

THE IMPACT OF ONLINE COMMUNITY MARKETPLACES IN A HIGH-PROFILE HORECA AREA

Wolfram Irsa

Abstract

The purpose of the article is an examination of the situation of online community marketplaces, or accommodation sharing platforms in Opatija, Croatia. It starts with a general overview of the tourism industry in Croatia, followed by a short explanation of the characteristics of an accommodation sharing platform. The research is designed as a Grounded Theory study. A semi-structured interview guideline is used to perform eight interviews with hotel managers of three to five stars' hotels. This approach has unveiled interesting insights into the dynamics of digitalized processes in the hospitality industry. The Computer Assisted/Aided Qualitative Data Analysis Software tool ATLAS.ti. has been used to manage the qualitative data for summarizing the results. Three major findings have been discovered. (1) Online marketplaces and innovative hospitality services play an essential role to attract new customers as well as recurring guests, (2) the sharing industry complements existing business models, and (3) the digitalization of business processes helps traditional touristic enterprises to expand their visibility around the world. Overall it seems that new technologies for sharing accommodations triggers the competition in the region. The nouveau value of the research is in the original data collection, processing, and display by using a qualitative research approach as recommended by the Grounded Theory methodology. The results are feasible to explore further the subject matter and to compare it with benchmarks with other regions.

Keywords digitalization, Grounded Theory, hospitality service, online marketplace, qualitative research, sharing economy

INTRODUCTION

The aim of the research is a scientific inquiry about the impact of the digitalizing of business processes in the field of high-end HoReCa (HOTel/REstaurant/CAtering) locations, in particular in the area of Opatija, Croatia. The sharing economy, which is a low-barrier approach using the internet for renting out rooms, apartments, or even homes, has launched many business ideas – often referred as startups - within the hospitality industry while it impacts many traditional hotels. Notably, the research looks for an explanation how the lease of private apartments acts as a game changer by using electronic sharing platforms (e.g. Airbnb).

Tables 1: **State of tourism in Croatia**

Key attributes	Characteristics
Significance	Accounts for 19% of GDP, yearly growth rate of 5%; 150+ years of experience in professional tourism
Infrastructure	1.011 hotels with 190.301 beds (2016). The top 10 hotel chains make a revenue in total of 760m Euro
Expectations for 2018	20m arrivals, 110m over-night stays, 12bn Euro revenue. +15% increase of investments, reaching close to 1bn Euro
Potential	Consulting for HoReCa projects, health care tourism

Source: WKO (2018)

The table above holds key attributes of the Croatian tourism industry. It plays an essential role for the country. The region of Opatija accounts for half a million arrivals and roughly 1.3m overnight stays (Republic of Croatia, 2017). The portion of Airbnb in Opatija has not been detailed. Available data for the Croatian capital of Zagreb reports 3300 active accommodations of Airbnb, which is a yearly increase of 30%; the number of overnight stays using Airbnb in Zagreb boosted by 68% (The Dubrovnik Times, 2017).

Accommodation sharing platforms provide an online marketplace for people to rent and lease short-term-boarding of homes, apartments, or rooms. They offer spectacular residences like the former captain villa in Lovran. Airbnb, as an example, does not own the properties. They act as a broker and receive a service fee in the range of 15 to 20% for each booking from the renter. The service fee for the host is around 3%. The legal situation requires that everyone travelling or staying in Croatia must register within 48 hours of crossing the border. The fine for non-registering is up to 400 Euro. The landlord who operates illegally the business risks a fine of 6650 Euro for not registering their business and 930 Euro for not registering the renter as their guest (Ministry of the Interior, 2011).

1. LITERATURE REVIEW AND METHODOLOGY

This section discusses the origin and applications of grounded theory (Glaser and Strauss, 1967; Martin and Turner, 1986; Turner, 1983; Glaser, 1978; Strauss, 1987; Strauss and Corbin, 1990, 1998; Dey, 1999; Charmaz, 2003, 2006, 2008). Grounded theory emerged in the ground-breaking work of Glaser and Strauss (1967). It is a methodology with extensive usage across many different fields of social science disciplines. The nature of a grounded theory contains the discovery, development, tentative verification of systematic collected data relevant to particular phenomena (Strauss and Corbin, 1990). It is of great purpose for conducting an empirical research. For new researchers in the field of qualitative research it is attractive as it provides well tested procedures and recommendations. The methodology helps to unveil the conceptual properties and categories from a set of qualitative data by using several procedures and guidelines.

The result, the discovered grounded theory to the specific phenomenon, iterates by permanently challenging the concept with the data and vice versa. The comparative nature of the approach takes place by constantly scrutinizing the evidence. This controls the conceptual structure next to the overall scope of emerging a mid-level theory to explain the phenomena.

The goal of grounded theory is the seeking of a mid-level theory which is closely tied with the evidence. As a result, the theory is supposed to be consistent with empirical data (Orlikowski 1993; Eisenhardt 1989). The data collection, the rationale of the coding, the integration of categories, the abstraction from the original data and finally the construction of the theory is led by the theory as it emerges. Hughes and Wood-Harper (1999) indicate that the main application areas of the grounded theory methodology are most notably in Glaser and Strauss' own field of research, which is the social dynamics in the health care system. Next to them, performed by many others, often in the field of medical or nursing related areas (e.g. experiences with chronic illness) (Charmaz, 1980), homecoming (Hall, 1992), and the management of a hazardous pregnancy (Corbin, 1992). Additionally, a lot of work has been done concerning the guidance on the application of the grounded theory methodology. Most notable amongst them include Turner (1983); Martin and Turner (1986); Strauss (1987); Strauss and Corbin (1990); Dey (1999); Charmaz (2003, 2006, 2008); Jones and Alony (2011).

The usage of the grounded theory methodology has become popular in other disciplines including research in information systems (Torasker, 1991; Pidgeon et al, 1991; Oliphant and Blockley, 1991; Pries-Heje, 1992; Orlikowski, 1993; Pettigrew, 1990; Calloway and Ariav, 1991; Baskerville and Pries-Heje, 1995, 1998) and business management (Goulding, 2002; O'Reilly et al, 2012). The most notable use of grounded theory in business management research is that by Goulding (2002) in which she presents an in-depth case study in the fields of organizational and business studies, marketing and management. The grounded theory methodology suits well with an interpretivist rather than post-positivist research approach. The grounded theory studies in the interpretivist tradition have become more and more attractive in the field of social science research literature. This is mainly because the methodology fits perfectly in developing a process-oriented description, is context-based and provides explanations of a phenomenon (Myers, 1997; Urquhart, 2001).

Hughes and Howcroft (2000) emphasize the matter of fact that the individual researcher as well as a research team plays an essential role in an interpretive study. They point out that the rigid application of the grounded theory procedures provides guidance to the researcher in order to deal with the anxiety when confronted with data collection and analysis in interpretive studies. Additionally, the methodology connects the novice researchers with the community of experienced researchers. It provides a useful template, which serves as a stabilizing factor in the nerve-racking and ambiguous nature of performing qualitative research (Hughes and Jones, 2003).

It is seen as a major advantage of the grounded theory methodology that the general style of doing the analysis is free from any particular disciplinary perspectives (Strauss 1987). Subsequently, it suits well for business management research which can be characterized as a holistic discipline. The major attribute of the grounded theory methodology that set

it apart from other qualitative research methods, is its focus on theory development (Strauss and Corbin, 1998). According to the founders of grounded theory, a theory is grounded if it emerges from the observed data and produces explanations of events and dependencies which come from real-life phenomena. The researcher tries to understand the situation, the processes and the involved people. Further, despite other traditional qualitative approaches that gather first the data and start then the analysis back home away from the research site, the grounded theory methodology works differently by analyzing while still in the field. The interaction of the emerging theoretical categories with the fieldwork of data collection takes place simultaneously. The real-time analysis of data happens concurrent to the hands-on experience of the researcher with the research participants, which enables the researcher from the beginning to compose their view of the world.

The application of grounded theory is built on the assumption that it is fundamental for a profound understanding of social phenomena that the emerging of a theory happens at various levels (Glaser and Strauss 1967; Glaser 1978). It requires that the researcher manifests theoretical sensitivity (Glaser and Strauss 1967; Glaser 1978) by being well educated in technical literature as well as from professional and personal experiences in collection/analysis of the data (Strauss and Corbin 1990). This encourages researchers to allow their thinking process outside the box of the technical literature. It avoids too well established ways of reflecting the data and it triggers new approaches. The give-and-take between the emerging theory and the technical literature avails when new aspects become visible in the study. This is either achieved by integrating supplementary as well as conflicting analysis into the theory or criticizing them as it emerges. Technically these are included as categories or conditions (Strauss 1987). The methodology of grounded theory suits particularly well for a case study aimed at the exploration of the factors that influence the adoption of the sharing industry in the tourism industry. It is useful for understanding the contextual elements (Orlikowski 1993) that constituted the main focus of a case study.

One very practical issue with the grounded theory methodology is the enormous time effort it takes to conduct the study. It is extremely labor intensive and requires considerable resources of cognitive effort by the researcher. However, the author firmly believes that grounded theory methodology is a very suitable approach for scientific research. This is valid especially when the research works needs an analyses of large quantities of semi-structured or even unstructured qualitative data. This section has presented and discussed the background of grounded theory as a hands-on tool for collecting, analyzing, and interpreting qualitative data.

2. APPROACH

The qualitative study has been performed by using the Computer Assisted/Aided Qualitative Data Analysis Software (CAQDAS) tool ATLAS.ti. CAQDAS provides functionalities that support qualitative research. It is very helpful for transcribing the text, assigning codes to the text, managing comments including memos and building the interaction of the data. ATLAS.ti is headquartered in Berlin, Germany and is a leading software package for scientific qualitative research.

In total eight semi-structured interviews took place. The target group has been hotel managers of three to five star hotels in Opatija. The guideline for the interviews holds the following questions:

- How do you feel about the sharing industry in the region?
- What has changed since the emergence of online marketplaces on the scene?
- Which trends do you foresee in the future concerning services like Airbnb?
- What plans do you have to attract new customers and to maintain your current customer base?
- Is there anything else you wish to add in this context?

For all interviews the same guideline has been used. The duration of the interviews was between 20 and 45 minutes. The setup of the interview has been designed to allow room for additional information if the interviewee comes forward by herself.

The author transcribed the interviews in ATLAS.ti. All interviews together form a heuristic unit. Afterwards the author assigned codes (open coding) to significant text passages that describe the subject matter. In the course of coding all interviews the author saw already re-occurring topics and used these discoveries to fine tune the codes (axial coding). Finally, the entire heuristic unit was reviewed again, code families were formed and missing links added (selective coding). The summary of codes (code book) is the cornerstone for describing the findings, which follow in the next section.

3. FINDINGS

The research unveils three major findings. They are sorted in the logical sequence of establishing attraction, then maintaining the relationship and finally expanding the relationship to new horizons.

Firstly, sophisticated online marketplaces and innovative hospitality services play an essential role to attract new customers as well as recurring guests. All interview partners explained that personalized online marketplaces, which are easy to navigate, appeals especially to potential and young guests. This acts as an order qualifier which makes the business recognizable as a viable player in the market. Attractiveness and ease of operation is key. It is crucial to use this first contact by asking the potential guest if the information provided through the search may be used later in the process. This may happen by following up by email, or by sending newsletters in a pre-defined interval, or by calling personally the prospect customer. One top location representative disclosed that they got the feedback from their customers that partial translations of their website into foreign languages are seen as highly unprofessional. They invested heavily in professional translations which was proof-read by another foreign agency again. They said, it is better to leave out an entire language on the website than showing only fractions of information in this language compared to the other languages on the website. In concrete, this means that websites only partially translated into German are not helpful if more information is shown in Croatian or Italian language.

Secondly, the sharing industry complements existing business models, especially for well-established hotels. Several interviewees specified that they offer multiple channels to promote their properties. This starts from very traditional ways of advertisements in magazines and newspapers, working with the local tourism agency as well as international chains. Additionally, they use their internet presence and booking portals. Finally, and this is new, they explore sharing platforms like Airbnb for spot businesses. Maintaining a constant presence within the market through whatever channel is seen as crucial for sustainable success. They said that the co-existence of different levers is a learning experience of the last few years. It is pointless to fight Airbnb. It is much better to focus on the own strength that Airbnb can never provide (e.g. service, professionalism, loyalty programs). Further, it is fully opportune to use the functionality of sharing platforms to attract – often young – customers who are intrigued with digitalized products using apps via smart phones or tablets.

Thirdly, the digitalization of business processes helps traditional touristic enterprises to expand their visibility around the world. It helps to attract further business. Several interview partners pointed out that Airbnb increases their visibility and the visibility of the region of Opatija in general around the world. Even if a guest decides to book an accommodation through a sharing platform this brings revenue into the region. One interviewee refers to a model of concentric waves to expand their business. She said that guests often come for the first time to Opatija due to a conference. This first contact is decisive to position the region for the guest not only as a conference destination but also as relevant for family vacations, sporting activities, cultural and culinary events. The enormous historical wealth of Opatija attracts many visitors from the succeeding states of the former Austrian-Hungarian empire. The second wave brings the guests back to Opatija with their families. As word of mouth spreads, co-workers, friends and neighbors hear about the beauty of the region. A guest who comes the first time to Opatija as a conference participant staying in a hotel might choose to visit in the region again for vacation with his family in an accommodation booked via Airbnb. Nevertheless, they like to show their family the nice hotel they stayed in once and decide to visit the restaurant in the hotel on a regular basis. This additional business would not take place if the guest would not come to Opatija at all. Airbnb serves as a low-barrier entrance to bring guests back.

Overall, the results indicate that the performance of the hotels in Opatija has grown continuously regardless the fact that hosts were renting out their places on sharing platforms like Airbnb. The hotels in Opatija have been ahead of the game at selling their rooms with multiple overnight stays due to very dynamic conference activities. They show an increase along with the occupancy rates, which is the mayor driving factor for profitability. All in all, the sharing platforms are not considered to be a threat to the hotel business in Opatija. It does not have a direct negative effect on the performance of the hotels.

For future research it is recommended to look into the potential supplementation of accommodation sharing with additional customer-tailored services. This would take advantage on digitalized products to enable full-scale experiences for customers and potential customers beyond holidays. It would incorporate customer loyalty on a higher aggregated level for an entire region, maybe even the country. On the other side, the risks

of indistinct digital applications need careful consideration in order to avoid the negative effects of an annoying information overflow.

4. DISCUSSION

Nevertheless, it cannot be argued away that a fully unregulated sharing industry causes an uneven playing field. Traditional hotel businesses need to follow high and expensive safety standards which are hardly met by private accommodation. The short-term rental of a private residence allows lower costs. On the other hand, hotels have the opportunity to focus on their unique selling proposition (e.g. service, fringe benefits, certifications, loyalty programs) that a private landlord cannot offer. At the end of the day it is another category of competition that needs to be dealt with. As the course of history has shown competition is the source of innovation.

One short annotation concerning the regulation of the sharing industry in other markets: Vienna works on an agreement that forces Airbnb to make sure that the city tax gets paid. In Salzburg, it is prohibited to rent an accommodation through Airbnb in a building with more than five apartments. It is planned to reduce the number of rented out apartments even to three per house. If the house has more apartments it is banned from Airbnb. Furthermore, all residents/owners of the building have to agree to the touristic use of an apartment.

CONCLUSION

It is fair to say that the sharing industry has an impact to the region of Opatija. Overall, the impact seems to be positive. All businesses benefit indirectly from the dynamics that the sharing industry creates in the region. This is also true for companies that - at the first glance - lose business because of platforms like Airbnb. It is interesting to see that traditional hotel businesses think about setting up new product segments using their properties leveraging the functionality and features of electronic platforms. Volatility, uncertainty, complexity and ambiguity (VUCA) in the HoReCa industry requires agile approaches. The interviewed business managers are all eager to use electronic processes to their advantage. It is a bundle of measures that attracts and maintains the customer base for continuous success. The co-existence of platforms with other traditional means seems to be the key success factor.

The paper opens the door for further qualitative research in the field of HoReCa. It is recommended to repeat the study in a different region of the country as well as internationally. The benchmark results might unveil an underlying theme that is not visible at this point in time.

ACKNOWLEDGMENTS

The author would like to thank Ms Gabriele König and Ms Irena Zavrl for their help. Their inspiration has been the driving force to finish the paper. Further, the authors would like to thank the eight interview partners for their time, effort and interest in this research. Their provided data has been the source of all findings in the paper. I also thank Gudrun Irsa-Klingspiogl for proof-reading this manuscript and for her valuable advice on points of grammar. This work was supported by the Family Irsa Foundation under grant no. 2020.

REFERENCES

- Baskerville, R., and Pries-Heje, J. (1995), "Grounding the Theory in Action Research", *Proceedings of the 3rd European Conference on Information Systems*, G. Goukidis, B. Galliers, T. Jelassi, H. Kremer, and F. Land, eds., Athens University of Economics and Business, Athens Greece, pp. 837-349.
- Baskerville, R., and Pries-Heje, J. (1998), "Information Technology Diffusion: Building Positive Barriers", *European Journal of Information Systems*, 7, pp. 17-28.
- Calloway, L.J. and Ariav, G. (1991), "Developing and Using a Qualitative Methodology to Study Relationships among Designers and Tools", in Nissen, H.E., Klein, H.K. and Hirschheim, R. (eds.), *Information Systems Research: Contemporary Approaches and Emergent Traditions*, North Holland Amsterdam, pp. 175-193.
- Charmaz K. (2006), *Constructing Grounded Theory: A Practical Guide through Qualitative Analysis*, London Sage Publications.
- Charmaz, K. (2003), "Grounded theory – Objectivist and constructivist methods", in N. K. Denzin & Y. S. Lincoln (Eds.), *Strategies of qualitative inquiry*, London Sage Publications, pp. 249-291.
- Charmaz, K. (2008), "Grounded theory", in J. A. Smith (Ed.), *Qualitative psychology: A practical guide to research methods*, Los Angeles sage Publications, pp. 81-110.
- Charmaz, K. (1980), "The construction of self pity in the chronically ill", *Studies in Symbolic Interaction*, Vol. 3, pp. 123-145.
- Corbin, C.B. (1992), "The effects of verbal feedback on intrinsic motivation and perceived competence of cricketers", *Australian Journal of Science and Medicine in Sport (AJSMS)*, 24(4), pp. 94-99.
- Dey, I. (1999), *Grounding grounded theory: Guidelines for qualitative inquiry*, San Diego Academic Press.
- Eisenhardt, K.M. (1989), "Building theories from Case Study Research", *Academy of Management Review*, Vol. 14, No. 4, pp. 532-550.
- Glaser, E.G. (1978), *Advances in the Methodology of Grounded Theory: Theoretical Sensitivity*, Sociology press, Mill Valley, California.
- Glaser, E.G., and Strauss, A.L. (1967), *The Discovery of Grounded Theory: Strategies for Qualitative Research*, Weidenfeld and Nicolson, London, England.
- Goulding, C. (2002), *Grounded Theory: A Practical Guide for Management, Business and Market Researchers*, Sage Publications.
- Hall, S. (1992), *New Ethnicities' - In Race, Culture and Difference*, Edited by A. Rattansi and J. Donald, Sage Publications.
- Hughes, J., and Howcroft, D. (2000), *Grounded Theory: I mentioned it once but I think I got away with it*, UKAIS Conference, York.
- Hughes, J., and Jones, S. (2003), "Reflections on the use of Grounded Theory in Interpretive Information Systems Research", *Electronic Journal of Information System Evaluation*, issue 1.
- Hughes, J., and Wood-Harper, T. (1999), "Systems development as a research act", *Journal of information technology*, 14, pp. 83-94.
- Jones, M., and Alony, I. (2011), "Guiding the Use of Grounded Theory in Doctoral Studies – An Example from the Australian Film Industry", *International Journal of Doctoral Studies*, Vol. 6, pp. 95-114.
- Martin, P.Y., and Turner, B.A. (1986), "Grounded theory and organisational research", *Journal of Applied Behavioural Science*, Vol. 22, No. 2, pp. 141-157.
- Ministry of the Interior, (2011), The Aliencs Act, Article 43(1) and (2), Official Gazette No 79/07 and 36/09, Zagreb.
- Myers, M.D. (1997), "Qualitative Research in Information Systems", *Management Information Systems Quarterly*, Vol. 21, No. 2, pp. 221-242.

- Oliphant, J. and Blockley, D.I. (1991), "Knowledge-Based System: Advisor on the Earth Retaining Structures", *Computers and Structures*, Vol. 40, No. 1, pp.173-183.
- O'Reilly, K and Paper, D. and Marx, S. (2012), "Demystifying Grounded Theory for Business Research", *Organizational Research Methods*, Vol. 15, No. 2, pp. 247-262, DOI: 10.1177/1094428111434559.
- Orlikowski, W.J. (1993), "CASE tools as organisational change: Investigating incremental and radical changes in systems development", *MIS Quarterly*, Vol. 17, pp. 309-340.
- Pettigrew, A. (1990), "Longitudinal field research on change: theory and practice", *Organisational science*, 1:3, pp. 267-292.
- Pidgeon, N.F., Turner, B.A., and Blockley, D.I. (1991), "The use of grounded theory for conceptual analysis in knowledge elicitation", *International journal of Man-machine studies*, Vol. 35, No. 2, pp. 151-173.
- Pries-Heje, J. (1992), "Three barriers for continuing use of computer-based tools in information systems development: a grounded theory approach", *Scandinavian journal of information systems*, Vol. 4, pp. 119-136.
- Republic of Croatia (2017), *Tourism in Figures 2016*, Zagreb.
- Strauss, A.L. (1987), *Qualitative Analysis for Social Scientists*, Cambridge University Press, Cambridge.
- Strauss, A.L., and Corbin, J. (1990, 1998), *Basics of Qualitative Research: Techniques and Procedures for developing Grounded Theory*, Sage Publications Ltd, London.
- The Dubrovnik Times, (Sept-21, 2017), Airbnb sees explosion of growth in Croatia with five star ratings leading the way.
- Torasker, K. (1991), "How managerial users evaluate their decision support: a grounded theory approach", In Nissen, H.E., Klein, H., Hirschheim, R., (eds.), *Information systems research: Contemporary approaches and emergent traditions*, Proceedings of the IFIP WG 8.2 Working Conference, Copenhagen, 14-16 December, North-Holland, Amsterdam.
- Turner, B.A. (1983), "The use of grounded theory for the qualitative analysis of organisational behaviour", *Journal of management studies*, Vol. 20, No. 3, pp. 333-348.
- Urquhart, C. (2001), "An Encounter with Grounded Theory: Tackling the Practical and Philosophical Issues", In Trauth, E. (Ed.) *Qualitative Research in Information Systems: Issues and Trends*, Idea Group Publishing, London.
- WKO (2018), Kroatien: Branchenprofil Tourismus & Tourismusinfrastruktur - Exportwissen, Marktchancen und Trends, Zagreb.

Wolfram Irsa, Dipl.-Ing. CIRM CFPIM, PhD Student
Fachhochschule Burgenland
International Joint Cross-Border PhD Programme in International Economic Relations
and Management
Campus 1, A-7000 Eisenstadt, Austria
Phone: +43 680 1120261
E-mail: 1719001125@fh-burgenland.at