Making Travel Platforms Work for Indonesian Workers and Small Businesses

Caitlin Bentley

Ilya Fadjar Maharika

Yulia Pratiwi

Dhandhun Wacano

Muzayin Nazaruddin

IT for Change | 2019

Authors

Caitlin Bentley is Research Fellow at the 3A Institute at the Australian National University College of Engineering and Computer Science.

Ilya Fadjar Maharika is Senior Lecturer at the Department of Architecture, Universitas Islam Indonesia.

Yulia Pratiwi is Lecturer at the Department of Architecture, Universitas Islam Indonesia.

Dhandhun Wacano is Researcher at the Department of Environmental Engineering, Universitas Islam Indonesia.

Muzayin Nazaruddin is Professor at the Department of Communication, Universitas Islam Indonesia.

Research coordination team

IT for Change

IDRC | CRDI
International Development Research Centre
Centre de recherches pour le développement international
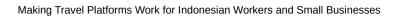
Canada

Making Travel Platforms Work for Indonesian Workers and Small Businesses

Policy Brief

2019

Caitlin Bentley

Ilya Fadjar Maharika

Yulia Pratiwi

Dhandhun Wacano

Muzayin Nazaruddin

Page intentionally left blank

1. Context

Our research concentrates on how and why platforms are disrupting and re-orchestrating the tourism market. It also emphasizes the importance of travel platform data ownership and management for sustainable tourism development. We are focused on how and why Indonesian small businesses and marginalized workers have benefited from, and been disadvantaged by both the use and non-use of travel platforms. The Indonesian government has objectives to grow its tourism sector in sustainable ways, which includes increasing the welfare of its citizens, as well as environmental protection and gender equality objectives. However, larger, multi-national corporations gain precedence within the Indonesian tourism market because the government favors increasing capital through foreign investment.

Likewise, the economies of scale born by multi-national corporations enable these actors to take advantage of platforms more easily than small local actors. For instance, they can pay for algorithms to display their service at the top of search results, and they may benefit from having international brand recognition. Moreover, as competition grows, Indonesian small and medium enterprises (SMEs) may have difficulty competing, getting lost in search results and lacking sufficient customer ratings. It does not seem that encouraging SMEs to participate in the contemporary platform ecosystem will necessarily benefit SMEs and local workers in the long-term, but many smaller actors see no alternatives. Our research considers what kinds of policies might, in turn, make the platform ecosystem fairer in this context.

2. Policy gaps and recommendations

We present five areas in which we observed issues that indicate significant policy gaps: 1) increasing dependence by SMEs on digital travel platforms; 2) lack of skills and support to engage effectively in the platform economy in the tourism sector; 3) lack of clarity relating to gender equality objectives; 4) confounding accountability lines within the tourism sector regarding travel platforms; and 5) diminished position of Indonesian actors in the global platform economy. We conclude each section with a key recommendation to build inclusive policy in this arena.

2.1 Inclusion policy in the context of platform dependence

Our research has begun to unravel the many ways in which Indonesian SMEs are engaging with, and becoming increasingly dependent on, digital travel platforms. Yet, the increasing dependence of SMEs on platforms has not been accompanied by checks and balances that create equitable conditions for SMEs to compete with larger and multi-national establishments through these means.

Recommendation #1: Inclusion policy should enable SMEs to participate on platforms, whilst ensuring that platforms create conditions for equitable competition.

SMEs in Ubud, Bali and Lombok reported being beholden to platform policies, and frequently did not have the skills, capacities or resources to compete. In conversations with homestay owners, for instance, we found that their only source of business occurs through platforms like booking.com, or traveloka.com. SMEs use platforms to gain customers, paying upwards of 20 percent of their bookings in fees. For a small homestay charging $20 per night including breakfast, that means they earn less than $16 per night. Many established homestays reported being worse off since the advent of platforms, whereas newcomers reported marginal gains. There is a need to understand how affordable platform fees are really for different types of businesses, and whether and how small businesses may benefit from a graduated fee structure.

Furthermore, a cross-cutting finding of our research was the relative lack of skills and hardware that SMEs needed to engage in the platform economy. When asked about how successful businesses gained their position on digital travel platforms, 100 percent of the participants responded that they 'learned by doing'. More successful businesses learned to observe other successful businesses in other countries like Thailand, copying and pasting English text into their own descriptions on platforms. Other businesses benefited from 'benevolent tourists' who offered their help to submit business details on platforms, or to create websites for them. Many of these websites were generated and never updated, making it difficult for SMEs to change their services, and causing some frustration for their customers. Much of this frustration is recorded on travel platforms, tarnishing their reputation for some time. Moreover, a majority of SMEs did not have access to laptop or PC computers, thus making the dashboard services offered by the digital travel platforms difficult to use on mobile-devices. It is vital for both the capacity of SMEs to participate, and the rules of participation to be considered when creating inclusion policy in this context.

2.2 Tackling deficits of algorithmic decision-making

Opaque, proprietary algorithms dictate how businesses are ranked on travel platforms. TripAdvisor, for instance, has also begun to use machine learning algorithms to predict what property or service a user will choose based on the preferences of other tourists/customers (Palmucci, 2015; TripAdvisor, 2018). These algorithmic rankings and machine learning models amplify existing inequalities between international/local, and new/established because businesses that have fewer ratings and historical interactions may not be able to rise to the top of rankings. For instance, drivers in Ubud and Lombok that were early adopters of TripAdvisor had successful businesses. Drivers who recently established a TripAdvisor listing could not compete, even if they had a small number of positive reviews. Extra provisions for small, local and new businesses are warranted in order to make competition fairer in this context.

Recommendation #2: Checks and balances to ensure that local and new SMEs entering the market through travel platforms are not disadvantaged are needed.

Moreover, there was considerable demand for fair, equitable, and ecologically-sensitive tourism products and services in Indonesia, evidenced by the buzzwords and marketing strategies encountered during our research. Tourists chose to frequent restaurants that donated to local charities or where they knew the company treated its employees fairly. There were, likewise, many SMEs that gave back to their communities, by training community members to work for them, building schools or offering after-school programmes for local children, and by enabling women to learn a new vocation. Yet, there is no information on commercial digital travel platforms, such as TripAdvisor, to help tourists find these businesses. In contrast, any tourism service can label itself as 'eco-tourism', even if the extent of their service includes driving tourists to a place where they can take a walk through nature. TripAdvisor does not fact-check reviews, but it does manage its listings, search, retrieval and categorizations.

Recommendation #3: Enhance the regulation process for listing and categorizing businesses to prioritize those that align with Indonesia's sustainable tourism development goals.

2.3 Ensuring greater accountability towards Indonesian actors through better platform governance and data policy

Many SME owners and workers indicated that they also had full-time employment working for large hotels. They needed alternative sources of income to make a decent living, which, according to the respondents, would allow them to send their children to university, support their family and pay for religious practices. Surely, accountants and managers of large international hotels should not require two and three jobs to make a decent living. There is, however, no information given on digital travel platforms to indicate the

working conditions faced by tourism workers. Moreover, many of the restaurants (both local and foreign-owned) that received high ratings and had prime locations on TripAdvisor search results, did not provide their workers with health insurance, even though it is now illegal for businesses to do so under the new social security system.

Recommendation #4: Indonesia needs proactively to monitor and influence platform companies to hold tourism companies to account, by incorporating sustainable development ratings along with customer ratings, and instantiating penalties for companies that do not abide by local regulations.

Finally, the data that platforms own and manage represent enormous opportunity to generate insight into Indonesia's progress towards its Master Plan for Tourism Development (Republic of Indonesia, 2011). Yet, Indonesia does not have access to this data, and currently has no rights to it. For example, In East Lombok, the Padak Guar local government office is keen to support its local citizens to help them develop their tourism businesses. The majority of the population here is dependent on tourism for their income, as they own small cafes, homestays or boats to tour coral reefs and idyllic islands off the coast. However, the local council does not have the information to mentor these businesses and is generally not included in discussions regarding major tourism developments. Yet, it is usually the local governments that are in the best position to support SMEs. There is scope for platform data to generate insight into what has been effective in other areas, what is lacking in their own area. Not to mention, the national government may more effectively target particular areas for development, or curb traffic in other areas with better access to tourism data flows.

Recommendation #5: Indonesia should modify its existing data policies to create agreements with platform companies for privileged access to data about its businesses and services.

References

Palmucci, J. (2015, July 18). Apache Spark for Natural Language Processing. Retrieved January 31, 2019, from
https://www.TripAdvisor.com/engineering/using-apache-spark-for-massively-parallel-nlp/

Republic of Indonesia, Master Plan of National Tourism Development Year 2010 - 2025, Jakarta: Republic of Indonesia.

TripAdvisor. (2018, January 26). Free or Premium? A Guide to Marketing on TripAdvisor.
Retrieved January 31, 2019,
from
https://www.TripAdvisor.com/TripAdvisorInsights/w590