



REBOOTING INDIAN TOURISM IN A POST COVID ECONOMY

POLICY BRIEF

MAY 2020

IT FOR CHANGE

INTRODUCTION

A once promising forecast for the tourism and hospitality sector has turned alarmingly bleak over a matter of weeks as the industry has been severely hit by the Covid-19 pandemic and the cascading impact on global travel. In India, the tourism and hospitality sector is staring down a potential loss of INR 1.25 trillion over the next two quarters. The Federation of Associations in Indian Tourism and Hospitality (FAITH) has made an appeal to the Government of India for relief measures pointing to the 38 million jobs that stand to be in grave danger as the activity in the sector looks to be frozen for the next several months.

In the mid-term, the path to recovery is uncertain for the industry and much will depend on appropriate policy stimulus from the local to central levels.

In 2019, IT for Change undertook a study on the complex terrain of platformisation

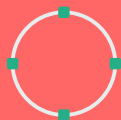
in the tourism industry in India and how platform giants have emerged as game changers for the sector.

The study analysed the rise of data based optimisation in the industry as well as adverse and negative impacts on the local economies where tourism and hospitality activities unfold.

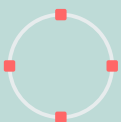
The post-Covid moment offers both a moment of introspection as well an opportunity for rebooting Indian tourism to harness the digital advantage while reining in the runaway power of large platform companies.

This policy brief summarises key highlights from our [2019-20 study](#) and puts forth recommendations for policy actors towards effective regulation of the tourism industry. We believe the study is well positioned to inform the post-Covid tourism sector in India.

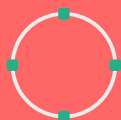
STUDY HIGHLIGHTS



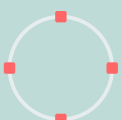
Backed by venture capital (VC) and possessing large network-data advantage, dominant travel platforms have consolidated their hold over the tourism sector. Platform practices, including deep-discounting and algorithmic manipulation of visibility of listings, have significantly impacted the economic livelihood of smaller actors who have reported a direct loss in autonomy, revenues and market visibility on account of platform activity. Yet, platformisation is a Hobson's choice for small actors, who find themselves growing increasingly dependent on platforms for business even as they face disadvantageously high commissions, eroding revenue margins and a crowded market place brimming with competitors.



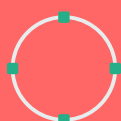
The communicative networks of platforms (rating and rankings, reviews and virality i.e. high visibility through wide-spread sharing on social media) play a big role in determining touristic and economic success and mediate the gains and losses for actors. While older and well-established sectors with high number of competitors like hotels and tour companies face an uphill challenge in being able to harness an advantage within these networks, emergent sectors such as homestays and hostels, as well as micro-entrepreneurs and freelancers are better placed to capitalise on communicative network power.



Platforms fragment the value chain, dislocating local networks of trust and disincentivising local collaboration. This is likely to result in a zero-sum situation, as marginal players forced to rely on platform-mediated arrangements lose local traction, even as the platform entrenches itself into the local value chain.



A critical connection between platform-led overtourism and ecological impacts becomes apparent, which constitutes a core concern for sustainable tourism policies in the country. Against this is the emergence of a noteworthy, even if small, trend of alternatives that seek to reclaim locally responsible tourism experience.



Policy responses lag behind in addressing the challenges caused by emerging digital tourism stakeholders. Pre-existing guidelines for tourism development as well as existing sectoral laws governing commercial activity need overhaul to be able to effectively regulate platform-based activity in tourism.

RECOMMENDATIONS

Develop policies and infrastructure to support MSMEs to transition into data-enabled tourism management.

- Strengthen data capacities of local governments at the state/city or village level through capacity building and real-time sharing of data from small companies, tourism associations, government and other relevant actors.
 - Build guidelines and protocols for database generation, cross-departmental data sharing and mandated data sharing by private companies through pilots for maximising the data advantage for the local economy.
 - Launch big data programmes to help local businesses plan and manage tourist inflow better, segment and target clientele more effectively, understand trends and respond accordingly.
 - Create data trusts for the industry that are held and operated by an MSME level industry association with seed public funding to create a data advantage for small businesses.
 - Develop a national data strategy for tourism, aligning the prongs of India's National Tourism Policy with digital and platform opportunities that is based on existing normative legal frameworks for personal and non personal data.
- GOVERNMENTS**
- Re-examine current OTA guidelines issued by the central Ministry of Tourism that provide direction on the management of consumer data for their robustness.
 - Adopt digital tools – GIS, IoT, cameras, wearables, drones – to aid regulation of overtourism practices in fragile ecosystems in accordance with the 'leave no trace behind' maxim.

Implement multi-pronged platform governance strategies to counter market distortion.

- Examine the limitations of consumer welfare principles in being able to limit or prevent market dominance by one or few OTAs through vertical integration, stickiness and preferential agreements and deals, as well as hidden and deep discounting regimes.
- Institute transparency requirements for algorithmic practices of platforms with respect to enlisted businesses as well as consumers using guidelines towards this, based on existing work being done in India around policies for personal and non-personal data such as the CCI's report on e-commerce.
- Ensure that stakeholders in the tourism industry are able to have fair and reasonable access to markets without OTAs being the necessary and only gatekeeper in the marketplace.

RECOMMENDATIONS

GOVERNMENTS

Provide a strong boost to MSMEs to relocalise the tourism economy.

- Provide public policy support on multiple fronts – from financing, to marketing and public data infrastructure so small players can match the efficiencies that dominant platforms provide consumers.
- Support and promote emerging sectors such as homestays, which are not regulated uniformly across states, through strong governance and regulatory systems based on international good practices and standards so they can leverage opportunities for enlisting on platforms.
- List, feature and promote local businesses on the website and social media channels of tourism ministries and departments, especially in regions where there are critical infrastructural and skill gaps, so businesses are not left completely reliant on OTAs for visibility and traffic.
- Create incubators and other forms of funding that can be made available through government programs to seed the creation of alternative platforms managed by local organisations and promoting locally run businesses.

PLATFORM COMPANIES

Enshrine due diligence practices.

- Conduct periodic human and environmental impact assessments and proactively report on business impact along the supply chain in line with UN guiding principles on business and human rights.
- Provide avenues for redressal to actors within supply chain and develop complaint mechanisms that are effective and easily available for small-scale businesses.

Design algorithms in a transparent way.

- Adhere to clear transparency guidelines in algorithmic practices with respect to enlisted businesses as well as consumers.
- Adopt techno-design principles that allow for 'explainable' and 'accountable' systems.

Share data proactively.

- Map and monitor tourism footprint in a given region through digital intelligence and insights and contribute to the creation of an early warning system to avoid over-tourism.
- Proactively share data with public bodies, MSMEs, industry bodies and institutions.