

# Chapter 1

## The Sharing Economy in South Africa's Tourism Industry: The Case of Uber E-Hailing Taxi Services

Unathi Sonwabile Henama

 <https://orcid.org/0000-0002-1111-0729>

Tshwane University of Technology, South Africa

### ABSTRACT

*Disruptive technology has created radical change in the tourism industry, just like the emergence of the Internet. The cost of doing business has decreased, leading to more competition for customers and lowering of the barriers of entry. Customers have been the biggest winners, as competition has transferred more power into the hands of consumers, creating a consumer culture. The sharing economy has developed as a result of the Internet where consumers have become active players in the provision of services in the sharing economy against established businesses. The sharing economy created by technology platforms make it possible for a reduction in the costs of doing business, by lowering the barriers of entry and causing disruption in markets with low competition. The technology platform provided by sharing economy companies matches those that want to offer services and those that seek services, and Uber (taxi services) and Airbnb (accommodation) are the leading pioneers.*

### INTRODUCTION

The sharing economy has radically changed the world and even the world of work. Technological changes usually creates revolutionary changes in the world of business. “The emergence of new technology is frequently addressed and studies by looking into the interactions between technology supply and demand” Laurell & Sandstrom (2016, pp. 3). Technology has tended to create new markets, lowering barriers of entry and creating disintermediation in certain sectors. Laurell & Sandstrom (2016) noted that Uber’s entry into the taxi market can therefore be analysed and understood as a new technological solution, competing with an established solution. “The travel industry is ideally suited to the Internet and was one of the first major industries to be disrupted by technology. Technology broke down the traditional

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business channels, allowing businesses to be more efficient, creating exciting new opportunities and also empowered travellers by giving them much choice” De Waal (2015, pp. 1). “The phenomenon of the sharing 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, pp. 2). “The ‘sharing economy’ matches people who want to share assets online” Petropoulos (2016, pp. 1). The introduction of the sharing economy has decreased prices in the tourism industry, which has increased the critical tourism consumption through increased customers. “The market size of the tourism industry expands from the increase the number of visitors” Fang, Ye & Law (2016, pp. 1).

“Companies such as Airbnb and Uber are part of the sharing and collaborative economy which experiences an upward trajectory in growth. In the recent past, tourism companies were the exclusive providers of tourism products and services, and online platforms have allowed individuals to provide services. This involves an individual using a resource such as accommodation (Airbnb) and an automobile (Uber) to provide tourism services in the marketplace against established businesses, thereby creating disruption” Manavhela & Henama (2018, pp. 610). “Since the take-off of disruptive travel consumer models such as Uber and Airbnb, conventional travel providers have been stressing about the impact of these industries will have on ‘business as usual’” Steyn (2017, pp. 1). Disruption has emerged as the new normal as businesses face an ever increasing speed of change. “The disruptive Uber example demonstrates the effectiveness of the “on-demand economy” with allocation of physical possessions-how Uber does not need to own a car, relying, instead, on volunteers who subscribe to its mobile app and get connected to clients, who are competitively charged on a metered-cost basis”

The benefits of the sharing economy, are noted by Tatum (2017), as the following:

- Economically, one can save money and/or earn income.
- Environmentally, sharing than owning is more sustainable consumption.
- Practically, accessing rather than owning enables greater choice; and
- Socially, one can meet new people and forge new relationships.

According to Queensland Tourism Industry Council (2014), the pros and the cons of the sharing economy are shown in Table 1.

## **Relationship Between Tourism and the Sharing Economy**

The relationship between the sharing economy and tourism has led to the pooling of resources to provide services in the tourism industry. The tourism industry has certain parts that have low barriers of entry, whilst others such as aviation require deep pockets. The impact of the sharing economy has been one of lowering barriers of entry, which has increased tourism consumption as the cost of tourism consumption has decreased dramatically. The fact that the sharing economy is technology based, is an additional benefit for the tourism industry which has been responsive to technology. Technology had benefited the emergence of low cost carriers (LCC) that had reduced the cost of travel, as LCCs used technology to reduce their labour costs. LCCs such as companies located in the sharing economy have used technology to achieve lower costs. “The sharing economy has had a positive impact on tourism as well as a negative one. Its advocates think that it provides easy access to a wide range of services that are often of higher quality and more affordable than those provided by traditional business counterparts. Critics,

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