

Homestay Collaborative Economy: How to Upscaling Homestay Businesses in Malaysia?

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Abstract

Digital networks have been the most significant players in the global sharing economy, turning big corporations like Airbnb, Booking or TripAdvisor into intermediaries handling and profiting from most business transactions. Focused on homestay businesses, this paper conceptualizes the sharing economy of the wider collaborative economy for sustainable homestay business development. This study is of an exploratory in nature. The methodological approach stakeholder inquiry was conducted consisted of three groups: (1) Registered Homestay Operators (2) Unregistered Homestay Operators and (3) Officer of Government Authorities to elicit stakeholders' views on the homestay businesses. The result demonstrates that huge expectations have been put on the sharing economy to deliver new business model focused on peer-to - peer (P2P) exchanges of under-utilized properties. Homestay collaborative economy was supposed to be a model making major contributions to sustainability, creating new opportunities for entrepreneurship, more sustainable resource use, and stakeholder collaboration in strong economic networks. Hence, this study includes some suggestions for enhancing the current Homestay Business Guidelines for authorities, in particular The Ministry of Tourism, Arts and Culture, and local authorities that issue homestay business licenses. The findings of this study can therefore contribute to the importance of homestay business sharing economy via collaborative economy model among homestay stakeholders that gives energy practice the longevity of traditional homestay business model in an effort to better serve the customer from competition to network collaboration.

Keywords: Collaborative Economy Model; Collaborative Economy; Sharing Economy; Stakeholder; Homestay business

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1. Introduction

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In Malaysia, the Homestay Program was launched as an alternative tourist accommodation programme that gives tourists the opportunity to experience other cultures and lifestyles through exchanges with the host family [1]. Registered homestay operators comply with strict guidelines established by the MOTAC to bring out the best of Malaysia. The Ministry of Tourism, Arts and Culture, Malaysia (MOTAC) will provide the Homestay Malaysia trade-mark logo, retain the copyright of the logo to prevent the use of the logo by other manipulators, in particular unregistered homestay operators (Figure 1). Via homestay businesses, rural local communities can preserve their traditions and identity as well as source of income. In Malaysia, those who advertised their homes or budget hotels for short-term rent on Airbnb or other business websites are listed as unregistered homestay operators unless they register their homestay business with MOTAC.



Figure 1: Malaysia’s Homestay Logo, Ministry of Tourism, Arts and Culture, Malaysia
Source: Tourism Malaysia

Most registered homestay operators in Malaysia opt for traditional homestay business or so-called "homestay brick and mortar" is a physical way of doing homestay business. Homestay businesses have been sold offline where consumers come, see or search for homestay packages and purchase homestay packages as they wish on a physical homestay platform. Registered operators also opt for traditional homestay marketing strategies and use offline media channels to raise public awareness. Offline homestay marketing only lasts for a period of time that homestays pay the broadcaster for short-term exposure. In terms of measurability, offline homestay marketing strategies have limited capacity to reach particular markets and are not a successful way to measure ad conversion, since it is difficult to inform anyone about homestay sales or promotions [2]. Innovative improvements and the development of digitisation are the main thrusts of the growth and rapid development of the sharing economy. The achievement of the sharing economy has adversely impacted traditional homestay business operators who do not take these evolving patterns into account.

According to MOTAC [3], the shortage of international homestay tourists entering Malaysia following the Covid-19 pandemic affected the income of those in the tourism industry. Homestay tourists spending in Malaysia decreased by 83.6% from RM29.7 million in 2019 to RM4.9 million in the first eight months of 2020. Over RM300,000 of losses were also reported for domestic homestay tourists spending in the same period (Table 1), [3].

Table 1: Homestay Income Generated and Tourist Arrivals from Registered Homestay Business in Malaysia

	2019		2020 (January to August)	
	Domestic Tourist	International Tourist	Domestic Tourist	International Tourist
Total Tourist Arrivals	373,558	85,341	54,748	19,148

Total Homestay Income	RM29,662,211.60	RM4,857,456.70
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Source: Industry Development Division, MOTAC (2020)

In addition, study done by Nor, S, M et al., [2] indicated The Ministry of Tourism, Arts and Culture (MOTAC) homestay in Malaysia has seen a decrease in the number of active registered homestays. Homestay operators have gone to the idle homestay business. The study also reveal there is a significant gap in the generation of homestay business income between registered and unregistered homestay business and not all registered homestay operators engaged in the homestay business earned a good income after a long period of participation in the homestay business.. The average homestay income earned by registered homestay operators varies between RM191.00 and RM529.00 per month due to a lack of homestay tourist arrivals, while the average unregistered homestay operator income varies between RM4,000.00 and RM15,000.00 with no homestay activity depending on the season.

In this manner, increasingly registered homestay operators are demotivated, reluctant to give full commitment and likely to withdraw when they see little benefit and no sufficient income from being a registered MOTAC homestay [2]. Hence, the main objective of this study is to develop the Homestay Collaborative Economy Model that may contribute to the importance of homestay business sharing economy via collaborative economy model in an effort to serve the customers better from competition to network collaboration.

1.1 The Theory of Disruptive Innovation

The theory of disruptive innovation (in the future "interruption theory") was articulated by Christensen to depict new advancements that rethink a whole market and can improve products or services in unforeseen ways [4]. Christensen [5] recognizes the term 'disruptive' is regularly over-used, yet in addition argues that it has a particular significance, alluding to 'a procedure by which a product or service flourishes at first in straightforward applications at the base of a market and after that tenaciously moves up market, in the long run dislodging set up competitors'. As indicated by this definition, disruptive innovation along these lines rethinks rivalry inside a market, frequently rendering built up business models inefficient or uncompetitive.

Studies portray the stages and characteristics of disruptive innovation that apply to the two products and the service segment and have recognized three characteristics of disruptive innovations based on Christensen's work: performance, benefits and market (Table 2) [6] and [7].

Table 2: The Characteristics and Features of Disruptive Innovations

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Characteristic	Features
Performance	<ul style="list-style-type: none">• Initially underperforms mainstream options
Benefits	<ul style="list-style-type: none">• Improves to attract mainstream customers• Cheaper, simpler and more convenient than mainstream options• Initially financially unattractive for established actors
Market	<ul style="list-style-type: none">• Features valued by new or fringe customers• Creates new markets by addressing unserved groups• Moves on to take a significant share of the market

Source: Adapted from Meyer, [6] and Ramdorai and Herstatt, [7]

Disruptive innovation is understood in the literature as a logical revelation that empowers huge leap forward in capacities [8] to the degree that conventional abilities are rendered unimportant or inconsequential and existing standards of rivalry are disturbed [9]. Firms that neglect to react properly to disruptive innovation hazards risk losing market openings and becoming obsolete or extinct [2]; [6] and [7]. Firms that are dexterous in exploiting disruptive innovation can extend their dependable balance in a hypercompetitive economy. For instance, Airbnb is an asset-obliged start-up using an online platform to offer its service, disrupting and restructuring the traditional homestay businesses. There is a lack of understanding how SMEs accomplish the agility to react to disruptive innovation [2]; [10] and [11].

2. Methodology

The researchers were particularly interested in how stakeholders understand Malaysia's homestay business concept and its contribution to socio-economics, and how they believe that homestay businesses will engage customers in understanding that tourism is a dynamic and competitive industry that is exposed to rapid and challenging developments. A qualitative approach was implemented using a quantitative approach to stakeholder analysis, using in-depth interviews with selected stakeholders made up of three groups: 15 Registered Homestay Operators; 15 Unregistered Homestay Operators and 17 Government Authorities to gain feedback from stakeholders on homestay businesses. The diversity of these stakeholder groups and their views on homestay businesses, their interests, expertise, needs, opportunities and challenges are highlighted in this study.

3. Results

The results reveal that the sharing economy has emerged an alternative supplier of the traditional MOTAC's homestay business model. The findings indicate that registered homestay operators faced 6 external challenges and 12 internal challenges in the homestay businesses (Table 3).

Table 3: External and Internal Challenges Faced by Registered Homestay Operators in Malaysia

Challenges	
External	<ol style="list-style-type: none"> 1. Homestay Brand Identity [2] & [12] 2. Lack of Government Support [2] & [13] 3. Lack of Homestay Regulation and Monitoring by the Ministry, State, and Local Government [2] & [14] 4. Strive to Comply with the Strict Operating Guidelines of MOTAC [2] 5. Big Homestay Income Gaps and Lack of Homestay Concept [2] & [15] 6. The rise of the Sharing Economy [2];[16] & [17]
Internal	<ol style="list-style-type: none"> 1. Unbalanced Demographics [2] & [18] 2. Weak Administration and Management [2]; [19] & [20] 3. Incompetent Community Leadership and Commitment [2] & [20] 4. Lack of Creativity and Entrepreneurship Skills Lead to Over Dependence on Outside [2] & [21] 5. Inadequate Infrastructure [2]; [20] & [22] 6. Non-existent Online Presence and Poor Tourism Network Collaboration [2] & [23] 7. Community Conflicts Nor, [2] & [24] 8. Community Capacity Building of Registered Homestay Operators [2] & [25] 9. Participation Level of Registered Homestay Operators [2] & [20] 10. Cost of Operation from Homestay Business of Registered Homestay Operators [2] & [15] 11. Revenue of Registered Homestay Operators from the Homestay Business [2]; [16] & [17] 12. Income Generated by Registered Homestay Operators from the Homestay Business [2]

By 2025, the sharing economy is projected to produce a global revenue of USD 335 billion. The digital economy is expected to be worth USD 3 trillion with an online population [26]. Therefore, the homestay collaborative model in this study is developed based on literature reviews, existing theories, and findings from this study (Figure 2).

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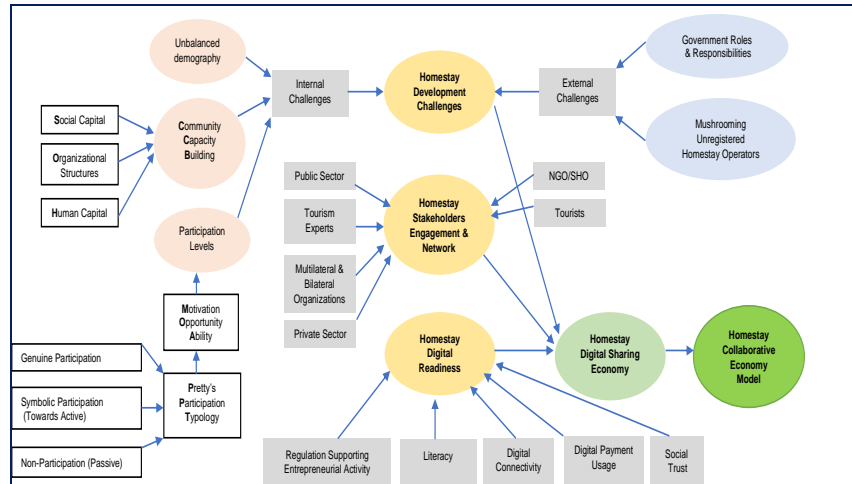


Figure 2: The Homestay Collaborative Economy Model (HYCEM)

The homestay collaborative economy model of this study agrees with the MOTAC Homestay Business Strategies for Upscaling the Malaysian Homestay Experience (2017-2026). The Strategic Thrusts are as follows:

3.1 Strategic Thrust (1)

Transforming the Malaysian homestay experience from a value added, income supplement to an engine for wealth creation in rural communities through innovative product development and unlocking the potential of homestays as staging points to vibrant ecotourism and rural tourism clusters. The homestay collaborative economy model (HYCEM)-economic and social empowerment was developed to evaluate the performance of the Malaysian homestay experience and recommend policies, strategies, and action plans to drive homestay tourism in Malaysia to provide unique, high quality tourist experiences and generate good income. HYCEM contains four main constructs: (1) Homestay Digital Sharing Economy; (2) Homestay Digital Readiness; (3) Homestay Development Challenges; and (4) Homestay Stakeholders Engagement and Network.

3.2 Strategic Thrust (2)

Addressing local capability gaps and challenges through a capacity transformation programme focused on systemic hand-holding, deterring dependence, and enhancing key success factors for the growth of Community Based Tourism. In this model, the researcher applied homestay development (external and internal) challenges to turn problems into opportunities in the sense of community capacity building (CCB) and participation. These studies have shown that CCB is a crucial process for the development and strengthening of local communities. The concept of CCB is seen as the capacity of individuals and societies to work on determinants and measures of the circumstances of the socio-economic and environmental contexts. In addition, the CCB is an important concept of the Stronger Communities Strategy for Tourism Development Projects, as the CCB enhances the personal and collective capital of individuals and communities and helps them build the skills and capacities required to respond to the challenges and to capture the opportunities that emerge.

In this model, to examine the gaps in the existing capacity building among registered homestay operators, the researcher considered three main aspects under CCB, (1) human capital, which can be divided into knowledge and developing skills and competencies of the registered homestay operators; (2) organizational structures, which involve a system that outlines how certain activities are directed to achieve the homestay business goals of an *organization*; and (3) social capital, which in this study, is defined as the social relationships contributing to the development of human capital. Thus, to achieve a high level of social capital, this study suggests mixing three types of social capital among the local community: (i) bonding, which is a sense of belonging, a spirit of mutual assistance, and teamwork, (ii) bridging, which tends to increase tolerance and acceptances of different people, values, and beliefs, allows different groups to share and exchange information, ideas, and innovation, and builds consensus among the groups representing diverse interests, and (iii) linking, in which stakeholders' networks have a common understanding of the challenges they are seeking to address and share a common goal and approach.

Moreover, participation levels in this study are made based on the various levels of MOA from Pretty's participation typology. Different individuals may perceive participation differently. Thus, in ensuring the success of the homestay, the local community should participate and should be actively involved in tourism development for CCB empowerment.

3.3 Strategic Thrust (3)

Encouraging a cooperative business model to enhance the transparency, accountability and sustainability of the homestay business model towards developing competitive social enterprises that are integrated with the mainstream tourism network and supply chains. In this model, the researcher applied two (2) primary constructs: (1) Homestay Digital Sharing Economy, in which assets (physical / financial / and / or human capital) are shared amongst several stakeholders, without transferring ownership over a digital platform to build economic values through (i) digital adoption, which is bringing everyone on board with digital means.

Every member of our community must embrace digital technologies and take advantage of technological advances to speed up business and government services in order to enhance quality of life. (ii) Digital entrepreneurship and innovation, which indicate that fostering digital entrepreneurship is not only a particularly vital route for Malaysia to boost economic growth and job development, but is also crucial for accelerating the growth of digital entrepreneurship and innovation to move Malaysia to the forefront of the global stage. (2) Homestay Stakeholders Engagement and Network, in which the private sector, public sector, tourists, non-governmental/self-help organization (NGO/SHO), tourism experts, multilateral organizations (organizations obtaining their funding from multiple organizations, organizations obtaining their funding from multiple governments and spending it on projects in various countries), and bilateral organizations (organizations receiving funding from the government in their home countries and using the funding to aid developing countries).

In the context of stakeholder engagement, the researcher applied a five-step approach:

- (1) Engagement strategy: Set the vision and level of ambition for future engagement and review past engagement;
- (2) Stakeholder mapping: Define the criteria for identifying and prioritiz-

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ing stakeholders and select engagement mechanisms; (3) Preparation: Focus on long-term goals to obtain the approach and set the rules; (4) Engagement: Conduct engagement, ensure equitable stakeholder contributions, and mitigate tension while remaining focused on priorities; and (5) Action plan: Identify opportunities from feedback, determine actions, revisit goals, and plan next steps for follow-up and future engagement.

3.4 Strategic Thrust (4)

Leveraging on powerful digital and social media tools to harness the marketing and promotion of the Malaysian homestay experience. In this model, the researcher applied five constructs of Homestay Digital Readiness: (1) Regulation supporting entrepreneurial activity: regulation will help generate innovation; (2) Literacy; (3) Digital connectivity; (4) Digital payment usage; and (5) Social trust. Therefore, advanced digital infrastructure and transparent and supportive rules associated with digital transactions are important pillars of such an enabling environment. In contrast, governments need to adapt policies to mobilize fiscal revenue to support investments and ensure a competitive market to nurture innovation and the possible bourgeoning of domestic digital businesses in the long run.

4. Conclusion and Recommendations

The growth of the economic-technological phenomenon of sharing economy made possible by online platforms requires registered homestay operators to switch from traditional marketing platforms to digital marketing using ICT technology and social media, such as YouTube, Instagram, Facebook and WhatsApp, in order to disseminate information about their homestay products. Via digital channels, registered homestay operators can flexibly offer their services to a larger number of tourists without incurring proportionate additional costs and raise their profit margins as tourists become more conscious of homestay products and homestay offers. In order for registered homestay operators to succeed in their homestay business, they must be able to promote and operate their homestay business aggressively, have 100% power to control their own business, and attract more homestay tourists to boost their homestay income.

Registered homestay operators need to transform from the traditional business model into new homestay business models that are disruptive from the emerging economic-technological phenomenon enabled through online platforms, creating a win-win situation and engaging stakeholders in their homestay business through collaborative networks that have a major impact on homestay performance.

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