

Collaboration generation

The disruptive shifts revolutionizing our economy

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The collaborative economy: key definitions and contextualization

Thom Feeney was tired of watching politicians “dithering” as the Greek crisis unfolded.¹ Rather than wait it out as high-level talks in Brussels and Athens determined the future of Greece and the eurozone, the British businessman took to the internet and launched a massive crowd funding campaign—“the Greek Bailout Fund” to raise the €1.6 billion euros needed by Athens to meet its IMF repayment. His Indiegogo campaign was ultimately unsuccessful. Having raised an impressive but far-below-target sum of just under €2 million in only eight days,² Thom refunded all contributors—but remained undeterred. Instead, he launched a new campaign, “Greek Crowdfund,” in collaboration with the not-for-profit organization “Desmos,” which is urging people to make contributions that will go directly to

charitable initiatives targeting youth unemployment across Greece, irrespective of the final amount collected.³ In its first six hours, the campaign had raised over €20,000.⁴ After three days, more than €90,000 had flooded in.⁵

The politically charged nature of the Greek situation ensured that Thom Feeney’s campaign received extensive media coverage, but initiatives like his are far from unique. Crowdfunding—the organized online raising of money from internet users—was born in the low-investment recessionary climate of 2008 and has now become a “multi-billion dollar industry” flowing into countless ventures across the world, both developed and developing.⁶ The trend forms part of a growing and transformative phenomenon referred to as the “collaborative economy”—a space Deloitte is extremely excited about. Let’s get stuck right in.

¹ Hazel Sheffield, 7 July 2015: <http://www.independent.co.uk/news/business/news/greece-debt-crisis-live-campaign-to-crowdfund-greek-bailout-ends-with-2m-or-0-of-total-needed-10371792.html>

² Lauren Finch, 7 July 2015: <https://globalvoices.org/2015/07/07/donations-surge-for-second-crowdfunding-campaign-after-greek-bailout-falls-short/>

³ Ioanna Zikakou, 10 July 2015: <http://greece.greekreporter.com/2015/07/10/indiegogo-greek-bailout-fund-failed-british-businessman-relaunches-the-campaign/>

⁴ Umberto Bacchi, 7 July 2015: <http://www.ibtimes.co.uk/greek-crowdfund-failed-bailout-organiser-thom-feeney-starts-new-fundraiser-greece-1509726>

⁵ Lauren Finch, 7 July 2015: <https://globalvoices.org/2015/07/07/donations-surge-for-second-crowdfunding-campaign-after-greek-bailout-falls-short/>

⁶ InfoDev/ The World Bank, 2013: http://www.infodev.org/infodev-files/infodev_crowdfunding_study_0.pdf

Crowdfunding—the organized online raising of money from internet users—was born in the low-investment recessionary climate of 2008 and has now become a “multi-billion dollar industry” flowing into countless ventures across the world, both developed and developing

But first, what is the collaborative economy anyway?

If you're confused, studies suggest you are not alone.⁷ Terms like “sharing economy,” “collaborative economy,” and “collaborative consumption” are frequently used interchangeably, and different people attach more or less expansive definitions to each.^{8,9}

We consider the “collaborative economy” as the practice of individuals transacting with each other directly rather than going to traditional companies to serve their needs. Within this new organizational framework, access to, and sharing of, goods and services replace the traditional consumer focus on ownership.¹⁰

Expert Rachel Botsman has usefully split this organizational model along four key dimensions¹¹: **production, consumption, finance** and **education**.

In terms of production, individuals collaborate with one another, becoming co-creators and co-producers, pooling their talents and resources and leveraging the power of technology to bring their goods and services to the market. Creative Commission is an example of an online platform that allows music artists to display their talents and companies to select the best resource for their project needs.

In terms of consumption, the market spans a range of companies, from Airbnb (the short and longer-term accommodation rental company) to BlaBlaCar (the French startup that has provided individuals with a platform for sharing long-distance car journeys when they are traveling in the same direction) to GirlMeetsDress.com (an online platform that allows women to rent dresses for special occasions) to zilock.com (where individuals can share tools and household appliances). Indeed, while production and consumption would normally be considered two separate spheres, the power of the collaborative economy lies in its ability to blur a traditional split: **consumers are, effectively, also producers**.

From a finance perspective, initiatives like Thom Feeney's form part of a growing trend towards peer-to-peer lending and crowdfunding. Bypassing traditional banks and financial institutions, individuals are using online platforms to lend each other money, finance innovations (not least innovations in the collaborative economy itself) or, as in the case of Thom Feeney, fund causes they consider worthy. Singularity University recently hosted the “Exponential Finance” conference that highlighted the breath-taking pace of change that technological

7 Collaborative Consumption Team 2014: <http://www.collaborativeconsumption.com/2014/12/18/what-do-people-really-think-a-summary-of-findings-across-this-years-studies-on-the-collaborative-economy/>

8 Rachel Botsman – 21 Nov 2013: <http://www.fastcoexist.com/3022028/the-sharing-economy-lacks-a-shared-definition>

9 Toon Meelen and Koen Frenken - 14 Jan 2015: <http://www.fastcoexist.com/3040863/stop-saying-uber-is-part-of-the-sharing-economy/>

10 Vikram Mahidhar and David Schatsky 2014: <http://dupress.com/articles/collaborative-economy/>

11 Rachel Botsman – 21 Nov 2013: <http://www.fastcoexist.com/3022028/the-sharing-economy-lacks-a-shared-definition>



innovation more broadly is bringing about for the financial sector.¹² The oft-cited “Millennial Disruption Index” (MDI), which looks at the likelihood of different sectors to be disrupted by the millennial generation, identified banking as the sector ripest for disruption, as millennials express low levels of trust in traditional financial institutions.¹³ And while the index is United States-based, all indications point to its deep relevance in the European context: With a 2012 Gallup poll confirming that faith in the banking sector is at a pretty low ebb in EU member states, with a whopping seven of them recording trust rates of below 30 percent.¹⁴ This lack of trust in traditional financial institutions has implications for the collaborative economy, manifesting itself in a growing trend for people to eschew banks in favor of “banking on each other.”¹⁵

The crowdfunding market is thriving. In 2014, one study¹⁶ calculated that crowdfunders in North America had managed to raise US\$9.46 billion, an increase of 145 percent on the previous year. While 2014 saw North Americans take the lead here, the Asian market is also growing increasingly strong, with

US\$3.4 billion raised, only just surpassing Europe (where US\$3.26 billion was raised). The report estimates that in 2015, the global crowdfunding market will raise a jaw-dropping US\$34.4 billion. To take the example of Kickstarter, perhaps the most well-known of crowdfunding websites, individuals are allowed to raise money for a campaign or project with a target amount set. Kickstarter takes 5 percent of all money raised and individuals lose all money raised if it falls short of the set target (in the latter case, Kickstarter retains 3-5 percent in transaction fees).¹⁷ Different crowdfunding websites operate using different models (for example, Indiegogo offers users a flexible option, which prevents them from losing all the money if the amount raised falls short of their target) and target different markets (for example some, such as the Crowdcube in the UK, are aimed at more experienced investors).¹⁸ Europe is awash with crowdfunding platforms: Funding Circle (UK), Ulele (France), FundedByMe (Sweden), MyMicroinvest (Belgium) and Symbid (Netherlands) are just some examples,¹⁹ which are opening up new access channels for individuals seeking to fund campaigns and innovations in a mind-blowing range of different areas.

12 <http://exponential.singularity.org>

13 <http://www.millennialdisruptionindex.com>

14 <http://www.gallup.com>

15 *Banking on Each Other* is the name of a book by Simone Baldassarri, a marketer who has focused much of his work on analyzing the rise of collaborative finance.

16 *Massolution* 2015: <http://www.crowdsourcing.org/editorial/global-crowdfunding-market-to-reach-344b-in-2015-predicts-massolutions-2015cf-industry-report/45376>

17 Kate Taylor 2013: <http://www.forbes.com/sites/katetaylor/2013/08/06/6-top-crowdfunding-websites-which-one-is-right-for-your-project/>

18 Priti Ambani – 30 May 2014: <http://crowdsourcingweek.com/top-15-crowdfunding-platforms-in-europe/>

19 *Ibid*

Beyond crowdfunding, the peer-to-peer lending market is booming. Peer-to-peer lending allows multiple investors to offer various loan packages; borrowers can then choose which investor(s) to borrow from based on the lowest interest rate offered.²⁰ Lending Club is the most prominent example of a business model that hinges on the cutting out of the middleman (read: traditional financial institutions) and directly connecting borrowers and investors, marketing itself as a company using “technology to operate a credit marketplace at a lower cost than traditional bank loan programs, passing the savings on to borrowers in the form of lower rates and to investors in the form of solid returns.”²¹ In May 2015, Bloomberg reported that peer-to-peer loan volume was expected to reach US\$77 billion in 2015: a staggering fifteen times more than its value only three years ago.²² In Europe, the United Kingdom and France lead the way, but across the European continent more broadly, the peer-to-peer lending market is showing healthy growth. The financial industry is, most definitely, being disrupted.

Finally, the collaborative economy has implications for the way we learn: with an explosion of open access lectures and MOOCs, such as Coursera and others, providing free and accessible courses that are impacting, if not yet disrupting, the traditional education sector.²³ Four months into its launch, Coursera had already attracted a staggering one million users.²⁴ And Coursera is hardly alone. EdX, NovoEd, Udacity and Khan Academy are just a few of the swelling number of online education platforms making their mark with

1.5 million and 1.8 million users subscribing to Udacity and EdX courses, respectively.²⁵ To date, these online courses have shown some of the greatest potential for companies, allowing employers to purchase easy and accessible training for their staff.

Deloitte’s Center for the Edge co-founders and experts John Hagel and John Seely Brown have pointed to the massive potential these online training tools have for companies looking to upskill or broaden the skill base of their IT professionals specifically.²⁶ In a ridiculously fast-paced sector like IT, where the shortcomings of the traditional education model are perhaps especially apparent, access to on-demand training material is critical.

Sizing up the market

As a 2014 Deloitte study²⁷ noted, in the space of just two years, venture capital firms had invested over US\$2 billion across 500 companies forming part of the collaborative economy.²⁸ Six million guests used Airbnb’s services in 2013²⁹ and Deloitte predicts that by 2020, the car sharing market will have some 26 million users.³⁰ Uber is said to be doubling its revenue every six months.³¹ Indeed, collaborative economy expert Jeremiah Owyang calculates that, as of June 2015, the “collaborative sharing economy” had already spurred 17 billion-dollar companies. These 17 giants alone have 60,000 employees.³² The numbers are dizzying. The collaborative sharing economy’s growth rate is outpacing that of Facebook, Google and Yahoo combined.³³

20 European Commission: http://ec.europa.eu/growth/tools-databases/crowdfunding-guide/types/p2p/index_en.htm

21 <https://www.lendingclub.com>

22 Edward Robinson, 2015: <http://www.bloomberg.com/news/articles/2015-05-14/wall-street-loves-peer-to-peer-loans-despite-concerns-of-a-bubble>

23 Deloitte 2014: <http://www2.deloitte.com/global/en/pages/technology-media-and-telecommunications/articles/tmt-predictions-collection.html>

24 Tamar Lewin - 6 Jan 2013: <http://www.nytimes.com/2013/01/07/education/massive-open-online-courses-prove-popular-if-not-lucrative-yet.html>

25 Deloitte 2015: <http://deloitte.wsj.com/cio/2015/02/12/moocs-and-more-external-learning-for-corporate-it/>

26 *Ibid*

27 Vikram Mahidhar and David Schatsky 2014: <http://dupress.com/articles/collaborative-economy/>

28 CB Insights data, Deloitte analysis (March 2014) cited in Vikram Mahidhar and David Schatsky 2014: <http://dupress.com/articles/collaborative-economy/>

29 Ryan Lawler cited in Vikram Mahidhar and David Schatsky 2014: <http://dupress.com/articles/collaborative-economy/>

30 Nick Gibbs cited in Vikram Mahidhar and David Schatsky 2014: <http://dupress.com/articles/collaborative-economy/>

31 Evelyn Rusli - 6 June 2014: <http://blogs.wsj.com/digits/2014/06/06/uber-ceo-travis-kalanick-were-doubling-revenue-every-six-months/>

So extensive are the services now provided that three men, known collectively as “the sharing bros” have begun a mission to cross the American continent—all 21,000 km of it—using services provided only by the collaborative economy, and they are managing. Their carefully chronicled adventures make for fascinating reading.³⁴ And there are good reasons to expect even more growth based on heightened demand.

When polled in the early months of 2015, 32 percent of European consumers projected that their sharing behavior would increase in the months leading to 2016. Similar proportions of respondents in the United States said the same (28 percent).³⁵ In terms of acting as providers, over half of European respondents (54 percent) and North American respondents (52 percent) indicated that they would be prepared to rent out their possessions at a cost.³⁶

“The collaborative sharing economy’s growth rate is outpacing that of Facebook, Google and Yahoo combined.”



³² 2015 - <http://www.web-strategist.com>

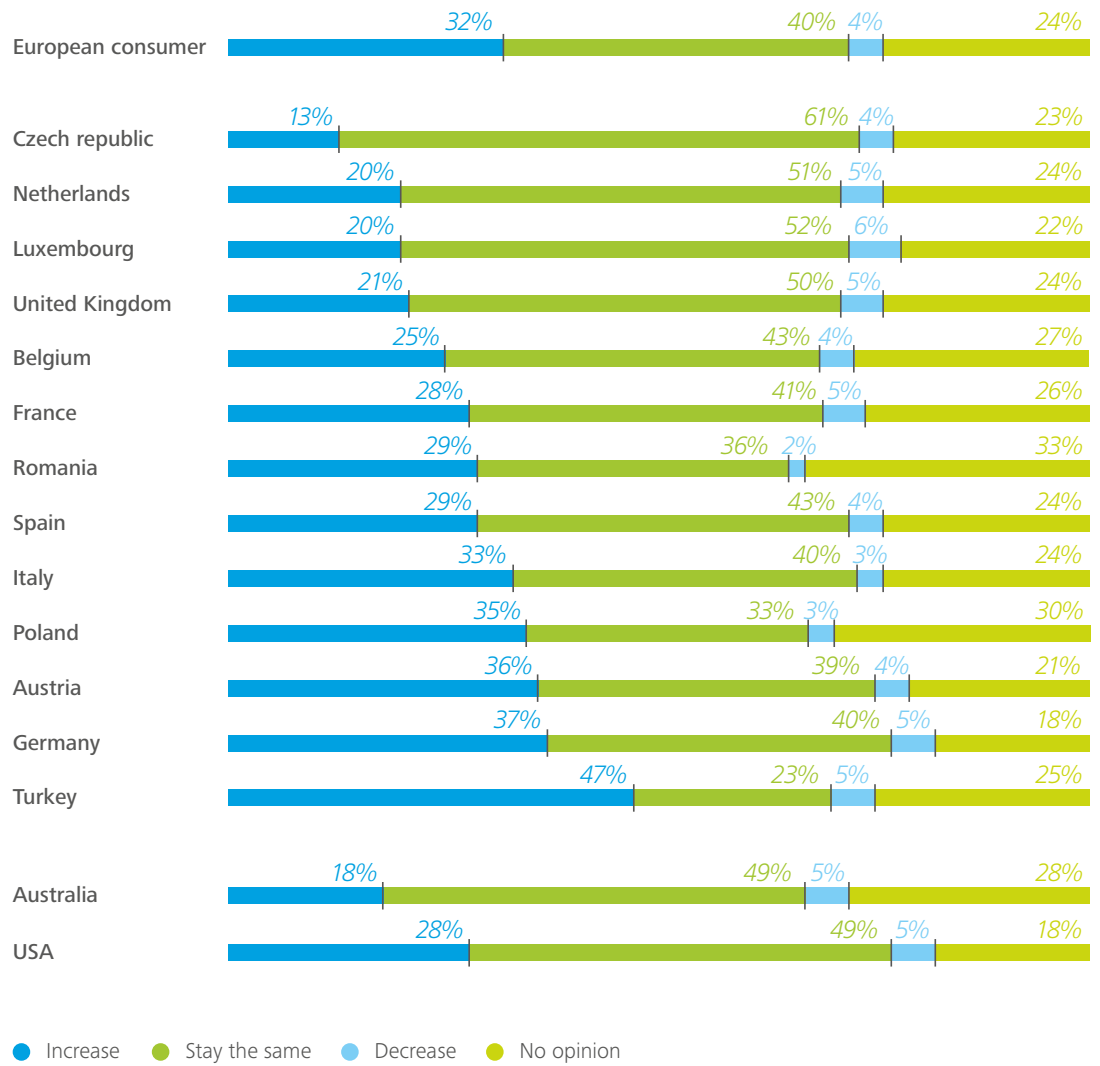
³³ Benita Matofska – March 2015: <http://www.slideshare.net/crowdsourcingweek/what-we-know-about-the-global-sharing-economy>

³⁴ <http://thesharingbros.com>

³⁵ Ipsos on behalf ING 2015

³⁶ *Ibid*

“Do you think your participation in the sharing economy in the next 12 months will facilitate transactions, interactions and mobilizations” by country:



Moreover, there is **nothing Eurocentric about this trend**. A 2014 Nielsen survey³⁷ polled upwards of 30,000 internet respondents across 60 countries located within Asia Pacific, Europe, Latin America, the Middle East, Africa, and North America with results showing individuals' willingness to share electronics (28 percent), lessons/services (26 percent), power tools (23 percent), bicycles (22 percent), clothing (22 percent), and household items (22 percent). In China, the car-sharing market is projected to grow at a striking 80 percent per year,³⁸ and this is not just or even primarily about Western companies making inroads in non-Western markets. The Beijing startup Tujia has proved to be a formidable competitor for Airbnb.³⁹ In Singapore, Airbnb bookings have exploded (almost 600,000 clients), but Roomarama, a local startup with

a similar concept, has also been making waves.⁴⁰ In Uganda, "Safeboda.com" is seeking to become the "Uber" for motorcycle taxis across East Africa,⁴¹ and entrepreneur Raymond Besiga and his colleague launched "akkabo," an online platform that allows individuals to launch projects and tap into the crowd for funding, using mobile money wallets.⁴² Survey data reveals that Asia-Pacific consumers express a high willingness to participate in share communities, with 78 percent expressing a willingness to share their own goods and 81 percent saying they are likely to rent from others. In Latin America and the Middle East/Africa, 70 percent and 68 percent of survey respondents, respectively, said they would share their personal property, and 73 percent and 71 percent, respectively, would rent products from others.⁴³



37 28 May 2015 - <http://www.nielsen.com>

38 Roland Berger, 2014 - *Sharing the future*

39 Colin Shek - 3 Feb 2015: <http://knowledge.ckgsb.edu.cn/2015/02/03/consumers/no-purchase-necessary-the-sharing-economy-in-china/>

40 Tanya Angerer - 16 July 2015: <http://skift.com/2015/07/16/singapore-singles-have-created-airbnbs-strongest-market-in-southeast-asia/>

41 TechMoran - 5 March 2015: <http://techmoran.com/introducing-safeboda-com-ugandas-uber-motorcycle-taxis/#sthash.mEnYIXe.dpbs>

42 Watch his TED talk here: <https://www.youtube.com/watch?v=hUmFRwnosc>

43 Nielsen 2014: <http://www.nielsen.com/apac/en/insights/reports/2014/is-sharing-the-new-buying.html>



Why now? It's the technology, stupid! (But also things like the recession... and values)

What is it about the current climate that's causing our economic landscape to be redefined? Technology matters, definitely. **The explosion of social network sites, mobile technologies, and online payment systems means it has never been easier to create dynamic networks between geographically disparate individuals**, allowing the sharing of goods and services between consumers and cutting out the "middleman" (read: traditional businesses), what is referred to as "disintermediation." Sharing goods, offering people a free room, giving people a ride—all these things are now possible at the click of a button (or tap of a screen) and on a scale previously unimaginable via online platforms

that have made it their mission to connect individuals who would otherwise never connect, bringing products and services within people's reach to an extent never before possible (location-based GPS has been especially valuable here⁴⁴). In short, "The internet and smartphones have taken over, and search and transaction costs have dropped."⁴⁵ And while it is certainly arguable that some start-ups have branded themselves as "tech companies" in a bid to capitalize on the real and perceived benefits that such a label invites,⁴⁶ the importance of the underlying technology fueling the collaborative economy should not be understated. As one otherwise quite critical article about the collaborative economy put it: "In effect, it seems every transaction can be managed by a sort of dating site."⁴⁷

44 H.O. Maycotte – May 2015: <https://powermore.dell.com/business/how-big-data-is-driving-the-sharing-economy/>

45 Deloitte Switzerland report on the sharing economy 2015: <http://www2.deloitte.com/content/dam/Deloitte/ch/Documents/consumer-business/ch-cb-shared-economy-share-and-make-money.pdf>

46 Jim Kerstetter – 2 Aug 2015: <http://bits.blogs.nytimes.com/2015/08/02/in-search-of-the-slippery-definition-of-the-modern-tech-company/>

47 Charles Arthur – 21 Dec 2014

48 H.O. Maycotte – May 2015: <https://powermore.dell.com/business/how-big-data-is-driving-the-sharing-economy/>

49 Crowd Companies – 1 Sept 2015: <http://crowdcompanies.com/blog/>

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Big data plays a strong role here. After all, it is through the sharing of data that individuals let others know exactly what they need, and then big-data algorithms are responsible for matching that need to existing supply, making recommendations to individuals based on what's out there.⁴⁸

While technology is certainly an enabler, **deeper socioeconomic trends** are also critical factors fueling the collaborative economy. In a tough economic environment, the prospect for consumers of monetizing under-utilized resources, getting cheaper access to goods and services, and being granted temporary access or stewardship over luxuries previously beyond their reach makes collaborative consumption a sweet deal. These economic factors, coupled with the availability of venture capital funding for promising projects (funding for collaborative economy businesses has now surpassed US\$16 billion⁴⁹), are creating fertile ground for a new system in which, as Russell Belk has noted, the idea that "you are what you own" has been all but replaced by the axiom that "you are what you can access."⁵⁰

Socioeconomic changes have brought important **value shifts**. A crisis-induced partial rejection of, or at least hesitation toward, the conspicuous consumption and credit mentality of previous times have made collaborative consumption increasingly appealing.⁵¹

And then there's the **community element**. There is intuitive appeal in the idea that the collaborative economy is tapping into some primitive desire to create real connection in an otherwise individualistic and all too frequently socially fragmented world.⁵² Some are certainly less convinced. Eckhardt and Bardhi⁵³, for instance, have conducted research suggesting that "consumers are more interested in lower costs and convenience than they are in fostering social relationships with the company or other consumers." Having studied consumers' use of Zipcar, the global leader in car-sharing services, the researchers concluded that consumers "experience Zipcar in the anonymous way one experiences a hotel." As an illustration of their argument, they compare Uber's tagline "Better, faster and cheaper than a taxi" with that of its competitor Lyft "We're your friend with a car." As the researchers note, the two companies offer almost identical services, yet Lyft's profits have trailed those of Uber.⁵⁴

50 2014 - *Journal of Business Research* 67

51 This is even true in countries such as China, where a high value is placed on ownership and status. Here, companies like Atzuche, a local startup that connects people and allows them to rent out their luxury cars, has proven successful. As Waldmeir put it in an FT article: "The flip side of a liking for opulence is a taste for thrift". See: 23 June 2014 - <http://www.ft.com>

52 Rachel Botsman, 2012. "The currency of the new economy is trust" See her TED talk here: https://www.ted.com/talks/rachel_botsman_the_currency_of_the_new_economy_is_trust

53 Giana Eckhardt and Fleura Bardhi - 28 Jan 2015: <https://hbr.org/2015/01/the-sharing-economy-isnt-about-sharing-at-all>

54 *Ibid*

So, is winning in the collaborative economy about offering consumers convenience or human connection? Affordability or affection?

We would contend that the reality may fall somewhere in between. In our Deloitte report chronicling the changing nature of modern business ecosystems, John Hagel⁵⁵ makes a distinction between three types of platforms being used by these new businesses: **aggregation platforms**, which help to connect users to the resources they are looking for (think Uber), and tend to result in one-off transactions or limited person-to-person engagement; **social platforms**, which foster community (think Facebook/Twitter); and **mobilization platforms**, which bring disparate individuals together virtually to reach a common objective (individuals may come together to form supply chains or distribution networks for a business, or to crowdfund, for example). Individuals may turn to aggregation platforms when looking for convenient goods, whereas the social connection element may be especially pronounced as a motivator for participation on social and mobilization platforms.

Three common platform types that facilitate transactions, interactions and mobilizations



Aggregation platforms

- Facilitate transactions
- Connect users to resources
- Tend to operate on a hub-and-spoke model



Social platforms

- Facilitate social interactions
- Connect individuals to communities
- Tend to foster mesh relationship networks



Mobilization platforms

- Facilitate mobilization
- Move people to act together
- Tend to foster long-term relationships to achieve shared goals

So, is winning in the collaborative economy about offering consumers convenience or human connection? Affordability or affection?

Source: Hagel, J. 2015. "The Power of Platforms" in Deloitte. *Business ecosystems come of age*. Deloitte University Press, pp. 82-83)

So what? Implications for consumers, employment and businesses

For consumers: empowered but unprotected?

Either way, **the collaborative economy has been a boon for consumers**: variety, affordability, and instantaneous access have been key benefits. There is certainly some concern related to the loose regulation surrounding goods and services purchased through these channels and specifically the **limits of existing consumer protection law** in the collaborative economy space.⁵⁶ Still, it is arguable that the collaborative economy has been by and large beneficial for consumers. The next step is to bring our consumer protection frameworks in line with this new reality; unless we accept the argument made by some that we can trust the industry to self-regulate,⁵⁷ this is likely to require thoughtful policy and regulatory innovation.⁵⁸ The European Commission has already taken a step in this direction, through publishing a new set of guidelines in support of the collaborative economy. It looks at, among other things, how consumers are defined.⁵⁹

For employment: micro-entrepreneurship or the new “precariat”?

When it comes to the **collaborative economy’s implications for employment, the situation is perhaps less clear-cut**. Airbnb CEO Chesky has gone on record predicting that platforms like his will be responsible for creating over 100 million micro-entrepreneurs— independent contractors who earn money by providing goods or services on the collaborative economy market. In the same interview, he made reference to emails he received from Airbnb hosts telling him how the renting platform had enabled them to weather the ravages of recession: “because of you”, reads one, “we were able to keep our home.”⁶⁰

But there are reasonable concerns that for all its benefits, the collaborative economy may be creating an environment that encourages precarious work. The criticism is that companies presenting themselves as offering individuals the “opportunity” to become “micro-entrepreneurs” by providing their services on a platform are, in reality, “essentially channell[ing] one-off tasks to the fastest taker or lowest bidder... pitting workers against one another in a kind of labor elimination match.”⁶¹ Moreover, because individuals who work for companies like Uber and Airbnb are not classified as employees, but independent contractors, their “gigs” leave them uncovered in terms of traditional protection like social security benefits, unemployment benefits, or healthcare insurance.⁶² The labelling of collaborative economy workers as “independent contractors,” what critics refer to as “misclassification,” also makes it difficult for individuals to rent or get loans and means that they must pay the employer’s portion of payroll taxes.⁶³

There have certainly been **efforts at self-regulation** by collaborative economy companies to address these concerns. TaskRabbit, for example, has implemented its own “minimum wage”: contractors cannot earn an hourly sum of less than US\$12.80, which, as Rachel Botsman notes, is higher than any minimum wage existing across any US state.⁶⁴ A number of companies have actually given employee status to individuals previously classified as independent contractors in a bid to pre-empt regulatory clampdown.⁶⁵ While Juno, a direct competitor to Uber, gives its drivers equity in the company and only takes a 10 percent cut of their fares compared to Uber’s 25 percent.⁶⁶ It may be unrealistic to expect the industry to self-regulate in ways that would undermine its competitiveness vis-à-vis traditional companies, yet it is also true that individual social protection coverage need not necessarily be linked with employment and that this “decoupling” of social protection from employment has long predated the collaborative economy.⁶⁷

56 In 2015, for example, the Federal Trade Commission convened a working group to discuss the implications of the sharing economy for, among other things, consumer protection: <https://www.ftc.gov/news-events/events-calendar/2015/06/sharing-economy-issues-facing-platforms-participants-regulators>
Additionally, in June 2016 the FTC is hosting a FinTech series to examine marketplace lending and its impact on consumers: <https://www.ftc.gov/news-events/blogs/business-blog/2016/05/marketplace-lending-leads-ftc-fintech-series>

57 Alex Howard – 15 Dec 2014: <http://www.techrepublic.com/article/the-sharing-economy-will-self-regulation-by-startups-suffice-to-protect-consumers/>

58 Christopher Koopman, Matthew Mitchell and Adam Thierer – Dec 2014: <http://mercatus.org/sites/default/files/Koopman-Sharing-Economy.pdf>

59 http://ec.europa.eu/news/2016/06/20160602_en.htm

60 Gregory Ferenstein – 2 July 2014: <http://venturebeat.com/2014/07/02/airbnb-ceo-spells-out-the-end-game-for-the-sharing-economy-in-7-quotes/>

61 Professor Dr Standing cited in Natasha Singer – 16 Aug 2014: http://www.nytimes.com/2014/08/17/technology/in-the-sharing-economy-workers-find-both-freedom-and-uncertainty.html?_r=1
Professor Dr Standing also introduced the term “precariat”

62 Natasha Singer – 16 Aug 2014: <http://www.nytimes.com/2014/08/17/technology/in-the-sharing-economy-workers-find-both-freedom-and-uncertainty.html>

63 Gillian B. White – 8 June 2015: <http://www.theatlantic.com/business/archive/2015/06/in-the-sharing-economy-no-ones-an-employee/395027/>

64 Wall Street Journal – 10 May 2015: <http://www.wsj.com/articles/can-the-sharing-economy-provide-good-jobs-1431288393>

65 Jeremiah Owyang – 30 July 2015: <http://www.web-strategist.com/blog/category/collaborative-economy>

66 <http://money.cnn.com/2016/02/19/technology/meet-uber-competitor-juno/>

67 This point was made cogently by Catherine Rampell – 26 Jan 2015: https://www.washingtonpost.com/opinions/catherine-rampell-the-dark-side-of-sharing-economy-jobs/2015/01/26/4e05daec-a59f-11e4-a7c2-03d37af98440_story.html

If we accept this point, then the emphasis should be on pushing the state to ensure its citizens have adequate protection, irrespective of how they are classified as workers.⁶⁸ Already the concept of portable benefits, where benefits are not tied to a particular job or employment classification, is starting to gain traction in the US and the regulatory and legal changes required to enable such a system are being explored.⁶⁹ Whatever side you sit on, the terms of employment within the collaborative economy will remain a hot topic because these terms will have fundamental implications for collaborative economy company competitiveness vis-à-vis traditional businesses and will decisively shape the way that individuals experience the collaborative economy. This will definitely be a space worth watching closely.

For traditional businesses: disruption vs. adaptation

So we've briefly explored what the collaborative economy means for consumers and employment, but what does it mean for traditional businesses? They're being killed, right? Not so fast.

They're being disrupted and seriously challenged, certainly...

The data can be discouraging. To take one example, it has been estimated that each car-sharing fleet vehicle replaces 32 cars that would otherwise have been bought.⁷⁰ And there is no shortage of collateral damage: auto loans, car insurance, fuel, auto parts, and other services traditionally associated with car buying all take a hit when users choose to share rather than buy.⁷¹

And it's not just car buying. Traditional taxi services have also been feeling the pressure, pressure that last year resulted in a host of protests on the streets of Paris and

saw Uber vehicles pelted with eggs and end up with flat tires and broken windows.⁷²

A study into the impact of Airbnb on the hotel sector in the Texas hotel industry⁷³ found that the accommodation sharing giant was eating into traditional hotel revenue, with an estimated impact of between 8 and 10 percent. Lower priced hotels faced the most direct competition and were especially badly hit.

But they're also adapting...

A sizeable group of traditional industry players are, however, skillfully adapting themselves to this new reality. As a 2014 Deloitte study⁷⁴ notes, a number of major brands like Nestlé and tech companies like Adobe have joined "Crowd Companies," a network established by Jeremiah Owyang, whose aim it is to help traditional companies navigate the collaborative economy landscape.⁷⁵ More generally, the report lists three key ways that established companies are benefitting from the collaborative economy. The first is by "**tapping into the crowd**": the pool of "micro-entrepreneurs" described earlier, whose skills range from driving and providing household services to artistry and product innovation, have become a handy pool for companies in need of on-demand services and talent. As just one example (not mentioned in the Deloitte report), Virgin America has partnered with CircleUp, which is a crowdfunding platform allowing startups to raise capital for their consumer good ideas, to test new ideas and identify new food and drink products to offer on its flights.⁷⁶ The second way is by **adapting their own services** to meet this new type of demand. A range of car companies such as Toyota, Ford and BMW have introduced car-sharing services in a bid to satisfy consumer demand in a context where traditional

68 Catherine Rampell – 26 Jan 2015: http://www.washingtonpost.com/opinions/catherine-rampell-the-dark-side-of-sharing-economy-jobs/2015/01/26/4e05daec-a59f-11e4-a7c2-03d37af98440_story.html

69 Sean Slone – May/ June 2016 : http://www.csg.org/pubs/capitolideas/2016_may_june/sharing_economy.aspx

70 Alix Partners 2014 Press Release – 5 Feb 2014: <http://www.cnbc.com/2014/02/04/car-sharing-a-growing-threat-to-auto-sales-study.html>

71 Jeremiah Owyang – 4 June 2013: <http://www.web-strategist.com/blog/2013/06/04/report-corporations-must-join-the-collaborative-economy/>

72 Rude Baguette – 13 Jan 2014: <http://www.rudebaguette.com/2014/01/13/taxi-protest-paris-turns-guerrilla-warfare-uber-car-attacked-freeway/>

73 Georgios Zervas, Davide Proserpio, John W. Byers – 7 May 2015: <http://people.bu.edu/zg/publications/airbnb.pdf>

74 Vikram Mahidhar and David Schatsky 2014: <http://dupress.com/articles/collaborative-economy/>

75 Ibid

76 Jonathan Shieber – 12 Feb 2014: <http://techcrunch.com/2014/02/12/circleup-lands-virgin-america-partnership/>

77 Vikram Mahidhar and David Schatsky 2014: <http://dupress.com/articles/collaborative-economy/>

78 Retail Category Consultants 2015: <http://retailconsultant.ca/why-retailers-should-embrace-the-sharing-economy/>

79 Read John Hagel's views on Edge Perspectives: http://edgeperspectives.typepad.com/edge_perspectives/2006/07/mastering_new_m.html

80 Rachel Botsman has emphasized the role of trust as the new currency. Watch her TED talk here: https://www.ted.com/talks/rachel_botsman_the_currency_of_the_new_economy_is_trust

car ownership is on the decline. Finally, companies are **joining the “reuse marketplace”**: one of the examples Deloitte’s report provides is Ikea’s “online flea market,” which provided consumers with an online platform on which to sell their second-hand Ikea furniture. As the report highlights, this was a “marketing tactic” (it was not profit-making), its purpose being to inject collaborative consumption into its own business model and thus avoid losing market share.⁷⁷ The clothing brand Patagonia has invested heavily in this space. As part of its general practices and image emphasizing sustainability, the company has partnered with the mobile-based app Yerdle via which consumers can trade their used goods with one another. Fans have noted how Patagonia’s “Don’t Buy This Jacket” advertisement, which actively encouraged consumers to think twice before purchasing new goods from Patagonia and others unless they really needed them, actually increased sales,⁷⁸ reflecting just how deeply the sustainability mindset has set in.

Until next time...

Our focus, here, has been on the factors behind the collaborative economy’s spectacular rise: the technology and big data enabling and propelling it, the socioeconomic factors encouraging it, and the value shifts underpinning it. We have provided an overview of observable trends suggesting its likely continued growth, and we have highlighted some of the implications this new form of economic organization has for consumers, employment and traditional businesses. As the landscape shifts, are consumers empowered but unprotected?

A sizeable group of traditional industry players are skillfully adapting themselves to this new reality

As “on-demand” labor replaces the traditional employment contract, are we seeing the rise of “micro-entrepreneurship” or increased worker vulnerability? As consumers come to value access over ownership, will we see traditional industry undermined or reinvented? These are critical questions.

When you next hear from us, we’ll be focusing on the implications of the rapid advances in the mobile ecosystem for the collaborative economy and its future. We’re interested in how consumers’ ever-increasing reliance on mobile platforms is determining the development of the collaborative economy. We’re also going to be looking at the new type of marketing that the collaborative economy necessitates (or the exciting prospect for companies in relation to what John Hagel has dubbed “collaborative marketing”⁷⁹), issues of personal data protection in a context where trust and reputation are key,⁸⁰ the general regulatory frameworks surrounding this new form of organization, and the implications of collaboration from a political and social organization perspective. By that time, there will, no doubt, have been a dizzying number of developments in this exciting and impossibly dynamic area. We hope you’re as excited as we are.

