

# **The “sharing economy”- passing fad or the next revolution?**

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23<sup>rd</sup> February 2021

# 1. Agenda

- What is the sharing economy?
- Some case studies
- The benefits
- Breakout for discussion: what are the potential costs?
- “Passing fad” or “the next revolution”?
- Q&A

## 2. The 'sharing economy'

- An economic model based on people selling access to goods and services directly to other people
- Typically:
  - takes place on an online platform
  - more social interaction than traditional markets
  - people make money from an under-used asset
- Sometimes also known as:
  - Peer-to-peer (P2P) sharing
  - C2C (as opposed to B2B or B2C)
  - “Collaborative consumption”

### 3. Case Study: Airbnb

- “Air mattress bed and breakfast”
- Online market place for ‘home sharing’
- Connects people who have properties or rooms to rent directly with paying guests
- On the plus side, provides rental income for owners and more options for travellers
- Main concerns are about quality and safety (being addressed by vetting and review system), and impact on residential communities



## 4. Case Study: Uber

- Online market place for 'taxi services'
- Also now does food delivery (Uber Eats), etc
- Allows people to use their private vehicles to offer taxi services or make deliveries by connecting them with other people or businesses who need rides
- Has significantly improved the cost and convenience
- Main concerns are about quality and safety (though arguably safer than an anonymous black cab).
- Some also argue Uber exploits drivers by treating them as 'independent contractors', rather than 'workers'



## 5. Case study: TaskRabbit



Partnered with IKEA

- TaskRabbit connects people with freelancers
- Typical tasks include furniture assembly, picture hanging, cleaning, gardening, shopping, admin...
- Very personal...



Mudy A. ★

★ 100% positive reviews

✓ 89 completed tasks

## 6. What's special about these models?

- Airbnb is clearly 'sharing economy'
- But isn't Uber just a big taxi company with a good app?
- Isn't TaskRabbit just a fancy version of an ad in the newsagent's window?
- Other examples may simply be clever marketing by an established big business...
- ...such as 'car sharing clubs' or 'shared office spaces' that are really just fronts for car rental companies and owners of commercial property

## 7. Why's the sharing economy so popular?

- It's always existed, but the internet is a gamechanger
- Changing social attitudes:
  - less enthusiasm for owning lots of 'stuff' outright
  - more 'personal' engagement
  - backlash against 'big corporations'
- (Last point seems a bit odd to me: its 'big corporations' who run the internet, and are often the major players in the sharing economy too!)
- Real economic benefits...

## 8. PWC survey of US adults familiar with the SE



**86%** agree it makes life  
more affordable



**83%** agree it makes life  
more convenient and efficient



**76%** agree it's better for  
the environment



**81%** agree it is less  
expensive to share  
goods than to own them  
individually



**43%** agree owning  
today feels like a burden



**57%** agree access is  
the new ownership

## 9. A hard look at the economics

- The sharing economy is not actually new
- For example, people have always 'freelanced', done odd jobs, rented rooms, lent money to each other, and so on
- The internet has just made this a lot more efficient:
  - online platforms create a bigger market
  - allow better matching of supply and demand
  - better use of limited resources (e.g. houses and cars)
  - reduces information asymmetries (both ways)
  - reduce transactions costs (Coase 'theory of the firm')

## **10. Breakout for discussion**

- What are the potential downsides of the 'sharing economy' – for the participants and for society?

## 11. The potential costs

- Economic disruption – threat to incumbents (e.g. Uber vs black cab drivers, people employed in hotels etc)
- Community disruption and other negative externalities (e.g. private flats becoming hotels)
- Higher property prices (flipside of more optimal use)
- Lack of government regulation (though replaced by regulation by customers themselves, via reviews etc)
- Under-recording of economic activity, lost tax revenues
- Concerns over personal and financial security
- Concerns about workers rights (but many like more flexible forms of employment – there are trade-offs here)

## 12. “Passing fad or the next revolution?”

- Neither!
- Some applications may be more successful than others, but the ‘sharing economy’ is a natural *evolution* of the market economy in a digital world
- A lot of hype (‘WeWork’)
- Internet has reduced the transactions costs that might otherwise encourage people to form companies
- Main threats come from changing consumer tastes (which is fine) and increased state intervention (partly under pressure from incumbents, which is not)