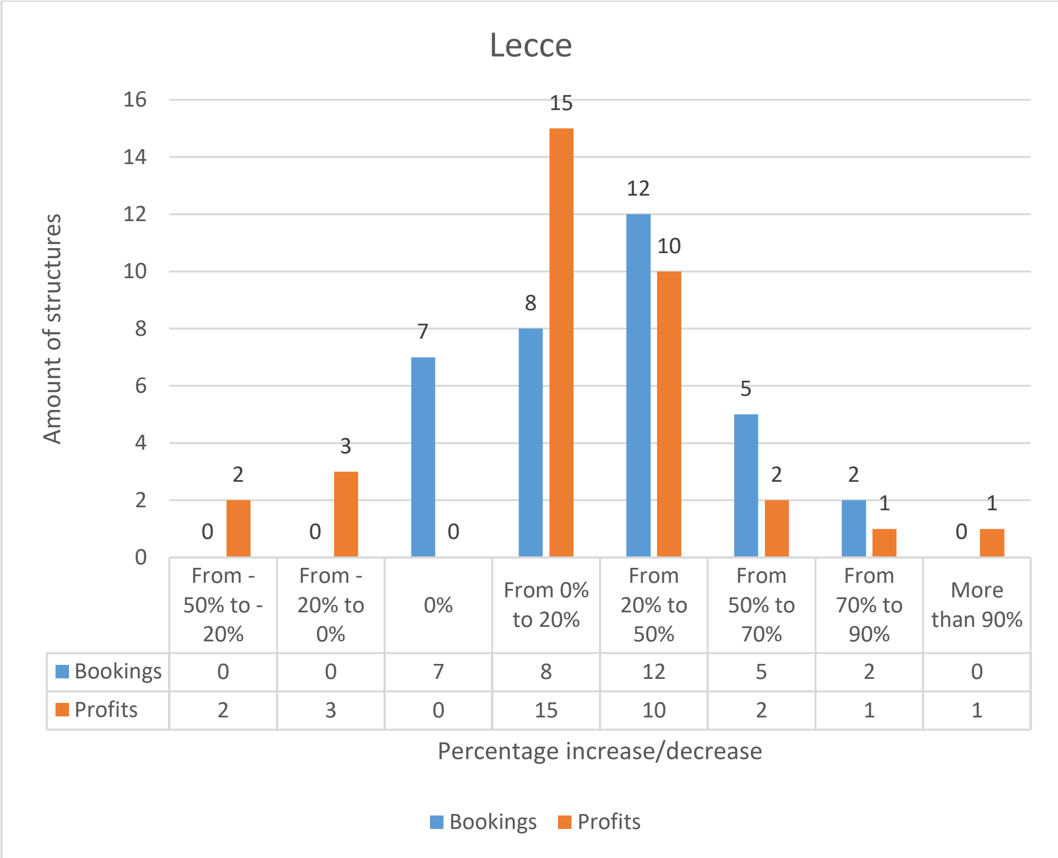
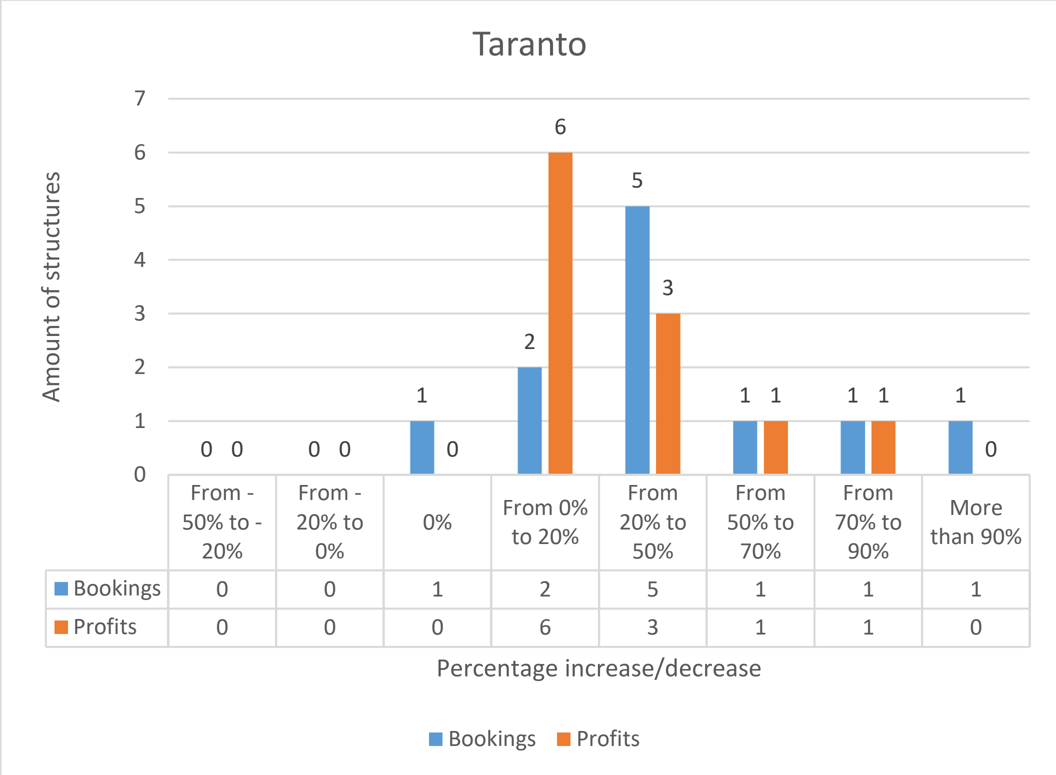



Figure 47 – Differences between profits and bookings within the province of Lecce

Lecce is the province from which have been collected more answers with respect to all the other provinces. It is the crowded and more touristic place of the whole region. As the graph shows, there are 5 structures registering a decrease in profits since their subscription on the OTAs, and 7 that seem they have not had any increase in bookings. Moreover, there are 15 structures that have registered an increase in their profits between 0% and 20% even if those registering the same increase in bookings are just 8. The situation changes when considering the three successive bands. Finally, there is one structure with an increase in profit superior to the 90%, but zero structures with the same increase in bookings.




|  | From -50% to -20% | From -20% to 0% | 0% | From 0% to 20% | From 20% to 50% | From 50% to 70% | From 70% to 90% | More than 90% |
|---|---|---|---|---|---|---|---|---|
| Bookings | 0 | 0 | 1 | 2 | 5 | 1 | 1 | 1 |
| Profits | 0 | 0 | 0 | 6 | 3 | 1 | 1 | 0 |

Figure 48 – Differences between profits and bookings within the province of Taranto

As it has been anticipated before, from the province of Taranto a low number of responses has been collected, they are just 11. The main difference in this province has been recorded in the band that indicates an increase comprised between 0% and 20%, where the structures registering this increase in profits are 6, while those recording the same increase in bookings are just 2.

## 4.4 Final considerations

It is worth to summarize the results in order to have a clearer idea of what has been the impact of the Platform Businesses on the accommodation sector in Puglia.

As it has been said, 94 out of 101 respondents are subscribed on a Platform. Moreover, 22 out of these 94 use OTAs as their only selling channel. These numbers alone attest the importance gained by the platforms within this industry, but there are many other meaningful ones. For example, the fact that 51 respondents started using OTAs during the last 3 years is a proof of the recent exploitation of the Platforms. Indeed, if the same questionnaire was proposed just 3 years ago, the majority of the structures was not registered on OTAs.

However, the fact that almost all the structure's owners interviewed are using OTAs does not mean that they do it for convenience, but they could be using them because of the actual situation of the market: platforms are the new intermediaries, and it is not possible anymore to avoid their usage since the risk is to remain behind other competitors. So, it is important to understand if the great spreading of these platforms is due to a merely adaptation to the market conditions, or if it leads to concrete advantages. Another question regards who is able to better exploit this situation.

About this, it must be underlined that 81 out of 94 respondents, when asked if they have had an increase of the bookings from the moment of the subscription answered "yes". Moreover, even if the number of respondents is not comparable among the three categories of "small", "medium", and "large", it seems that the higher numbers in terms of increases belong to the "small" ones, and the same is true when considering Figure 43 which takes into consideration size and increase in profits. Furthermore, it is important to state also that the increase in profits and the increase in bookings seem to be not directly proportional, and this could be linked to the fact that the OTAs eat part of the accommodation structures' revenues.

# Conclusions

The development of the Platform Businesses marks a turning point for the whole economic environment. They do not only change the way of conducting business, the internal organization of the company, the resources on which the firm has to focus its attention, and the corporate strategy. Indeed, Platform Businesses spread their effects also on the external environment, so affecting competition and reshaping the rules governing sectors and industries which have been the same for hundreds of years. However, the changes are deeper and regard the structure of the market, and the passage from many centrally planned economies (firms) operating in larger and decentralized markets, to few companies that alone have the potential to create centrally planned markets (Platform Businesses).

The tourism industry has been affected by changes deriving from Platform Businesses in all its sectors. TripAdvisor for the information services, OTAs for the accommodation sector, Blablacar and Uber in the transport one, TheFork and OpenTable for the Food & Beverage sector, and Toursbylocal for the tourism activities are just some examples of the many platforms operating in this industry. All of them are completely changing each phase of the processes, from the booking to the payment, passing from the supply. It is astonishing to note how relatively young companies are today fundamental components of a system that just 20 years ago was managed by completely different operators that are now slowly vanishing. Indeed, if offline tour operators were the undisputed intermediaries of the market, nowadays they are being replaced by Online Travel Agencies. Moreover, the consumers have now an easier access to a greater amount of information, and this allows them to take better informed decisions without the help of professionals of the sector.

The tourism industry in Puglia is one of the engines of the economy, and during the last years a lot of investments have been done not only to improve the image of the brand in the mind of the potential travelers, but also to better off the quality and the quantity of the structures acting in the industry. Wide space was left to small entrepreneurs willing to invest their money to finance familiar b&b, and they have been also capable to intercept European funds. The region offers different kind of tourism: seaside, naturalistic, city, amusement, cultural, religious, and food and wine tourism, and it is able to attract people coming not only from the Italian, but also from the foreign market. Together with the growing number of accommodation structures, the increasing tourists' arrivals made the region a good territory to conduct a research aimed at the understanding of the impact of the OTAs on the accommodation sector.

The results of the research conducted showed the importance and the irreplaceability of these platforms in the sector as the new intermediaries. Indeed, 94 structures out of the 101 interviewed were registered on an OTA, and 22 of them used the platform as their only selling channel. However, it is important to stress the fact that the increase in bookings and the one in profits deriving from the subscription of the accommodation structures on the platforms seem to be not proportional, and this is due to the fact that OTAs eat part of the earnings coming from the bookings.

Concluding, it is worth to state that if in few years OTAs managed to grab a great stake of the cake of a sector in which just 20 years ago they were not even operating, this was possible because of the characteristics of the Platform Businesses and their fast spreading linked to their network effects. Moreover, if this happened in a sector that has not been subject to change for many years, what could be the next possible developments? Which are the next sectors that will be completely reshaped by the advent of this new form of enterprises?

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# Annexes

## Annex 1. Questionnaire

L'IMPATTO DELLE OTA SULLE STRUTTURE RICETTIVE PUGLIESI

SEZIONE I: INFO SULLA DESTINAZIONE E SULLA STRUTTURA RICETTIVA

1) Preferisce compilare il questionario in forma anonima? *

SI NO

Se ha risposto SI, compili la domanda 2), se ha risposto NO, salti la domanda 2) e passi direttamente alla compilazione della domanda 3).

2) Qual è il nome della sua struttura ricettiva?

   Rispondere a questa domanda solo nel caso in cui abbia risposto NO alla domanda precedente

   ……………………………………………………………………...

3) In quale/quali città svolge la sua attività? *

   ……………………………………………………………………...

4) Indichi la sua tipologia di struttura ricettiva: *

1) Albergo
2) Residenza turistica alberghiera
3) Affittacamere
4) B&B familiare
5) B&B imprenditoriale
6) Campeggio
7) Casa e/o Appartamento
8) Ostello
9) Villaggio turistico
10) Altro (indicare) ……………………………………………

5) Indichi il numero di posti letto della sua struttura: *
   - Meno di 10
   - Da 10 a 30
   - Più di 30

6) La struttura ricettiva è registrata su un portale online (OTA, Online Travel Agency) come, per esempio, Booking o Expedia? *

SI NO

Se la risposta è NO, procedere direttamente alla compilazione della sezione V. Se la risposta è SI, procedere con la compilazione della sezione II.

## SEZIONE II: OTA, PROFITTI E PRENOTAZIONI

1) Su quale OTA ha registrato la sua struttura? *
    - Booking
    - Expedia
    - Altro (indicare) ………………………………………………..

2) Cosa l'ha spinta ad iscrivere la sua struttura sull' OTA? *
    - Aumentare la visibilità
    - Aumentare i profitti
    - Altro (indicare) ………………………………………………..

3) In percentuale, quanto delle prenotazioni totali avviene tramite OTA? *
    - Meno del 30%
    - Dal 30% al 60%
    - Dal 60% al 100%

4) Da quanto tempo la sua struttura è attiva sulla piattaforma? *

    ………. Anno/i

5) Dal momento della registrazione, ha riscontrato un effettivo aumento delle prenotazioni? *

    SI NO

6) Potrebbe indicare, in percentuale, a quanto ammonta l'aumento di prenotazioni? *
Rispondere indicando una delle percentuali proposte solo nel caso in cui la risposta alla domanda precedente sia stata SI. Se, al contrario, la risposta alla domanda precedente sia stata NO, rispondere indicando la prima opzione proposta "Non ho riscontrato alcun aumento delle prenotazioni".

- Non ho riscontrato alcun aumento delle prenotazioni
- Da 0 a 20%
- Da 20% a 50%
- Da 50% a 70%
- Da 70% a 90%
- Più del 90%

7) Crede che l'aumento delle prenotazioni possa essere attribuito esclusivamente alla presenza sulla piattaforma?
Rispondere solo nel caso in cui si sia riscontrato un effettivo aumento delle prenotazioni.

SI NO

8) Ci sono altre ragioni che giustificano l'aumento percentuale delle prenotazioni nella vostra struttura? *
Rispondere NO anche nel caso in cui non si sia riscontrato alcun aumento delle prenotazioni.

SI NO

9) Quali sono gli ulteriori motivi che hanno portato la sua struttura a registrare un aumento delle prenotazioni?
Rispondere solo nel caso in cui la risposta alla precedente domanda sia stata SI.

- Aumento dell'afflusso turistico in Puglia
- Aumento delle vendite tramite altri canali
- Altro (indicare) ……………………………………………

10) Quale impatto ritiene che l’utilizzo delle OTA abbia avuto sui suoi profitti? *

AUMENTO RIDUZIONE

11) In che percentuale ha registrato un AUMENTO/RIDUZIONE dei profitti? *

- Da 0 a 20%
- Da 20% a 50%
- Da 50% a 70%
- Da 70% a 90%
- Più del 90%

12) Ritiene che l’iscrizione sul portale abbia dato maggior visibilità alla sua struttura ricettiva? *

SI NO

13) Qual è, in percentuale, la commissione di base pagata all' OTA per ogni prenotazione ricevuta tramite il portale? *

……………………………………………………………………...

14) Paga una percentuale maggiorata di commissione per aumentare la visibilità all’interno della piattaforma? *

SI NO

15) Quanto paga, in percentuale, in più rispetto alla tariffa base? *
Indicare la percentuale pagata in più rispetto alla tariffa base solo nel caso in cui la risposta alla precedente domanda sia stata SI, altrimenti scrivere 0% in quanto, per il fine della ricerca, la risposta a questa domanda è obbligatoria.

……………………………………………………………………

16) Quanto gravano le commissioni pagate all' OTA sul totale dei suoi profitti? *

- Meno del 10%
- Dal 10% al 20%
- Dal 20% al 30%
- Più del 30%

17) Incoraggia i suoi clienti a prenotare tramite la OTA?

SI NO

18) Perché?

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

19) Prevede nel tempo l'abbandono dell'utilizzo dell'OTA?

SI NO

20) Perché?

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………………………………………………………………

……………………………………………………………….

21) Nel caso ha risposto SI, come prevede di supplire a un eventuale calo di prenotazioni generato dalla non presenza sull'OTA?

- Non prevedo una mancanza di prenotazioni
- Aumento della vendita tramite altri canali
- Investirò di più per pubblicizzarmi
- Stipulando delle partnership
- Altro (indicare) ………………………………………..

22) Secondo la sua opinione, le OTA sono un "fenomeno"

TEMPORANEO DEFINITIVO

23) Potrebbe elencare, in base alla sua esperienza, quali vantaggi possono derivare dall'utilizzo delle OTA? *

- Non lo so
- Aumento visibilità
- Aumento prenotazioni
- Aumento profitti
- Meno spese per pubblicità
- Allargamento della clientela

- Raggiungimento di clientela internazionale
- Altro (indicare) ……………………………………………

24) Potrebbe elencare, in base alla sua esperienza, quali svantaggi possono derivare dall'utilizzo delle OTA? *

- Non lo so
- Diminuzione della visibilità
- Diminuzione delle prenotazioni
- Diminuzione dei profitti
- Spese troppo alte per pubblicizzarsi sulla piattaforma
- Clientela non gradita che prenota tramite la piattaforma
- Altro (indicare) ……………………………………………

25) Considerando il costo che comporta, è complessivamente soddisfatto del servizio offerto dalla OTA presso cui è registrato? *

SI NO

26) Perché?

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………...

27) Utilizza anche altri canali di vendita oltre le OTA? *

SI NO

Se la risposta è SI, procedere alla compilazione della sezione IV, in caso contrario, proceda alla compilazione della sezione III e successivamente proceda con l'invio del questionario. Grazie per il suo tempo.

## SEZIONE III: CONTINUAZIONE SEZIONE II

1) Qual è, in percentuale, la media delle camere occupate in media ed alta stagione? *
   ……………………………………………………………………..

## SEZIONE IV: UTILIZZO "ALTRI" CANALI OLTRE LE OTA

1) Quali sono gli altri canali di vendita utilizzati? *

   - Sito Internet
   - Telefono
   - Fax
   - Rete di clienti consolidata
   - Altro (indice) ……………………………………………….

2) In percentuale, quanto delle prenotazioni totali avviene tramite questi "altri canali"? *

   - Meno del 30%

- Dal 30% al 60%
- Più del 60%

3) Che tipo di clientela prenota tramite questi “altri canali”?
    - Nuovo cliente
    - Cliente che è già stato ospite una volta
    - Cliente abituale
    - Altro (indicare) ……………………………………………..

4) Potrebbe elencare una serie di vantaggi e svantaggi che sono collegati all’utilizzo di questi “altri canali”?

    ……………………………………………………………………

    ……………………………………………………………………

    ……………………………………………………………………

    ……………………………………………………………………

    ……………………………………………………………………

5) Considerando tutti i canali di vendita da lei utilizzati (sia le OTA che gli “altri canali”), qual è la percentuale media delle camere occupate in media ed alta stagione? *

    ……………………………………………………………………

    ……………………………………………………………………

    ……………………………………………………………………

Il questionario è terminato, grazie per il suo tempo e per la sua disponibilità.

## SEZIONE V: CANALI DI VENDITA UTILIZZATI DA CHI NON È REGISTRATO SULLE OTA

Da compilare solo nel caso in cui si sia risposto di NO alla domanda 6) di sez. I

1) Quali sono i suoi canali di vendita? *
    - Sito Internet
    - Telefono
    - Fax
    - Rete di clienti consolidata
    - Altro (indicare) ……………………………………………

2) Perché non utilizza le OTA? *
    - Non le ho mai sentite
    - Non le ritengo utili
    - Temo che si approprino dei miei ricavi
    - Non ne ho bisogno in quanto riesco a completare le prenotazioni anche senza il loro utilizzo
    - Altro (indicare) ……………………………………………

3) Pensa di iniziare ad utilizzare una di queste piattaforme entro i prossimi 12 mesi? *

SI NO

4) Se ha risposto di SI, quali sono i vantaggi che si aspetta?

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

5) Fino ad oggi, in che maniera ha cercato di aumentare la sua visibilità con il fine di attrarre nuovi clienti?

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

6) Qual è, in percentuale, la media delle camere occupate in media ed alta stagione? *

……………………………………………………………………

Il questionario è terminato, grazie per il suo tempo e per la sua disponibilità.

# Annex 2. Summary

## Chapter 1

## A step towards the future

The purpose of this first chapter is highlighting the differences between traditional firms (focusing more in deep on pipeline businesses) and platform businesses; and understanding how has changed the value creation process due to the development of these new form of businesses is the first step to take.

The first author that focused his strengths for the development of a framework capable of enclosing all the activities involved in the value creation process was Michael E. Porter that theorized the value chain model:

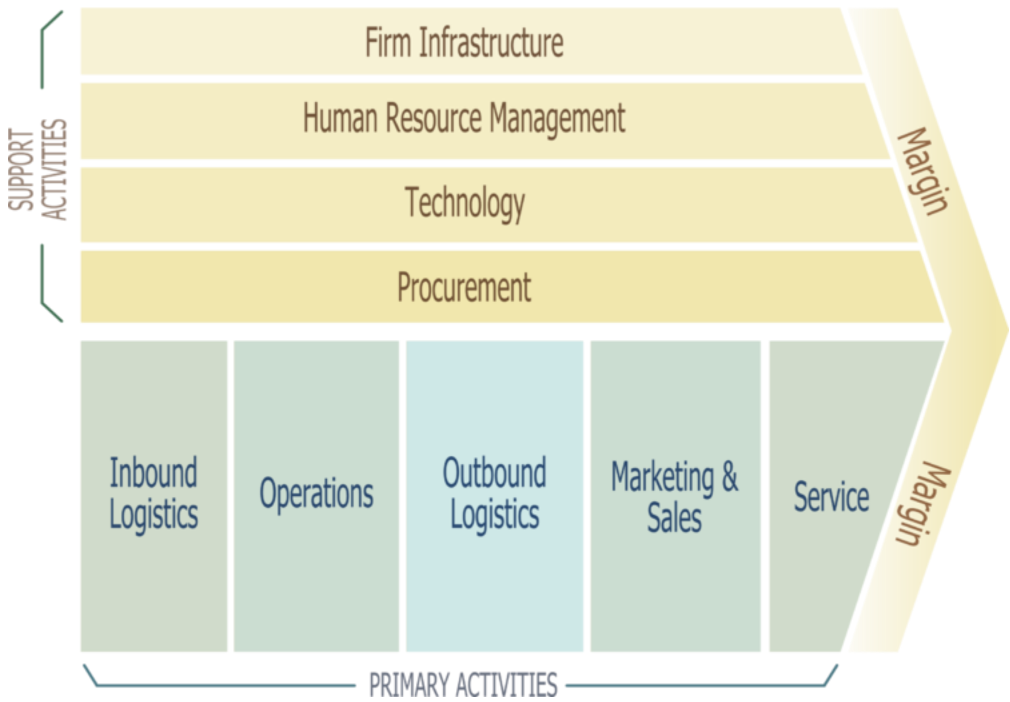


Figure 2- Michael Porter's Value Chain[89]

[89] https://en.wikipedia.org/wiki/Value_chain

Porter differentiate between primary activities and support activities: "*The value chain configuration is a two-level generic taxonomy of value creation activities*"[90]. The first ones are those implemented by the firm to create value, while the support activities have the function of improving the performance of the primary ones.

The Porter's value chain model is perfectly suitable to firms whose operations flow like the water does in a pipe, and the classical example are manufacturing firms that buy inputs, they work on them, and they finally sell outputs.

So, the question is: how do Platforms create value? "*Interactions on a platform resemble any economic or social exchange… In every such exchange, the producer and the consumer exchange three things: information, goods or services, and some form of currency*[91]". This sentence has a fundamental importance in the understanding of the platform's role within this exchange.

In fact, Platforms are not the producers of the goods or services exchanged, they are the networks through which the exchange relies, the mean through which the exchange is possible. So, their role is to gather, analyze and elaborate the information that producers and consumers using the platform provide in order to match them.

In the Platform's world the value creation process is completely changed, and it is transformed into a co-creation of value that is not managed by the platform alone, but by equal-partners that could offer their products, their services, their time in exchange of "some form of currency".

It is clear that the traditional management framework mentioned above does not fit the new context, for this reason a new model showing the core activities that a platform needs to manage has been created:

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[90] Porter M. E., (1985), Competitive Advantage: Creating and Sustaining Superior Performance, New York: London: The Free press, Collier MacMillan

[91] Parker, G.G., Van Alstyne, M.W., Choudary, S.P., (2016), Platform Revolution: How Networked Markets Are Transforming the Economy - and How to Make Them Work for You, 1st Edition, W.W. Norton Company, page 36

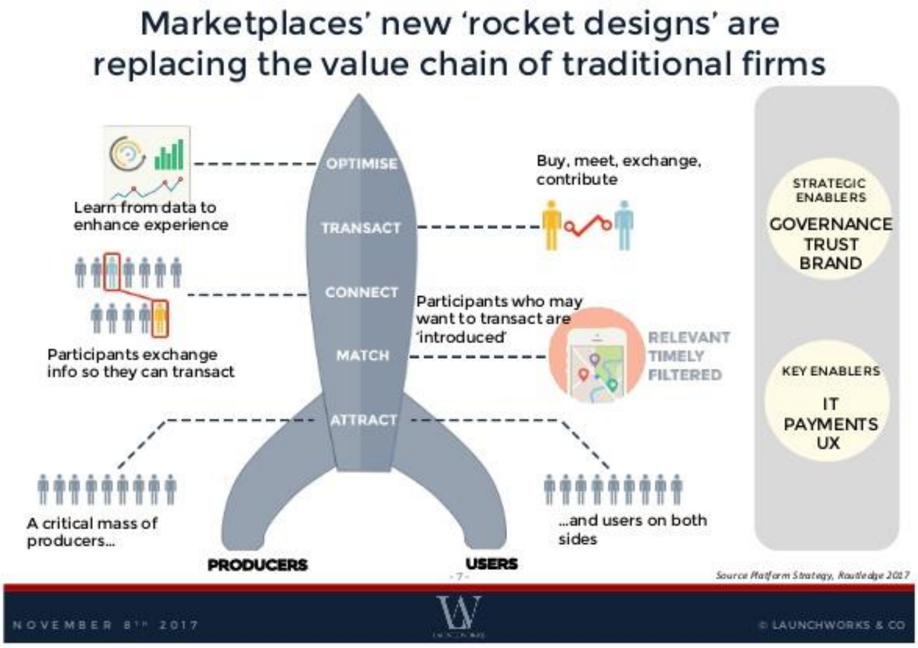


Figure 5- The Rocket Model[92]

This new way of creating value is not only allowing platforms to create new form of business activities, it also implies the emergence of new business entities able to compete with traditional firms[93] but that are completely revolutionizing the way of doing business in the sectors in which they act, so reshaping the entire industries.

This shift in the value creation process from the value chain to the rocket model implies many other changes: the focus of the firm passes from the internal resources to the external opportunities; the competitive advantage could be no more reached pursuing a cost or a differentiation strategy, but exploiting, enlarging, and managing the network; the classical rules of competition break down; the architecture of the firm changes; and even the borders of the companies and of the markets are

[92] Reillier, L.C., Reillier, B., (2017), Platform Strategy: How to Unlock the Power of Communities and Networks to Grow Your Business, 1st Edition, Routledge, page 46

[93] Parker, G.G., Van Alstyne, M.W., Choudary, S.P., (2016), Platform Revolution: How Networked Markets Are Transforming the Economy - and How to Make Them Work for You, 1st Edition, W.W. Norton Company, page 68

reshaped. Following the considerations of Alex Moazed[94] it will be possible to understand how the shift in the economy that society is living today is deeper than what it was possible to foresee. Indeed, while within the Pipeline economy there are centralized companies that operate in a decentralized market, nowadays Platforms are creating and are themselves centralized markets that aggregate both centralized and decentralized producers, allowing them to compete, in many cases also with the Platform itself, for the same stake of the market. In this way, they are unlocking new economic and social value. This new value is then spread off, thanks to Platforms, to a larger community of individuals that do not necessarily have to be organized in firms in order to capture it. Indeed, this new redistribution of value is rendered possible thanks to the breaking bonds that held the value chain, and so the firm together. The different parts of the value chain are, in fact, being substituted by decentralized networks of autonomous individuals, and the tourism industry is one of the most hit and reshaped by these changes.

Welcome to the new economics' era!

# Chapter 2

## Platforms in the tourism industry

Tourism is an information-based and information-intensive industry. Indeed, travelers first have to investigate options, compare prices, and make reservations, and only at the end of this process the tourist products and services become tangibles. This pivotal role of information in the industry has allowed the growth and proliferation of the Platform Businesses within it, since these latter permit the speeding and spreading of information across the market.

The importance of Platform Businesses in the tourism industry is expected to continue growing in the coming years. Their impact has involved all the five areas and sectors that allow the functioning of the whole industry: information, accommodation, transport, food & beverage, and tourism activities.

[94] Moazed, A., Johnson, N. L., (2016), Modern Monopolies: What It Takes to Dominate the 21st-Century Economy, St. Martin's Press

Nowadays, online platforms are the principal way through which travelers gather information. In fact, users can consult them in order to search for nearby attractions, accommodations, activities like excursions or guided tours, restaurants, events, and many other things. Essentially, those information platforms provide user-generated content in the form of reviews and ratings. The most widespread platforms for information services are TripAdvisor and Yelp.

The Accommodation sector is probably the most impacted by the advent of the Platform Businesses which are radically changing and reshaping it. There is a broad range of offer provided, indeed, depending on the platform used, it is possible to rent an entire property, a single room, a sofa, some platforms permit the rental of the primary or secondary properties by private individuals, other offer commercial operators' properties, other both of them. The most important platforms acting within the accommodation sector are Airbnb and the Online Travel Agencies (OTAs) like Booking and Expedia.

The transport sector is the one, together with the accommodation one, that has been more impacted until now from the advent of this phenomenon that is called Platform. The UNWTO (United Nation World Tourism Organization), considering different parameters like the driver, the ownership of the vehicle, and the distance travelled, distinguishes four different kind of transportation services: short distance ride-hailing (i.e. Uber), long distance ride-sharing (i.e. BlaBlaCar), private car-sharing (i.e. Getaround), and institutional car-sharing (i.e. Enjoy). Considering Enjoy, the owner of the car rented is not a private individual but a company. So, the firm in this case owns the assets through which it provides the service, and, for this reason, it probably cannot be considered a Platform Business since it lacks the main characteristics which have been object of discussion in the first chapter. However, it can be considered part of the sharing economy and, together with the platform businesses described above, it is changing the way people move around the city, for these reasons, it seemed important to talk also about it.

Even if the F&B sector has not been yet reshaped like the ones already discussed, it is possible to identify some changes which are contributing to its evolution toward a platform-based industry. Not only the information gathering and the booking process, but also the kind of food and beverage experiences that visitors can live are being influenced by the spreading of the platforms. Indeed, there are basically two different kind of platforms operating within this sector. The first typology allows travelers, and locals too, to get an overview of the restaurants present in a certain country, region, city, area, or neighborhood, also allowing them to book and to exploit of some discounts which are possible thanks to the strength of the network that the platform owns. Instead, the second ones are more about meal sharing, so they are very different kind of experiences. Two examples of Platform Businesses operating in the F&B sector are OpenTable and Eatwith.

As for the ones operating in the F&B sector, also the platforms used for living different kind of tourism activities are not so spread as those active in the accommodation, information, and transport sectors. What these platforms do is connecting visitors with "*engaged locals who rely on their knowledge to design a wide range of tours, outings, and other activities*[95]". Just to name a few, some of the platforms operating in this area are Withlocals, Toursbylocal, and Vayable.

# Chapter 3

## The Puglia Region

In order to better understand the tourism in Puglia it is not enough to describe the principal attractions, cities, and areas all around the region. In fact, the tourism in Puglia is also influenced by its competitors and its image both within the Italian and the foreign markets which respectively present great differences.

Puglia is a very varied region both because of its natural characteristics and its cultural traditions, and, for this reason, it is able to offer diverse typologies of tourism, so attracting different targets. To be more precise, it is possible to identify seven possible kind of tourism practicable within the region: seaside, naturalistic, city, amusement, cultural, religious, and food and wine tourism.

[95] UNWTO. (2017). New Platform Tourism Services (or the so-called Sharing-Economy) – Understand, Rethink and Adapt. Pag. 40

The tourism industry in Puglia is one of the engines of the economy, and the improvements of the destination's brand are paying back the investments made during the last years. Looking at the graphs of the arrivals and of the nights stay within the region of the last five years could be useful to have a clearer idea of the extent of the phenomenon:

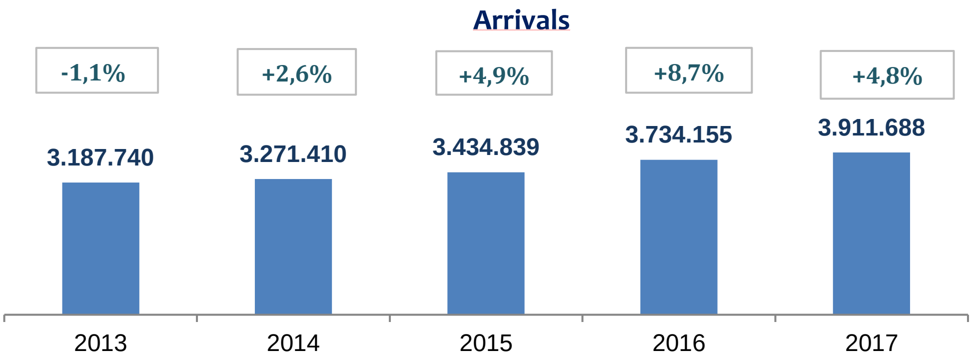


Figure 14 – Arrivals in absolute values and percentage variation with respect to the previous year[96]

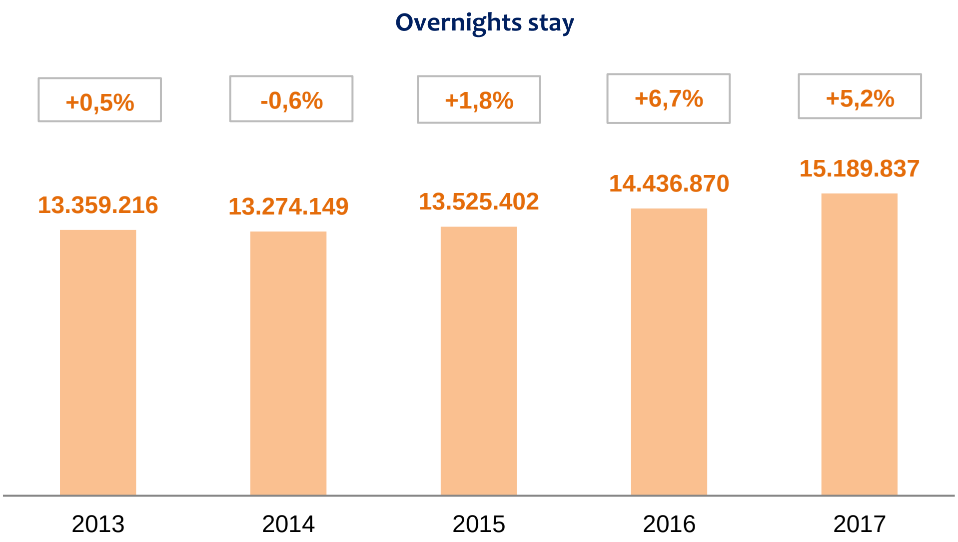


Figure 15 – Overnights stay in absolute values and percentage variation with respect to the previous year[97]

[96] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

[97] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

It seems important to evaluate how huge is the foreign market with respect to the Italian one, and if it is growing:

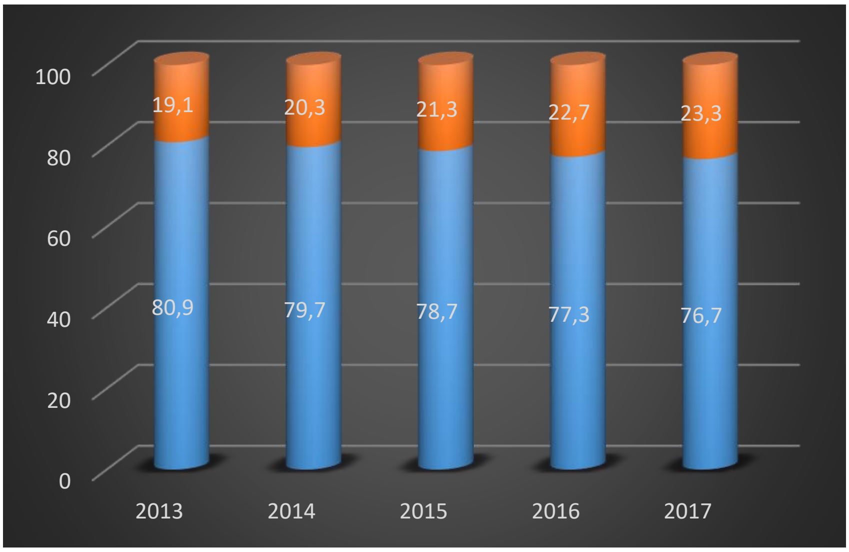


Figure 16 – Arrivals internationalization rate[98]


Figure 17 – Overnights stay internationalization rate[99]

[98] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

[99] https://www.agenziapugliapromozione.it/portal/documents/10180/2920246/Analisi%202013_2017

As it is possible to note, there has been a constant increase of the international flows of both arrivals and nights stay which confirm the data assessing the enlargement of the foreign market. Foreign tourists come especially from Germany, France, and Switzerland.

# Chapter 4

## The impact of the OTAs on the accommodation sector in Puglia

The accommodation structures invited to participate in the survey were 5527, all located and operating in Puglia, and the research was conducted between the end of June and the start of August 2018. The program used to send the questionnaire was “Google Questionnaire”, and it was received by the respondents by e-mail.

A total of 101 responses were collected from all the 6 territorial areas in which the region is divided: 17 responses were collected from Bari and its coast, 15 from Gargano and Daunia, 9 from Magna Grecia, Murgia and Gravine, only 1 respondent came from Imperial Puglia while the answers from Salento were 42 and those from Valle d’ Itria, Murgia and Trulli were 17.

The questionnaire was divided in five sections, but it must be underlined that in section III there is just one question since it must be considered a continuation of section II. The first section has the purpose of knowing the principal features of the respondents, like the number of rooms available, the typology of the structure, and the city in which it operates. The second one has to be filled only in case the accommodation structure uses OTAs, and it aims at valuing the specific impact of these latter on the bookings and profits of the respondents. Section III, as it has been told above, is a continuation of the previous section. Section IV investigates which are the other distributive channels utilized by the entrepreneurs beyond the OTAs. The last section, instead, must be filled only by those respondents that do not use OTAs as distributive channels.

It seems now important to understand the nature of the respondents, and this can be done by considering the typology of the structures, and the number of rooms available.

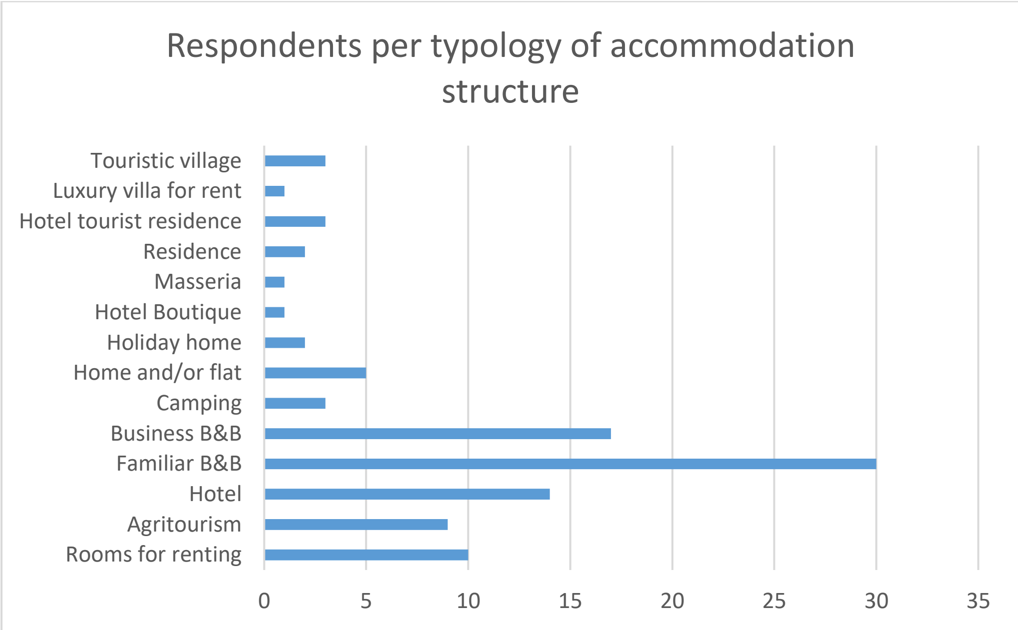


Figure 32 – Respondents per typology of accommodation structure

As it is possible to note, the typology of the respondents is really varied, even if the most of them manage a familiar B&B.

Considering the number of rooms available, three categories have been identified: small, medium, and large.

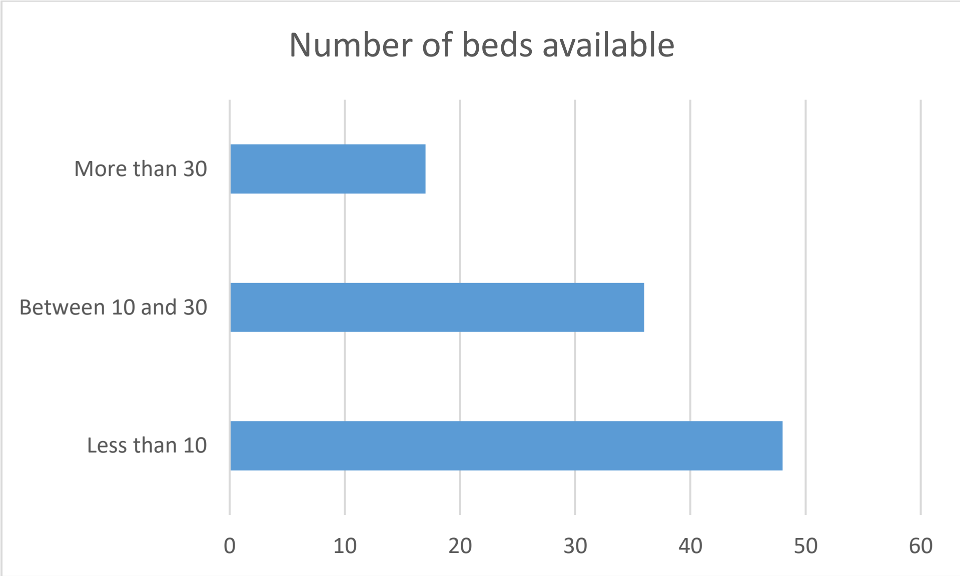


Figure 33 – Number of beds available

The graph shows that the accommodation structures with less than ten beds are the most spread ones, and the respondents of the research that belonged to this category were 48, followed by the medium size structures which were 36. The large size ones were 17 out of 101 respondents.

As it has been said above, the first section has the purpose of knowing the principal features of the respondents' structures, and it closes with the question: "Is your structure registered on an OTA?". The answers were not equally distributed between "yes" and "no", but they were skewed toward "yes", which received 94 answers out of 101. So, only 7 of the respondents do not make use of Online Travel Agencies.

It seems to be of great interest to know how much time is passed since the subscription of the structures on the platforms:

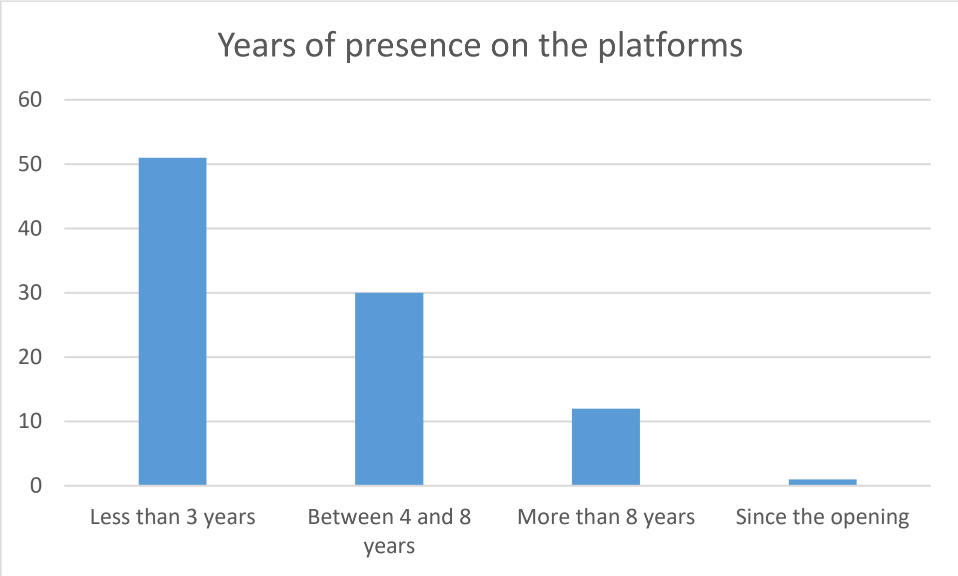


Figure 35 – Years of presence on the platforms

As it is possible to note, the boom of the subscription there has been within the last three years, when 51 out of the 94 respondents using platforms started to conduct their businesses through these technological interfaces. Between 4 and 8 years ago, 30 respondents subscribed on platforms, and 12 did it more than 8 years ago. One of the respondents did not specify the years passed since his subscription, but he just wrote that his presence on the platform is stable since his opening. So, what it is possible to say is that, nonetheless booking platforms are not a recent phenomenon, their usage has exploded just during the last three years, and this is a clear sign of how the market has changed during the last years.

Moreover, it was asked to the respondents if they have noted an increase in the bookings since their subscription on the platforms, and just 13 out of 94 respondents using platforms answered "NO", which means that 81 respondents registered a booking increase.

As it has been explained above, of the 101 respondents, 94 use the OTAs as a selling channel, and of these 94 hoteliers, for 22 of them the OTAs are their only selling channel.

The remaining 72 respondents do not have the OTAs as their only selling channel, but they use many other like an internet website, telephone, word of mouth, agencies, Facebook, Instagram, and other social networks, or they could also have an already consolidated customer network that ensures them a certain number of bookings every year.

It is worth saying that only 7 respondents out of 101 are not registered on OTAs. So, they work just using the traditional methods: internet website, telephone, consolidated customer network, and word of mouth.

It is interesting to note how the bookings' increase registered by the accommodation structures from the moment in which they have been subscribed on the OTA changes considering their size.

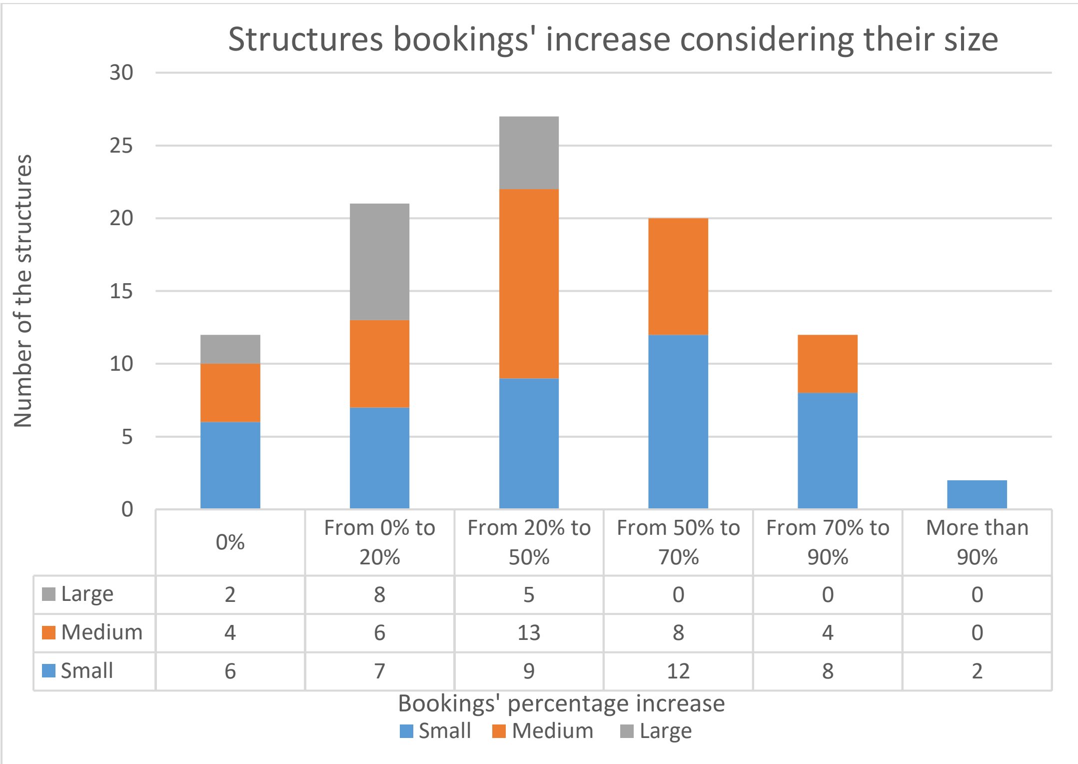


Figure 42 – Structures bookings' increase considering their size

Even if the number of respondents it is not equal among these three categories, it is however possible to make some reflections. Indeed, as it is possible to note from the graph, most of the accommodation structures with more than 30 beds have registered an increase in bookings lower than the 20%, and some of them have had an increase that ranges between 20% and 50%, while no one of these structures has recorded an increase in bookings higher than the 50%. The small size structures, instead, seem to be those better able to exploit the platforms' potential, since 22 out of 44 have registered an increase in bookings higher than the 50%. The medium size structures have a higher number of respondents registering an increase that ranges between 20% and 50% with respect to the small size ones, and a quite high number of structures registering an increase higher than the 50%, even if those are lesser than the small size ones registering the same increase.

Another analysis that goes hand in hand with the previous one, it is that between the size of the structures and the increase or decrease in profits registered.

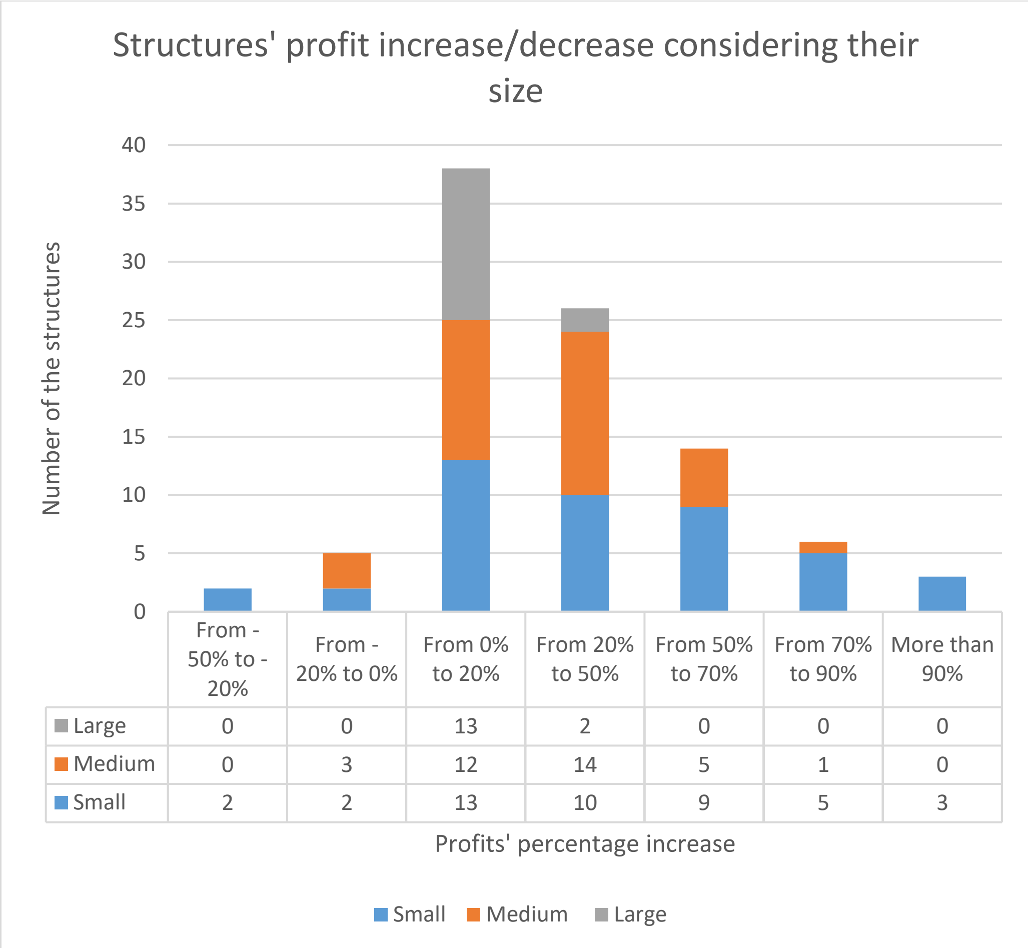


Figure 43 – Structures' profit increase/decrease considering their size

When asked to the respondents if they registered from the moment of the subscription on the OTA an increase or a decrease of the profits, 7 out of the 94 answered that they had a decrease of their earnings nonetheless the increase registered for the bookings. Moreover, it is possible to note that there are only 23 structures that have increased their profit in a percentage superior to the 50%, while there were 34 respondents registering an increase in bookings higher than that threshold. So, as it is possible to note from the graph, there are more structures recording profits' increase comprised between 0% and 50%. It seems that the increase in bookings is not directly proportional to the increase in profits.

The data collected show the importance of the OTAs within the accommodation sector. Indeed, they are now irreplaceable in their role of intermediaries between travelers and accommodation structures and, even if they eat a consistent part of the profits of these structures, which is showed by the fact that the increase in bookings is not proportional to that in profits, the respondents stated that they have not intention of abandoning the platform, and the greater part of them is also satisfied about the performance of the OTAs.

The possibilities that the Platform Businesses are able to provide are infinite, and the tourism industry is ready to welcome the innovations brought by them. The accommodation and the transportation sectors are those which have been more reshaped until now, but changes are expected also within the remaining sectors.