

How disruptive is the sharing economy?

Opportunities, risks and regulatory options

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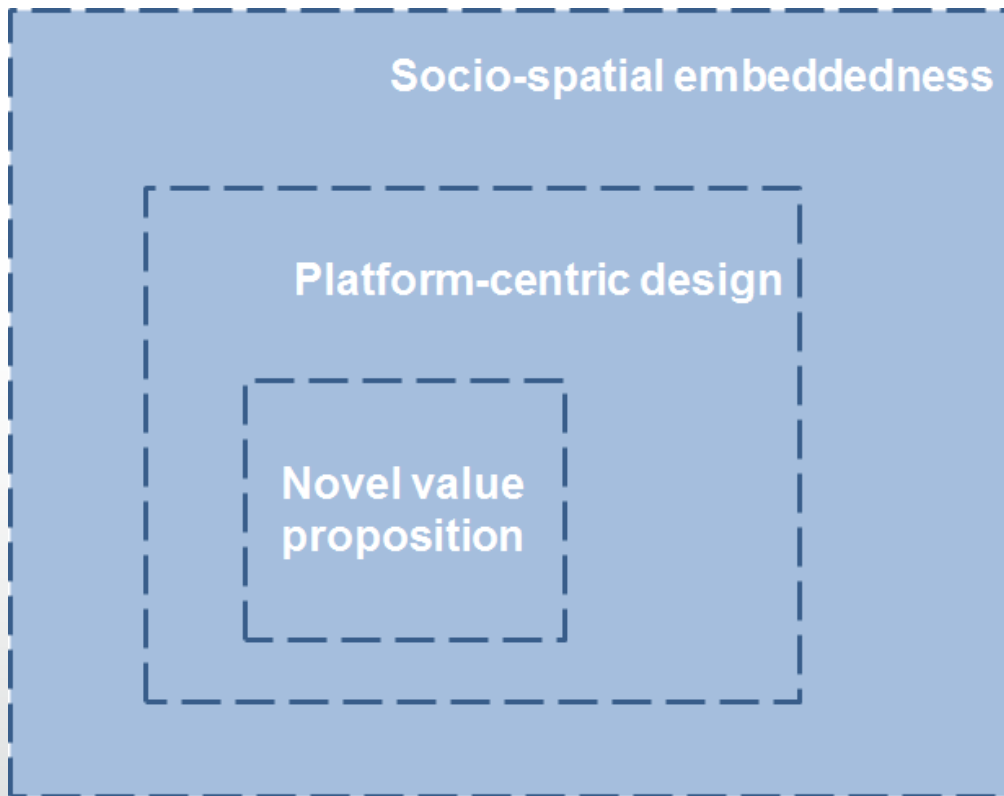
Impulse

- What is the sharing economy?
- How disruptive is it?
- What are the related opportunities, risks and regulatory issues?

Reflections

- Upscaling in the Sharing Economy (2014-2015)
Business side (Southampton Strategic Research)
- Consumer issues in the Sharing Economy (EU Commission research) with VVA (2016-1017) –
Consumer side

A three-perspective view



- Developed a typology of upscaling models (Grinevich and Huber, 2015)
- Upscaling patterns are only partially sector specific, and are not entirely attributable to particular type of sharing activity.

What is the sharing economy?

- No shared definition or terminology
 - Crowdsourced (peer) economy (Sundararajan, 2013)
 - Access economy (Rifkin, 2000)
 - Collaborative economy (Botsman and Rogers, 2010)
 - Mesh economy (Gansky, 2010)
 - Gig economy
 - On-demand economy

What is the sharing economy?

- The way to engage households, individuals, businesses, government, non-government organisations, and their idle (or redundant) resources in collaborative [**Co-**]
 - production
 - distribution
 - consumption
- via on-line platforms and mobile applications

Still very broad !?

The Sharing Economy Landscape

“Pure” sharing economy

Temporary **C2C** access to **underutilised physical assets**



On-demand economy

P2P access to **intangible resources**



TaskRabbit

Second-hand economy

P2P transfer of ownership



Product service economy

B2C shared access



B2B sharing

€572 bn –total value of resource
underutilisation in EU (Goudin, 2016)

9,650 platforms in 130 countries

<http://meshing.it>



Criteria:

- a smaller company with fewer resources challenges established businesses
- targets overlooked segments – deliver suitable functionality frequently at lower price
 - **Low-end** market (less demanding consumers)
 - **New markets** (from non-consumers to consumers)



Christensen et al, 2015



Sustaining
innovation?

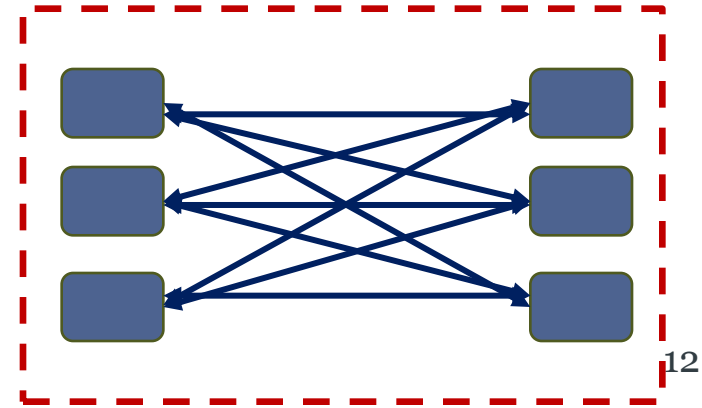


Bla Bla Car

Different value proposition

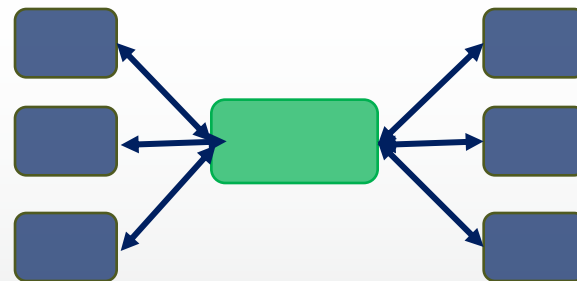
- discovering and experimenting with new value proposition
- a cost-effective and convenient access to underutilised or redundant resources (economic efficiency; unleashing dormant resources)
- an appeal to a different group of customers such as those willing to use/reuse someone else's assets on a regular basis (potential sustainability benefits; behavioural change aspect; social benefits)
- a novel supply chain and operations model –customer operators (business efficiency – regulatory challenges)

Platform-centric design

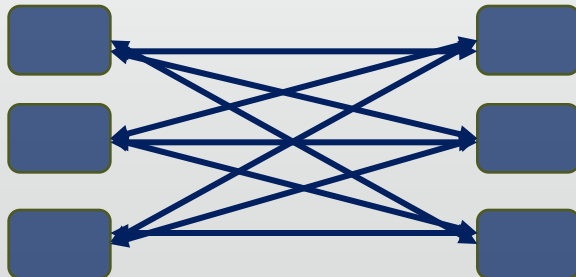


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Platform



Intermediation



Isolated markets

- trust among strangers is key
- ‘reputation dashboards’ across platforms (similar to credit score) could help.
- Risks: “big brother society” - may not only restrict access to the sharing economy for certain categories of customers, but can also undermine their essential economic freedoms
- Conventional tools still matter such as insurance products: underdeveloped market infrastructure to support

Social and racial discrimination

- Consumers of lower socio-economic status may find it difficult to take full advantage of sharing economy services (Thebault-Spieker et al., 2015).
- Black service providers (in the case of Airbnb) may be discriminated against by consumers (Edelman and Luca, 2014).
 - !? sharing platforms may be best positioned to detect and eradicate discriminatory practices by applying digital algorithms (Cohen and Sundararajan, 2015) .

Geographical availability

- Mainly urban agglomerations due to business model rationale (assuming there are no issues with internet and infrastructure connectivity)
- Disadvantaged high risk areas may not be covered by insurance products and face higher prices

Social protection/exclusion

- Risk of downward pay spiral for certain type of tasks – market efficiency driven
- Especially relevant for those who make the sharing economy main job
 - Male, young, single, between 18-34 (The 2015 1099 economy report)
- Health/safety in workplace, social security (illness, overtime, pensions, unemployment/income reductions)

Business side

- has an incentive
 - to engage with regulators (important for upscaling)
 - to clarify legal status (to ensure level playing field)
- willing to self-regulate (and even facilitate tax collection) but not regulated
- P2P to B2C trend

Policy side

- Should go beyond responding -to be more proactive to jointly develop regulatory set-up with sharing platforms (Airbnb shared city programme)
- Balance between unleashing the potential of the sharing economy and maintaining standards (health, safety, social exclusion)
- Perhaps, even help establish sharing platforms by public sector organisations

- Phenomenon driven by ICT technology
- May not always disruptive from the classic business theory point view (i.e. may not always target new low end or create entirely new markets)
- May bring economic efficiency, unleash dormant resources, and incentivise micro-entrepreneurship, but has certain risks too due its uneven distribution
- Doesn't necessarily imply more regulation but a fresh perspective on it

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