Deloitte Access Economics

Review of the collaborative economy in NSW

NSW Department of Finance, Services and Innovation

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# Contents

Executive Summary.............................................................................................................................................. i

1 What is the collaborative economy? ......................................................................................................................... 8
  1.1 Definition......................................................................................................................................................... 8
  1.2 Features of the collaborative economy........................................................................................................... 10
  1.3 Economics of the collaborative economy........................................................................................................ 11
  1.4 The rise of the collaborative economy in Australia.......................................................................................... 12

2 Transportation and automotive .................................................................................................................................. 16
  2.1 Ridesharing....................................................................................................................................................... 16
  2.2 Car sharing....................................................................................................................................................... 18
  2.3 Peer-to-peer car sharing services ..................................................................................................................... 19

3 Accommodation services ........................................................................................................................................... 20
  3.1 Home sharing platforms................................................................................................................................. 20
  3.2 Estate and space sharing.................................................................................................................................. 24

4 Financial services ...................................................................................................................................................... 26
  4.1 Online crowdfunding......................................................................................................................................... 26
  4.2 Lending............................................................................................................................................................ 32
  4.3 Other .............................................................................................................................................................. 35

5 The goods and redistribution market ...................................................................................................................... 38
  5.1 The goods and redistribution market............................................................................................................... 39

6 Services and labour hire .......................................................................................................................................... 42
  6.1 Personal services.............................................................................................................................................. 42
  6.2 Professional services......................................................................................................................................... 43

7 Education ............................................................................................................................................................... 45
  7.1 Collaborative courses........................................................................................................................................ 45
  7.2 Peer-to-peer platforms.................................................................................................................................... 46

8 Other collaborative businesses.................................................................................................................................. 48
  8.1 Logistics............................................................................................................................................................ 48
  8.2 Utilities............................................................................................................................................................. 48
  8.3 Media............................................................................................................................................................... 49
  8.4 Equipment rental .............................................................................................................................................. 49
  8.5 Pet sitting.......................................................................................................................................................... 50
  8.6 Food and dining............................................................................................................................................... 50

9 The future of the collaborative economy in NSW .................................................................................................. 51
  9.1 Potential areas of growth.................................................................................................................................. 51
  9.2 Sectors with collaborative economy potential .............................................................................................. 52

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9.3 Challenges to growth ................................................................. 59
Limitation of our work ................................................................. 60
Executive Summary

The ‘collaborative economy’ has been an emerging and dynamic sector in the global economy in recent years. The NSW Department of Finance, Services and Innovation (DFSI) commissioned Deloitte Access Economics to conduct a review of the state of play of the collaborative economy in NSW.

This report is a summary of the current scope and size of the collaborative economy in NSW based on publicly available data. The report considers the economic contribution of the collaborative economy in NSW by researching more than 80 collaborative businesses across a dozen sectors.

This report is intended to provide the DFSI with a baseline understanding of the current state of play of the collaborative economy in NSW. The report also explores some sectors with potential for growth in NSW, which can be used as a starting point for more detailed analysis should the NSW Government seek to better understand the future direction of the collaborative economy.

Definition of the collaborative economy

There are many definitions of the ‘collaborative economy’. As the starting point, we adopt the following definition by Rachel Botsman:

> "an economy built on distributed networks of connected individuals and communities versus centralised institutions, transforming how we can produce, consume, finance, and learn."

However, such a broad definition may also capture business models that are considered to be operating in the ‘mainstream’ economy, such as hobby farmers selling produce at a weekend farmers’ market. Collaboration has always been a part of economic development. It is not a new phenomenon. Elsewhere in economic and business literature, the collaborative economy has referred to workplace collaboration between employees, or organisations like Commonwealth Scientific and Industrial Research Organisation ‘collaborating’ with businesses like BHP Billiton. They are not the focus of this report.

Recent developments in technology and the use of digital platforms have allowed wider and faster interactivity and connectivity between producers and consumers, which has enabled shared production and consumption around common objectives. This report focuses on aspects of the collaborative economy which are enabled by digital platforms.

The ‘boundaries’ around the collaborative economy are not precise, and is evolving. Collaborative economy businesses generally facilitate connections between individuals and small and medium-sized businesses; allowing them to directly exchange goods or services.

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for monetary or other consideration. However, as collaborative businesses evolve these boundaries are changing, and aspects of these businesses are looking more like the traditional businesses they are disrupting.

While a broad definition will capture too much, a narrow definition risks overlooking innovation at the edges. As such, we note that what is included within the boundary is often a matter of judgement. For example, while eBay is in-scope as an example of a digital marketplace for retail goods, we have not included the website of the Trading Post; and the Hipages Group is in-scope as an example of a digital marketplace for services, while the Yellow Pages online directory is considered out of scope.

The report focused on the following sectors and areas:
- transport and automotive;
- accommodation services;
- financial services;
- the goods and redistribution market;
- services and labour hire;
- education; and
- other collaborative businesses.

Table i (on pg. v) summarises the sectors and some example businesses that are covered in the report.

**Value and structure of the collaborative economy in NSW**

We estimate that key businesses in the most developed collaborative economy sectors—transport and automotive, accommodation services, financial services, the goods and redistribution market, and services and labour hire—contribute a combined value added of around $504 million per year to the NSW economy, with around 45,000 users having earned income on collaborative economy platforms. These estimates are based on limited publicly available data and assumptions of the share of NSW. This estimate is likely to be conservative, with the total value of the collaborative economy in NSW likely to be larger. This compares with a total size of the NSW economy of approximately $488 billion in 2013-14.³

Overall, the collaborative economy is currently a relatively small part of the Australian and NSW economies. Market share estimates vary across sectors, for example: around 4% in accommodation; approximately 2% in point-to-point transport; and around 1.4% in retail goods. In the personal lending market, collaborative business activity is only a fraction of the market, and could be as low as 0.02%.

However, market share figures understate the importance of collaborative businesses, given that growth has been fast, with many businesses non-existent even a few years ago, and they may have competitive impacts on existing businesses. Many consumers have ‘tried’ the offerings of collaborative businesses (53% had participated in some form of

collaborative economy in the past year, formal and informal). The collaborative economy is also becoming more diverse, beyond the headline brand names in transport, accommodation and goods to new areas including personal and professional services, and education.

The majority of collaborative businesses in Australia originated overseas, and many do not have a headquarters in the traditional sense. Of the 27 businesses covered in this report with known Australian starting points or headquarters, two-thirds were from NSW – suggesting that NSW may represent a significant share of the collaborative economy in Australia.

While Australian-based collaborative businesses are prevalent across all sectors that were reviewed, most of these businesses are still relatively small. As Australia’s largest economy, there may be considerable opportunity for NSW to support its development.

**Future of the collaborative economy**

It is likely that the collaborative economy will impact areas which we have yet to anticipate. In fact, the nature of disruption means that it is almost impossible to predict exactly how the collaborative economy will grow, but it could be a mix of:

- wider availability of existing sharing economy services;
- vertical or horizontal integration of existing collaborative economy firms; and/or
- development of new collaborative economy services.

So far, the collaborative economy has been most prevalent with regards to the consumption of goods and traditional services such as accommodation, transport, and personal and professional services. The following may have contributed to their success:

- Collaborative economy businesses tend to thrive when they connect people with assets that are not fully utilised, but which they already own, with those who do not have these assets.
- Collaborative economy businesses that meet a market demand for an improved service.
- Collaborative economy businesses that achieve network effects; where the number and density of participants leads to greater outcomes for all parties involved.

A review of international experience suggests that ridesharing, accommodation, and food sharing services are much less established in Australia than some overseas countries. International experience also indicates that the financial sector presents a significant opportunity. In particular, there appears to be a role for the collaborative economy to support small and medium enterprise financing, which is, at this stage, largely negligible. It is in markets such as these where we are likely to witness the most interesting opportunities.

We reviewed the start-up activity at a number of major incubators and accelerators in NSW. While not all of these start-up businesses are collaborative businesses, trends in tech start-up activity can offer insights into the areas that entrepreneurs are focusing their efforts, which may provide an indication of new growth sectors. We found that more than 30% of these start-ups are related to services and labour hire. The second most common category of start-up business, representing 15% of the start-ups reviewed, related to
financial services. Education related start-up businesses comprised 10% of the businesses reviewed, with a focus on educational tools that facilitate distance education via the internet. Most of our economy is driven by services, so that is the area of greatest potential growth for the sharing economy.

We speculate that the sharing of resources from utilities such as Wi-Fi and energy, as well as services and labour hire, in particular in logistics, are two sectors of potential growth in NSW. Furthermore, we recognise that Sydney has an advantage in financial services which could see significant development. Nonetheless, as this activity grows, the risks associated with financial services means that appropriate regulatory oversight will likely be more important in this sector than any other.

This paper does not analyse regulatory issues in depth, but it is obvious that the appropriate balance of regulation is needed to ensure fair outcomes for all participants and also allow for continuing innovation.

In the digital age, the ‘time at the top’ for new businesses is increasingly limited. Innovative developments may replace the collaborative economy business models in years to come, as the ‘disrupters’ themselves become ‘disrupted’. Flexibility, in terms of the business models of individual businesses, as well as the institutional framework within which they operate, is important.
### Table i: Summary of sectors included in the report

<table>
<thead>
<tr>
<th>Industry</th>
<th>Examples of major players</th>
<th>Which key areas are included in this report?</th>
<th>Key conclusions</th>
</tr>
</thead>
</table>
| Transportation and automotive | Ubereats, GoGet, DriveMyCar | • Ridesharing  
• Car sharing  
• P2P car sharing | • UberX contributed over 1 million rides and around $20m in income in Sydney in the year since its launch in May 2014, representing 1.2% of all point-to-point transport activity according to our calculations  
• Pocketbook claims that around $1 is spent on Uber services for every $12 on taxis  
• 31.6% of all car sharing platforms were established in NSW  
• GoGet the most established brand in the Australian car sharing market (22.1% market share) was launched in Sydney |
| Accommodation services    | Airbnb, Couchsurfing, Parkhound | • Home sharing platforms  
• Estate and space sharing | • Airbnb contributed approximately $284m in income last year nationwide and $115m in NSW. This represents approximately 3.4% of the total hotel, resort and motel market in Australia  
• Sydney is the 10th largest Airbnb market worldwide  
• With 80% of Sydney’s Airbnb listed properties outside of main hotel areas such as the city centre, Airbnb claims that it allows tourists to see a different side of Sydney |
| Financial services        | Kickstarter, SocietyOne   | • Online crowdfunding  
• Lending  
• Other financial services | • The current size of P2P lending in Australia is small (only one founded before 2014), but has significant room for growth in the future  
• Future prospects will depend on the regulatory approach taken by policymakers |
<table>
<thead>
<tr>
<th>Industry</th>
<th>Examples of major players</th>
<th>Which key areas are included in this report?</th>
<th>Key conclusions</th>
</tr>
</thead>
</table>
| The goods and redistribution market | eBay                      | • Peer-to-peer marketplaces  
• Peer-to-peer sharing  
• Crowdsourcing                     | The collaborative economy probably makes up around 1-2% of the retail goods market. eBay accounted for 20.3% of total online retail shopping visits in Australia for 2014 (this includes both eBay Australia and eBay overseas). Online retail shopping is now a $16.9b industry representing 6.8% of traditional retail spending |
| Services and labour hire         | HiPages Group             | • Personal services  
• Professional services           | Digital labour marketplaces provide a significant opportunity for flexible working options  
• A whole new market of services has emerged – for example line queuing  
• Some platforms such as Hipages Group have over 55,000 listed service providers which represents around 3% of the entire tradesperson industry in Australia  
• It is possible that the collaborative economy will be one of the most significant forces affecting the nature of work and workplaces in the coming decades |
| Education                        | Coursera                  | • Collaborative courses  
• Peer-to-peer platforms such as the used textbook and tuition market | Massive open online courses have made education more collaborative between students  
• Textbook rentals and second hand exchanges are making education more accessible and affordable  
• Around 780,000 users are registered on StudentVIP, a second hand tertiary textbook marketplace, compared to 1.3 million enrolled tertiary students in Australia |
<table>
<thead>
<tr>
<th>Industry</th>
<th>Examples of major players</th>
<th>Which key areas are included in this report?</th>
<th>Key conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other collaborative businesses</strong></td>
<td></td>
<td>Additional markets covered include:</td>
<td>• The collaborative economy is very diverse and far reaching. It is affecting a range of different industries such as pet sitting, utilities, logistics, food, media and equipment rental</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Logistics</td>
<td>• Organisations such as One Big Switch have used the collective power of people in bargaining arrangements and claims to have reduced energy bills from Energy Australia by 22%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Utilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Media</td>
<td>• Crowd shipping companies such as MeeMeep have used their platform to reduce transport costs of small goods by approximately 55% compared to standard delivery methods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Equipment rental</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Pet sitting</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Food and dining</td>
<td></td>
</tr>
</tbody>
</table>
1 What is the collaborative economy?

The ‘collaborative economy’ has been an emerging and dynamic sector in the global economy in recent years. While not a new concept, recent developments and rapid growth facilitated by technology have led to a renewed focus on its scope and operations. Indeed, brand names such as Uber and Airbnb have become household names despite having only recently entered our lexicon.

The growth of the collaborative economy has raised a range of issues for the Government and regulators. Its innovative growth has had a disruptive impact on several industries, and has implications for regulation, particularly in relation to consumer protection.

It is in this context that the NSW Department of Finance, Services and Innovation (DFSI) has commissioned Deloitte Access Economics to conduct a review of the collaborative economy in NSW.

This report is a summary of the current scope and size of the collaborative economy in NSW based on publicly available data. The NSW Government has demonstrated its support of business innovation, including with the establishment of Innovate NSW in 2013 which connects technology SMEs and businesses in key sectors of the NSW economy. This report is intended to provide the DFSI with a baseline understanding of the current state of play of the collaborative economy in NSW. The report also explores some sectors with potential for growth in NSW, which can be used as a starting point for more detailed analysis should the NSW Government seek to better understand the future direction of the collaborative economy.

This chapter provides a definition and overview of the collaborative economy.

1.1 Definition

The term ‘collaborative economy’ is sometimes used interchangeably with the “sharing economy” and the “peer-to-peer market although they may be subtly different from each other. There are many definitions of the collaborative economy and what it includes.

Rachel Botsman (2014) has defined the collaborative economy as:

“an economy built on distributed networks of connected individuals and communities versus centralised institutions, transforming how we can produce, consume, finance, and learn.”

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On the other hand, the sharing economy as defined by Botsman\(^5\) as:

“an economic model based on sharing underutilised assets from spaces to skills to stuff for monetary or non-monetary benefits. It is currently largely talked about in relation to peer-to-peer (P2P) marketplaces but equal opportunity lies in the business to consumer (B2C) models.”

Separately, the peer-to-peer market refers to the parts of the collaborative or sharing economies which do not involve transactions with businesses.

As the starting point, this report adopts Botsman’s definition of the collaborative economy.\(^6\) However, such a broad definition may also capture business models that are considered to be operating in the ‘mainstream’ economy, such as hobby farmers selling produce at a weekend farmers’ market. Collaboration has always been a part of economic development. It is not a new phenomenon. Elsewhere in economic and business literature, the collaborative economy has referred to workplace collaboration between employees, or organisations like Commonwealth Scientific and Industrial Research Organisation ‘collaborating’ with businesses like BHP Billiton. They are not the focus of this report.

Recent developments in technology and the use of digital platforms have allowed wider and faster interactivity and connectivity between producers and consumers, which has enabled shared production and consumption around common objectives.\(^7\) What is and is not included as part of the collaborative economy is a matter of judgement. Practically, this report is not limited by rigid criteria. However, we focus on businesses which are enabled by digital platforms, rather than bricks-and-mortar collaborative economy applications.

The ‘boundaries’ around the collaborative economy are not precise, and is evolving. Collaborative economy businesses generally facilitate connections between individuals and small and medium-sized businesses; allowing them to directly exchange goods or services for monetary or other consideration. However, as collaborative businesses evolve these boundaries are changing, and aspects of these businesses are looking more like the traditional businesses they are disrupting. While a broad definition will capture too much, a narrow definition risks overlooking innovation at the edges.

In this study, we consider a number of sectors in the collaborative economy, including:

- transport and automotive;
- accommodation services;
- financial services;
- the goods and redistribution market;

\(^5\) Ibid

\(^6\) It should be noted that the “collaborative economy” has also been used in other areas to refer to the benefits of workplace or business collaboration in improving productivity and output. This definition is not used in this report.

• services and labour hire;
• education; and
• other collaborative businesses

1.2 Features of the collaborative economy

Without seeking to limit the scope of the collaborative economy, this section presents some of the key features common to collaborative economy businesses.

One of the defining characteristics of the collaborative economy is the existence of a platform connecting buyers and sellers, reducing transactions costs. While a focus has been on collaborative economy businesses which involve digital platforms, the platform need not necessarily be online, but may involve more traditional connection of buyers and sellers, for example through newspapers or other media.

The platform may or may not be owned by the parties involved in the transaction. In some definitions, the platform owner is considered to be a third party separate from the buyer and seller (as is the case for collaborative economy businesses such as Uber). On the other hand, companies such as GoGet own both the assets (cars) and also run the platform. In this study, we include all businesses involving a platform, regardless of its ownership.

Another characteristic of the collaborative economy is trade. This may involve a financial transaction between parties when an asset or service is provided (such as for Airbnb), or may involve an ‘in kind’ transaction (Couchsurfing members may trade travel knowledge and cook for their hosts).

The collaborative economy is not limited to peer-to-peer transactions (such as through Gumtree), but also includes transactions where one party may be a business (bricks-and-mortar retailers diversifying their selling channels through eBay).

The collaborative economy also encompasses anything that can be bought, rented or sold, and is not limited to physical unwanted or underutilised assets (Parkhound), but may include the trade of time (Airtasker) and money (Kickstarter).

Peer review systems may also be a feature of collaborative economy operations. These systems allow for the provided goods and services to be rated, with the aim of ensuring minimum standards and upholding consumer protection in the absence of direct regulation.
1.3 Economics of the collaborative economy

The rise of the collaborative economy is largely attributable to technology-driven solutions which address market failures and target the demands of consumers in a dynamic market. Some of the key drivers of the collaborative economy are noted in the figure below.

**Figure 1.1: Drivers of the sharing economy**

Platforms connecting buyers and sellers reduce transaction costs and reflects a changing role of intermediaries. Every market exchange has a transaction cost made up of search and information costs, bargaining and decision costs and policing and enforcement costs. Where transaction costs are too high, mutually beneficial transactions that could occur do not.

Essentially, the sharing economy emerged because developments in information and communications technology have significantly lowered **transactions costs**. For example, owners of under-utilised assets can more easily find users willing to pay for the use of their assets, allowing access to excess capacity, potentially from users around the world.

Platforms also provide coordination benefits, and reduce bargaining costs as individual contracts may not need to be negotiated for every transaction. They can also assist with policing and enforcement through self-regulation structures and requirements for criminal checks or insurance.

Their take-up also reflects the fact that the collaborative economy is meeting consumer demands for such services; for example, it allows owners of idle assets to recover the cost

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of time, space or money allocated to an asset that would otherwise have not been used. The benefit to renters of idle assets is that they can consume the services of those assets for less than they would need to spend to purchase and own the asset outright, reflecting changing views about asset ownership. This is particularly the case for large and costly assets, such as cars, where the collaborative economy allows some consumers access when they may simply be unable to consume their services without the opportunity to rent rather than own.

A 2011 survey by BAV Consulting\(^9\) showed that 66% of consumers (and 77% of millennials) preferred a pared down lifestyle with fewer possessions. Consumer demand for collaborative economy offerings is clear, for example:

- worldwide, Airbnb averages 425,000 guests per night (more than 155 million guest stays annually, nearly 22% more than Hilton Worldwide, which served 127 million guests in 2014; and
- Uber operates in more than 250 cities worldwide and as of February 2015 was valued at $41.2 billion, exceeding the market capitalisation of companies such as Delta Air Lines, American Airlines and United Continental.

The collaborative economy also facilitates more flexible employment options for its participants – people are able to earn either a part or full income from selling goods or services at a time and in a manner which suits them. For example, ridesharing drivers may choose to supplement their income by driving a few hours a week in their spare time or a host may choose to list a spare room occasionally or more regularly.

Social media and online reviews have facilitated the growth of the collaborative economy by breaking down barriers, encouraging transparency and allowing people to connect with others involved in the transaction. This allows for the ‘trust’ required in the trading relationship with people who would otherwise have been strangers.

The collaborative economy has largely come about through businesses seeking flexibility in regulation – with a number of collaborative economy businesses operating on the boundaries of existing regulation, particularly in the areas of point to point transport and in accommodation.

## 1.4 The rise of the collaborative economy in Australia

A 2014 report, The Emerging Collaborative Economy in Australia\(^10\) highlights the uptake and awareness of the collaborative economy in Australia. The report involved some bespoke analysis and surveys. Some of the key findings are presented below.

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\(^10\) Collaborative Lab and Vision Critical (2014), “The Emerging Collaborative Economy in Australia"
Valuing the collaborative economy in NSW

There are a number of significant businesses included in the collaborative economy in NSW which are having a disruptive impact on other industry players. However, it is difficult to estimate the total value of the collaborative economy in NSW for a number of reasons.

Firstly, there is no single agreed definition of the collaborative economy, and different analyses will include or exclude different businesses. Further, the collaborative economy can be measured from the different angles of the producer and the consumer.

There is also the challenge of valuing the NSW component of a business’ value. Producers and consumers may be in different physical locations. In some instances, the value of collaborative economy businesses in NSW may be greater than NSW’s proportional share of population, given where businesses have originated and derive most of their activity.

Many collaborative economy businesses are new or start-up businesses and as such do not have published annual reports of their value. Where information is available, businesses tend to report their revenue, not their value added, which is a more accurate measure of their value.

Furthermore, NSW specific data were often not available. In these cases, to calculate the level of economic activity in the NSW collaborative economy, we adjusted the national estimate by a factor that is proportionate to NSW’s share in population to the rest of Australia. Estimates are summarised in the following table.
Table 1.3: NSW collaborative economy business values

<table>
<thead>
<tr>
<th>Sector</th>
<th>Example business</th>
<th>Revenue generated($m)</th>
<th>Multiplier</th>
<th>Value added ($m)</th>
<th>Users who earned income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation and automotive</td>
<td>Uber</td>
<td>38.5</td>
<td>0.83</td>
<td>32.0</td>
<td>6,904</td>
</tr>
<tr>
<td>Accommodation services</td>
<td>Airbnb</td>
<td>115.6</td>
<td>0.54</td>
<td>62.4</td>
<td>16,518</td>
</tr>
<tr>
<td>Financial services</td>
<td>SocietyOne</td>
<td>3.6</td>
<td>0.40</td>
<td>1.4</td>
<td>2,449</td>
</tr>
<tr>
<td>Goods and redistribution</td>
<td>eBay</td>
<td>951.0</td>
<td>0.24</td>
<td>228.2</td>
<td>955</td>
</tr>
<tr>
<td>Services and labour hire</td>
<td>Hipages</td>
<td>461.8</td>
<td>0.39</td>
<td>180.1</td>
<td>17,516</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,570</td>
<td></td>
<td>504</td>
<td></td>
</tr>
</tbody>
</table>

The full list of areas and businesses analysed include:

- **Transportation and automotive** – Ridesharing (Uber), car sharing (entire Australian industry) and P2P car sharing (Car Next Door and DriveMyCar)
- **Accommodation services** – Airbnb and Divvy
- **Financial services** – Crowdfunding (Kickstarter and Pozible) and P2P lending (entire Australian industry)
- **Goods and redistribution** – eBay, Gumtree and DesignCrowd
- **Services and labour hire** – Airtasker and Hipages

For consistency, revenue generated figures were based on the estimated revenue generated by the platform (eg. commissions on Uber) and suppliers (eg. income earned by Uber drivers, Airbnb hosts, P2P banking lenders etc.). In most cases, this would involve the listing price of goods (eg. selling price of eBay good) and services (fare paid by customers for an Uber ride) on the collaborative economy platform.

The value added to the NSW economy was estimated based on the product between the annual revenue generated and the industry value added ‘multiplier’. The multipliers for each sector was based on estimates of industry value add as a share of revenue from IBISWorld in comparable sectors namely: Taxi and Limousine, Hotels and Resorts, Finance, Online Shopping and Plumbing Services.\(^\text{11}\)

Additionally, we also estimated the number of people in NSW that have earned income using collaborative economy platforms in the past year. Estimates of users earning income in financial services were difficult as they were not directly comparable to other industries.

To estimate the number of users who earned income in collaborative economy businesses in crowdfunding we used the average annual amount of projects in NSW as the number of

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\(^{11}\) These multipliers are used as proxies to estimate value add in the collaborative economy, although multipliers may be greater or smaller than for traditional businesses.
individuals that obtained funding and income for crowd funding services. This may under
represent (if multiple individuals receive funding for each project eg. an orchestra) or over
represent (if the same project owners engage in multiple projects) the figures.

For P2P lending we estimated the total number of NSW lenders based on 1,400 lenders on
the RateSetter platform nationally, which has loans on book of $8.5 million compared to
$25 million across all P2P lending platforms.

There were difficulties in estimating the total number of users who earned income for
goods and redistribution platforms such as eBay as they do not disclose their total number
of sellers\textsuperscript{12}. As such, we used public information of at least 3,000 eBay sellers\textsuperscript{13}. However,
this number is likely to be underestimated. This figure was adjusted to obtain an estimated
representation of the number of eBay sellers in NSW.

For estimating revenue in ‘goods and redistribution’ we used total online retail spending
numbers of $10.8b in 2015 and adjusted this by each business’ share in total site visits to
obtain a total business activity estimate\textsuperscript{14}. The multiplier used in this calculation was based
on industry value added/revenue estimates for Online Shopping in Australia from IBISWorld
which predominantly refers to websites such as Coles Online and Woolworths Online. Their
business models may differ to goods and redistribution platforms in the collaborative
economy such as eBay and Gumtree, which will affect the final estimates.

As such, we present estimates of the value of five key NSW collaborative economy sectors
based on key businesses\textsuperscript{15}. The five sectors, listed in table 1.1, contributed to a \textbf{combined
value added of around $504 million in NSW with around 45,000 users} who have earned
income on collaborative economy platforms in NSW. This compares with a total size of the
NSW economy of approximately $488 billion in 2013-14\textsuperscript{16}.

\textsuperscript{12} The only public sources include a survey from AC Nielson in 2006 that suggests there were 1.3m eBay sellers
globally and 430,000 from the US. We know there are at least 3,000 Australian eBay sellers based on: an eBay
Media release (2012) that can be found at: http://media.ebay.com.au/ebay%E2%80%99s-top-australian-
businesses-reach-new-heights.

\textsuperscript{13} We know there are at least 3,000 Australian eBay sellers based on: an eBay Media release (2012) that can be

\textsuperscript{14} eMarketer (2015), Australian retail eCommerce sales to top $10 billion in 2015, available at:
http://www.emarketer.com/Article/Australian-Retail-Ecommerce-Sales-Top-10-Billion-2015/1011823

\textsuperscript{15} This is likely to be a conservative estimate of the collaborative economy, with the total value of the
collaborative economy in NSW being at least as large as the value added of these major players.

2 Transportation and automotive

Australia is an attractive market for collaborative and sharing economy applications in the transportation industry, due to the very high internet penetration in Australia for broadband (70% of households), mobile phones (around 130% of consumers) and smartphones (around 74% of all mobile users).

The three main applications currently available include:

- **Ridesharing**, which is the sharing of rides to save costs;
- **Car sharing**, which allows users to rent cars for short periods of time often by the hour; and
- **Peer-to-peer car sharing**, where private citizens can make their vehicles available for others to rent for short periods of time and users are matched on a platform.

**Key highlights:**

- As at May 2015, UberX contributed over 1 million rides and around $20m in income in Sydney, which according to our calculations represents approximately 1.2% of all point-to-point transport activity.
- Pocketbook also claims that around $1 is spent on Uber services for every $12 on taxis
- 31.6% of all car sharing platforms were established in NSW
- major players in this sector include:
  - ridesharing platforms such as UberX (initially launched in Sydney);
  - car sharing platforms such as GoGet (founded in Sydney), Hertz 24/7 (US based), GreenShareCar (founded in Melbourne) and Flexicar (founded in Melbourne); and
  - P2P car sharing platforms such as DriveMyCar (Australian based) and Car Next Door (founded in Sydney).

2.1 Ridesharing

Real time ridesharing platforms allow drivers and potential riders to be efficiently matched based on their geographic location within minutes which has reduced the need for Australians to rely on visiting taxi ranks and hailing on the street. Additionally, both riders and drivers are required to assess each other through their ratings system, which incentivises users to improve their quality of service and behaviour.

Australia currently has only one major ridesharing platform with the arrival of UberBlack (premium option) in November 2012; UberTaxi in June 2013; and the low cost UberX platform in April 2014, all of which were initially launched in the Sydney market. It is also the most recognisable collaborative economy service with 27% of Australians aware of Uber according to the 2014 Emerging Collaborative Economy report from Vision Critical.

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17 Pocketbook (2014), The rise and rise of Uber in Australia, Available at: https://getpocketbook.com/blog/the-rise-and-rise-of-uber-in-australia/
There are several other carpooling and ridesharing platforms available in Australia including Shareurride, Catchalift, Coseats and Hitch-A-Ride as well as taxi hailing apps such as Ingogo. These carpooling and ridesharing apps however lack the same amount of users, scale or low cost as the UberX platform. Scale is crucial in establishing the critical mass needed to create a reliable and convenient platform, as well as increases the likelihood that nearby riders and drivers is matched which can reduce average waiting times.

Since its launch, UberX has managed to complete over one million rides in Sydney within one year with average arrival times of 4.1 minutes compared to 8.1 minutes for the taxi industry. With taxi plates in Sydney representing around 83% of total taxi plates in NSW and 97m of taxi rides annually in NSW, UberX rides represent around 1.2% of Sydney’s point-to-point transport market.

Considering that average UberX fare costs may be cheaper than average taxi fares of $23.97 (ATIA, 2014), UberX has generated around $20 million in economic activity in Sydney over the past year for 3,000 Sydney drivers. Many of these drivers are based in disadvantaged regions, with $4m of fares collected by drivers in the top 30 highest unemployment postcodes including Lakemba, Bankstown and Auburn.

It is not clear whether low-cost real time ridesharing services such as UberX have taken away market share from taxis in the point-to-point transport market. Total annual rides in the taxi and limousine industry have remained stable and growing with 227 million rides Australia wide in 2014 compared to 213 million rides in 2013 before the launch of UberX in Australia.

On the other hand, UberX has been effective in addressing demand and bringing business for point-to-point transport services in underserviced areas in Sydney, with 64.4% of Uber trips beginning or ending in a transport desert which is defined as being at least 800 metres away from the nearest form of medium frequency public transport.

Lyft, which is another major international ridesharing platform, has expressed interest in eventually launching in Australia which will provide additional competition against the Uber platform.
2.2 Car sharing

Car sharing is different from standard car rental services as it reduces commitment significantly for users. Vehicles can be rented on an hourly rather than daily or weekly basis and other operator costs such as fuel, vehicle maintenance and insurance are included in the hourly cost instead of being charged on a lump sum basis. Car share spots are also dispersed around cities instead of being in a central location for car rental services and typically require to be returned to its original location or another car sharing spot at the end of the booking.

According to IBISWorld\(^2\) (2014), the 15 current car sharing providers in Australia generated $55.7m in annual revenue and have been growing annually at a rate of 26.8% over the past five years. Around 70% of car sharing consumers are aged between 15 and 34 as they spend the greatest amount of time online and are the quickest demographic to adopt new mobile technologies and applications. NSW hosts the majority of car-sharing establishments (31.6%) followed by Victoria (27.4%) and Queensland (21.5%).

**Chart 2.1: Car sharing establishments by Australian state and territory, 2014-15**

GoGet is the most established brand in the Australian car sharing market (representing 22.1%) and was launched in Sydney in 2003 with three vehicles and 12 founding members. This has since grown to around 1,900 vehicles and 65,000 members in NSW, Victoria, Queensland and South Australia in 2015. Other significant players include Hertz 24/7 (14.7% market share) and GreenShareCar (10.1%) and Flexicar.

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\(^2\) IBIS World (2014), Car Sharing Providers in Australia
Car sharing growth forecasts are expected to remain strong at 22.9% annually over the next five years, primarily driven by high petrol prices and vehicle upkeep, congested inner-city traffic and increased innovation and use of mobile technology.

2.3 Peer-to-peer car sharing services

Increased mobile adoption and use of geo-location based services have also allowed existing car owners to make their vehicles available to others for rent for short periods of time through peer-to-peer car sharing networks.

DriveMyCar was the first peer-to-peer car sharing service launched in Australia in December 2008. Since then, it now has over 400 registered vehicles nationwide, over 14,500 registered users, over 4,850 bookings and $4.4 million paid out to owners according to its website statistics.

Car Next Door which was founded in Sydney in 2012 and is currently available in Sydney and Melbourne, has 250 owned cars registered on their site used by 5,000 people and is aiming to grow its platform to 10,000 cars and 180,000 users over the next couple of years. With currently around 1,500 monthly rentals and listed vehicle owners earning around $250 per month, Car Next Door generates approximately $750,000 in annual economic activity, with more than half being contributed by Sydney. If future projections of 10,000 cars and 180,000 users are accurate, economic activity could increase by 40 fold to $30 million of annual economic activity.

3 Accommodation services

Underutilised accommodation, space and real estate are increasingly becoming shared amongst Australians through property, parking and land listing platforms such as *Airbnb*, *ParkHound* and *Land Share*. Additionally, accommodation platforms that involve mutually beneficial but non-financial transactions such as *Couchsurfing* have remained popular in expensive rental cities such as Sydney and Melbourne.

According to the Emerging Collaborative Economy in Australia report[^28], Airbnb (20%) and Couchsurfing (15%) are two of the most recognisable collaborative economy services in Australia.

**Key highlights:**
- home sharing platforms such as Airbnb contributed approximately $284 million in income last year nationwide and around $115 million from 16,000 rooms in NSW for 2014
- although this representation is currently small compared to the total Hotel and Resorts ($6 billion) and Motels industry ($2.3 billion) in Australia[^29], Airbnb already advertises over 40,000 rooms which is more than the largest traditional hotel operator in Australia, Accor, which manages around 26,000 rooms
- Sydney is the 10th largest Airbnb market worldwide
- Airbnb allows tourists to see a different side of Sydney, with 80% of properties listed outside of main hotel areas (such as the city centre) and 46% of daylight guest time is spent in the suburb they stayed
- major players in this sector include:
  - home sharing platforms such as *Airbnb* (office built in Sydney) and *Couchsurfing* (US based); and
  - space sharing platforms such as *ParkHound* (founded in Melbourne) and *Divvy* (founded in Sydney) for parking spaces, *Fishburners* (Sydney based) for office space and *Landshare* (UK based) for areas to grow produce.

3.1 Home sharing platforms

3.1.1 Airbnb

*Airbnb* allows owners to list their properties for short term rental amongst its network of users. Estimations by BIS Shrapnel[^30] between August 2012 and July 2013 found that

Airbnb’s 2,205 local Australian hosts supported $214 million in economic activity (both direct and indirect) and 1,642 jobs over that period.

According to Airbnb, its Australian platform currently has around 40,000 available listings which have doubled over the past year. Around 60% of its listings are entire homes and 40% are private rooms. Listed property owners expect to earn around $7,100 per annum (based on renting out 51 nights per year on average), contributing to approximately $284 million in income annually nationwide.

Sydney is Airbnb’s 10th largest market worldwide. Sydney currently has approximately 10,800 listings which have grown by 78% since last year. 5,400 listings are available in the rest of NSW, including Sydney this combines to 16,200 NSW listings and around $115 million in annual revenue.

Unlike many other collaborative economy platforms where usage is higher amongst younger age cohorts, the distribution of Airbnb usage amongst different age groups is more varied with average guests being 42 years old. This could be due to barriers such as potential hosts being limited to segments of the population that have excess capacity to rent out their property and higher accommodation costs for potential Airbnb users compared to low-cost and budget options such as hostels and motels.

Chart 3.1: Distribution of Airbnb hosts, by age in Sydney

According to the NSW Parliamentary Research Service\textsuperscript{31} and calculations from BIS Shrapnel\textsuperscript{32}, most of Airbnb’s users are international. Three quarters of Airbnb’s Sydney guests are not from Australia with 41% and 21% coming from Europe and North America respectively. Additionally, 80% of Airbnb’s Sydney properties are located outside of main hotel areas such as the Central Business District, Haymarket, Potts Point and Surry Hills, where residents and businesses may not have traditionally experienced tourism benefits. This allows visitors to see a different side of Sydney, with 46% of their daytime spent in the suburb where they stayed.

\textsuperscript{31} NSW Parliamentary Research Service (2015), Uber and Airbnb: the legal and policy debate in NSW

\textsuperscript{32} BIS Shrapnel (2013), Airbnb economic impact, See: http://blog.airbnb.com/economic-impact-airbnb/
The feedback, ratings and review mechanism in Airbnb provides an incentive for hosts to provide a quality service and improve the guest’s experience. 98% of hosts suggest nearby local restaurants, cafes, bars and shops to their guests and average Airbnb guests spend $751 more than average tourists per visit. 63% of Airbnb’s guests also say that Airbnb increases their likelihood to return to Sydney in the future.

However, a current policy issue is that short-term accommodation providers are required to comply with local council regulations which may not be straightforward and can often differ significantly between councils. For example, the City of Sydney Council does not currently permit visitor accommodation in residential areas; however long-term leases bypass the need for council approval.

3.1.2 Couchsurfing

Couchsurfing is a global platform where hosts can offer temporary accommodation which can range from a couch, airbed, private room or shared sleeping surface to guests at no financial cost.

It is most popular amongst younger age cohorts with 44% of its users aged under 24. Australia has the 9th largest Couchsurfing member base worldwide, with over 107,500 members, behind USA, Germany, France, England, Canada, Spain, Italy and Brazil.

Because of the reputational mechanism where hosts and guests are required to provide a written positive or negative recommendation, guests typically offer services such as cooking, cleaning, socialising, knowledge exchange (such as languages or other skills) and insights to their local country which may be beneficial to the host. In return, hosts often provide in depth local knowledge of their city which can provide a more enriching and personal travel experience for travellers who do not have local networks in their destination city, compared to attending travel tours and groups.
The social aspect of Couchsurfing has been also extended to **regular hosted events and meet-up options** which allows members to readily find a network of like-minded travellers to participate with as well as locals who may be willing to give their time to provide a local perspective of their city to a traveller.

3.2 Estate and space sharing

Digital technology has allowed excess and idle spaces such as parking spots and growing land to be shared amongst users, reducing the need for individual ownership.

Launched in 2013, **Parkhound** is currently the largest Australian peer-to-peer platform that allows residential property owners to lease their empty driveways or garages to drivers for temporary periods in return for a fee (which is typically up to 60% lower than commercial parking options). According to their co-founder Michael Nuciforo, there are currently over 3,000 available parking spaces and 10,000 members on the platform generating more than 60,000 weekly website hits. Based on Parkhound projections, total parking spaces on the platform are estimated to grow to 10,000 by 2016 and generate over $2m via in-site bookings.

Other emerging parking space sharing platforms include **Divvy** which connects drivers to unused private car spaces with listed parking spaces in the CBD earning between $2,000 and $3,500 per year. The platform currently has over 3,000 users and 1,000 listings with 150-200 booking made each month in Australia.

This concept also extends to other sharing spaces, such as land used to potentially grow vegetables and produce. **Landshare** which was launched in the United Kingdom in 2009 has since grown to a community of 57,000 growers, shares and helpers across the UK. The concept connects growers who need land for cultivating food to individuals who have spare land that they are prepared to share. There are currently 2,772 members using the platform in Australia.

Collaborative workspaces such as Sydney based **Fishburners**, which is Australia’s largest start-up co-working space, have also been growing since its launch in 2011. The Fishburners office space now hosts 151 companies, 240 people and has around 500 visitors to its events each week. Because of the co-sharing space concept and being a non-profit company, Fishburners is able to keep costs low at around $400 per month per person which is important for early start-ups before they move on to larger office spaces typically between 12-18 months. They have recently received $20,000 in funding from the NSW Government.

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Earlier this year, **iCentral.co**, an 1100sqm co-working space for tech start-ups was also launched in Sydney. Around 50 people have already signed up to become Charter Members for the co-working space\(^\text{36}\).
4 Financial services

Over the past few years, there has been considerable attention turned towards the impact of the Collaborative economy on the provision of financial services in Australia. For example, the 2014 Financial Services Inquiry recognised a role for crowdfunding in financing of small and medium-sized enterprises (SME). While crowdfunding and lending have typically been the most prominent, other financial services which have also been impacted by the Collaborative economy include P2P insurance and payment services. Some of these businesses are offering more convenient ways of undertaking traditional financial services.

Key highlights:

- Globally online crowdfunding has raised substantial is estimated to have raised more than US$16 billion in 2014 but it is difficult to determine the share of these funds attributable to Australia. Nonetheless, growth in the number domestic platforms suggests Australians may be participating in increasing numbers.
- The size of P2P and digital marketplace lending in Australia remains small (around 0.02% of personal credit outstanding) and has primarily been personal loans, but there is potential for this sector to play a greater role in supporting small business funding needs.
- As this activity grows, the risks associated with financial services mean that appropriate regulatory oversight will likely be more important in this sector than any other. Furthermore, providing regulatory certainty to these businesses could support further growth.

4.1 Online crowdfunding

Online crowdfunding (“crowdfunding”) typically is used by entrepreneurs as a form of start-up financing in which funds are sourced from public donations. Crowdfunding websites will allow a fundraiser to post their business idea (also known as “projects” or “campaigns”) on to the platform’s website, although most platforms also allow individuals to post personal funding projects. These ideas typically require vetting or approval by the platform prior to being listed. Members of the public, who usually are not professional financiers, who wish to support the campaign will be able to provide monetary donations through the website. These supporters are known as “sponsors” or “backers”.

On some websites, the fundraiser is required to set goals, which comprise a monetary target to be achieved within a certain time frame. In most cases, only campaigns that reach their goals will be funded (“all-or-nothing” campaigns), although some websites provide an option to allow fundraisers to access the funds from partially funded campaigns (“flexible”

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campaigns). Crowdfunding websites will usually charge a levy on the funds received for a campaign.

Crowdfunding typically has been used for initiatives with relatively small budgets. Any member of the public is able to pledge their support, so backers of local campaigns can be from around the world. While there usually is no financial return for backers, some campaigns entice potential backers with rewards. For example, backers of a musician or author’s latest creative endeavour may receive a copy of the finished work.

4.1.1 Some key players

There have been a large number of crowdfunding websites that have been established in the past few years. Two of the largest and most well-known global crowdfunding websites are Indiegogo and Kickstarter, both of which report having large Australian user bases. The latter is more well known in Australia. However, the most widely used in Australia is local website, Pozible, which has reportedly also experienced significant growth in recent years.39 There are a number of differences between these platforms; for example, they cover different campaign categories, have different funding models and use different payment systems.40 These websites are discussed further below.

Kickstarter and Indiegogo

Kickstarter is a New York based company which was established in 2009. To date, Kickstarter has successfully funded nearly 92,000 projects around the world, with over US$1.9 billion of pledged funds. Currently, it only allows fundraisers from 18 countries, including Australia. Other countries include; US, UK, Canada, Australia, New Zealand, the Netherlands, Denmark, Ireland, Norway, Sweden, Germany, France, Spain, Italy, Austria, Belgium, Switzerland, and Luxembourg.

Indiegogo was established in San Francisco in 2008. Indiegogo also has offices in New York and Los Angeles, and representatives in Sydney and Toronto.41 Indiegogo also is available to users anywhere around the world. Data on Indiegogo are not readily available, although it has been reported that, globally, Indiegogo launches more campaigns per day than other platforms.42 However, it has also been reported that it has a low success rate.43

Some of the key differences between the two platforms are that Indiegogo offers fundraisers an option between a flexible and all-or-nothing funding model, while Kickstarter

41 Anna Maguire, crowdfund it (2013), indiegogo has an Australian representative!”, available at: http://www.crowdfundit.com.au/2013/08/19/indiegogo-now-have-an-australian-representative/
42 Josef Holm, Krowdster (2013), Does Kickstarter still ‘own” Indiegogo?”, available at: https://www.krowdster.co/blog/kickstarter-still-indiegogo.html
only allows for an all-or-nothing funding model. Reportedly, Kickstarter also has a narrower scope of categories in which it allows listings and a stricter review process.\textsuperscript{44}

Furthermore, research based on third-party data indicates that Kickstarter is the overall leader in cumulative funding. Krowdster, a crowdfunding data analytics and discovery platform, shows a comparison of cumulative funding volume in the United States (Chart 4.1).\textsuperscript{45}

**Chart 4.1: Cumulative Funding through Kickstarter and Indiegogo in the US (US$)***

![Chart 4.1](image)

* 2015 data only includes data from Kickstarter to February 2015.

Source: Krowdster (2015)

Both platforms experienced rapid growth in funding volumes since 2011. In terms of funding by year, in the US, Kickstarter funding volumes declined in 2014 compared to the previous year (Chart 4.2). This may reflect increased competition between platforms in the crowdfunding market.

**Chart 4.2: Annual Funding through Kickstarter and Indiegogo in the US (US$)***

![Chart 4.2](image)


\textsuperscript{45} Josef Holm, “Does Kickstarter Still "Own" Indiegogo?”, available at: https://www.krowdster.co/blog/kickstarter-still-indiegogo.html
Despite the declining funding volumes in the US, globally Kickstarter reported a 10% increase in funding between 2013 and 2014, and a similar increase in the number of successfully funded campaigns (Table 4.1).

**Table 4.1: Kickstarter Performance**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>Annual Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledged funding</td>
<td>480</td>
<td>529</td>
<td>10.2</td>
</tr>
<tr>
<td>(US$ million)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Successfully funded</td>
<td>19,911</td>
<td>22,252</td>
<td>11.8</td>
</tr>
<tr>
<td>projects (no.)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Kickstarter

This suggests that Kickstarter’s overseas performance is improving. In 2014, nearly 99,000 backers pledged US$19.8 million in funds in Australia, or 3.7% of Kickstarter’s global fundraising.

As at 4 September 2015, Kickstarter listed 4,118 projects which were based in Australia, of which 1,276 were based in NSW and 1,031 projects were based in Sydney. This compares with 999 projects based in Melbourne. Of the Sydney-based projects, nearly a quarter are already fully funded; with the majority of projects raising between US$1,000 and US$9,999 (Chart 4.3). If we assume that the geographic distribution of campaigns launched is reflected in the distribution of funding, potentially over US$6 million has been raised in NSW.

**Chart 4.3: Successful Sydney-based Kickstarter Projects by Size (US$)**

Source: Kickstarter
Pozible

Pozible is an Australian-based crowdfunding platform. It was established in 2010. While it also has an international user-base, reportedly, 60% of the site’s visitors come from Australia.46 Pozible has offices in Melbourne, Shanghai, Singapore and San Francisco.

Similar to Kickstarter, Pozible follows an all-or-nothing funding model; however it offers greater flexibility in payment terms. For example, it allows for backers to provide monthly donations rather than a single lump-sum payment. Furthermore, Pozible also accepts Bitcoin pledges.

Pozible reports that it has raised over $27.5 million in pledges, globally, since it launched; with 9,372 projects being listed. While Pozible is on a smaller scale than Indiegogo and Kickstarter, it reports the highest rate of successfully funded campaigns (of 57%).47 Reportedly, as at January 2014, Australians made up more than 180,000 of Pozible’s 200,000 pledgers across the globe, and have contributed more than $17.8 million in pledges.48

As of 4 September 2015, 7,534 Australian-based projects have been launched on Pozible, with 1,582 of these projects based in Sydney. Around 61%, or 4,600, of Australian-based projects were successfully funded. This success rate is replicated for the Sydney-based projects, with 991 projects, or 63%, achieving full funding. In comparison, there have been 2,585 Melbourne-based projects launched on Pozible since it was established, and 1,719 of these projects being successfully funded (a success rate of 66%).

4.1.2 Other platforms

We also canvas a number of other crowdfunding platforms, some of which have specialised in certain ways as a means of differentiating their offerings.

OzCrowd

OzCrowd is an Australian crowdfunding platform based in Victoria. It launched in July 2014. OzCrowd campaigns have ranged from personal fundraising for charity to new business ideas. Similar to Indiegogo, OzCrowd offers fundraisers an option between a flexible and all-or-nothing funding model.

OzCrowd reports that it has raised over $5 million in pledged funds for more than 1,100 campaigns to date.

VentureCrowd

VentureCrowd is a Melbourne-based equity crowdfunding platform. It differs from the more traditional crowdfunding platforms discussed above in that investors exchange cash

for an equity interest in their chosen business. However, only sophisticated investors (i.e. with net assets of $2.5 million or gross income of $250,000) are able to participate in equity crowdfunding.\(^{49}\) Eligible investors can take an equity stake in companies in the early stages of their development from as little as $1,000 per company.

As of 4 September 2015, VentureCrowd has only listed seven deals, with five deals completed. Among those deals listed, the Ingogo taxi-booking and payment software company’s pre-IPO, was the largest. Reportedly, over $4 million was raised for Ingogo through VentureCrowd.\(^{50}\)

**EverydayHero**

EverydayHero is an online fundraising platform specifically targeted at charitable causes. EverydayHero is based in Brisbane and lists 47 employees on its website.

It was established in Australia in 2007, and has helped to raise over $260 million locally for charitable causes all over the world. It notes that over 760,000 people have supported over 2,600 causes.

**BrickX**

BrickX was founded in 2014 and is part of the Sydney-based asset manager, BridgeLane Group. BrickX is an online investment platform that allows investors to partly purchase shares in properties by trading “Bricks”, which is a 1/10,000 beneficial interest in physical property. BrickX purchases properties and turns them into “Bricks” priced at market value (Figure 4.1). At present only sophisticated investors are able to invest with BrickX, although they are aiming to extend their offering to retail investors in the future.

As of 4 September 2015, BrickX listed three properties for investment, with individual Bricks priced between $65 and $126. Two of the properties were located in NSW and one in VIC. Then-BrickX CEO, Darren Patterson, noted in a February 2015 interview with Business Insider that:\(^{51}\)

> “We are focussing on studios, one bed and two beds, that’s where we’re starting... That’s where we think the demand is across the country.”

The BrickX CEO also noted that they intend to continue to investing in Melbourne and Sydney. BrickX lists a team of 11 staff based in Sydney. BrickX has not published data on their funds under management.


Crowdfunding has also impacted the way organisations can gain new donors, engage supporters and increase recurring payments and gifts. GiveEasy connects charities, causes and not-for-profit organisations to supporters and wider audiences through a cloud-based SMS donation platform. Thus far it has helped with the Oxfam Nepal Earthquake Appeal, Amnesty Flowers of Hope and Cure for MND Foundation.

4.2 Lending

Peer-to-peer (P2P) lending involves the use of a lending platform intermediary which matches investors (i.e. lenders) and borrowers. These platforms replace the role of traditional bank and non-bank credit providers, and while some platforms help consolidate funding from small lenders to match large loans, they typically do not hold loans on their balance sheets. Investors in some P2P lending platforms are effectively buying into managed investment schemes, for example, SocietyOne and RateSetter. Investors mainly fit into the sophisticated investor category, although some providers market to retail investors. The platforms charge fees to the lending and/or borrowing parties. For example, SocietyOne takes a 1.25% p.a. commission fee from the interest paid by borrowers.

While lenders and borrowers can be either individuals or businesses, the loan products that have been extended to date have mainly been unsecured personal loans. Morgan Stanley estimated that P2P loans outstanding were less than $25 million as of May 2015, with over 95% of loans personal loans. Based on this estimate, P2P lending represented around 0.02% of personal credit outstanding in Australia. Based on the monthly flow numbers, the share

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52 P2P lending implies that lending platforms directly link individual investors to individual borrowers, however the recent growth in institutional investor participation and lending platforms marketing managed loan portfolios has led to the increased use of “digital marketplace lending” as an encapsulating term.

of personal loans extended in NSW has represented about one-third of all personal loans extended in Australia.

P2P lending to businesses is negligible at present, however future increases in small business lending likely will have an impact on NSW, where over one-third of Australian small businesses currently operate.

4.2.1 Key players

Currently, there are five P2P lending platforms operating in Australia,\textsuperscript{54} and all of these platforms are registered in NSW:

- **SocietyOne**: The first P2P lending service in Australia; launched in August 2012. Westpac’s venture capital fund, Reinventure Group, has a $5 million equity stake in SocietyOne.\textsuperscript{55} SocietyOne offers unsecured personal loans ranging between $5,000 and $35,000 for terms of between 1 and 5 years. These loans are “fractionalised”, so investors fund a portfolio of loans. They currently only accept funds from sophisticated investors.

- **RateSetter Australia**: Launched in Australia in October 2014. RateSetter Australia licensed its name from the UK-based RateSetter Group. In March 2015, Stratton Finance and Carsales.com announced that they have taken a 20 per cent equity stake in RateSetter Australia worth $10 million, which values RateSetter at $50 million.\textsuperscript{56} Ratesetter Australia is a P2P lending platform that offers both secured and unsecured personal loans of up to $35,000 for terms between 6 months and 5 years. RateSetter Australia accepts funds from retail investors. RateSetter Australia is the first P2P lender in Australia to have a “Provision Fund” which helps protect investors’ funds against borrower default.

- **DirectMoney Limited**: A marketplace lender that was founded in 2008, but only has been operating since late 2014. They recently listed on the ASX (code DM1.ASX). DirectMoney Limited offers unsecured personal and business loans ranging between $5,000 and $35,000 for terms of 3 or 5 years. They accept funds from retail investors, which are pooled and used to finance a portfolio of loans with a predefined target rate of return.

- **ThinCats Australia**: Launched in Australia in late 2014 as a subsidiary of the UK-based ThinCats, which was established in 2011. ThinCats Australia is a P2P lender that targets small- to medium-sized enterprises (SME), offering secured business loans of up to $2 million for terms of up to 5 years. Investors bid on individual loans that they wish to fund. It accepts funds from sophisticated and wholesale investors.

- **Marketlend**: A P2P lender that launched in December 2014, focused on providing secured and unsecured financing to small businesses. Marketlend offers loans


ranging from $2,000 up to $1 million for terms of 3 and 5 years. Their investors can buy parts of loans, and these loan parts can be traded on Marketlend’s Note exchange. Marketlend primarily accepts funds from wholesale, sophisticated and professional investors. Marketlend offers investors with first-loss protection on every loan and insurance on qualifying loans.

Data on the volume and value of loans originated through these platforms is not readily available. In future, financial disclosures and reporting by lenders such as DirectMoney Limited, likely will provide greater insight into the operational costs and structure of digital marketplace lenders. However, various news articles, public announcements and research reports provide some indication of size:

- As the first entrant to the market, SocietyOne currently represents that largest share of the domestic P2P lending. As of December 2014, it has been reported that SocietyOne has facilitated $15 million in loans.\(^57\) Morgan Stanley, in its May 2015 report estimated that SocietyOne had loan balances of less than $25 million.
- According to RateSetter Australia, as at 3 September 2015 it had over 1,400 lenders and $8.5 million of funds on loan through its platform.
- In April 2015 DirectMoney Limited reported that in the first 5 months of its operations it has intermediated around $5 million in personal loans.
- ThinCats Australia, as one of the newer players, is estimated to have less than $1 million of business loans outstanding on its platform.\(^58\)
- Marketlend reported that it had approximately 360 registered investors as of August 2015. In the month, Marketlend reported that it had over $2.8 million of loans available for investment, and had settled and traded around 4,200 loan parts. On 15 September 2015, Banking Day reported that Marketlend has funded around $500,000 of loans for 18 borrowers at an average rate of 19%.\(^59\)

In addition to these providers, a number of other digital marketplace lending platforms have also announced their intention to launch in Australia:

- **MoneyPlace**: A P2P lender which intends to launch in Australia in 2015. It expects to accept retail investor funds. It will primarily offer 3-year unsecured personal loans of between $5,000 and $35,000. These loans will be fractionalised so investors will hold loan portfolios as a means to diversify the credit risk.
- **OnDeck**: The US lender announced in April 2015 that will enter the Australian market through a partnership with local accounting software provider, MYOB. It intends to provide small business loans of up to $250,000.

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While lending activity will be national, we note that MoneyPlace has registered its business in Victoria, and although OnDeck has yet to establish its domestic operations, its partner, MYOB, also is based in Victoria.

4.3 Other

4.3.1 International currency transfers

CurrencyFair is a peer-to-peer currency exchange marketplace established in 2010, with offices in Australia based in Newcastle, as well as Ireland and the UK. They have around 100,000 registered users and 30,000 in Australia. It is able to execute transfers to around 80 countries; however this excludes the US at present.

CurrencyFair matches customers who want to make international currency transfers. They also will take the other side of the trade in the event that “there are no customers providing a competitive rate for your exchange”. It helps its customers obtain better exchange rates and avoid expensive bank fees by facilitating money transfers by executing payments using the company’s local accounts on either side of the trade.

Reportedly, CurrencyFair has exchanged close to $3 billion since its inception, saving its customers an estimated $200 million in bank fees. Company CEO, Sean Barrett, notes that CurrencyFair has “done about 450 million euros ($665 million) in Australia.”

4.3.2 Cryptocurrencies

A cryptocurrency is a medium of exchange in which transactions and creation of new units are secured using cryptography. Cryptocurrencies are underpinned by a distributed ledger, or “blockchain”, which records all transactions in the cryptocurrency. The most well-known cryptocurrency is Bitcoin; however there are a number of other cryptocurrencies available for trade.

As of 4 September 2015, Bitcoin has the highest market capitalisation of a cryptocurrency at US$3.3 billion. The blockchain that underpins Bitcoin is a shared, public database that tracks who owns the cryptocurrency and records the details of every transaction. Owning a unit of the cryptocurrency essentially is an entitlement to a transaction record sitting in the blockchain.

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There are limited transactions that can be settled by Bitcoin at present. Nonetheless, Westpac’s Reinventure Group has invested in Bitcoin wallet and exchange service, Coinbase.\(^{64}\) Coinbase has more than 2.2 million users and 39,000 customers.

The second largest cryptocurrency by market capitalisation is Ripples, with a market capitalisation of US$238 million.\(^{65}\) Ripples are the native currency of a currency settlement, exchange and remittance network called the Ripple protocol.

Three of Australia’s four major banks, Australia & New Zealand Bank, Commonwealth Bank of Australia and Westpac reportedly are exploring the use of the Ripple protocol for money transfers.\(^{66}\) The use of the Ripple protocol could allow banks to clear and settle transactions in real time, which could provide efficiency benefits through lower costs and faster international payments.

### 4.3.3 P2P insurance

The German-based, Friendsurance, is regarded as the pioneer of P2P or “social” insurance.\(^{67}\) It is an online, P2P insurance platform established in Berlin in 2010. Friendsurance currently offers household, personal-liability and legal-expenses insurance, and is looking to extend its offering into car insurance.\(^{68}\)

Essentially, policyholders with the same insurance type will form small groups. These groups can be formed by a small circle of friends or an individual can be matched with open groups on Friendsurance’s website. Members of the group will contribute a premium. Mainly, this is used to cover the insurance policy excess (or “deductible”). Part of the group’s premiums also is set aside to settle small claims, which are shared among the group. The costs of large claims are still covered by normal insurers, with whom Friendsurance has partnerships with over 60 traditional insurers. If the group’s set-aside premiums exceed the amounts of small claims over the year, members of the group receive a “claims-free bonus” (i.e. return of part of the premium).

P2P insurance currently is not available in Australia, however it has been suggested that some international providers have expressed interest.\(^{69}\)

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\(^{67}\) Collaborative Consumption, “Pioneer Interview with Tim Kunde of Friendsurance”, available at: http://www.collaborativeconsumption.com/2015/05/06/interview-with-tim-kunde-of-friendsurance/


4.3.4 Financial advice

NSW-based website, Flongle, launched in 2013, provides a service to help potential home buyers or property investors compare mortgage products. It has been referred to as a crowdsourcing website. Flongle is not a mortgage broker, as they do not receive commissions from lenders. Instead, Flongle charges potential borrowers a fixed-fee for using its service.

Flongle allows its customers to list their details, such as relating to their borrowing needs and creditworthiness, anonymously on a secure platform. In response, a number pf mortgage brokers and lenders that have been verified by Flongle would place bids competing to write this loan. Flongle refer to this process as a “mortgage contest”.

Flongle ranks the offers received by matching individual offers against the customer’s requirements using their proprietary technology. Flongle’s advisers also will provide tailored advice to help the customer make a decision.

Flongle does not report on the number of loans it has facilitated or the number of customers it has serviced.

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5 The goods and redistribution market

The goods and redistribution market is one of the earliest adopters of the collaborative consumption model, with eBay being founded in 1995.

With increasing affordability (both in technology and transport), accessibility and awareness of digital technologies such as fast internet, computers and smartphones over the past two decades, it has become easier for individuals to share and occasionally transact amongst each other without the burden of setting up a physical storefront. This has helped spawn numerous peer-to-peer platforms to facilitate matching between potential buyers and sellers.

Key highlights:

- peer-to-peer marketplaces are becoming the shopping platform of choice for many Australians\(^{71}\)
- on average 8 million different Australians interact with eBay on a monthly basis, with 61% of all Australian site traffic from mobile devices
- The collaborative economy probably makes up around 1-2% of the retail goods market. eBay accounted for 20.3\(^{72}\) of total online retail shopping visits in Australia for 2014 (this includes both eBay Australia and eBay overseas). Online retail shopping is now a $16.9 billion industry representing 6.8% of traditional retail spending\(^{73}\)
- major players in this sector include:
  - peer-to-peer marketplaces such as eBay (US based), Gumtree (owned by eBay), Grays Online (Australian based) and Etsy (US based); and
  - peer-to-peer sharing platforms such as The Clothing Exchange (founded in Melbourne), for swapping garments and Garage Sale Trail (founded in Sydney) for coordinating and raising awareness for garage sales
  - crowdsourcing platforms such as DesignCrowd (founded in Sydney), Groupon (US based), Scoopon (founded in Melbourne) and Cudo (founded in Sydney)

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5.1 The goods and redistribution market

5.1.1 Peer-to-peer marketplaces

One of the most recognised companies in this market is eBay, which is an online auction and shopping website where people and businesses can buy and sell a wide variety of goods and services worldwide. Initially, eBay sales were predominantly conducted through auctions and listed products were typically second-hand collectibles. Today however, around 85% of its listed products are brand new items which are mainly used as an additional sales channel by businesses at a set ‘Buy it now’ price.

eBay has processed more than 681 million transactions in Australia over the last 16 years. On average 8 million unique Australians interact with eBay on a monthly basis according to eBay (2015) and almost 60% of all online shoppers in Australia bought an item from eBay over the past month.

With Australia being second only to Singapore (85%) in terms of smart phones per capita (74%) and a strong adopter of digital commerce ($28 billion of spending in 2014), eBay’s mobile app has been transforming the way Australians shop with 61% of all site traffic now generating by mobile devices in Q1 2015.

Australian eBay users are typically earlier adopters of technologies compared to the rest of the population, with 110 million searches in the electronics category for 2014. NSW buyers spend the most money on mobile devices in total however Victorian buyers spend the largest proportion of their income on mobile devices.

Big data applications of eBay’s activity can also be beneficial in understanding consumer trends and changing preferences in the market due to the scale and richness of their transactional information. Recently, they identified that there will be an incoming boom in smart wearables, with a surge in smart wristband sales of 500 times in the past year.

Other similar platforms include:

- **Gumtree Australia**, the largest free Australian classified advertising service which was launched in 2007 and is a subsidiary of eBay. Its scope is unbounded with currently 2.1 million listed goods, services and entities ranging from vehicles, gardening equipment, electronics, properties and entire businesses; as well as the sale of freelance services.

- **Grays online**, an Australian online retail and auction company that merged with DealsDirect (also Australian based) last year to create Australia’s largest e-commerce group with gross sales in excess of $440 million74; a customer database of 6.2 million; email subscriber base of 2.9 million; 120,000 products and 880,000 active customers75.

- **Etsy**, which is a popular listing platform that is more focused on clothing, accessories, jewellery, crafts and vintage goods with over 100,000 items currently listed in Australia.

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5.1.2 Peer-to-peer sharing

Besides the exchange of goods and services for financial costs, they can also be shared on peer-to-peer market platforms.

The Clothing Exchange is an Australian start-up that focuses on swapping garments online between members. Users are asked to upload their gallery of items they would like swapped and provide:

- general descriptive details such as size measurements and material; and
- a self-perceived value of their item between 1 and 5 buttons.

These items can then be used to send out ‘swap requests’ with other users. In addition, The Clothing Exchange hosts and facilitates clothing swap events which can attract between 20 and 1,700 people.

Shared locations to attract foot traffic and a larger audience can also be coordinated in the collaborative economy with Australian ventures such as Garage Sale Trail allowing users to register their garage sale on a geographic map for potential shoppers to be aware of.

One of the major problems with garage sales is that the sheer quantity of low value items makes online listing very costly administratively, however attracting enough physical buyers who may be interested often requires non-trivial marketing costs (such as printing, planning and time). The Garage Sale Trail platform helps solve this problem and now has over 350,000 members and over 2.9 million items sold from 8,000 garage sales.

With over 20 million tonnes disposed to landfill in Australia each year, peer-to-peer sharing can also help reduce this burden. Starting in December 2013, TuShare is Australia’s fastest growing platform that allows Australians to share their pre-owned items to others for free. The platform operates on a ‘giver-centric’ system where the giver only needs to put their item(s) into a box and TuShare will arrange the logistics and courier to pick up and deliver the item(s) at a cost of $10 paid by the recipient. During its first three months of operation, 7,000 items were given away on its site.

5.1.3 Crowdsourcing

Crowdsourcing involves getting work or contributions through a community of people. This includes Australian companies such as DesignCrowd which is the world’s most popular custom design marketplace for graphic designers. Projects are:

- described, given general guidelines and listed on the website;
- the project owner selects from a vast pool of suitable designs; and then
- shares this with friends, members and artists for feedback and further edits before being finalised

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Average projects involve 102 different designs and the platform has over 478,800 graphic designers listed and has contributed over $29.3 million in projects and contests since being launched in 2008.

Also launched in 2008, Groupon is one of the most recognised daily deal and crowdsourcing platforms in Australia. The business works on a coupon based system where buyers pay upfront before using a good or service (with set expiration timeframes) from a business which can typically range from restaurant meals, hotel stays or fitness classes.

It provides business owners with a minimum return on their investment as deals typically require a minimum number of buyers before they are set as ‘active’. To help reach the minimum buying target, members often promote the discounted coupon on social media platforms which provides marketing benefits for the business.

This crowdsource based coupon concept has led to many similar Australian companies such as Scoopon and Cudo. However, there have been some concerns about the legitimacy of the original price claims of some deals listed in these platforms. In 2014 the Australian Competition and Consumer Commission (ACCC) found that the Melbourne based coupon firm Spreets had made false or misleading claims.78

6 Services and labour hire

Another area in the collaborative economy is the facilitation of services and labour hire. Platforms have allowed people to connect and find others who are willing to assist with all sorts of tasks – ranging from everyday tasks (standing in line, grocery shopping, dog walking) through to professional services (plumbers, electricians, accountants).

These services can be provided on an ad hoc basis, and provide flexibility for both the service provider and the receiver. For service providers, it can allow people to work flexible hours around their other commitments or supplement their income. People can offer to provide services for any period of time, and are not locked into minimum hours. This can be particularly valuable for people who would otherwise be unemployed, underemployed or outside the traditional labour force.

For those requesting services, the collaborative economy facilitates exchanges for specialised tasks that may not otherwise have taken place. This includes finding someone who is willing to assist with everyday tasks – such as decorating a room or baking cookies for a school function, where there is no traditional market to seek such support. The collaborative economy supports one-off transactions and allows people to more efficiently manage their time and gain utility from their leisure time.

Key highlights:

- Collaborative economy platforms for services are straightforward because many of the services and service providers already exist. However, a market for new services has emerged – such as line queuing.
- It is possible that the collaborative economy will be one of the most significant forces affecting the nature of work and workplaces in the next two decades. There is significant opportunity for flexible working options – digital technology has broken down barriers and is turbocharging the independent economy. In one United States example, a person can earn US$1,060 per week (Monday to Friday) in the sharing economy, equivalent to US$55,120 per year, through providing services including renting accommodation, driving, renting their vehicle and performing odd jobs.  
- Although not explicitly discussed here in the report, we acknowledge that there may be some industrial regulation issues with collaborative economy businesses within this sector.

6.1 Personal services

There is a booming market for everyday tasks which could not have been easily outsourced if not for the collaborative economy. Airtasker, a NSW start-up, has filled this gap, allowing anyone to outsource their everyday tasks such as deliveries, office work or odd jobs to

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others. With 250,000 Australian users, Airtasker claims to have grown by more than 50% in 2015. In March alone, $1.3 million worth of tasks were booked on Airtasker, up from $200,000 the year before. It now processes around $10 million worth of jobs per annum, including both personal and professional services. Its categories include:

- home and garden;
- delivery and removals;
- handymen and trades;
- marketing and design;
- events and photography;
- computer and IT;
- business and admin; and
- fun and quirky (including food deliveries, entertainers, queue line-ups).

**Gumtree Australia**, discussed in Chapter 5, also allows for people to connect in relation to a range of personal services. **MeeMee**, outlined in Chapter 8, is another platform facilitating deliveries of goods.

### 6.2 Professional services

Similar to Airtasker, there are a number of platforms facilitating professional services tasks.

**Freelancer**, also based in NSW, is a global outsourcing marketplace. It allows people to post a 'project' and receive competitive bids from freelancers online. Projects tend to be related to information technology services, including website development or design, blog articles or development of mobile apps. There are over 16.5 million registered users on the site (employers and freelancers) worldwide. There are over 8 million posted projects valued at $3.8 billion. It is difficult to narrow down an “Australian” or “NSW” component of the value or movement, as the nature of work allows people to connect regardless of their physical location; indeed, connection with people in different time zones can be an advantage as work can be done outside office hours in one time zone, ready for the next day.

Similarly, **Expert360**, a Sydney based start-up, is disrupting the professional services market by matching consultants with clients in relation to strategy, customer supply chain, data and analytics projects. The site has over 4,500 independent consultants who bid on jobs ranging up to $80,000 in value for government, small business and large businesses. On average, charge out rates are $100/hr and is a market for high-end professional services. Key clients served include AMP and Virgin and Australia Post.

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OzLance provides a platform service specific to Australia and New Zealand – connecting local freelancers with people requiring services that range from graphic designers, to software programmers, translators, writers and video editors.

Founded in 2004, Hipages Group is a directory business based in NSW that focuses on home improvements, natural therapies and pet services. The business has generated over 1.5 million visits to its website every month and has over 55,000 listed services providers in Australia. The platform connects people with service providers in over 1,300 categories, with matches every 45 seconds. Compared with 1.7 million technicians and trades workers employed in Australia in May 2015, tradespersons on this platform represent around 3% of the industry.

TradeEzi allows people to post a task (for example paving, electrical work, tree lopping, car maintenance) online or via an app, with local tradespeople responding with a quote or request for inspection. Profiles provide information on the tradesperson’s qualifications and feedback from previous jobs. While not originating in NSW, the platform facilitates services in both Sydney and Parramatta, among other cities.

Disruption may also occur for traditional financial and consulting services. Consultancies, financial advisers, legal services and HR consultants have been identified as service providers who may move away from being part of major organisations towards one-off transactions facilitated by the collaborative economy, as cost bases can be lowered when these providers are not partnered with big business.

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7 Education

The contribution of the collaborative economy in improving the accessibility and collaborative aspect of education has been substantial over the past decade. High quality online courses across all learning levels including tertiary have become more widely available through massive open online courses (MOOCs) and peer-to-peer platforms have been influential in improving matching between educators and learners and facilitating textbook rental.

**Key highlights:**
- education is becoming more accessible, affordable and collaborative
- around 780,000 Australians are registered on StudentVIP\(^86\), a second hand tertiary textbook marketplace, with 38.2% of users coming from NSW. This is a significant proportion, given that there are only 1.3 million enrolled tertiary students in Australia\(^87\). This means that it is possible that around half of tertiary students are part of a second-hand textbook network.
- major players in this sector include:
  - online course platforms such as Khan Academy (US based), Coursera (US based) and the Australian Open2Study
  - textbook exchange sites such as StudentVIP (founded in Sydney)
  - tuition matching services such as TutorFinder.com.au (Australian based) which are allowing students to obtain more affordable and personalised learning.

Currently there are more listed tutors on average in VIC than NSW.

7.1 Collaborative courses

According to Government 2020 from Deloitte University Press, one of the key trends identified in the future of education was increased collaboration, and peer-to-peer based learning where students are paired based on personality compatibility but varied cognitive strengths, enhancing the potential for them to learn from each other through sharing experiences as well as collaborative and project-based tasks.\(^88\)

There is a vast range of online courses across all subject and learning levels available through massive open online course (MOOC) platforms such as Khan Academy, Coursera, Udacity and Udemy.

\(^{86}\) May potentially be overstated as anyone can register one or many accounts


Khan Academy which was founded in the US in 2006 provides free short online micro lectures and videos on a range of topics including math, economics, computer programming, biology, medicine and history. Khan Academy currently has over 500 million video views on its website.

Subsequently, two Stanford professors from the US launched Coursera in 2012 which is a MOOC platform affiliated with leading universities. It currently offers over 1,250 university courses for nearly 15 million learners worldwide. These courses typically involve a mixture of online tools such as videos, audio, articles, discussions and peer reviewed assignments and tasks which builds a community amongst users and encourages collaborative learning and group discussion.

Australia currently has one MOOC platform with the launch of Open2Study by Open Universities Australia in March 2013. The platform currently has 48 free courses listed which include areas such as Science and Technology, Marketing and Advertising, Business, Finance, Arts and Humanities and Health and Medicine.

7.2 Peer-to-peer platforms

7.2.1 Used textbooks

The collaborative economy has allowed textbooks and educational resources to be shared and re-used amongst many individuals, which has made education more accessible and affordable.

Because most secondary textbooks in Australia are provided by the school (inclusive as part of annual school fees) rather than needing to be purchased individually, most Australian textbook rental and second-hand platforms have focused on the tertiary education market where typical textbook and course materials can cost up to $1000 per year.

StudentVIP is the most well established Australian platform with over 780,000 members and 146,972 listed textbooks for sale. There are also over 3,500 sets of subject notes which are purchasable by members and can help assist with learning and exam preparation. NSW (282,587 members) leads with the most users on the platform followed by VIC (214,083 members) and QLD (99,711).

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Additionally, Zookal which is a start-up focused on the used textbook and textbook rental market has begun a joint venture with commercial drone start-up Flirtey in plans to make Australia a worldwide industry leader in the use of unmanned aerial vehicles (UAVs) or drones in e-commerce deliveries.\footnote{Flirtey which was initially started by a group of engineering students from the University of Sydney has spent the past couple of years testing and refining its drone delivery system and has completed over 100 successful flights in Sydney. In partnership with NASA and Virginia Tech, it will become the first company to demonstrate Federal Aviation Administration (FAA) approved commercial drone deliveries in the US.}

### 7.2.2 Tuition services

Peer-to-peer platforms have enabled educators and learners to be matched much more efficiently in the economy.

The largest peer-to-peer tuition platform is TutorFinder.com.au which is primarily focused on tuition at the secondary level. Melbourne and Sydney lead with 16,447 and 14,492 listed tutors respectively.

University Tutor is an international tertiary level tuition platform that allows students to connect with tutors on a face-to-face or online basis in a range of university courses, as well as consulting type projects and assignments. The cities of Melbourne (2,215 tutors) and Sydney (1,261 tutors) lead Australia on this platform with the most listed in-person tutors, followed by Brisbane (451 tutors) and Adelaide (437 tutors).
8 Other collaborative businesses

Besides the major industries discussed between Chapters 2 and 7 of this report, there are other emerging and well-known businesses and platforms under the collaborative economy model.

Key highlights in this section include:

- the collaborative economy is growing and currently disrupting and altering many diverse industries including logistics, utilities, media, equipment rental, pet sitting and food and dining
- crowd shipping companies such as MeeMEEP which allow smaller individual shipments to be delivered in a cost-efficient manner, being approximately 55% cheaper than standard deliveries
- organisations such as One Big Switch using the collective bargaining power of a large group of people and claimed to reduce energy bills from Energy Australia by 22%

8.1 Logistics

The concept of crowd shipping is growing in the logistics industry with Australian based peer-to-peer delivery platforms such as MeeMEEP (Melbourne based) and Zipments (Sydney based).

Crowd shipping allows smaller shipments to be delivered in a cost-efficient manner through creating a platform where approved drivers who have the capacity to courier goods can collect items that need to be delivered by an individual or business. This reduces the need for asset-heavy infrastructure such as warehousing, vehicle fleets and higher fuel and driver costs if this exercise was completed by a single individual.

Based on price comparison estimates for courier delivery from Temando, MeeMEEP is approximately 55% cheaper than standard delivery companies⁹². This could be an area of high potential where the door-to-door pickup, transport and delivery market is estimated to be worth $80 billion in Australia according to IBISWorld⁹³.

8.2 Utilities

The collaborative economy has helped facilitate better resource sharing amongst Australians. Telstra Air which was launched by Telstra in partnership with Wi-Fi provider Fon in June 2015 as part of its nationwide Wi-Fi offering has seen over 100,000 customers sign up within its first two months. Customers with compatible routers offer to share a portion of their home internet connection which works as a hotspot for other Telstra

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customers in exchange for Wi-Fi access to 17 million hotspots both in Australia and overseas.

Additionally, for profit organisations such as One Big Switch use the collective influence of people to gain negotiation power in discussing deals with larger companies and industries. The platform currently has 579,807 members and the organization bargains (for a fee) and negotiates a discounted deal or offer, where interested members will switch and save.

Since launching in 2011, One Big Switch has been involved in a range of campaigns including discounted mortgages and debt deals. Its largest campaign to date is the ‘Big Electricity Switch’ campaign where 250,000 households were involved. Lately its ‘Big Energy Switch’ campaign in conjunction with News Corp, claimed to have unlocked a 22% discount from Energy Australia where more than 50,000 NSW households switched their energy supplier in July 2015.

8.3 Media

Many widely successful websites are based on an open content model such as Wikipedia, where the content is completely user generated. As the size of the user base increases, it allows a range of diverse and niche topics and subject areas to be updated and refined on a continual basis which has seen it disrupt and replace older informational resources such as Encyclopedia Britannica and Microsoft Encarta (which discontinued in 2008).

User generated content has also been the basis for many other media websites such as YouTube, Dailymotion, Metacafe and Vimeo which all focus on the sharing, viewing and uploading of video content.

YouTube is the fourth most visited website in Australia behind Google.com.au, Google.com and Facebook, with 11.5 million Australian users and an average time spent on the site of more than 22 minutes per visit94.

8.4 Equipment rental

There are many goods in the economy which do not get utilized on a frequent basis such as ski gear, drills and lawn movers, but are useful for most well-functioning households.

Sharing platforms such as the Australian Open Shed allow these types of idle goods to be rented and shared with other individuals in the economy, increasing their utilisation. Open Shed currently has over 5,000 Australian members and is growing by approximately 50 new members each week.

As with many other sharing platforms, establishing trust is an important issue. Open Shed often employs a bond mechanism into the price for security purposes as well as $1,000 damage cover and a visible rating system. There is also an equivalent free platform for renting idle items in Australia called Friends with Things.

94 http://virtualinfluence.com/services/video-marketing/
Focusing on a narrower scope, Spinlister also allows users to list and rent out certain equipment (such as a bike, surfboard or snowboard). It is currently available in Australia however its market is small.

8.5 Pet sitting

According to the Petcare Information and Advisory Service, Australia has the highest incidence of pet ownership in the world at 66%. Over 80% of Australian families have also owned a pet at some stage of their life, primarily ranging from dogs (48%), cats (30%), birds (12%) and fish (10%).

Peer-to-peer pet sitting platforms such as the Australian Mad Paws which was founded in August 2014, allows pet owners to organize a pet sitter to look after their pets when they are not available, with Sydney being the most popular user of the platform.

8.6 Food and dining

The size of the collaborative economy in the food and dining industry is small in Australia. Local collaborative platforms include Mama Bake where individuals get together to each cook large batches to share with others which means they can go home with a large number of meals cooked for the week, which saves time and resources.

Other platforms include Eatwith and Eat With Me, which offer shared dining experiences with other members; however their use and availability is currently very limited in Australia. Additionally, platforms such as Ripe Near Me and Harvest Hub (Sydney based) allow citizens to share and find excess local grown produce, reducing wastage as well as increasing the selling market for producers.
9 The future of the collaborative economy in NSW

The previous chapters have highlighted a number of businesses which make up the collaborative economy in NSW and present the available information on their size, scope and reach. The cited growth values are unparalleled in traditional economy businesses in Australia, for example: the car sharing industry expects annual growth of around 22.9% over the next 5 years; Car Next Door estimates a 40-fold increase of users and demand in the next few years; the number of Airbnb hosts are expected to double each year; and P2P lending is expected to grow to a value of $19 billion by 2020.

This chapter considers the future of the collaborative economy in NSW – areas which may experience growth and where new collaborative economy industries may arise.

Overseas experience in more developed collaborative economy markets may provide an indication of the potential size of the collaborative economy in NSW, though overseas markets with larger and denser population centres may better facilitate collaborative economy exchanges than the Australian market.

For example:

- Uber contributed over 1 million rides and around $20 million in income in Sydney last year, compared with revenue in San Francisco of $500 million per year.  
- There are around 40,000 Australian listings on Airbnb, out of over 1.5 million listings worldwide. Sydney is in the top 10 cities worldwide for numbers of listings, with over 10,000 listings. The top 3 are Paris (46,800 listings), New York (32,000) and London (25,000).

While the collaborative economy is expected to continue to grow at a significant pace, there will be challenges to its growth that will need to be addressed as its market share increases.

9.1 Potential areas of growth

The nature of disruption means that it is almost impossible to predict exactly how the collaborative economy will grow; however, it is likely that growth will occur through:

- wider availability of existing sharing economy services;
- vertical or horizontal integration of existing collaborative economy firms; and/or

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• development of new collaborative economy services.

The wider availability of sharing economy services could occur through greater geographic reach of existing businesses into regional centres and suburbs. Indeed, ridesharing services can have a greater social impact in smaller areas that are less well serviced by taxis or public transport, and accommodation services may provide a welcome alternative to limited tourist accommodation outside the major centres.

It is also expected that collaborative economy businesses which have developed overseas may expand their offerings to Australia, for instance, the market has speculated that Lyft is considering entering the Australian market. Given the size of its market, NSW is likely to be a starting point for overseas collaborating economy businesses looking to expand into the Australian market.

Scale can lead to further improvements in peer-to-peer matching and improve the quality of service. For instance, more users on a ridesharing platform leading to less waiting times and potentially further lower the cost.

Existing business may seek to expand through vertical integration; offering services which are part of their supply chain. Alternatively, they may expand through horizontal integration; taking on service offerings which are complementary to their existing business. An example of this is Airbnb’s Local Companion, a service which supplements the provision of accommodation with information to users about local activities, restaurants, and travel.

Entirely new collaborative economy services are hard to predict, however, evidence from existing collaborative economy businesses suggests that new firms are likely to arise and be successful where they offer significant homogenous assets or services required on an irregular basis, facilitated by a technology platform, and where goods or services are offered in urban areas with strong demand. An example of where technology developments can lead to new services: e-commerce deliveries of textbooks via drones from Zookal and Flirtey.

9.2 Sectors with collaborative economy potential

In identifying sectors with the highest growth potential in the collaborative economy, particularly ones where NSW sectors may have an advantage, we consider:

• the inherent features of the sector;
• overseas experience; and
• the direction of start-up businesses.

Conclusions from these are then drawn together in a section on potential directions for the collaborative economy, providing a compass for future growth.

Inherent features of industry

In considering the collaborative economy, it is possible to identify common features which may have contributed to businesses which have already been successful. This provides a
starting point for identifying potential sectors which could be ripe for future collaborative economy growth.

For example, collaborative economy businesses tend to thrive when they connect people with assets that are not fully utilised, but which they already own, with those who do not have these assets. These tend to be assets which a large proportion of society has, for example cars, spare rooms or free time.

Collaborative economy businesses have also been successful when they meet a market demand for improved services. This may be through disintermediation or where consumers are unsatisfied with current services, such as insufficient taxis outside of the CBD, or a shortage of cheap visitor accommodation.

Finally, collaborative economy businesses tend to be successful when they achieve network effects; where the number and density of participants leads to greater outcomes for all parties involved.

**Overseas experience**

The collaborative economy in Australia is growing however not as developed and mature as some other countries such as the United States. Established industries in the US such as ridesharing and accommodation services have a number of competitors such as Uber, Lyft and Sidecar; as well as Airbnb and Homeaway.

A significant volume of users is at the heart of any collaborative economy business, in creating a functional platform where users can reliably interact with each other.

As user bases have increased and developed scale, companies such as Uber have expanded their product to many different and new areas such as carpooling through UberPOOL, lunchtime deliveries through UberFRESH and boat rides through UberBOAT in Turkey.

Although the financial sector is relatively small given how new it is to Australia, it is making a far more significant impact in the United States where there are already four collaborative economy businesses in the financial services industry worth over a billion dollars including: LendingClub, Prosper, TransferWise and Funding Circle. On the LendingClub platform alone, there are over $8.7 million worth of new loans on the platform on a daily basis.97

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The financial services sector and NSW

One sector where collaborative economy growth is expected to be particularly significant is financial services, particularly in relation to crowdfunding and P2P lending. Morgan Stanley expects P2P lending will be a large presence in Australia in the future. It cites the supportive environment of Australia’s high online and mobile banking penetration levels, increasing spreads and high returns in unsecured lending compared to low interest rates more broadly, and a highly concentrated banking industry focused on mortgages rather than on unsecured personal loans.

According to Morgan Stanley, P2P lending is expected to grow to over $19 billion in 2020. The stock of outstanding P2P personal loans is expected to reach $7.5 billion in 2020. As a rough guideline, assuming that personal credit grows at the pace of long-term economic growth, P2P lending will represent just over 4% of the stock of personal credit outstanding compared to its current share of 0.02%. However, the bulk of the increase in lending is expected to go towards business loans for SMEs. The stock of outstanding P2P loans to SMEs is expected to be over $11 billion in 2020.

The cost of, and access to, intermediated financing are impediments faced by small businesses. Small business debt funding mainly has been obtained from banks and other financial institutions, mainly through credit cards and secured loans, the latter typically collateralised using residential property. The current high level of house prices relative to incomes could restrict the capacity of young entrepreneurs to build the housing equity necessary to access these loans. A major source of unsecured credit for small businesses is obtained through credit cards; however, for a range of reasons, this funding is extended at very high interest rates.

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98 PWC estimated that the global revenue generated by P2P lending and crowdfunding will grow by over 60% between 2013 and 2025 (http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/the-sharing-economy-sizing-the-revenue-opportunity.jhtml).


Against this background, there may be an opportunity for marketplace lending and crowdfunding to play a larger role. For example, a start-up will face a high hurdle to demonstrate to the bank their capacity to repay the loan without a cash-flow history. A marketplace lending platform could match lenders with high risk appetites to loans with high risk profiles. For some business ideas, start-ups could use a crowdfunding platform to attract backers with a similar passion for the idea. On the other hand, the potential for continued growth will also rely on sustaining “trust” within the system, for example, lenders must trust the credit ratings assigned by the platforms that intermediate their transactions.

NSW has the largest small business population of all the states and territories; around 1/3 of Australian small businesses are based in NSW. Furthermore, governments at all levels have turned their attention towards supporting small businesses. For example, the NSW Government currently offers a number of initiatives to support small businesses, including by providing tailored business advice under the Small Biz Connect program and a Small Business Grant to encourage small businesses to hire staff. Such initiatives are designed to encourage small businesses to grow, which could lead to increased demand for funding, likely from both traditional and non-traditional sources.

Nonetheless, the online nature of the collaborative financial services businesses means that lenders need not be based in the same geographical location as borrowers. However, previous research on cluster theory has suggested that there may be agglomeration advantages for knowledge based companies (such as in the financial services sector), including geographic proximity to clients, services, collaborators and talent.

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103 ibid

104 Based on the ABS definition of small businesses of entities that are independent and privately owned, are managed by an individual or a small number of persons, and have less than 20 employees.


Research by the City of London on their financial services cluster also found four major “engines” that supported its cluster: specialist labour market; personal relationships through face-to-face contact; innovation drive by local relationships between labour, customers and suppliers; and processes of co-location and competition. Moving forward, collaborative businesses may seek to establish partnerships with traditional businesses, in which there is a role for personal relationships and on-going face-to-face contact. At the same time, as these collaborative businesses expand they may seek access to a pool of skilled labour.

Along these lines, over 40% of Australia’s financial services are located in Sydney and 43 of Australia’s 53 banks are headquartered in Sydney. Furthermore, Sydney represents more than 20% of Australia’s total finance and insurance sector employment. This is the greatest concentration of such employment in Australia.

Other countries are also more engaged in the sharing of underutilised resources. Fon (founded in 2005), the world’s largest dual access Wi-Fi network, allows users to share a part of their bandwidth and has made 17 million hotspots available in more than 200 countries. Recently in June 2015, Telstra launched ‘Telstra Air’ with the Fon network which has allowed the 100,000 customers who have signed up within the first two months to share portions of their bandwidth in exchange for access to the Fon global Wi-Fi network.

Spending on food and non-alcoholic drinks represent a significant proportion of household expenditure amongst Australians (16.5% in 2009-10). The size of the collaborative economy in the food and beverage sector is less well established than overseas. In section 8.6, we discussed five collaborative economy businesses within this industry that conceptually have a lot of potential (such as sharing bulk cooked batches with MamaBake), however the amount of active users and events on the platform are less frequent than comparisons to overseas businesses in this space such as Blue Apron, Munchery and Spoonrocket that deliver around 20,000 meals on a daily basis.


Uses of collaborative economy platforms are also not homogeneous across cities, with wider use in more technology and start-up driven cities such as San Francisco and New York. Besides a technology embracing culture within the individuals living within those cities, favourable regulation, policy and acknowledgement of the value of the collaborative economy by Government (such as legalisation of Airbnb in San Francisco) has helped these businesses grow.

**Tech start-up activity**

It is possible that the most significant growth can be from the expansion of activity by incumbent businesses in the current key sectors. However, trends in tech start-up activity can offer insights into the areas that entrepreneurs are focusing their efforts, which may provide an indication of new growth sectors.

In 2012, an estimated 1,500 tech start-ups were founded in Australia; with around 950 based in Sydney and 350 based in Melbourne. As start-ups are not required to publicly report on their activities, information on the total start-up population may not be comprehensive. According to Startup Muster, a survey of the Australian start-up community, 20% of all start-ups in 2014 had been through an incubator or accelerator.

We reviewed the start-up activity at a number of major incubators and accelerators in NSW, including ATP Innovations, the leading start-up accelerator in Australia. The start-ups that are part of incubator or accelerator programs are more likely to be closer to launching a completed product or service, thus may provide a more reliable indication of areas of potential growth. However, not all of these start-up businesses are collaborative businesses.

A review of the NSW based start-up businesses housed by these incubators or accelerators indicate that the 2/3rd of these start-ups are related to services and labour hire. However, their individual offerings are varied, for example, platforms which connect travellers with locals for authentic local experiences, a digital marketplace for catering options, and apps to request part time on demand residential cleaning. The second most common type of start-up business, which represented 15% of the start-ups reviewed, related to financial services. Education related start-up businesses comprised 10% of the businesses reviewed.

**Potential directions for the NSW collaborative economy**

Taking the above factors into account, we identify some sectors with collaborative economy growth potential.

From the inherent features of successful collaborative economy businesses and overseas experience, we consider that **resources sharing in utilities** may be an area of potential future growth.

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One example could be the increased use of **Wi-Fi sharing** in Australia. A significant proportion of NSW households have Wi-Fi connections installed with download limits that are not fully utilised, in both peak and off-peak periods. With the second highest rate of smart phone adoption in the world at 74% behind Singapore (85%), mobile access to internet is a high priority amongst Australians. The launch of Telstra Air in June of this year has already seen over 100,000 customers sign-up to share portions of their bandwidth. With NSW leading other states with 31% of all Internet Service Provider subscribers in Australia\(^{115}\), there is scope for increased adoption of Wi-Fi sharing in NSW in the future.

Another example is **energy sharing such as of solar power**. Smart meters have been available to electricity customers in NSW since the 28\(^{th}\) of October 2014, which may provide opportunities for energy sharing between communities. More than 200,000 households in NSW have installed rooftop photovoltaic (PV) solar systems\(^{116}\). The Climate Commission forecasts that by 2050 nearly one-third of Australia’s electricity needs will be provided by solar power\(^{117}\). The take up of solar PVs in Australia has been rapid due to supportive government policy on renewables and falling equipment costs.

Councils such as Lismore have been exploring community funding for large scale solar projects with the community transferring ownership to the council in the form of a loan\(^{118}\). Additionally, they have also considered using a ‘community retail model’ where it allows multiple buildings to share the output of their solar power generation instead of exporting the electricity back into the grid, which typically yields small sums of payment.

Other councils such as Byron Bay are beginning trials for ‘virtual net-metering’ or peer-to-peer trading of energy\(^{119}\) where customers can set their buying and selling rates of energy through an online portal. This allows excess production from the solar array of one building to be credited against the energy consumption of another building. It also helps community by allowing businesses to combine resources to acquire a suitable solar roof which they can share the benefits.

International experience suggests that conditions may be favourable for growth in **financial services collaborative economy businesses**. Furthermore, there seems to be demand in the SME financing space which is currently unmet by incumbent lenders. Sydney has an established financial services sector which is likely to be an advantage at attracting new financial services sector collaborative businesses. At the same time, there is some indication that Sydney tech start-up businesses see opportunities in the financial services sector.

\(^{115}\) Australian Bureau of Statistics (2014), cat.8153, - ABS Internet Activity, Australia, December 2014


Many collaborative economy businesses are based on the concept of providing services and tasks such as the sharing of rides from Uber. As discussed in Chapter 6, there are several collaborative economy businesses that focus primarily on providing a platform for users to seek and exchange skills on a wide variety of tasks such as Airtasker and Hipages. Given the growing trend towards more flexible and mobile working arrangements within Australia, these new collaborative economy platforms will allow users to engage in many small pieces of work and variety of tasks which may better suit their working preferences and capacity to engage on extra work.

The services sector in the collaborative economy has also grown substantially overseas with more than 6,500 new jobs and $2 million of completed work on elance and oDesk each day and over 25,000 income earners on TaskRabbit. Other service areas in the collaborative economy with potential include logistics, where Australian based businesses such as MeeMee have shown potential to deliver goods 55% cheaper than standard delivery systems.120

9.3 Challenges to growth

As the range and number of goods and services available grows, it is possible there will be more calls for regulation, but it is important that the right balance of regulation is achieved to ensure that innovation is not stifled. Consumer protection, accessibility, employment arrangements and taxation may be some areas where regulation is considered.

Collaborative Lab and VisionCritical research on the collaborative economy in Australia considered the concerns of those who are open to using collaborative economy platforms and the barriers for those who are not open to using the platforms. Overall, it identified that insufficient knowledge of how to get started and concerns about safety and security are the greatest barriers to use and adoption.

As is the case with traditional businesses, maintaining trust and transparency will be important for collaborative economy businesses. The collaborative economy largely trades on trust, if occasional instances where transport or accommodation issues become more common, consumers may move away from collaborative economy services back towards the traditional economy.

Further, in the digital age, the ‘time at the top’ for new businesses is increasingly limited. Innovative developments may replace the collaborative economy business models in years to come, as the ‘disrupters’ themselves become ‘disrupted’.

120 Pozible (2014), Available at: http://www.pozible.com/blog/10-collaborative-economy-australian-startups
121 Collaborative Lab and Vision Critical (2014), “The Emerging Collaborative Economy in Australia
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