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Undervaluing a Sector: The Enigma of Micro-Enterprise Self-Contained Accommodation in Australia

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CHAPTER 12

UNDERVALUING A SECTOR: THE ENIGMA OF MICRO-ENTERPRISE SELF-CONTAINED ACCOMMODATION IN AUSTRALIA

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Commercial second homes operating as holiday rentals are an important and undervalued sector of the tourism economy. Research conceptualises second homes as life-style projects but collectively they form a critical mass and provide a valuable regional economic contribution. Known as micro-enterprise self-contained accommodation (MSA), this exploratory study of three Australian destinations investigates MSA networks from a key stakeholder perspective. Interviews and secondary data are used to gain insights into a sector hampered by stakeholder lack of knowledge. Digital marketing platforms such as Airbnb are thriving as they occupy the untapped and undervalued space.

Introduction

Self-contained house or apartment accommodation available for short-term rental is an understudied but uniquely important sector of the Australian tourism economy. Privately owned micro-enterprise self-contained accommodation (MSA) include three broad groups: second home holiday rentals, private investment short-term lets and self-managed superannuation fund (SMSF) vacation rentals. Often out-numbering traditional forms of visitor accommodation such as hotels, motels and backpackers in popular tourism regions, self-contained accommodation is growing rapidly with the development of online booking platforms. MSA properties vary greatly in size, building type, target markets and returns on investment. As this chapter identifies, critical of all to commercial success is owner motivation around personal commercial interests which seem to vary considerably. While

these MSA operations appear very small in size and are often overlooked by private and public tourism organisations, collectively they provide a substantial regional economic contribution to Australian tourism destinations.

Our empirical research is identifying that MSA properties do not feature in destination organised development initiatives. They are dismissed as life-style oriented and unable to participate in strong cluster partnerships (Getz & Carlsen 2005; Thomas 2007; Thomas, Shaw & Page 2011). However, this study has found that not all MSAs are life-style driven. Rather we identify and uncover uneven MSA engagement levels in destination initiatives. Significantly, regional stakeholder ignorance of the MSA sector may have stimulated overseas online platforms to fill gaps in harnessing MSA unrealised potential value as well as encouraging additional destination-linked networks and activities. This chapter is an exploration of importance of MSAs to Australian regional economies.

We use a comparative case study as a way of exploring the nature of MSAs. The chapter investigates three important Australian tourism regions of New South Wales (NSW): Central Coast, Hunter Wine Country and Byron Bay. Analysis of qualitative interviews and secondary information is used to develop deep and rich insights of MSA relational issues. Our findings highlight challenges and opportunities associated with MSA clusters and provide practical understanding to government and business to improve economic outcomes. What is clear from the research is that such destinations are lacking insight of MSAs particularly as to their value and importance to their regional economies. Interestingly operators like Airbnb with their market imperative have been quick to fill this important gap.

This chapter starts with an investigation of MSA definitions and the broad literature. This includes understanding aspects around geographic networks and clustering. The article then moves onto research methods and a detailed review of the context of the three regional destinations. Further sections address preliminary analysis and findings around stakeholder perceptions followed by conclusions and implications for both academia and policymakers.

Definitions

Definitions take on considerable importance when they are somewhat idiosyncratic around indigenous national jargon and dimensions. Accordingly, there is no universal term in

literature for privately owned short-term rental self-contained accommodation properties. While the recently introduced term 'commercial second home' encapsulates many short-term rental properties, not all MSAs can be referred to as 'homes'. 'Commercial second homes' combine two key concepts, 'commercial homes', explaining the notion of people paying to stay in private residence such as 'bed and breakfasts' (Lashley 2009; Hall & Rusher 2004) and another notion of 'second homes' describing non-commercial summer residences that traditionally are representative of Nordic and later French citizens retreating to summer villas in warmer months (Müller 2002; Coppock 1982).

Scandinavian second homes accessed by forty percent of the population are not usually commercially rented (Müller 2002). In contrast literature from other countries, for example the UK, New Zealand, Australia and Poland, finds privately owned vacation properties and retirement homes widely available for short-term rental (Hall 2014; Paris 2014; Czeslaw 2016; Czarnecki & Frenkel 2014). A review of commercial holiday home rental web sites finds numerous terms to described this category of short-term rental holiday accommodation (see Table 12.1).

<INSERT TABLE 12.1 Examples of differing terminology ABOUT HERE>

With terminology of the sector so problematic (Lynch, McIntosh & Tucker 2009) the Australian government agency term of 'self-contained accommodation,' is adopted here. This also reflects the micro-enterprise self-contained accommodation (MSA) acronym used. The NSW state government tourism organisation, Destination NSW (DNSW), identify 'self-contained accommodation' as a term for promoting short-term rental of a range of property types that captures cottages, villas, homes, apartments, cabin and lodges (DNSW 2015a). The nature of these properties as described means they are predominantly run by micro operators such as individuals or couples for a potential income or additional income source. This research on micro excludes larger enterprise initiatives providing broader commercial accommodation property outcomes.

Regional destinations and complexity of clusters, networks and organisations

Regional tourism destinations are complex with network linkages between multiple stakeholders adding an array of views, interests and vertical and horizontal contextual

challenges (Graci 2012). Such geographic concentrations are often linked to clusters. The cluster concept draws on the Marshallian concept of firm agglomeration in industrial districts (Krugman 1994). Marshall, like Porter (2003, 2013) that followed, broadly defined clusters as groups of related or linked firms in geographic areas. Tourism clusters are promoted by the United Nations World Tourism Organization (UNWTO) as 'drivers of economic development and environmental sustainability' (United Nations Industrial Development Organization (UNIDO) 2013). This view of tourism aggregation and its benefits around clusters is supported by the World Bank, Organisation for Economic Co-operation and Development (OECD) and European Commission (EC) (Shakya 2009; EC 2008; OECD 2001). Notable authors recognise the fillip clusters provide for regional advancement in developed and developing countries through increased competiveness and improved economic performance (Lindqvist, Ketels & Sölvell 2013; Delgado, Porter & Stern 2010; Porter 2003).

National and state governments have embraced cluster development in recent decades as a way of broadly enhancing regional competitiveness (Porter 1998). Key aspects include skilled labour access, supplier savings, shared infrastructure costs, knowledge absorption, adoption and diffusion, enhanced innovation, shared marketing and a collective voice (Connell, Kriz & Thorpe 2014; Lazzeretti, Sedita & Caloffi 2013; Navickas & Malakauskaite 2009). When tourism firms cluster in a geographic place they are often termed "tourist destination regions'". These arbitrary boundaries often do not reflect Australian government administrative notions and a concept in Australia of a Regional Tourism Organisation (RTOs). Adding to such confusion is the idea that RTOs can include Local Tourist Associations (LTAs) (Dredge & Jamal 2015).

There is no single definition of what constitutes a tourism "destination" (Tinsley & Lynch 2001). Destination like clusters are endemic to some form of regional boundary capable of providing an enhanced visitation experience (Bornhorst, Ritchie & Sheehan 2010). Destination choice is important with tourists making decisions between a range of concepts including villages, towns, states and nations where tourists travel to receive unique place-based exposure and benefits (Keating & Kriz 2008). Destination resources are organised by a number of organisations and networks to maximise destination competiveness (Ritchie, Crouch & Ritchie 2005). Tourist organisations co-ordinating destination marketing and other development efforts are funded from a mix of private and public sources and are subject to

different interests and agendas (Dredge 2006). Destination management involves the well-being of all destination aspects, emphasising leadership, teamwork and provision of effective tourism network management (Bornhorst et al. 2010; Crouch & Ritchie 1999). Such efforts will be variable but overall enterprise engagement should be working toward positive influence on regional tourism development (Novelli, Schmitz & Spencer 2006; Michael 2003). MSA's are an important stakeholder in how destinations perform albeit they may not be as visible as resorts, hotels and other more identifiable place-based assets.

Changing role of clustering and destination management in Australia

Government funding in Australia has been historically directed toward supporting regional destination development initiatives through marketing, infrastructure funding and training. 'Initiatives' are classified as deliberate interventions by stakeholders, aimed at improving a region's competiveness through a collaboration of cluster members working to develop mutually beneficial resources and activities (Lindqvist et al. 2013). "Cluster initiatives" are organized efforts to increase the growth and competitiveness of clusters within a region, involving cluster firms, government and/or the research community' (Ketels 2013: 1). Regional development initiatives are applied worldwide by governments and policymakers as development tools to improve regional competiveness (Hall & Teal 2013; Ketels & Memedovic 2008).

Regional tourism initiatives to assist destination development rely on the network relationships of cluster managers or facilitators to share information and coordinate endeavours (UNIDO 2013). Australian regional development bodies and intermediaries federally and at a state level place great emphasis on supporting destination structures. However, lack of resource support means these structures are increasingly having to generate their own funding (Dredge & Jenkins 2007). Occasionally some are more formally organised with the aim of taking advantage of economies of scale, networks, innovation, knowledge, and joint marketing campaigns. Explaining how enterprises can or do access these benefits and cluster has only moderately been discussed in literature (Connell et al. 2014; Michael 2003).

More formal clusters have facilitators and operate under accepted and collaborative governance arrangements (Ffowcs-Williams 2012). Notably tourism literature has little on

'cluster facilitators' or 'cluster managers' and instead focuses on the concept of 'destination management.' In Australia, as in many western economies, government authorities have historically been responsible for the marketing and management of tourism destinations and this has meant often by default that they become surrogate co-ordinators of tourism clusters and their internal networks. Tourism cluster intervention by governments in the 1990s supported the view that authorities have a responsibility to be more proactive and responsible for place-based resident outcomes (Porter 1998). This is changing with a neoliberal government moving toward bottom-up community based tourism (Dredge & Jamal 2015; Hall 1999, 2014).

Governance reversal of traditionally run tourist boards in regional Australia is underway (Wray 2015) with a decreasing number of firms engaging in cluster initiatives. This includes a decline in cooperative web based advertising campaigns (DNSW 2015a). Tourism cluster management is no longer driven by state and local authorities but by a complex organisational management structure with private or public-private partnerships (Valente, Dredge & Lohmann 2015). There has been additional turbulence with tourism regions competing for declining funds. Increasingly place-based membership bases are also moving rapidly online as disruptive aggregators take advantage of available but underutilised rooms and accommodation assets. It is apparent that many destinations and regions lack a vision and common goal (Haugland, Ness, Grønesth & Aarstad 2011). NSW RTOs are typical. They are currently undergoing a review and revision as part of a shake-up and reallocation of destination management plans (DNSW 2015b). The role of destination organisers and drivers in managing tourism enterprise engagement and networks is unclear. This brings us to the changing importance of micro-enterprise in such destinations.

Micro-enterprise engagement in tourism destination initiatives

There is no single accepted definition of small enterprises, or micro-enterprise with a lack of academic consensus and country-by-country variations (Thomas et al. 2011). The European Economic Commission define a micro-business as holding fewer than 10 employees whereas the New Zealand government define 'small business' as less than four employees (Hall & Rusher 2004). This study adopts the Australian Bureau of Statistics (2013) definition of micro-businesses. These enterprises employ less than 5 people and, in many instances, none.

Evidence from Australian tourism cluster web-sites indicates low levels of micro enterprise involvement in RTO cluster marketing activities (VisitNSW 2015; Airbnb 2016; Stayz 2016). While studies have found micro-enterprise working collectively in tourism regions to develop a product and/or improve individual firm growth (Michael 2003; Tinsley & Lynch 2001, 2007), most such studies focus on processes of collaboration, co-operation and participation (Thomas 2007; Hall 1999). What is recognised is that not all micro cluster member firms participate in cluster initiatives designed to develop tourism destinations. Why and how firms engage in their tourism cluster initiatives is the focus of this research.

Literature of destination relational engagement in particular from a micro-enterprise perspective is intriguingly absent. It is critical to understand what drives or inhibits micro-enterprise engagement in destinations given the apparent and potential size of the sector and the burgeoning role of such actors in an expanding online and sharing economy. Tourism research on micro enterprises has found a sizable number of operators in the sector simply for lifestyle benefits (Lashley & Rowson 2002). But this is a limited view of the motivations of such enterprise actors and there is a clear need for more studies with a focus on the role of small firms in destination development, management and marketing (Zehrer & Hallmann 2015). The Australian Department of Industry has found 'a strong argument for government to facilitate collaboration and healthy clustering behaviour among groups of small enterprises…' (Grace 2014: 1). Such efforts are seen as particularly important given a large proportion of the 280,800 tourism businesses in 2012 were rated as non-employing (Weir 2013). While many studies have concentrated on large industries the context of this study is opening up interesting potential fields of research. The non-employment numbers belie the multipliers, spillovers and benefits that micro-enterprises and their tourists bring.

According to Lashley (2009: xvi) commercial homes for the purpose of tourism is 'grossly under-researched'. The Australian 'holiday house', is a prominent feature of tourist regions. This is a complex accommodation sector that comprises many small and unique businesses throughout Australia. Fortunately questions like whether 'supporting tourism infrastructures are sufficiently sensitive' (Lynch et al. 2009: 184) to these micro organisations are now being asked. Other gaps include data about operator numbers (Hall & Rusher 2004), sector behaviour (Thomas et al. 2011) and sector size (Michael 2003). Preliminary research has revealed that a key weakness of the MSA accommodation sector is that there is no recognised industry body which represents the interests of the owner/operators involved (Hall 2011).

With only a few exceptions, there is scant research focussing on tourism small and micro-business clusters.

Case Studies of Three NSW Regions

Tourism is important to Australia, with visitor expenditure contributing $107 billion to the economy in 2014–15 (Australian Bureau of Statistics 2016). New South Wales (NSW) the country's largest tourism state employs 267,000 people, both directly and indirectly (NSW Government 2015). This comparative case study adopts a qualitative (Charmaz 2006) theory-building approach to investigate three regional tourism destinations in NSW. Case studies have the potential of gaining deep and rich insights (Yin 2003). The key here is to ask "how" and "why" destination networks develop and secondly to probe stakeholders about the importance of the sector and its potential for development. Qualitative case studies are accepted as more suitable for approaching how and why and more explorative questions. Using three cases adds robustness and more potential generalisability than a single case (Yin 2003; Eisenhardt 1989). Cases drawn from NSW tourism regions include Central Coast, Ballina-Byron Coast and Hunter Valley Wine Country. Figure 12,1 highlights the location of the destinations in New South Wales (NSW), Australia.

<INSERT FIGURE 12.1: Regional case locations New South Wales, Australia ABOUT HERE>

Tourism is a critical contributor to growth in all three regions. A high number of MSA properties collectively form the critical mass of the tourism product in each of the destinations shown on the map. While, historically the sector has largely been unregulated in NSW, this situation has recently changed following a NSW Land Environment Court ruling in May 2013. The court declared holiday rentals to be 'a prohibitive development use in residential areas' (Land and Environment Court (LEC) 2013). Such a ruling created much uncertainty and prompted the local government of Gosford City Council on the Central Coast region to initiate a variation to the local environmental plan (LEP) to allow 'short term holiday letting' without development consent. This ruling had important additional consequences for MSAs limiting them in this region to no more than four bedrooms and a maximum of eight guests. Threat of closure was the sanction if the MSA was subject to genuine neighbour complaints (Gosford City Council 2013). Other councils followed the

'Gosford model,' with the exception of Byron Shire Council. Byron chose subsequently to introduce the strictest regulations on their MSA operators. They now restrict holiday lets to a 'maximum 90 days' per year (Byron LGA 2016). Such regulatory environmental uncertainty is fostering uncertainty amongst MSA operators. It makes sense to provide a background analysis of each region given the notable variations geographically, environmentally, economically and socially in all three.

Central Coast region

Central Coast has over 325,000 residents with a large commuter population. It's beachside, waterways, flora and fauna and rural offerings attract many domestic weekender tourists predominantly from Sydney. The region is flanked by two local government authorities, Gosford and Wyong. These two local government areas (LGAs) will merge into one during 2016. The forced state merger has brought disruption to local government activities and strategic tourism initiatives. Currently under the split LGAs, the region has tourism offices at Kariong (southern end of the Coast) and The Entrance (northern end of the Coast) run by Wyong council (Central Coast Tourism (CCT) 2016; Wyong Shire Council 2016) in what is a private public partnership. The average length of stay on the Central Coast has changed over the last three decades with the region attracting more short-stay weekend tourists than traditional summer holiday longer-stay visitors (CCT 2016). The region does have a number of larger hotel/resorts like Crowne Plaza at Terrigal and Kooinda Waters at Wyong. However, self-contained holiday accommodation collectively forms the critical mass of the region's tourism product. Gosford Council estimates there are 3,000 self-contained properties on the Central Coast. No accurate numbers of MSAs are currently available. The sector is seasonal and fluctuates by as much as fifty percent as evidenced by a review of activity around commercial online advertising (Stayz 2012, 2013, 2014, 2015, 2016; Airbnb 2016).

The Hunter Valley Wine region

Hunter Valley Wine Country is a pristine rural region two hours north of Sydney. Home to Australia's oldest vineyards this region attracts tourists from all over Australia (Hunter Valley Visitor Centre (HVVC) 2013). The management of the Hunter Valley Wine Country region has undergone significant turbulence in recent years. In June 2013 the Cessnock Council withdrew funds of $400,000 per year from the cluster management organisation called Hunter Valley Wine Country (HVWC). Cessnock Council indicate this funding

withdrawal was due to several complaints from ratepayers regarding a perceived adequate lack of financial return. One month later the HVWC merged with the local wine growers' association and became a private sector funding organisation called Hunter Valley Wine & Tourism Association (HVWTA). In September 2015 this further developed into a private-public partnership between Cessnock and Singleton Councils and HVWTA. The new entity is chaired by an ex-NSW tourism minister. No published estimates of self-contained properties are available in the region. However, more MSAs advertise in the Hunter Valley Wine region official accommodation guides than the equivalent on the Central Coast (HVWTA 2015a, 2015b). MSAs are therefore acknowledged as substantive with vineyard cottages a feature of this region's advertising campaigns.

Byron-Ballina region

The Byron-Ballina region, serviced by Ballina-Byron airport, is a coastal strip of surf beaches and hinterland, but like the Central Coast has two independent LGAs. Byron Bay and Ballina Shire Councils, each attract two very different visitor market segments. Ballina Shire supports tourism through its funding of the visitor information centre. Byron is an iconic Australian landmark for surfers and international tourists. It is the Eastern most point of the Australian land mass. The Byron visitor information centre relies on private funding. Byron's visitors range from backpackers to wealthy celebrities and is the only internationally recognised NSW destination outside the capital (Sydney). Lesser-known Ballina attracts domestic family and retiree visitors. Large seafood wholesalers have been historically present with the 'Big Prawn' a remnant of the wild catch in the area. Byron Bay has attracted a lot of alternative lifestyle seekers and is a strong base for aspects like the 'green movement'. The area is close to the South East Queensland metropolitan community and features large concerts such as a blues festival.

The endowments of a place-based destination ensure that no two areas are essentially alike with one size not fitting all (Tödtling & Trippl 2005). The three regions here provide an interesting cross-section of NSW regions and have been purposively selected as high MSA providers compared to most. All have been predominantly subject to two local government authorities. Each region selected has also been subject to the impacts of three different RTOs.

The dynamics are changing as witnessed by legislation and other variations occurring in the place-based dynamics.

Design and methods

The chapter reports also on primary data collected in 2016. This included in-depth qualitative interviews from the three NSW respective regions. Key stakeholders, organisers and intermediaries from each region were interviewed to analyse how each destination and respective MSA were functioning. Fifteen elite interviewees were selected based on their broader tourism expertise (Welch, Marschan-Piekkari, Penttinen & Tahvanainen 2002). These respondents were identified as key actors with expert knowledge and/or experience in the respective region and cluster whether as state and local government, institution or key business, and/or related tourism industry group or body. Experts interviewed included a NSW state tourism ex-director, a mayor, two RTO directors, a LTA manager, a local government economic development and tourism manager, a tourism educator and also a tourism development manager. SMA letting agents in each regional case were also interviewed.

Data collected from interviews was then transcribed and coded and underwent thematic content analysis using NVIVO software. Relevant attributes like age, gender, title were assigned to each interviewee. The semi structured interviews lasted approximately an hour. Recall was aided through prompt transcription. The majority of interviews had two interviewers present. This was particularly important for ensuring consistency (Flyvbjerg 2011; Kriz, Gummesson & Quazi 2014).

Semi structured interviews were used with a guide or protocol. This allowed the interviewee to illustrate and expand on ideas that were not always specific to MSAs and their impact on a destination. This proved beneficial as it quickly became clear that most interviewees were more aware of tourism and the destination rather than specifics to MSAs. This lack of understanding of the sector was interesting to the interviewees themselves as interviews unfolded. The criterion of theoretical saturation (Charmaz 2006) guided the recruitment. This is a two stage study with the first stage around the fifteen key stakeholder interviews described in this chapter. A discussion specific to MSA operator perceptions will follow in later articles.

MSA findings and analysis

This section outlines results of secondary data collection and interviews with key stakeholders. Firstly, this section outlines the types of MSA operations identified. Secondly, the research analysis reviews branding and naming issues for MSAs. Thirdly the focus shifts to engagement opportunities. Fourthly, what is apparent is the increasing impact of the online platform. Stakeholders are aware that there is key movement. Finally, and concomitantly, despite the increasing online activity, the research identifies what appears an enigmatic invisible sector. Despite the substantive economic impacts MSAs particularly are going largely "under the radar" to levels of government, private stakeholders and intermediaries. Only when crisis occurs, as discussed earlier with rulings in the Gosford and then Byron cases, does the MSA sector seem to get any recognition (albeit negative).

MSA operations

The research finds MSA operators are not exclusively targeting tourist accommodation. Operators are also targeting business clients, as well as those visiting friends and family, and in the Central Coast case, operators are even targeting staff/patients visiting local hospitals. The research has identified three broad segments of self-contained accommodation. Firstly, one style of MSA called second homes, either available for rent all year or infrequently because owners are using the home intermittently for their own leisure. The second MSA segment includes investment dwellings available for short-term rental, for example property investments never intended as a home. This second category has homes used by large scale corporates, such as serviced apartments, cabins or resort holiday lets but these are excluded from the research. This study focussed only on privately owned micro-enterprise self-contained investments. A third, newer, category are properties purchased by operators of privately managed pension funds. These are regulated by the federal taxation office and known in Australia as self-managed superannuation funds (SMSF). These properties under Australian tax law cannot be used by owners. MSAs in all three regions have a number of properties that move from short-term rental to permanent rental, particularly in the investment and SMSF segments. MSA rental agents interviewed reported flows of up to 25% of properties moving from short term rentals to permanent furnished rentals. This is linked closely according to them with rental returns fluctuations. As permanent rental

accommodation becomes scarce it encourages MSAs to shift away to that market for better returns.

The respondents have identified a number of variations on self-contained accommodation. This seems to have implication related to their motivation for rent-seeking. Motivation is discussed later in the findings and appears to identify key variations that accentuate the complexity of the sector. It also has implication for networks and clustering that will be discussed. The next section outlines secondary data and expert interviewee perceptions of destination initiatives around cluster and network engagement.

Confusion around branding the destination

A key resource initiative available to tourism enterprises is the regional brand which attracts NSW state government investment and promotion. The interviews and investigations of government and stakeholder literature reveals confusion for the MSA operator about the destination branding and identification. Inconsistency at State and local levels, with changes around regional tourism operations, adds to the confusion. Multiple names and perceptions around what constitutes regional boundaries, dilutes the effectiveness of destination marketing (see Table 12.2).

<INSERT TABLE 12.2 ABOUT HERE>

Central Coast is a key case with respondents identifying that the two councils often confusing the promotion as they focus on individual council areas (Gosford v. Wyong and sub-regions). As the respondents highlighted, operators then choose to default to more localised names in accommodation listings, for example Terrigal or Avoca. In the Hunter Valley Wine region case this means operators are choosing to use locality names such as Pokolbin, Hermitage or Lovedale in advertisements. Interestingly, this is happening despite over a century of investment in the 'Hunter Valley' brand. Notably in the third case of Ballina-Byron Coast a key stakeholder noted the name of Ballina-Byron was only really being used by the local airport and interstate visitors. A secondary data search of most other promotional literature identified that the region is marketed as either Byron or Ballina.

Stakeholders highlighted a proposal by the state member to launch a "Green Coast." Destination place was identified by respondents as a topical issue with a large amount of parochialism and egos. MSAs as identified by stakeholders will then default more locally and focus on their sub-regional branding.

Confusion and conflicting names make engagement in tourism initiatives unattractive. Lack of common purpose makes harnessing MSA support difficult. The secondary data confirmed that the majority of MSAs on online platforms are using local town names. The Hunter Valley MSAs were an exception and were sticking with their traditional more historical branding (Airbnb 2016; Stayz 2016). The table below highlights the multiplicity of names at various stakeholder and intermediary levels.

Uneven levels of MSA destination initiative engagement

Regional NSW tourism destination initiatives indicate low MSA engagement. In 2016 a key tourism cluster resource, marketing activity centre and networking group, the Central Coast visitor information centre accommodation web site (VisitCC 2015) listed only a few MSAs out of the local government authority's estimation of a total of 3,000 (Gosford City Council 2013). Stakeholders highlighted that there were several reasons for the absence. One significantly was the fragmented and micro nature of the industry which made resourcing the sector difficult. Expending resources on such a category against more vocal and established clients is a challenge. In contrast preliminary research has revealed there are less SMA accommodation operators in the Hunter Valley but this region has many times more SMAs listed with the local visitor information centre (HVWC 2016). It is important to highlight, as stakeholders also identified, that the variation can be linked back to funding models and varying strategic and tactical approaches to destination marketing in these regions. Path dependency around regions including key variations in institutional intermediaries became a key theme of the research.

Interviews reveal three totally different local government authority attitudes to tourism marketing with these impacting directly on MSA operators and related marketing initiatives. Key Byron stakeholders for example do not support destination marketing whereas Ballina funds the tourism office. As an elite interviewee and key stakeholder identified:

> Byron Shire council doesn't do anything in marketing … Its separate and marketing is only done through another organisation (private organisation Destination Byron). The problem is they never have enough money.

Central Coast and Hunter Wine Country tourism organisations have differing arrangements with both having intermediaries that enjoy public funds and also generate revenues from commercial interests.

Visitor information centres, key network resources for MSA and marketing activities, operate differently in each case influencing MSA network activity. The Central Coast has low levels of MSA members and no planned marketing campaigns. Byron which has been privately operated for 16 years, uses a Booking.com online reservation platform. This contrasts to the southern part of the region, where Ballina Council run the visitor information centre supporting a web site and visitor guide. Destination tourism network functions in Ballina are organised by the business chamber not the visitor centre unlike the other destinations. Central Coast, as discussed, is now in a complex scenario with a new merged Central Coast Council. There is an expectation that Council may bring the tourism marketing activities within their domain rather than have a separate body outside. Hunter Valley Wine region visitor information centre in Pokolbin was similarly taken over by Cessnock Council in 2015 as described by a key informant:

> … taking over the visitors' centre, we have changed things here now. We do have a fee for service for the sustainability of the centre, around the two hundred dollars a year. They get their brochures and everything, but if they have emergency or specials on we can put them on a specials board. We've changed the centre round so that we have expos to support the smaller operators…

The Hunter Valley Tourism Alliance a new private-public association was launched in August 2015 with a high profile founding team including an ex-state tourism minister, three vineyard owners and a large property developer. The alliance emerged out of frustration. All founding members have high profiles but also are time poor. No major campaign has occurred since the launch:

> The association alone they are down to one and half people. They had seven in the team two and half years ago…. Running the association…. the thinking has got small too, because no one's thinking more than a few months ahead … '

Getting traction for MSAs under such regional dynamics and tensions appears challenging. The state government co-operative marketing schemes have a minimum entry fee of $50,000. This grant level is unaffordable to individual MSAs. High entry fees necessitate regional tourism organisations liaising with larger cashed-up organisations. Byron-Ballina, Hunter Valley Wine and Central Coast all draw on state cooperative funds, but with a commencing rate of A$50,000 the focus is not on MSAs. Even coordinating MSAs into a broader group or cluster is seen as difficult activity. Hunter Valley Wine Country is the exception. Collectively they have organised MSAs to advertise in their accommodation guide. From years 2006 to 2012 the Hunter Valley Wine Country accommodation directories listed 110-121 SMA rentals. This dropped to 82 properties in 2013 and then further dropped to 47 in 2013. This seemed to coincide with a withdrawal of council funds.

> When we looked at the old funding model, there was no minimum and there was no matched dollar funding. With the [new program] the minimum is $50,000 and the maximum is $500,000. That cuts out any businesses that don't have the capacity to raise those types of funds.

Other key stakeholders that were interviewed supported this sentiment.

MSA rental motivation influencing rental activity

Interviews with real estate letting agents in all three cases confirmed three types of MSA operator: second home owner; investment holiday renter; and, a property purchased with self-managed superannuation funds. Owners' motivations for letting their property actually vary on a continuum from what appears low interest to high interest. Figure 2 identifies, that toward the left of the continuum, owners generally have minimal interest in seriously renting a property. These are second homes that are regularly used by families. In Australia there are tax gearing benefits for advertised rental properties (Australian Taxation Office 1985). The losses are compensated through capital gain and an income offset. As the family life cycle

changes and adolescence move away, such properties often revert to full time tenancy. One respondent that handles hundreds of such properties expanded on this in some detail:

> Where they actually sit on that spectrum does vary and change depending what's going on in their lives. Typically, people come up, get all excited, and buy a holiday rental property when they're up here and when the kids are often young; use it for a couple of years, and then kids have sport and they find they can't actually come up here because [of other reasons]…

On the right of the continuum owners are much more motivated. These can be highly geared investments that necessitate high rental incomes to pay off mortgages. Interviews with agents in all three regions highlight that MSAs move across the spectrum depending on personal circumstances. This is represented by the dual circular arrows across the top of the figure.

> At the other end of the spectrum there are those owners who have a high mortgage, they are after every single thing they can. They really want to maximise their return on the property… and every one sits somewhere on that spectrum and most people are probably somewhere in the middle. They are looking for a reasonable return and a degree of usage.

Owners engagement in a destination initiative is often linked to MSA owners' motivational behaviour (Figure 12.2).

> There are some owners out there who if they have bought a property and it's all about owner usage. As long as there is some money coming through, they couldn't really care…... And for some of them, from a taxation point of view, the property has got to be available for rent and it's not being rented hardly at all they still get the tax benefits of it by having it available.

<INSERT FIGURE 12.2 ABOUT HERE>

Respondents report MSA operators have previously been board members on Central Coast and Hunter Valley Wine Tourism. Interestingly this did not lead to a strong voice for the sector.

Emerging digital online MSA platforms

Respondents noted a change in the sector with the growth of online marketing platforms such as Stayz. A search of the sharing economy web sites such as Airbnb and Wimbu identified that over 50 per cent of rentals were self-contained. An independent search of Stayz found that the Central Coast lists more than 1000 such properties, followed by Byron-Ballina with 750, and Hunter Valley Wine Country with 700. A similar Airbnb search found Byron Bay-Ballina had 600 listings, Central Coast 260, and Hunter Valley Wine Country 220. There has been a rapid growth of theses peer-to-peer platforms. Known as the sharing economy this sector in American has sales revenue of approximately US $335 billion (Saul & Anthony 2014). These initiatives are not simply online but providers are also now developing online chat and peer review networks. These are now migrating to group level meetings in respective regions. Coupled with such activity is the rise in online specialist blogs. These include the vacation rental marketing blog (see www.vacationrentalmarketingblog.com).

Respondents were less aware of MSAs but were cognisant of the power of these disruptors. The metamediaries like Airbnb seem to have found a gap that previously was unrecognised. Like Uber they can are overcoming and circumventing some of the broader institutional impediments through their market power and political clout. These rapidly changing dynamics will impact on MSA engagement. As one respondent suggested 'Airbnb is appealing for those international visitors.' What the respondent was not realising is that on the supply side Airbnb is largely built on MSA operators.

MSA as largely an invisible sector

The lack of awareness of the sector corresponds to the respondents lack of understanding of the size of the MSA sector. One Central Coast stakeholder indicated that MSA properties have no real champions at regional management level.

> I am not saying it (self-contained accommodation) doesn't get mentioned, but at board level and I've been at most (board meetings), I've never heard it mentioned.

Interestingly it was the interviews themselves that was alerting the stakeholders to the size and nature of the sector. Many of the respondents then acknowledged the incredible level of ignorance of what suddenly dawned on them was more than simply size. They realised the multiplier effect and that certain food and hospitality providers would effectively be non-profitable in many locations without MSA activity.

In summary the research shows an overwhelming lack of understanding in the regions of the importance of MSAs. The researchers expected a level of ignorance but not as comprehensively across most stakeholders. Those intermediaries that were marketing MSAs however were definitely more enlightened. They were aware of the potential multipliers and also how failure in this sector would lead to acute issues in the sector. One can only speculate on why such a sizable contributor to the tourism economy is not as prominent as expected. The micro nature of the enterprises seems an important element as discussed earlier. A lack of cohesive marketing which is also associated with the current political turbulence and the inability of a united regional brand in two regions and accepted strategic approach is not helping.

Conclusion and contribution

The chapter has provided an exploratory view of an important but largely ignored sector of the Australian economy. The existence of champions, observed by Hall (1999) to promote the development of regional cluster networks, seems to be seriously lacking. What is apparent is that Airbnb are seeing opportunities in this apparent market failure. Unfortunately, in some instances, the MSA sector only gains traction when confronted with negative publicity and broader policy issues. The aim of the chapter is to help "shine a light" on what is a very important economic driver of some Australian regions. Defining and classification of MSAs is an important start.

Various combinations of private-public partnerships between local government authorities, private enterprise and non for profit associations exist in the regions studied and analysed. Airbnb have launched regional online networks to help fill a gap in engagement and encouraging more collaboration within the regional clusters and sectors. Whether the micro-enterprises actually want to engage given their varying motivations is an unanswered question. Motivation is a key as discussed and not all MSAs are interested in engaging in

collaborative platforms. It will be interesting to go from stakeholder perceptions of this changing sector to seeing micro-enterprise perceptions themselves. Airbnb and Stayz have identified the immense potential of what to date has been a rather invisible MSA sector.

More research is required to investigate MSA operator online networks and determine if there is a role for online networks and supporting marketing interventions. One thing is clear from the study: if a region itself is having difficulty with its identity it is unlikely that it will be sufficiently capable of assisting MSAs to take advantage of such opportunities. Future research needs to try and value the sector and provide more intelligence on the regional economic importance of MSAs. The sector is certainly undervalued economically but also inadequately supported from a tourism product and place perspective.

It truly is an enigma that such an important contributor is so absent in key stakeholder minds. How this can be redressed is beyond the scope here. What is apparent is that players like Airbnb are filling this gap. It appears the digital economy in this instance is not only shining a light but also coming to the rescue. The question for the destination is what this may mean regarding the uniqueness of their place.

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