

Industry Analysis

Abstract

Our industry is the combination of the sharing economy and the travel advising industry in San Francisco. The combination of industries stems from having two market groups, Locals and tourists. We will draw upon those willing to participate in the sharing economy to serve as our Locals, and we will look at those that utilize travel advising as our tourists.

The following document explores both of these industries to try to understand what makes them successful as well as ready for our product. It takes a look at the history of these industries and the current state of affairs. Additionally, it will be comparing the advantages of companies in this industry with the new services that Localize adopts to prove our competitive advantage. To do so it analyzes our primary competitors. For our Locals, the primary competitors are companies that will vying for our Locals time, such as Uber and Lyft. In terms of our tourists, the primary competitors are travel advising giants such as Tripadvisor and Booking.com as well as the various travel agent companies throughout San Francisco.

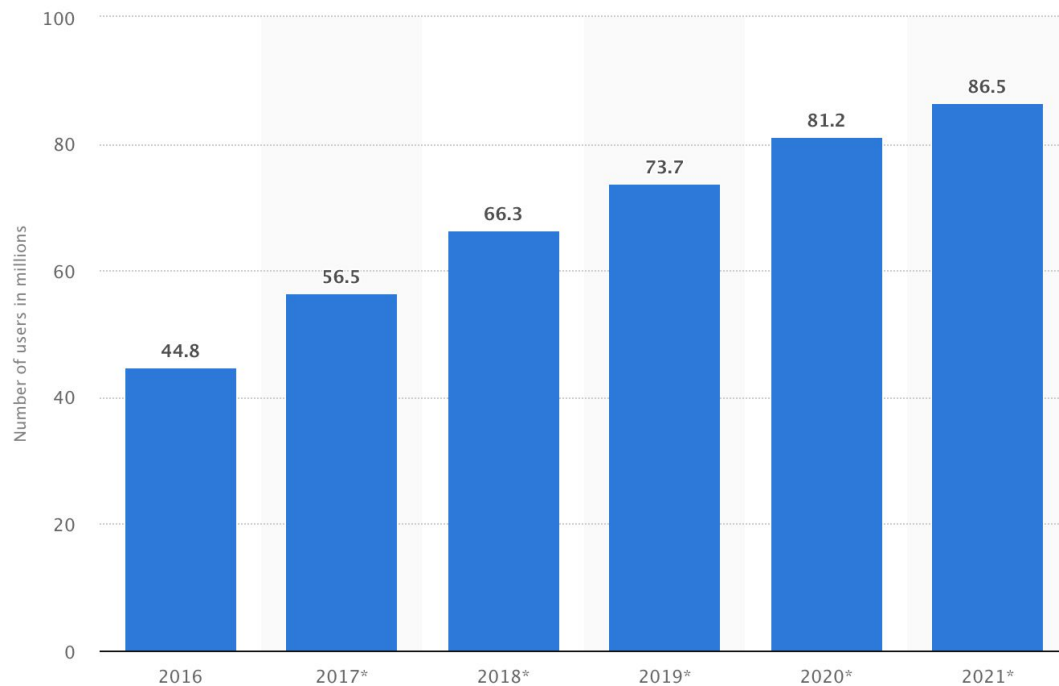
History and Growth Rate

History of the Sharing Economy

The first modern use of the sharing economy occurred in 1948 in Zurich to share cars. From there, the sharing economy did not grow much for a while. It continued to be for sharing cars and other material items. This was because the cost of meeting with someone, doing all the paperwork, and trying to keep track of shared items did not make economic sense.¹ However, with the invention of the internet, and especially the smartphone, these problems all but disappeared. It became multitudes easier to connect with other people trying to share their items. Following the internet we have seen huge growth that shows no signs of slowing down. Some of the biggest industries in the sharing economy today are house sharing fronted by Airbnb and ridesharing fronted by Lyft and Uber. The following graph shows the amount of Americans that

¹Codagnone, Cristiano and Martens, Bertin, Scoping the Sharing Economy: Origins, Definitions, Impact and Regulatory Issues https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2783662. Accessed March 7, 2019.

use the sharing economy per year.



Source: Data excerpted from Statista.com.

As you can see, the amount of people participating in the sharing economy is projected to rise consistently.

History of the Travel Advising Industry

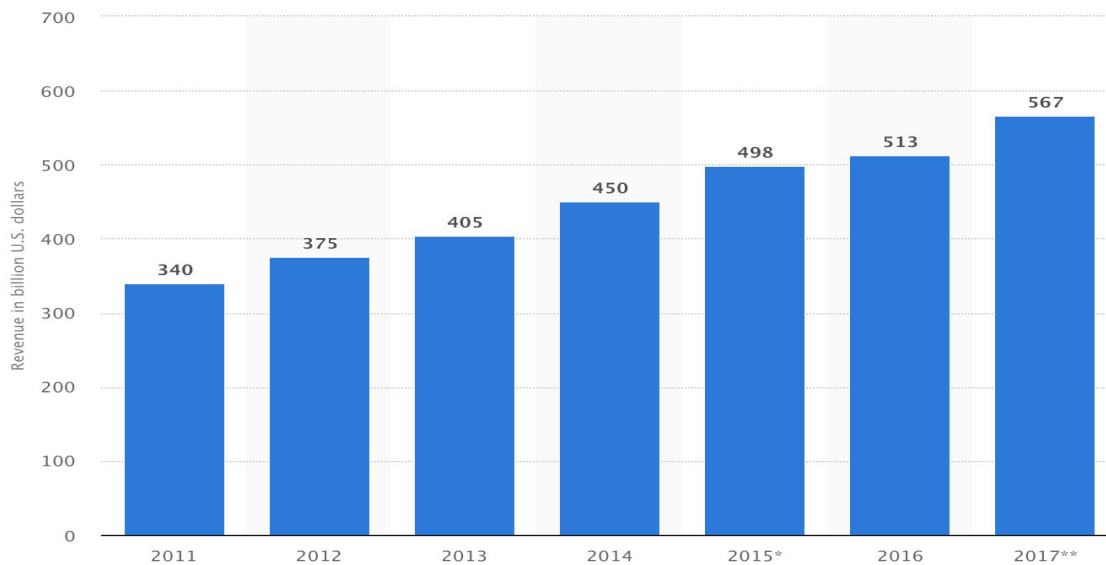
Today, the travel advising industry takes on two forms, professional travel agents and general advising through websites and pamphlets. The travel agent industry started in the 1840s with a baptist preacher named Thomas Cook who struck a deal to try to help move across some workers. Since then, much of the travel industry was centered by major transportation areas such as train stops and airports. People had to physically meet up with a travel agent and get the information they need for their trip.² That was until, similarly to the sharing economy, the internet came along. In 1996 Microsoft launched Expedia, and since then many other travel agent websites have popped up as well. These websites match people with travel agents. They continue to grow as more people use them, and show no sign of slowing down either.

The other way that many people get their travel information is through travel websites and blogs such as Travelocity and Tripadvisor. These companies were created in the early 2000's and have been growing since. Before these companies, people used travel agents and travel websites mostly to plan the logistics for the trip, and then afterwards would use pamphlets, locals, and city websites to plan the day to day. These companies marked the transition from travel advising for

² OutstandingColleges. "History of the Travel Agent Industry,"

<https://www.outstandingcolleges.com/history-of-the-travel-agent-industry/>, Accessed March 7, 2019.

mostly just logistics, to online travel advising for everything.³ If you go to Tripadvisor today, you will see various blogs and articles about the best places to visit once you have embarked upon your trip, as well as the best hotels to stay and the best restaurants to visit. The transition to putting everything on one website encaptured tourists and has been getting more popular year by year. The following graph from Statista.com shows the GDP by year in billions of travel websites in the U.S.



Source: Data excerpted from Statista.com.

As we can see above, there is a huge market for online travel advising that shows no signs of slowing down. Not only this, but in San Francisco there is a much higher proportion of people participating in the sharing economy so this statistic is even more prevalent.

Users of Localize

Locals

Part of the reason the sharing economy has been growing so rapidly is that just given a few things, anyone can participate in it. For example with Uber, you just have to be able to drive and pass background checks. Localize is no different. All we are looking for is somebody that knows and loves San Francisco and is willing to share the reasons they feel this way.

As we said before, we are using a special algorithm to match Locals to tourists with similar interests. Therefore Locals should have to do minimal research to give the tourists a great

³ Stephen Joyce. “A Brief History of the Travel Industry, From its Evolution to Looking to the Future,” <https://www.phocuswire.com/A-brief-history-of-travel-technology-from-its-evolution-to-looking-at-the-future>, Accessed March 7, 2019.

experience. During preliminary testing we have been able to create good itineraries in under an hour. We are hoping that once we employ real Locals they will be able to complete itineraries in under an hour as well with a cost of \$20. To make money, we are planning on taking a cut of 15%.

Tourists

We think that our primary customer will be Millennials aged 25-35. These are people that value learning about a city and having enriching experiences over just visiting the main tourist areas. Not only this, but they travel very often, so there will be a big market.⁴ Because we will be advising our Locals to point tourists to local spots, we think that this age group will highly value our service.

Competitors

Primary Competitors

Primary Competitors in the Sharing Economy

Our goal is to have as many Locals as possible so we can have the greatest selection to give to our tourists. Accordingly, any company that employs people through the sharing economy is a direct competitor to Localize.

One such company is Uber. Figures vary, but Uber's market share of the US ride-hailing market is estimated at between 69% and 74%.⁵ They have accomplished this by giving the best prices and using a strong business model. Their strengths include their enormous size and accessibility to drivers and riders. They have a few weaknesses as well though. One is that they do not have great public support. Through various business decisions and scandals, Uber has lost favor with the people as a moral company. Another weakness is that people have to physically drive to be a part of the service, which many people find stressful.

Another such company is Lyft. Lyft holds almost the entire rest of the market for ride sharing in San Francisco. Only about 1% goes elsewhere from Lyft and Uber. Lyft's advantage over Uber is that they have a better outward image. Their weakness is that they are slightly smaller than Uber, and thus do not have the same capitol to through around.

Primary Competitors in the Travel Advising Industry

Anything or anyone that gives travel advice is a direct competitor to Localize. The major entities that do so are travel websites such as Tripadvisor and travel agents.

⁴ Diane Bair and Pamela Wright. "What do Millennials Want in a Vacation?," <https://www.bostonglobe.com/lifestyle/travel/2017/05/03/what-millennial-travelers-want-new-study-finds-out/mRCbCdZzhtOyFVU7jN7sVM/story.html>, Accessed March 9, 2019

⁵ Mansoor Iqbal. "Uber Revenue and Usage Statistics (2018)," <http://www.businessofapps.com/data/uber-statistics/>, Accessed March 9, 2019.

The main travel website competitor is Tripadvisor. They hold approximately 17.06% of the online travel website market share and make billions in revenue per year.⁶ Their main strength is that they make the majority of their revenue off of ads, so getting information off of the website is mostly free. Their main weakness is that the information they do give is off of many travel blogs and such, which are less about the people and more about making noise. Because of this, many people are not given information tailored specifically to the trip they are planning and have to look elsewhere if they want this information.

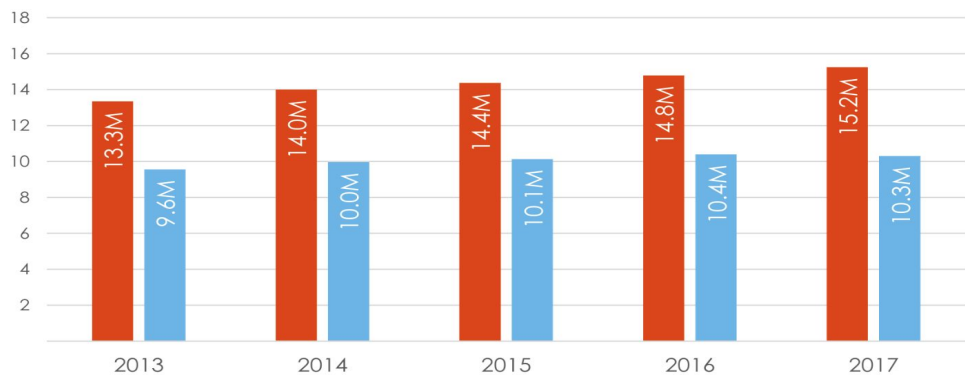
Travel agencies are also a direct competitor to our service. There are no big name travel agencies in San Francisco because travel agencies try to have their physical locations be reachable by prospective tourists. However, we can still think of the industry as a whole. The travel agent service has strengths because it is an all in one package. They help you with the logistics of your trip such as hotels, flights and anything else as well as where to go and who to see. Their weakness is that they feel outdated. Many people, especially in our target market, travel on spur of the moment decisions nowadays. The idea of physically taking yourself to the travel agent is one that has clearly fell out of style nowadays.⁷

Secondary Competitors

Localize relies on travellers, so any company that brings tourists to San Francisco affects Localize. This encompasses the entirety of the tourist industry in San Francisco, from the restaurants, to Pier 39, to Alcatraz and much more. Below is a graph showing the amount of visitors to San Francisco by year with orange being day visitors and blue being overnight visitors.

⁶ Datanyze. "About Tripadvisor," <https://www.datanyze.com/market-share/orm/tripadvisor-market-share>, Accessed March 8, 2019.

⁷ Diane Bair and Pamela Wright. "What do Millennials Want in a Vacation?," May 04, 2017. <https://www.bostonglobe.com/lifestyle/travel/2017/05/03/what-millennial-travelers-want-new-study-finds-out/mRCbCdZzhtOyFVU7jN7sVM/story.html>, Accessed March 9, 2019



Source: Travel Forecast 2018, San Francisco
Travel Association in conjunction with Tourism
Economics

From this graph it is clear that the travel industry in San Francisco is increasing year by year which increases our available market of tourists.

One company that does not entirely fit into the above category, but is very important to Localize, is AirBNB. Something that can make or break a decision to go to San Francisco is the ability to find affordable housing for the length of the stay. Not only this, but our target age group often uses AirBNB to find housing for their stay. So, whether AirBNB can offer affordable housing to tourists will be very important to Localize.

Competitive Advantage

Sharing Economy Companies

We hope that Locals will be able to create an itinerary in under an hour and charge around 20 dollars for it. As of now, our business plan is to take about 10% of each transaction. With these considerations, Locals would be making around \$18 dollars an hour making itineraries, which is much better than what many other sharing economies pay their employees. For example, the average Uber worker makes 14.69 dollars an hour. This statistic is not representative of the real amount that drivers make though. If you factor in gas costs and car repairs, an Uber driver's salary can drop to just above minimum wage. Lyft and many other ridesharing companies are similar.⁸ With this statistic, it becomes clear that our approximately \$18 dollars per hour wage is much better.

Another reason that we believe Locals will spend their time with Localize rather than other sharing economy companies is the work itself. Rather than driving a car for hours on end, Locals

⁸ Mansoor Iqbal. "Uber Revenue and Usage Statistics (2018)," February 27, 2019.
<http://www.businessofapps.com/data/uber-statistics/>, Accessed March 9, 2019.

will be talking about the places they love from the comfort of their home. While some people enjoy driving, we think that this business model will draw in the vast majority of people.

Travel Companies

Many travel agents charge around \$100-200 to give advising because they have to research to give the customer the best experience. As we said before, we hope that the standard charge for a Localize service be around \$20. While this is already a great difference for most people, our target group is often very money savvy. Accordingly, we believe that this price difference will be even more enticing to them than other audiences.

Localize also has a competitive advantage over travel websites such as Tripadvisor because the information we will give will be much more tailored. Tripadvisor just points people to the places that are popular on travel blogs which can lead to overcrowding of certain tourist areas. As we have said, we are looking to point tourists away from the tourist areas and into the actual city. We believe that our target audience will feel much more fulfilled from the advising of our locals and will have a better trip in general.

Conclusion

We believe that there is a huge market for Localize. The depth of knowledge that Locals have at their disposal is unparalleled by travel websites and travel agents. Due to this, we are sure that with a good marketing strategy we will be able to assert ourselves in the travel business world with quick success.