



Disruptive Entrepreneurship using Airbnb: The South African Experience

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Abstract

The tourism industry has grown in leaps and bounds in South Africa, since the first democratic elections in 1994. Tourism has not just been developmental, but has gained prominence as the new gold. The mining sector has lost its lustre as the major contributor to the economy of the country. Mining has declined as a core contributor to the gross domestic product, ravaging the economy of many towns and cities in South Africa. The growth trap that South Africa finds itself in, has meant that there must be a sector that can alleviate the structural challenges and promote entrepreneurship. Tourism has sustained growth and this has meant it has been accepted as the panacea for all of the economic challenges of the country. Additionally, tourism has been associated with distributive responsibilities in line with the principles of empowerment, especially for the previously disadvantaged groups. The tourism industry has had limited local benefit even in the face of more inbound tourism arrivals because of the skewed ownership patterns that reflect the colonial legacy of the tourism industry of South Africa. Disruptive technology provided by Airbnb has ensured that more cost effective accommodation is provided for destinations in South Africa, which now use underutilized hosting space for loading as Airbnb hosts. This has driven the growth of the tourism industry especially around the Western Cape Province, including Cape Town. This literature review on Airbnb fills a gap in academic scrutiny on disruptive entrepreneurship provided by Airbnb in the tourism economy of South Africa. Disruptive entrepreneurship will have a profound impact on the South African economy, which is struggling with raising entrepreneurship levels, for a country with an abnormally high rate of unemployment leading to poverty.

Keywords: Airbnb, tourism, South Africa, disruptive entrepreneurship, Cape Town, Western Cape

Introduction

South Africa finds itself in a growth trap, an economy that is not growing, high rates of unemployment, and skills mismatch. This means that the jobless don't have the skills required by the economy, which is increasingly becoming more service orientated. Unemployment which leads to poverty is the most important challenge facing the new South Africa, after the end of apartheid in 1994. "Unemployment, poverty and inequality remain the fundamental socio-economic challenges facing South Africa. The unemployment rate was about 25 per cent in 2011 with roughly half of all young people jobless. Income inequality remains high" (Faulkner, et al., 2013: 2). "Following the first racially inclusive democratic elections in 1994, the government's efforts to eliminate poverty have been frustrated by the continued shedding of jobs from the formal economy" (Aliber, 2003: 473). The unemployment rate in 2017 had increased to 27%, whilst the economy will not grow by more than 1% in the foreseeable future. The economy of South Africa has changed, as mining has been a perennial jobs shedder, leading to widespread unemployment, thus contributing to poverty. Mining has lost its lustre and is no longer the main driver of the economy of South Africa. Tourism has been used by countries as a form of economic diversification" (Strydom, Mangope & Henama, 2017: 1). Internationally, tourism has emerged as one of the largest industries, growing at compound



rates of about 4% per annum. This growth has seen travel and tourism classified as a leading global economic driver for the 21st century (Henama, Van Rensburg & Nicolaidis,2016:2). The tourism industry continued to grow especially in the post-apartheid period since 1994, so as to become the number one foreign exchange earner in South Africa, surpassing gold mining. Tourism more than any other sector, has the ability to address inequalities, create jobs simultaneously whilst the industry grows. The multiplicity of skills required by the tourism industry ensures that jobs are created for the highly skilled, middle skilled and the un-skilled (Henama,2013:232). There are high levels of mistrust between the state and the private sector, which has led to the private sector undertaking an investment strike, keeping record levels of cash hovering around R1,4 trillion in bank account, instead of making employment creating investments in the economy.

The global impact of less investment in nations has led to a lack of investment in the economy, which has impacted negatively on the GDP of the country and the creation of jobs. The economy has entered a recession, and there is no solution in sight to resolve the economic problems facing the country. Banerjee, et al. (2006) noted that the new entrants into the labour market tended to be increasingly less-skilled, and the demand for labour has not increased in sectors such as mining and agriculture, where the demand for labour has decreased. The increasing mechanization of mining and agriculture in an age of global competitiveness meant that machines replace man in many operations. The demand for labour in mining and agriculture fell in South Africa, and these shrinking sectors also tend to employ less-skilled labour. Furthermore, there was a decline in demand for low skills, and an influx of low-skilled labour have all created a 'perfect storm' (Henama, 2013:229). The South African economy has been facing serious challenges, and its growth slowed to 1.3% in 2015 being the lowest rate since 2009 according to Industrial Development Corporation (2016). The sovereign credit ratings downgrade, has also reduced the appetite for foreign direct investment in South Africa. The high rate of unemployment can also be attributed to the low rate of entrepreneurship in South Africa. "South Africa has a relatively small informal sector relative to its African neighbours" (Banerjee et al.,2006: 5). The high rate of unemployment should have ignited entrepreneurship in South Africa, however, this has not been the case.

Policy makers often view entrepreneurship as a panacea for inclusive growth in places like South Africa. The objective of this article is to improve the understanding of how entrepreneurship policies can lead to socially inclusive growth specifically in South Africa, using forms of disruptive technology. Policies addressing both economic and social perspectives may foster more productive entrepreneurial outcomes, albeit at a more constrained economic pace. The study extends the related agencies, entrepreneurship, global value chain, and sustainable tourism literatures by examining the poor as entrepreneurs, the role of local innovation, and how entrepreneurship policies generate different social impacts within poor communities. It has been suggested, that the fundamental activity of entrepreneurship is new venture creation and new venture creation is a process. Shane & Venkataraman (2001) suggested that the field of entrepreneurship focuses on the central question of the entrepreneur – why, when and how some people and not others discover and exploit opportunities. Many definitions of entrepreneurship are offered by researchers and practitioner, for example:

'Entrepreneurship is the act of forming a new organisation of value' (Bateman & Snell 1996).

'Entrepreneurship is the seemingly discontinuous process of combining resources to produce new goods or services' (Stoner, Freeman & Gilbert 1995).

'... the creation of new enterprise' (Bartol & Martin 1998).



'... the creation of an innovative economic organisation (or network of organisations) for the purpose of gain under conditions of risk and uncertainty' (Dollinger 1995).

'...the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence' (Hisrich & Peters 1998).

Most Southern African countries including Zimbabwe have expressed their commitment to use tourism as a vehicle for reduction and alleviation of poverty and as a mechanism for improving the livelihoods of disadvantaged communities. As such Zimbabwe is a signatory to Southern African Development Community (SADC) Tourism Protocol of 1978. The protocol underlines the importance of tourism as a resource which can be capitalised upon to improve the livelihoods of marginalised communities including women and the youth. Therefore, tourism's main advantage as a development option as Ashley and Roe (2002) noted is that "it is labour intensive, inclusive of women and the informal sector; based on natural and cultural assets of the poor; and suitable for poor rural areas with no other growth options". Roe & Elliott (2006) further added that tourism resources such as forests and wildlife are part and parcel of the livelihoods of poor communities who live with resources. Involving the poor and ensuring that they benefit from tourism is therefore one way of ensuring sustainability of tourism resources. In other words, tourism uses free resources that can be mitigated by man-made attention.

Community tourism entrepreneurship signifies a departure from the conventional tourism planning and management approaches to put local communities at the epicentre of tourism product development and distribution chain. In the past tourism has been largely accepted as an economic sector that has potential to grow the national economies by including poor people as beneficiaries in this growth through working in the industry as cheap sources of labour for the large tourism conglomerates (Kaplinsky & Morris, 2004). Hampton (2005) noted that although local communities are custodians of tourism attractions they are not always involved in decisions about their heritage and cultural sites nor do they receive any meaningful benefits from tourism development. To avoid negative environmental impacts through biodiversity loss and endangering fragile environments new tourism business development models which gives a higher degree of control to local residents for administering tourism services are needed (Reid & Sindiga, 1999). The community tourism entrepreneurship approach is specifically targeting tourism impact on poor people, buttressing strategies focusing on expanding the overall size of tourism, and more on unlocking opportunities for specific groups within it (on tilting the cake, not expanding it)' (DFID, 1999). The community tourism entrepreneurship strategy can be best advanced through the pro-poor tourism development approaches that fall mainly into 3 categories:

- Increasing access to economic benefits, for example, availing business and employment benefits, training of communities and spreading income to the whole community rather than one individual.
- Addressing negative social and environmental impacts of tourism such as demonstration effect, commodification of culture, loss of land and grazing lands for domestic animals.
- Focusing on policies, processes and partnerships. Focus on policies that remove barriers to poor participation, participation in tourism planning processes, partnerships between the private sector and poor people in developing new tourism products (Scheyvens, 2007).



The role of small businesses in developing economies is considered significant and strategic. The main reasons for this are that they are sources of employment for less skilled workers and contribute to economic growth (Rogerson, 2006). In South Africa, a developing economy, small businesses are estimated to account for approximately 38% of production and 71% of jobs (Kauffmann, 2005). However, recent local reports (African Response, 2006; Maas & Herrington, 2007; World Bank, 2007) indicate that development of these businesses is poorly understood and monitored. For instance, the failure rate of small businesses in South Africa ranges between 60-80% (Phalatse, 2007). The main impediments for small business survival have been identified as lack of access to finance, infrastructure and business skills (Brand, du Preez & Schutte, 2007; World Bank, 2007).

Methodology

The research methodology used was synthesis, where two or more elements were analysed and review after a detailed literature search to find meaning and create new knowledge of what was analysed, which is currently missing in the body of knowledge. The synthesis draws conclusions about the findings in the literature, after comparing, contrasting and critically evaluating and interpreting the literature. "Literature review papers are often very helpful for researchers, as the reader gets an up to date and well-structured overview of the literature in a specific area, and the review add value. This added value can, for example, be that the research gaps are made more explicit, and this may be very helpful for readers who plan to do research in the same area for the first time" Van Wee & Banister (2015:1). A literature study according to Cronin, Ryan & Coughlan (2008) is an objective, through summary of literature to provide the reader with a comprehensive background to understand current knowledge and highlighting the significance of new research. In addition, it can provide the scientific community with guidance for future research, and ignite academic gaze. Johnston (2014) noted that secondary data analysis is a flexible approach that is also an empirical exercise.

Tourism in South Africa

Tourism is the fastest growing industry on the globe according to Forno and Garibaldi (2015: 203). 'International tourist arrivals have grown consistently, from 25 million in 1950 to 922 million in 2008, with tourism receipts rising from \$2billion to \$944 billion' (United Nations Conference on Trade and Development, 2010: 2). Tourism is promoted because of the positive economic impacts that it has at the destination area, such as creating labour intensive jobs, attraction of foreign exchange, diversifying the economic base, and promoting investment in the destination. Celik *et al.* (2013) noted that the tourism plays an important factor in the campaign against the balance of payments, the findings indicate that the increase in tourism revenues, had led to a decrease in the balance of payments deficit. According to Wall and Mathieson (2006) the potential contribution of tourism to the balance of payments as an earner of foreign exchange has been recognised and countries have escaped balance of payments problems, by using tourism to attract foreign exchange. Tourism growth has been sustainable, and resilient, even during times of economic downturn. The global growth of wealth and prosperity has increased the demand for travel, and institutionalised the habit of holidays. Countries need to attract foreign exchange so that they can use the foreign currency as a means of honouring international financial commitments. The attraction of foreign exchange through tourism is able to diversify the export base of a country. "The tourism industry is an export industry because the tourism product offering is consumed at the destination area, and hence it has to be consumed on site, at the destination. Tourism offerings are characterised by fixed location, which means that the highly sought after tourism experience can only be produced at the destination area, and the tourist must travel to the



destination area” (Henama, 2013: 231). Tauoatsoala, Henama and Monyane (2015: 2) assert “since tourism is an export product consumed at the destination area”. This creates ample opportunities for value adding at the destination, and derive maximum benefit from the tourism’s financial injection into the local economy. This obviously depends on the ownership patterns at the destination’s tourism industry. In cases where there is dominant local ownership, leakage, whilst the opposite is true.

Tourism is essentially a service that is intangible, and experienced when produced at the destination area. “Tourism can be described as the total experience that originates from the interaction between tourists, job providers, government systems, and communities in the process of providing attractions, entertainment, transport and accommodation to tourists” (Saayman, 2013: 3). The tourism industry is able to attract a critical mass of outsiders to the destination area, which will ensure that they increase the demand, of goods and services at the destination area. This ensures that tourism benefits, non-tourist related businesses such as hairdressers, and shopping malls. Apleni, Vallabh and Henama (2017) noted that the consumption of tourists of several products and services therefore raises the gross national product of the destination. The tourists must travel to the destination area to consume the tourism product offering. “The tourism product offering is essentially a service that must be simultaneously produced and consumer at the destination. This creates ample opportunities for value adding at the destination” (Apleni, Vallabh & Henama, 2017:2). The growth of tourism at a destination area, has a positive impact on the general economy, just like the growth of tourism, leads to a demand for more accommodation space, would benefit the construction industry. This means that the tourism industry has a direct, indirect and induced effect to the tourism industry at the destination areas. According to Wall & Mathieson (2006) the income multiplier considers three types of influences of tourist expenditures:

- Direct spending: the initial expenditure creates direct revenue to hoteliers, service stations, and other tourist industries supplying goods and services directly to tourists.
- Indirect spending: the payment of salaries and wages to local employees, and tourist establishments replenishing their stocks, and indirect effects of the initial, direct tourist expenditure.
- Induced spending: as wages and salaries within an economy rises as a result of initial changes in final demand, local consumption also increases. This re-spending of increased income provides an additional impetus for economic activity.

Tourism is distinct from other sectors, it is a cross-cutting sector and it involves a big diversity of services and professions, which is linked to many other economic activities and policy areas. It is made up of five different sectors; these are: accommodation, food and beverage services, recreation and entertainment, transportation, and travel services” (Akinboade & Braimoh, 2010: 149). “Tourist development will bring about improvements to local infrastructure, services and facilities that will benefit both residents and tourists. It may also stimulate the protection of local natural resource that are often the attraction of the developing destination” (Wall & Mathieson, 2006: 84). Tourism allows the sharing of infrastructure between the locals and tourists, as tourism had catalysed the development of that infrastructure, benefiting legacy. South African has grown in leaps and bounds since 1994, when South Africa held its first democratic elections. Henama & Sifolo (2017b) noted that tourism has been one identified as an engine that would drive the South African economy. Henama (2013) noted that tourism industry is an attracter of foreign exchange par excellent[ce. Tourism has been identified as the new gold, and continues to drive the South African economy. “Tourism in South Africa can be regarded as the ‘new gold’, as the traditional



economic driver of the economy has been gold mining, with deep vertical and forward linkages” (Strydom, Mangope & Henama, 2017:1).

“Tourism in South Africa entered a new growth phase with the end of apartheid, the hosting of the first democratic elections in South Africa” (Henama, Van Rensburg & Nicolaidis, 2016:2). Tourism has grown phenomenally with the emergence of technology that has decreased the costs of travel. Technology has been at the forefront in the developing of Low Cost Carriers (LCCs), which led to the disintermediation for travel agencies. “Tourism’s thirst for ‘the new’, reliance on local knowledge and low entry barriers have triggered further fragmentation, specialisation and diversification” (Gibson, 2009: 528). Tourism has also been shaped by the plethora of challenges that have occurred in the macro environment especially driven by technology. According to Sifolo and Henama (2013: 1), “...technology has changed how people communicate and the way of conducting business globally, As a result, tourism industry is continually changing due to advancements in information technology with specialised software’s that are shaping the tourism industry and its sectors which includes accommodation, attractions, transport, travel intermediaries and government”. The growth of tourism has seen the emergence of several types of special interest tourism such as medical tourism, rural tourism, cultural tourism, sex tourism, religious tourism and adventure tourism. South Africa’s entry into the international tourism market, has seen the hosting of major sporting events such as the 1995 Rugby World Cup and the 2010 FIFA World Cup.

Disruptive Entrepreneurship and the Sharing Economy

According to Barron, Kung and Proserpio (2017) peer-to-peer markets, also referred to as the sharing economy, are online marketplaces that facilitate between demanders and suppliers of various goods and services. Humans using their assets, and invariably become the central players in the provision of services for the marketplace, competing with big business for customers and also catalysing a new market of customers. “The phenomenon of the sharing economy thus emerges from a number of technological developments that have simplified sharing of both physical and non-physical goods and services through the availability of various information systems on the Internet” (Hamari, Sjöklint & Ukkonen, 2015:3). “Sharing economy marketplaces have flourished particularly within the field of travel and tourism, in which locals, supply services to tourists. Examples include taxi services (Uber), tour guide services (Vayable) and accommodation service (Airbnb)” (Ert, Fleischer & Magen, 2016:62). The growth of the sharing economy, follows the emergence of disintermediation that has impacted the majority of airlines, which had traditionally depended on the travel agencies, as their distribution channel. The emergence of the internet, created an additional distribution channel, where airlines could sell their airline tickets, at much lower costs, minus the commission of the travel agencies. “Tourists enjoy the advantages of ‘self-service’: comfort (they do not have to go to the tour operators as they can go on the websites at anytime and anywhere if they have access to a computer), the possibility to compare prices, make a reservation and receive confirmation (so that they feel they are in control of the situation), avoid the travel agency’s commissions, and no feel ‘urged’ to take a decision in front of the travel agency; they have enough time to consider and make their choices” (Agheorghiesei & Ineson, 2005: 45).

The nature of services provided by the sharing economy, share characteristics with the majority of tourism product offerings that are intangible, perishable, inseparable and variable. Ert, Fleischer and Magen (2016:63) noted “that the person who provides the service becomes an integral part of the experience. Indeed, transactions via sharing economy platforms involve



online trading, but are typically followed by face-to-face interactions upon provision of the service”. According to Forno & Garibaldi (2015) peer-to-peer forms of collaborative tourism allows travelers to autonomously organize their tailor-made holidays, offering them the chance to get immersed in local culture, and thus fit consumers’ new trends and preferences. According to Geron (2013) it is noted that the revenue flowing through the sharing economy directly into people’s wallets will surpass \$3.5 billion this year, with growth exceeding 25%. The inclusion of guest or client reviews on sharing economy platforms, is a means of facilitating online trust. “Airbnb alongside ridesharing Uber, perhaps the most stunning entrepreneurial success story of the past decade” (Shevel, 2016:1). Sharing economy companies, display a form of entrepreneurship that allows that locals use their assets to offer services in the tourism economy, called disruptive entrepreneurship. Disruptive entrepreneurship is a collaboration between technology companies that provide the platform, and business systems, and locals with assets they can use to become disruptive entrepreneurs, using platforms provided by technology companies to provide services for consumption. “Disruption” describes a process whereby a smaller company with fewer resources is able to successfully challenge established incumbent businesses. Specifically, as incumbents focus on improving their products and services for their most demanding (and usually most profitable) customers, exceed the needs of some segments and ignore the needs of others. Entrants that prove disruptive begin by successfully targeting those overlooked segments, gaining a foothold by delivering more-suitable functionality-frequently at a lower price” (Christensen, Raynor & McDonald, 2015: 4).

“A disruptive product will generally underperform with regard to the prevailing product’s key performance attribute(s), but will offer a distinct set of benefits, typically focused around being cheaper, more convenient, or simply. Consequently, the disruptive product appeals to the low-end of the market or creates a completely new market...Nonetheless, over time the disruptive product improves, thereby making it appealing to greater numbers of customers and attracting increasing levels of the mainstream market. This shift may eventually attract attention from the leading companies, but by then the disruptive product may be so entrenched that the previously leading companies struggle to compete” (Guttentag, 2015:1194). “Thanks also to the rapid expansion of information technology, nowadays tourists can also find what they want and choose between different options without the intermediaries of conventional operators. References to the empowered tourists, a traveller capable of searching independently to meet his or her own specific needs or expectations” (Forno & Garibaldi, 2015: 203). The sharing economy, has created and catalyzed the development of a new market of tourists. Forno & Garibaldi (2015) noted that the ‘new’ tourists in increasingly looking for a meaningful personal experience, and is therefore striving to be engrossed by his/her trip to feel completely engaged, aiming for memorable and unique experiences. Queensland Tourism Industry Council (2014) identified the following pros and cons, of the sharing economy as follows:

FACTORS	REGULATED Tourism Businesses	UNREGULATED Sharing companies
Price	The price of regulated products covers all overhead costs including licensing and permits.	The prices of unregulated products are typically lower than regulated products as compliance costs are not met.
Authenticity	Hotel rooms, taxi, and other tourism products provide a consistent approach, e.g. a hotel room in London and one in Sydney may operate and even feel the same.	Consumers believe they are “living” in a similar way to a local resident and therefore believe they are experiencing greater authenticity.
Environmental	Regulating businesses usually consume greater amounts as products are purchased primarily for the consumer. This also includes the physical buildings where businesses operate.	Sharing companies allow people to use their existing resources in a higher capacity.
Communication	There are established system in place for response, complaints and queries.	Communication with the consumer is dependent on when the supplier has time



	Consumers expect that the supplier will offer a quick-immediate response as risk of business loss would be higher.	and willingness to respond. No real damage is incurred to the supplier from lack of response.
Reliability	Booking systems are sophisticated and highly accurate. When bookings are taken incorrectly, alternatives can in most cases be offered to the consumer.	The booking system relies on the supplier regularly updating their profile/ status. The consumer may not be adequately compensated when the booking is taken incorrectly due to the detached relationships.
Transparency	Businesses are generally required to identify their address, costs, detail their product and provide photographic or other evidence of the quality.	There are no guarantee for the product. Consumers are subject to risk and essentially responsible for their own personal safety and belongings.
Health and Safety	Businesses require all the necessary licenses, permits and safety equipment to operate, guaranteeing the health and safety of customers.	There are no guarantee for the product. Consumers are subjects to risk and essentially responsible for their own personal safety and belongings.
Quality	A minimum standard if quality is guaranteed through compliance with regulations. Reviews, which often include expert reviews, also provide indication of the quality of a product.	The quality of the product is unknown and cannot be guaranteed. Peer reviews can be provided, however, these reviews are generally controlled by the sharing companies and therefore can be moderated.

Source: Queensland Tourism Industry Council. (2014)

“Probably the greatest advantage of the sharing economy for society in general is maximizing the use of underutilized assets” (Queensland Tourism Industry Council, 2014:9). In addition, the exploitation of underutilized assets ensures that they accrue financial benefit for the owners.

Airbnb

Airbnb was founded in August 2008 in San Francisco, and is a business model powered by new network technologies and social tools that is defining the way goods and services are created and exchanged amongst citizens, businesses and governments. “Airbnb started in 2008 as a simple proposition that combined economic benefits for travellers and for residents of tourist areas” (Oskam & Boswijk, 2016: 26). According to Ert, Fleischer & Magen (2016) Airbnb was established in 2008 is a marketplace platform through which individuals (‘hosts’) rent a living space they own to other individuals (‘guests’) who seek accommodation on a short term basis. Airbnb, the host (i.e., the seller and service provider) delivers the living space where the guest (i.e., the customer) arrives, and is expected to fulfil the guest’s needs. Airbnb offers peer-to-peer accommodation. “Home-swapping may be used to be modern tourist equivalence of barter: it literally consists of the mutual exchange of homes over varying periods of the holiday-making, work or study. It is a form of accommodation without intermediaries, which occurs directly between the homeowners-the swappers-from all parts of the world” (Forno & Garibaldi, 2015: 207). “The economic aspect is in fact for the business model of Airbnb. P2P rentals follows the same business model as traditional B&B’s, except for the impact of the Airbnb community and the promotional advantage of the worldwide platform. Compared to hotels, Airbnb hosts offer competitive pricing because in the case of private residences fixed costs as rent and electricity are already covered, because of minimal labour costs, the fact that Airbnb revenue is usually an additional income, and because stays are usually not taxed” (Oskam & Boswijk, 2016: 27). Airbnb is a win-win for customers (clients) and renters (hosts), where the owners earn an extra income and renters book accommodation at a lower price.



Jefferson-Jones (2015) noted that Airbnb offers a service of allowing owners to share the burdens of ownership which includes mortgage and maintenance costs. "Sharing economy marketplace have flourished particularly within the field of travel and tourism, in which locals supply services to tourists" (Ert, Fleischer & Magen, 2016: 62). According to Geron (2013) the sharing concepts has created markets out of things that wouldn't have been considered monetizable assets before. The sharing economy places a premium on customer experiences, and hence reviews by customers are taken seriously. In some cases, the host even shared the living space with the guest" (Ert, Fleischer & Magen, 2016:63). "After launching in 2008, the internet service has listing in over 35 000 cities and 192 countries" (Van Zyl, 2015:1). "Airbnb guests are most strongly attracted to Airbnb by its practical attributes (e.g. cost, location, and amenities) and somewhat less by its experiential attributes (e.g. novelty and interaction)" (Guttentag,2015: 1). According to Oskam & Boswijk (2016) Airbnb's success has effects of the following basic proposition:

- A compelling experience value proposition: "Live like a local";
- Easy access and the establishment of a trusted marketplace, though engagement and community (P2P);
- The power of the network, leading to increasing scale advantages;
- The ability to utilise underutilised resources by matching supply and demand.

In the case of Africa, Airbnb listed accommodations have grown by more than 250%. The City of Cape Town which is the tourism mecca of South Africa, is the leading African city with reference to Airbnb listings. Van Zyl (2015) noted that Airbnb is described as the Uber for accommodation, challenging the traditional hotel and guest house industry by enabling ordinary property owners to rent out rooms and even entire homes to guests from anywhere in the world. Airbnb can be described as a disruptive innovator, and has significant consequences for both commercial tourism accommodation providers and the tourism destination from a legislative process. In order to book (Guttentag, 2015) on Airbnb.com, one searcher based on destination travel dates, and party size, the website then returns a list of available spaces that can be refined by attributes like price, neighbourhood and amenities, and in order to book or rent a space out, one must have an Airbnb profile. Guest reviews play an important role in Airbnb's success, spurring hosts to improve their service performance. Brophy (2017) noted that Airbnb is more affordable than regulatory hospitality providers, especially in sought-after destinations and around the peak season times. "The sharing economy or "new economy" has redefined consumption in the housing context in a manner that impacts traditional notions regarding home values and neighbourhood. Housing sharing allows owners to share some of the benefits of property ownership" Jefferson-Jones (2015: 12). Jefferson-Jones (2015) noted that the hotel industry has lobbied for bans prohibiting short-term rentals or at the very least, tougher regulations that would compel owners to pay the same sorts of occupancy taxes and other fees to which licensed hotels are subject. Guttentag (2015) noted that Airbnb offers guests, a 'local' experience, by allowing guests to live like locals, interacting with the hosts or neighbours in a non-touristy area, as Airbnb are more geographically scattered. Increasingly, customers are shying away from hotels, towards more non-hotel related accommodation, starting with guesthouses, that provided a home away from home experience, and Airbnb offers the same experience. Blaine (2016) noted that one of Airbnb's safety features are that listings are reviewed: as guests, and reviewers can only be made after the stay has taken place. In addition, a secure online payment system are made directly to Airbnb, and then the hosts are then paid later by Airbnb. Alfreds (2016) noted that Airbnb employs around 250 trust and safety officials available for guests or host problems and offers users the ability to verify IDs to promote trust.



Airbnb in South Africa

Shevel (2016) noted that South Africa is one of Airbnb's biggest successes, the 21st largest global market for the room rental service, Airbnb is hovering up more than R120M a year in rentals from the 21, 000 listing, expiring a 190% growth from 2015-2016. The majority of Airbnb guests (72%), are foreigners, and this allows South Africans to earn on around R28 000 a year according to Shevel (2016). In the case of South Africa (Van Zyl, 2015) Cape Town alone has over 5 000 in 2015. According to Henama (2017) Capetonians have openly embraced Airbnb, reflecting in the largest number of Airbnb listings on the African continents which has increased tourism arrivals and expenditure in the Western Cape. African Property News (2016) noted that Airbnb had resulted in an increase in the demand for flats in Cape Town, resulting in a 16% increase in sales in the CBD. According to Salom (2015) Airbnb works in South Africa for five reasons:

- The quality is great.
- The prices are amazing compared to hotels.
- The hosts are friendly and will give you advice on where to eat and play.
- They are generally self-catering and I like to braai/barbeque with a view.
- There are Airbnb establishments listed in almost every town.

The Federated Hospitality Association of South Africa (FEDHASA), as noted by Brophy (2017), has called for the regulation of Airbnb in South Africa. There is ongoing discussion to ensure that Airbnb is regulated, and contributes to the taxation system of South Africa, which is managed by the South African Revenue Service (SARS). Airbnb listings in South African towns have grown exponentially, and provide low barriers entry into the tourism industry. Bloemfontein, the capital city of the Free State province of South Africa, is a secondary city that hosted several games during the 2009 FIFA Confederations Cup™ and the 2010 FIFA World Cup™. The city experienced dampened demand during these mega events because of paucity of commercial tourism accommodation. The lack of commercial tourism accommodation further impacts on the Mangaung Cultural Festival (MACUFE) where there is mismatch between the 10 000 rooms available compared to the arrival of 160 000 tourists. Airbnb can provide an efficient and sustainable avenue for more hosts that can ensure that the accommodation capacity of Mangaung is increased. The contribution of Airbnb to the tourism economy will continue its upward trajectory, just like the transformational shared economy. Finding a win-win situation between Airbnb and regulators must be the foremost outcome to ensure certainty. Zero-sum games are unacceptable and Airbnb must play a leading role, in ensuring the previously disadvantaged groups use this platform to benefit from the tourism economy as product owners.

Airbnb through its disaster response programme, has been able to offer assistance to people that are destitute. According to Conger (2017) the Airbnb Disaster Response programme was activated when United States President Donald Trump implemented an executive order stopping arrivals from Muslim countries in January 2017. Airbnb offers non-fee accommodation to people that are registered on the platform during times of tragedy. In the case of South Africa, the Airbnb Disaster Response programme was implemented when the Knysna area, the second largest concentration of Airbnb hosts after Cape Town, was gutted by a huge fire in June 2017. The Gremlin (2017) notes that the accommodation sponsor by Airbnb is for those that lost their houses and shelter, and volunteers that includes more than 100 firefighters from Gauteng that flew to assist in Knysna. The Disaster Response programme offered accommodation for displaced people due to the raging fires and floods. Jal (2017) noted that Airbnb offered free accommodation till the 30 June 2017. According to



Airbnb (2017) the Disaster Response programme is a partnership between local, regional, federal and global disaster relief agencies through partnership to achieve the following:

- Provide disaster and emergency preparedness educational materials to Airbnb hosts so they can become the most prepared residents on the block.
- Help arrange community emergency response training with local preparedness experts to train Airbnb hosts as response leaders within their neighbourhoods.
- Use Airbnb communication channels to notify hosts and visitors about significant emergencies.
- Depending on the emergency and where can we have a positive impact, active our disaster tool to help hosts open their homes as temporary housing for relief workers deployed for the response or displaced neighbours.

Some of the properties destroyed by the Knysna fire included several tourism accommodations, which meant that there was a decrease in the number of accommodation establishments that would offer accommodation for the Knysna Oyster Festival. Airbnb once again provided a platform for an increase in the number of beds in Knysna when more residents, became Airbnb hosts. This increased the accommodation providers in Knysna which was crucial for success of the Knysna Oyster Festival, which was successful hosted. The biggest challenge facing the tourism industry in South Africa is the lack of beneficiation from tourism for the previously disadvantaged. Airbnb, on World Tourism Day, on 27 September 2017, celebrated a pilot-programme aimed at economically and socially excluded communities, by allowing them access into the tourism value chain. According to Fin24 (2017) the pilot programme had ten modules and focused on everything from exploring how to list a home on Airbnb to managing online payments and creating a compelling guest experience. The programme is called the Community Tourism Programme, is a way to strengthen communities, empower citizens and open up tourism to local residents, so that they become the beneficiaries of the developmental benefits of tourism. "The Airbnb community generated R2,4 billion in total economic activity in South Africa in 2016, which is an estimated sum of hosts income and guest spending" Granat (2017:1). The City of Cape Town which is a top tourism destination, signed the first city agreement with Airbnb according to Nkanjeni (2017), the first African city to sign the collaborative agreement to promote the benefits of people-to-people tourism. "Airbnb committed to invest R13 million in community-led tourism projects in Africa including Cape Town, over the next three years" (Tourism Update,2018: 1).

Conclusion

The biggest challenges facing Airbnb according to Oskam & Boswijk (2016), is the regulatory void, or the difficulty to enforce existing rules. Jefferson-Jones (2015: 15) "the hotel industry has lobbied for bans prohibiting short-term rentals, or at the very least, tougher regulations that would compel owners to pay the same sorts of occupancy taxes and other fees to which licensed hotels are subject". In the case of Reuters (2017) Namibia told local home owners that listed US short-term rental service Airbnb, risk imprisonment of they fail to register with the tourism regulatory body before the end of 2017. Home-sharing applications such as Airbnb are attractive to the Millennials. According to Nielsen Company (2017), millennials are focused on personal experiences and for many, those experiences happen away from home, and their preference and lack of predictability makes them different from their older counterparts. Polzin, Chu & Godfrey (2014) noted that current millennials have the highest level of participation in college of any generation and women in particular. There is a correlation with education attainment, a higher propensity to get employment and then acquire the desire to travel,



exhibiting a trend in middle class characteristic. According to Boston Consulting Group (2013) the Millennials are twice as likely as non-Millennials to use their mobile phones. “South Africa’s economy is in trouble. With unemployment (which is most appropriately measured using the broad definition) running at 34 percent, and with barely 40 percent of adults in employment, the crisis in the labour market is the country’s most serious” (Centre for Development and Enterprise, 2013: 1). Friedrich (2016) noted in research that 70 percent to 80 percent of businesses failed in less than 5 years in South Africa.

Airbnb has provided an opportunity for locals at a destination to become disruptive entrepreneurs, and earn an additional income. Airbnb and other forms of disruptive entrepreneurship have increased the entry of South Africans into entrepreneurship, benefiting the growth of the economy to create jobs and prosperity. The disruptive economy is linked to humans using their under-utilised resources to become providers of services in the economy. This has ensured that locals benefit from the tourism industry by using the Airbnb platform. Local beneficiation has been one of the core challenges, facing the tourism industry especially in developing countries for example, such as those in Southern Africa, and Airbnb has improved local destination benefit from tourism, in line with the principles of sustainable tourism. “The tourism industry is supposed to increase the standard of living of locals.

Quality-of-life (QOL) of the host community must be improved by tourism employment and supply chain opportunities that will ensure that the benefits are retained in the local economy. (Henama & Sifolo, 2017: 56). Airbnb has ensured that the costs of travel are reduced, and this will have a positive impact in stimulating more international and domestic tourism. According to Guttentag (2015) staying with Airbnb leads many guests to increase their length of stay at a destination, meaning that Airbnb leads to additional visitations. The most pressing issue facing Airbnb is ensuring that it lobbies for a regulatory environment that will be favourable for Airbnb in South Africa.

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