

Broad Characteristics of the Sharing Economy

- The “Sharing Economy”
 - Also referred to as the “on-demand economy,” “e-lancing,” “ICT-enabled economy,” “renting economy,” “collaborative economy,” “access economy,” among others.
 - Provide platform for people to make money from unused or under-used assets or time by “renting” them out to consumers, efficiently utilizing their excess capacity.
 - Often consists of familiar goods and services such as household chores, driving, lodging, and cooking.
 - “Sharing economy” firms operate via a wide range of business models, although a universal definition of the “sharing economy” remains elusive.
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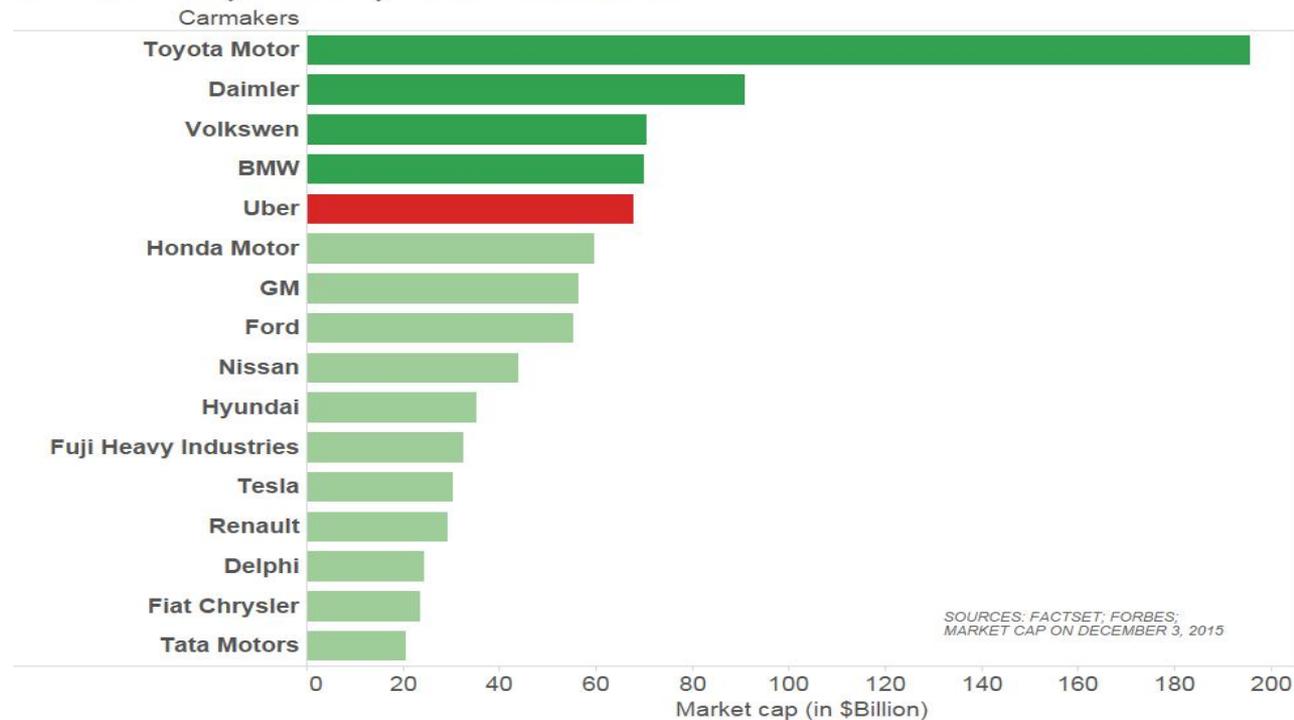
Size and Growth of the Sharing Economy

- Comprehensive data on the size and scope of the sharing economy is sparse, although a number of private sector studies exist:
 - **JP Morgan Chase Institute:** More than 4 percent of adults, or approximately 10.3 million people, participated in the “online platform economy” between October 2012 and September 2015, and 1 percent of adults earned income from an online platform in a given month. 47-fold increase in the number of adults that earned income from online platforms during that period.
 - **PWC:** Five key sharing sectors—travel, car sharing, finance, staffing, and music and video streaming—had global revenues of about \$15 billion in 2014 with the potential to increase to around \$335 billion by 2025. (PWC)
 - Service providers in the “sharing economy,” which they estimate to comprise 7 percent of the U.S. population, are made up of a wide variety of age and income groups.
 - **MBO Partners:** 500,000 of the 2.7 million of U.S. on-demand independent workers are estimated to work in Uber, Lyft, and Airbnb (MBO Partners).
 - **Krueger and Hall:** 160,000 drivers actively partnered with Uber at the end of 2014 in the U.S. and received \$656.8 million in payments from Uber in the last three months of 2014
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Largest Sharing Economy Firms - Uber

- Uber market valuation stands at \$68 billion, higher than 80 percent of all S&P 500 companies (Forbes).

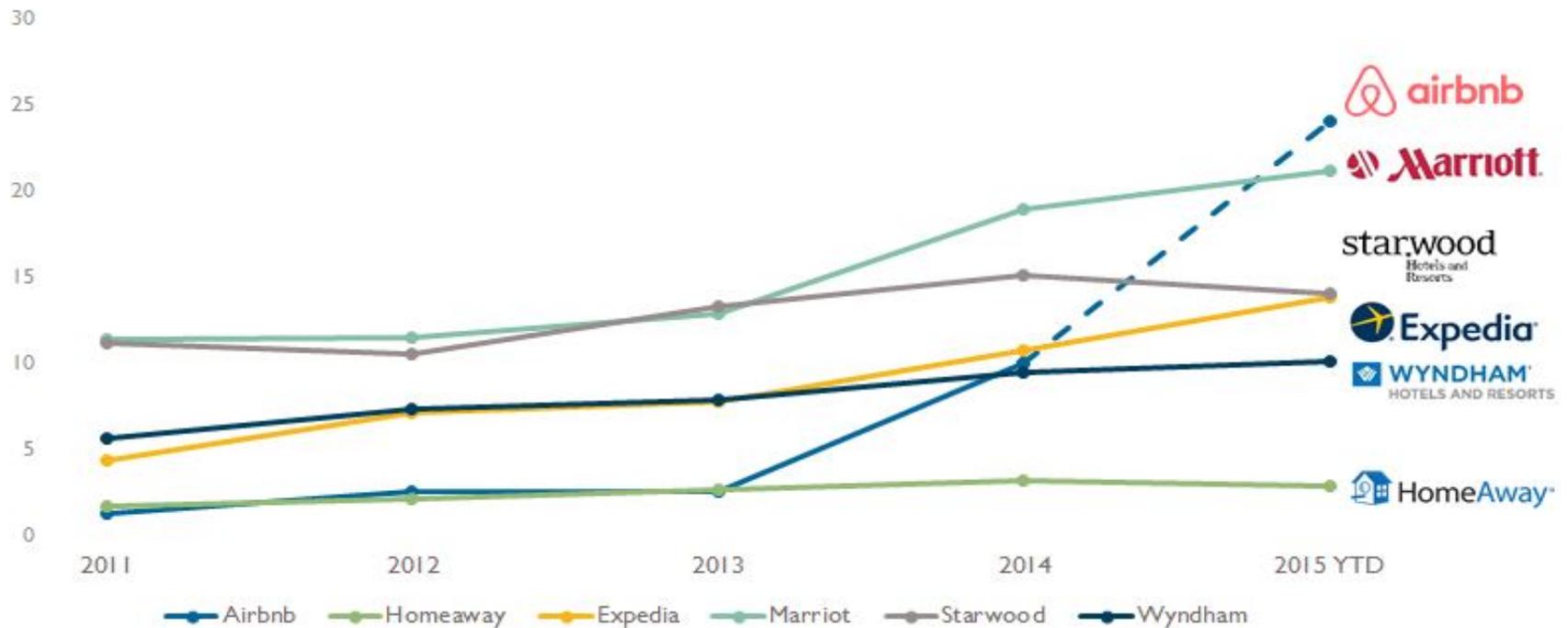
At \$68 Billion Valuation, Uber Will Be Bigger Than GM, Ford, And Honda



Largest Sharing Economy Firms - Airbnb

- Airbnb is estimated at \$26 billion (WSJ).

AirBnB vs. Public Competitors: Valuations Over Time (\$B)
2011 - 2015 YTD (6/18/2015)



*AirBnB did not raise a round between 2012 and 2014, and therefore its valuation stayed the same during this time

**Valuations were taken at dates where AirBnB raised. 2013 data was taken at 6/1/2013

Defining Digital Matching Firms

- Four characteristics of “Digital Matching Firms”:
 1. Use information technology (IT systems), typically available via web-based platforms such as mobile “apps” on Internet-enabled devices, to facilitate peer-to-peer transactions.
 2. Rely on user-based rating systems for quality control, ensuring a level of trust between consumers and service providers who have not previously met.
 3. Individuals who provide services via digital matching platforms have flexibility in deciding their typical working hours.
 4. To the extent that tools and assets are necessary to provide a service, digital matching firms rely on the workers using their own.
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Potential Benefits of Digital Matching Firms

- For the Economy
 - Leverages excess capacity
 - Lowers transaction costs
 - Catalyzes individual innovation and entrepreneurship
 - Adoption of new technology into more traditional business models
 - For the Consumer
 - Lowers the price of services
 - Provides mechanism of trust between consumers and service providers
 - Often improves consumer experience
 - For the Service Provider
 - Provides flexible employment schedules and unique income streams
 - Provides employment alternatives for unemployed and underemployed workers
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Challenges Introduced by Digital Matching Firms

- Shifts Risk from Firm to Service Provider
 - Income instability
 - Capital investment and maintenance costs
 - Fewer protections in the event of catastrophes
 - Responsible for own benefits & training
 - Wages may be overstated
 - Access
 - Only 2/3 of adults own a smartphone, and only ½ either making less than \$30k/year or with only a high school degree or less (Pew).
 - Consumer Privacy and Security
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- Worker Classification
 - Employee or Independent Contractor?
 - If employee, firm is responsible for worker's comp., health insurance, overtime benefits, unemployment insurance, etc.
- Taxation
- Consumer Safety and Service Provider Certification
- Equal Access
- Environmental Regulation Compliance
 - Clean Air Act, Clean Water Act, Resource Conservation & Recovery Act, Toxic Substances Control Act, etc.

Analysis and Measurement Challenges

- How will governments collect data on the digital matching economy?
 - Reintroduction of the DOL and Census' Contingent Worker Survey
 - Public-Private Partnerships?
 - New Surveys?
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Thank You!

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