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AND THE PLATFORM ECONOMY

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The monthly Payments And The Platform Economy Playbook, a PYMNTS and Yapstone collaboration, aims to help platform payments decision-makers identify and manage the risks and rewards inherent in optimizing their operations and navigating real-time challenges.



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what's inside

Competition is heating up among sharing marketplaces as more consumers seek to fill everyday needs, whether that's transportation or housing. Many of these marketplaces are struggling to keep up with changing regulations that prevent them from remaining in their current markets, however, or bar them from entering new ones.

Ridesharing platform Uber, which recently filed for an initial public offering (IPO), is facing lawsuits around Europe as it deals with changing rules in

the region's transportation market. The company [anticipates](#) that new regulations will be critical as it continues to expand and compete with similar services like Lyft.

Homesharing platforms are also struggling with new regulations, as some regulators have even made it illegal for these marketplaces to operate in cities where they already maintain a presence. Airbnb, one of the most widely used homeshare platforms, is fighting off several of these [regulations](#), including

one recently put into place in New York. The state is changing its occupancy laws as homesharing continues to compete against traditional hotels.

The digital and mobile payments at the heart of the sharing economy are also drawing scrutiny from Indian regulators. The Delhi High Court is [debating](#) whether Google Pay should be regulated as a traditional payment service provider (PSP) or technology firm, a distinction that is becoming increasingly important as Google looks to compete

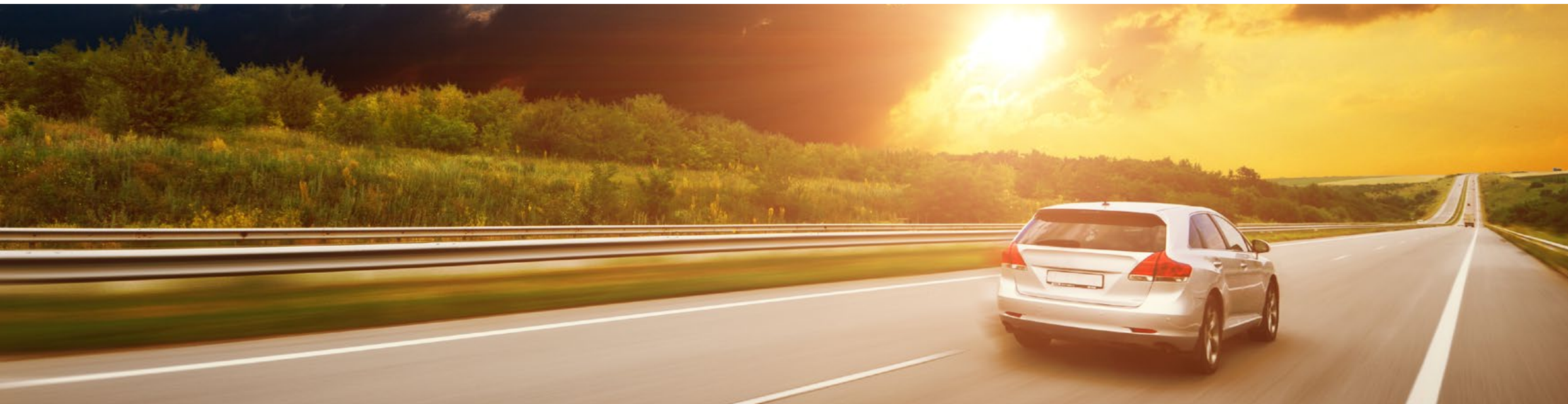
against established mobile payment players like Paytm in the Indian market.

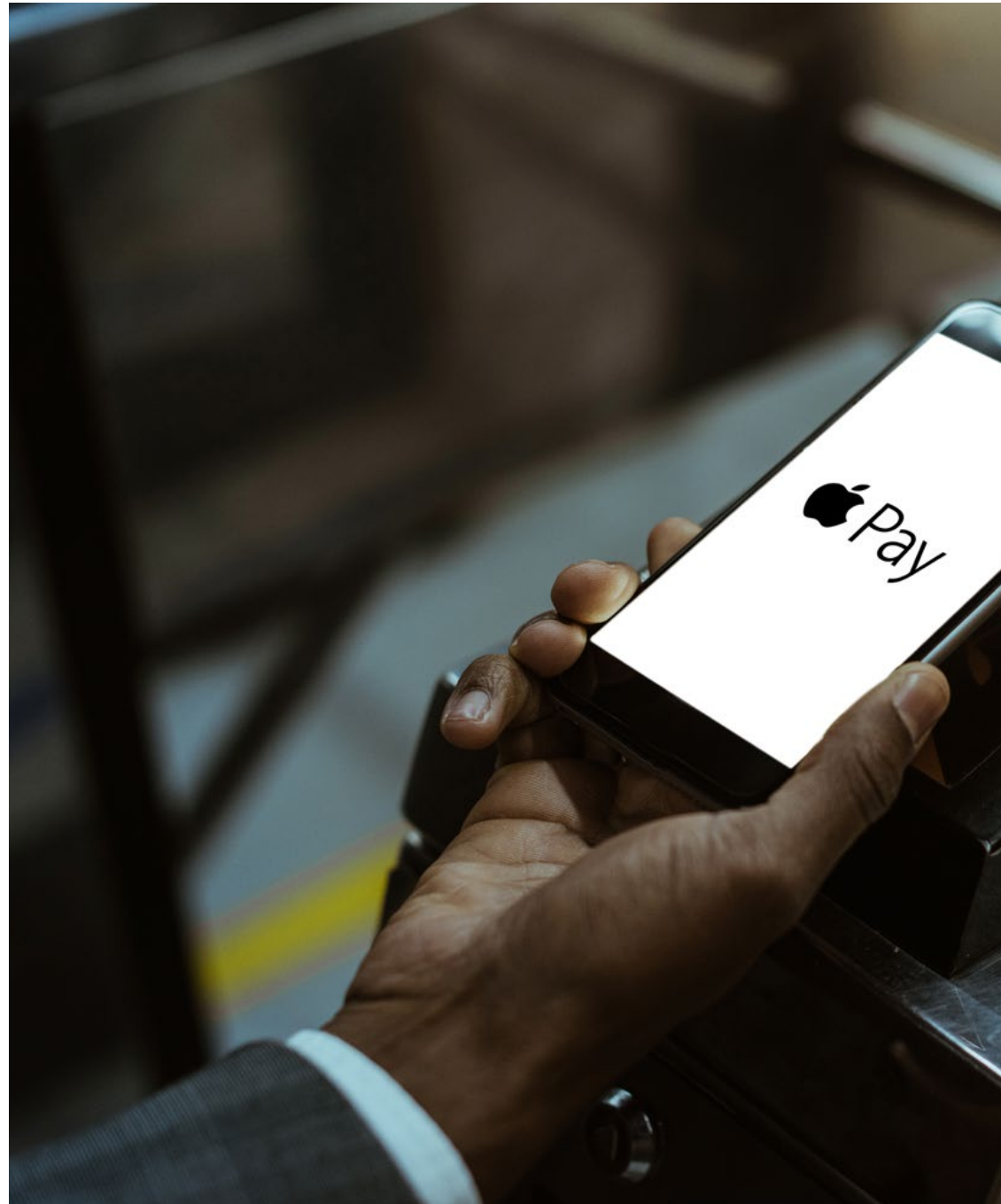
Mobile payments are only becoming more popular, too. Mobile transaction volume is [expected](#) to grow at a compound annual growth rate (CAGR) of 39.1 percent through 2020, putting revenues for the period at approximately \$2.85 million.

What's new in the platform economy

Compliance is changing the game, even in markets in which consumers have been making payments for years. QR-based transactions are the norm for Chinese consumers that shop on eCommerce platforms like Alibaba, but the [rules](#) surrounding these payments are shifting. Such new regulations will help keep consumer data safe as more businesses expand and offer services via online marketplaces in the region.

The eCommerce market is also rapidly changing and PSPs are joining forces to fill the gaps. Financial technology provider FIS has [merged](#) with its former competitor in the market, Worldpay. The deal, valued at approximately \$43 billion, will grant the two





companies greater access to the expanding platform economy, and mean FIS will now be able to use Worldpay's technology to support credit card and other payments.

Other companies in the platform economy are increasing their support for up and coming payment methods, such as mobile wallets. Among them is Monese, a financial company based in the United Kingdom, which recently [added](#) support for Apple Pay. Its U.K. and European customers will now be able to pay via the mobile wallet.

This edition of the Payments And The Platform Economy Playbook, powered by Yapstone, examines the regulatory challenges faced by online sharing economy marketplaces as they expand into new markets and compete with traditional businesses.

For more on these and other headlines from around the platform economy, read this Playbook's News and Trends section (p. 17)

How Spotahome Mitigates Data Security Concerns

Homeowners want to rent their properties to legitimate customers and trust that they will be paid in advance. Renters, on the other hand, want to trust

that they are getting the same thing for which they paid. The pressure is thus on homesharing platforms to verify both parties' authenticities and deliver solid results — all while remaining compliant with local and international data-sharing regulations. In this month's feature story (p. 11), Hugo Monteiro, cofounder and technology advisor for home rental service [Spotahome](#), explains how the platform is approaching data security and managing regulatory compliance.

Why Hostelz.Com Stopped Accepting Payments

Keeping booking and payment processes friction-free continues to be more important than ever — especially as the sharing economy deals with increased regulatory scrutiny and a growing number of customer data concerns. Doing so is easier said than done, however. That's why hostel booking site [Hostelz.com](#) stopped accepting payments on its platform, according to founder and site owner David Orr, and is instead working with platforms like Booking.com to handle payments. To learn more, visit the Playbook's Case Study (p. 25).

by the numbers

\$39B

Total value of the real-time payments market by 2025

13.7%

Projected CAGR of the digital payments market between 2019 and 2024

\$2.89T

Projected revenue generated by mobile transactions by 2020

9.3%

Projected CAGR of the online payment gateway market by 2025

61%

Growth in the volume of mobile payments made in China during 2018

feature story



feature story

How Homesharing Platform Spotahome Mitigates Data Security Concerns

The phrase “what you see is what you get” is becoming particularly relevant to the growing homesharing market. Both renters and sellers want to be assured that what they see on one side of the marketplace accurately reflects what they receive.

Today’s customers are more cognizant of how their personal data is handled, which makes fostering that trust all the more complex. This is especially true in areas like the European Union, where the General Data Protection Regulation (GDPR) is changing how customers and corporates approach data sharing.

Homesharing platforms must make more traditional rental assurances and double down on user verification if they want to stay compliant, said Hugo Monteiro, co-founder and technology advisor for homesharing platform [Spotahome](#). In a recent

interview with PYMNTS, Monteiro discussed how regulations like GDPR are impacting the homesharing industry, and how Spotahome is utilizing traditional features like guarantees to build trust.

Security and the homesharing platform

Trust is essential when it comes to online booking, and homesharing platforms won’t be able to compete if they can’t engineer that trust among their users. Spotahome offers landlords and tenants guarantees against property damages and unpaid rent, and the latter are also given relocation options if where they’re staying doesn’t match what they saw online, Monteiro said.

The company also works with several security providers to ensure users’ payments remain safe. Unlike Airbnb or HomeAway, Spotahome’s platform is used



for long-term stays — a minimum of one month. As such, the company will not initiate a transaction until tenants move in and both parties are satisfied.

Spotahome has also been securing its mobile platform, particularly as younger travelers are growing more comfortable with making bookings and payments on their phones. The company has added

“an additional layer” of security to protect users from fraud while also providing seamless mobile experiences, Monteiro said. Ensuring buyers’ and sellers’ identities is of paramount importance, he added, especially as users adopt additional digital payment methods.

"Because of the amount of the money being transacted on our platform, ... it doesn't yet make sense to use mobile wallet services, which are more common with smaller transactions," Monteiro explained. "This is an area that will definitely change in the coming years as people become more confident paying for big-ticket items through mobile wallets."

Spotahome currently only accepts PayPal, credit and debit, but is taking popular global payment preferences into account. PayPal is much more common for customers in the United States, for example, but other regions might require that different options be made available.

GDPR and the future of home rentals

Enabling seamless booking and payments experiences while keeping transaction and user data secure is becoming a challenge as governments pass regulations that call for greater transparency for consumers. It's especially difficult for marketplaces like Spotahome that operate in multiple global markets — one region may have completely different data regulations than another, but the platform must comply with both.

"We are constantly verifying what personal data we need for new features, if that data is totally necessary and how to manage that data when someone requests to be forgotten," Monteiro said,

referencing a specific feature of GDPR that allows consumers to request to have their data be wiped from a company's servers. "The less [user] information we store, the better. We need to protect our business as much as we need to protect the security of our customers."

The homesharing industry is growing, which means platforms must do all they can to keep users coming back. Data security will have to become a priority, because users can easily switch to a competitor if they don't feel secure on their current marketplace.



news & **trends**



news & trends

Compliance and Regulation

Delhi High Court seeks answers on Google Pay activities

Regulators have their hands full as mobile payments become more [popular](#) around the globe, with some not even sure how certain services are in operation. Google Pay is active in India, but the Delhi High Court is not sure how, given it has not been given

authorization from the Reserve Bank of India (RBI). Demonitization has caused a multitude of changes in the Indian payments market, and Google wants a part of the action as more consumers in the region turn to mobile payments.

Google Pay is not currently listed by the RBI as an approved financial provider or payment service operator, but, as the high court pointed out, it is presently powering transactions in the nation. Google released a statement in response to the

court notice, noting that Google Pay operates as a “technology service provider to its partner banks” and does not have to meet the same licensing requirements as payment providers.

WhatsApp Payments stalls on launch

WhatsApp is also facing regulatory issues in India. The messaging platform, which has more than 200 million users in the country, is still [finalizing](#) its official launch of WhatsApp Payments. The service, which was piloted with approximately 1 million beta users, is noncompliant with the RBI’s data localization processes, leaving the launch date up in the air. This gap in service could prove detrimental for adoption in the nation, as Indian customers have a wealth of mobile payment options — such as Paytm or Google Pay — from which to choose.

China requires eCommerce companies to register as market entities

While the RBI focuses on mobile payments, Chinese regulators are [upgrading](#) their eCommerce laws. Any operation that facilitates eCommerce — excluding news services, publications or “cultural products”

— must register as a market entity under the new rules. Chinese consumers have been transacting online for years, and the government is looking to regulate foreign entities as they enter the region’s growing eCommerce market. As such, many of the regulations will focus on how foreign entities operate in China

US states require Amazon Go to accept cash

New regulations are affecting eCommerce giant Amazon, too. The company is expanding its self-service Amazon Go stores throughout the U.S., and while the model is primarily cashless, some states and cities are still [requiring](#) the stores to accept cash payments. Philadelphia was the first to pass such a law, with the state of New Jersey asking for the same shortly after. Regulators in other areas, including New York and Washington, D.C., have since taken similar steps.

Amazon Go uses weight sensors, beacons and other technologies to track customers when they pick items up or leave the store. Legislators argue that this setup, which relies on digital payments, is



discriminatory, as it does not enable unbanked consumers or those without credit cards to shop.

Sharing platforms and regulatory risks

Uber, Lyft talk rideshare compliance risks after IPOs

Rideshare giants Uber and Lyft are facing an uphill regulatory battle as they go public. Both companies filed for IPOs last month, and each expressed in their Securities and Exchange Commission (SEC) filings that it has concerns and warnings regarding the nature of compliance in the space. Compliance with new regulations will be [crucial](#) for Uber's growth strategy, the company said, particularly as its previous regulatory struggles have been well documented.

Uber cited several risk factors that are likely to continue after its IPO, including workplace culture issues and its historic unprofitability. The company indicated that compliance with California's Consumer Privacy Act will be a key issue, particularly given how it has handled riders' and drivers' personal data in the past.

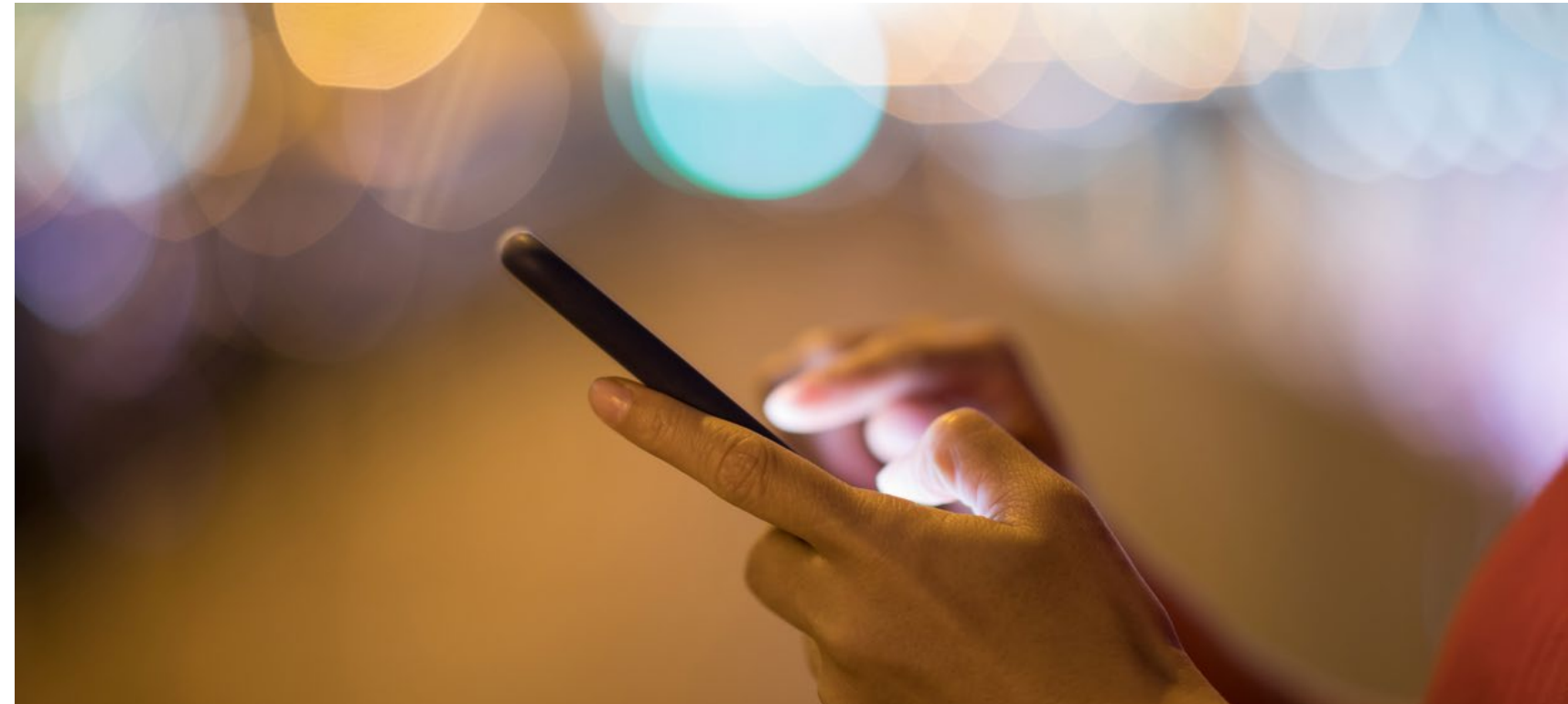
Airbnb's struggles with occupancy laws, taxes and hotels continue

Homesharing giant Airbnb's "move fast and break things" attitude toward regulatory compliance is coming back with a bite as it is now beholden to occupancy and subletting laws in various countries and U.S. states. The company's most recent struggle includes battling a Florida [ordinance](#) passed in October 2018, which requires short-term rental companies to pay a 6 percent occupancy tax. Similar rules have also been passed in Boston, New York City and San Diego.

Airbnb has approximately 6 million homes listed on its global platform, and compliance will be paramount if the company wants to hold on to its current market share.

China urges homesharing companies to look beyond the platform

The rapid growth of the sharing economy is pushing homesharing platforms to reinvent their products and services. One of China's largest, Xiaozhu.com, is looking to invest in internet of things (IoT) and 5G technologies to remain competitive. The service is also making adjustments to its current business model to avoid fines that could be issued as a result of regulations passed last year.



Mobile apps and payments

Google Pay adds gold investment feature for Indian customers

Demonitization is forcing mobile payment services in India to come up with new ways to entice customers to their platforms. Google is hoping that it will be better able to compete with rival services in the nation by allowing Google Pay users to [invest](#) in gold. Local payment providers Paytm and PhonPe already offer the feature, with the former platform

having released it two years ago. Google is also considering adding mutual funds to its platform — another service that is already offered by Paytm.

Samsung expands presence to Indonesia

Not far away, Samsung has [launched](#) its mobile wallet in Indonesia — its fourth Southeast Asian market. Samsung Pay's release in the region has been speculated for four years, but the company is expecting to see success after forming a partnership with Ant Financial. Users must have an account with Ant Financial's mobile wallet DANA before they can

use Samsung Pay, which comes preloaded onto all Samsung phones. The company plans to partner with other local services to further drive Indonesian adoption.

Monese announces international support for Apple Pay

Apple Pay is also using a partnership to boost international expansion. London-based financial services company Monese just [announced](#) it will add Apple Pay support to its mobile wallet, bringing the payment method to 11 European countries, including Belgium, Denmark, Finland, Germany, Ireland, Sweden and the U.K. Many of Monese's customers often travel throughout Europe, and the Apple Pay integration grants users an easy way to pay when they're constantly crossing international borders.

Mergers, funding and partnerships

FIS acquires Worldpay

FIS is pushing past partnerships with its [acquisition](#) of Worldpay. The \$43 billion deal enables the former to access the latter's eCommerce tools and establish itself in the world of digital payments. Worldpay processed about 40 billion transactions per year prior to the acquisition. Digital payments are expected to reach approximately \$3 trillion, making it imperative that companies have payment



support to match their high transaction volumes. Other companies in the space have taken the same approach as FIS, including Fiserv, which recently acquired Worldpay's market rival, First Data.

First Data partners with InstaReM for digital payment

First Data might have been acquired, but it's still making some deals of its own. The company is [partnering](#) with cross-border payment provider InstaReM to support payments in more than 55 countries. The partnership will combine InstaReM's remittance solution with First Data's debit processing tools to reduce frictions for international businesses.

More businesses are joining the global economy, meaning they often have to find ways to pay international vendors and suppliers in their local currencies. The partnership addresses this need by consolidating several parts of the payments process: InstaReM will issue cards while First Data's application programming interface (API) will supply technical support.

PayIt raises \$100M from Insight Partners

Some payment services are turning to investments as they seek to support alternative payments. Public service platform PayIt, which helps users upload and vet licenses or certifications, [raised](#) more than \$100 million in a new funding round led by

Insight Partners. It plans to use the funds to further grow its platform and features, which currently cover a variety of government services. Payees can use the platform to quickly send funds, and they receive the ensuing documentation just as fast. PayIt is currently only available in the U.S.

Zaver raises \$1.2M for P2P payments

Swedish FinTech Zaver has also [received](#) funding to build out its services. The company, which is backed by venture capital firms Inventure and Inbox Capital, raised \$1.2 million in seed funding to further develop its software-as-a-service (SaaS), person-to-person (P2P) platform. The money will also be used to develop fraud detection tools for the expanding platform economy.

To stand out in the saturated P2P platform market, Zaver allows users to make direct payments, installment payments or "buy now, pay later" deals. It differs from platforms like Venmo because it does not have an app of its own. Instead, Zaver provides its technology to services looking to supply P2P payments, saying its solution was designed to be "platform-agnostic."

case study



case study

Why Hostelz.com Stopped Accepting Payments

The hostel industry has rapidly grown since the first hostel opened in Altena, Germany, in 1912. The market now [serves](#) millions of international travelers and is worth \$5.5 billion. Dozens of sites and services exist that enable customers to book stays online in their local currencies, making them particularly appealing for millennials [seeking](#) affordable accommodations.

Hostels can be lucrative for other business owners as well. Some [studies](#) show that those who stay in hostels when vacationing tend to spend more, averaging \$4,500 per trip last year, while those who stayed in other accommodations spent just \$3,155.

Homesharing platforms are also competing for young consumers' attentions, with millennials making up approximately 60 percent of Airbnb's guests. Other [studies](#) show hostels have a greater hold, with 70 percent of their guests reportedly from this generation.

Millennials are seeking alternatives to the larger hotel industry, and one of the main ways Airbnb differentiated itself was its approach to payments. The company's quick and mobile payment experience is all but invisible to consumers, but its instant payments don't come without frictions. The same can be said for hostel booking sites, which see increased



security, compliance and verification requirements instilling pain points.

These are some of the reasons why hostel booking site [Hostelz.com](#) stopped accepting direct payments and bookings four years ago. The platform instead built upon its existing partnerships with Booking.com and other platforms to facilitate payments, enabling Hostelz.com to remain an established intermediary in the industry while avoiding the heavy lifting of accepting payments and providing customer service, according to founder and site owner David Orr. Dropping payments has allowed Hostelz.com

to serve as a price comparison tool for different platforms, such as Hostelworld.

Online booking platforms fight for customers

Removing payments from Hostelz.com's platform was mainly motivated by its industry partnership, Orr said, noting that the decrease in customer service requests and smoother site experiences are just added perks.

Hostel platforms are seeking to compete against the homesharing services that are expanding in the industry, after all. Airbnb has acquired booking

site HotelTonight, and recently [announced](#) it will acquire Indian hotel startup Oyo. This means Hostelz.com's partnerships are going to remain important as homesharing platforms continue to grow. Booking.com can reach a wider base of consumers through the partnership, while also directly accepting bookings and payments.

Removing payments from Hostelz.com didn't impact revenue, Orr explained, adding that the company now takes a portion of total booking fees for reservations directed from its site. Hostelz.com is considering other ways it can participate in the broader hospitality industry as the market continues to grow and change, however.

"We may actually be looking at the hostels themselves as a source of revenue, which we haven't done in the past," he said. "We could offer services to the hostels directly ... like the ability to have a feature listing, special features in their listing or other advertising options."

Orr did not entirely rule out adding payments back onto the platform, either. This likely wouldn't happen any time soon, though, as the site continues to see success through its partnerships.

Hostels and the sharing economy

Some estimates predict the hostel market will be valued at \$6.4 billion by the end of 2020 and, according to Orr, there hasn't been a noticeable decline in the number of hostels, bookings or consumer spending. He doesn't believe that the two industries will intersect, either.

"Some hostels have put beds on Airbnb ... but I think that there's a distinction," Orr said. "They're different kinds of properties. I think the people who stay in [hostels] are looking for different things, so I don't see [hostels and homesharing] as something [that's] going to merge together."

The security and customer service issues that come with accepting payments won't cause a headache for Hostelz.com for now, but payments will remain crucial to both industries — whether they end up working together or not.



about

PYMNTS.com

[PYMNTS.com](#) is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



[Yapstone](#) is a provider of online and mobile payment solutions for global marketplaces, software, and large vertical markets, powering electronic payments for sharing economy platforms, such as HomeAway® and VRBO®, software companies, such as Kigo®, and thousands of apartment and vacation rental companies, homeowners' associations, self-storage companies, and many other markets. Yapstone processes many billions of dollars annually and has been recognized on the Inc. 5000 list of Fastest-Growing Private Companies for eleven consecutive years, as well as San Francisco Bay Area's Best and Brightest Company to Work For by the National Association for Business Resources. The company has raised over \$120 million from investors including Premji Invest, Accel Partners, Meritech Capital and Mastercard. Headquartered in Walnut Creek, California, Yapstone has additional offices in Santa Monica, California and Ireland.

Feedback

if you have general feedback or questions, please contact us at platformeconomy@pymnts.com.

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