The Sharing Economy: Understanding the Opportunities for Growth

For the past five years we have seen the rise of a new trend enabled by technology. This new trend moves us beyond ownership into experience powered by the ability to share. From cars to houses, people around the world are realising what they can experience without being encumbered by ownership.

This trend is facilitated by advances in technology. With the advent of the cloud and the move towards quantum computing we can experience more, faster and less expensively.

What it forces is a reimagining of the way we experience, own and buy. If society went from owning cars to sharing a car in the cloud that was available only when needed there would be a fundamental shift across multiple industries, economies and society.

The currency in the sharing economy is not just the payment but also trust.

About this report

As the world's leading payments technology company, Mastercard is working to ensure that every one of our products, solutions and services is as digital as the people using them around the world. We are designing rich, innovative, compelling and secure ways to pay and get paid across all channels and devices, redefining commerce globally. Our approach, combined with advances in technology, enables us, together with our partners, to create deeper, more intelligent experiences to enhance how people live, how businesses grow, how cities function and how we build trust in a digital world.

Mastercard and The Future Agenda undertook an investigation into the current state and future perspective of the sharing economy. The work commenced in December 2016 and is comprised of:

- Desk research of available consumer and market insights
- Use of existing Future Agenda insights
- Expert interviews
- Mastercard workshop with key stakeholders

The Current State of the Sharing Economy

"Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate."

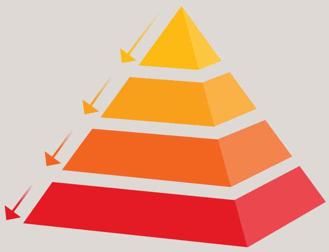
TechCrunch

There are many overlapping definitions for the collaborative or sharing economy: here, we will be talking about a socio-economic ecosystem that empowers people to share underutilized assets directly with others. (Source: The Sharing Economy, Good Lab, 2016)

It all started like an epiphenomenon, but the collaborative economy has become a deep socio-economic trend that is fundamentally changing the way we live our lives and it appears to be here to stay. Why? Not only because sharing is innate to humanity but also because new technology allows for new ways to share.

20th Century

Centralized, top-down institutions



Industrial Economy

21st Century

Distributed, connected communities

Collaborative Economy

The sharing revolution
Four Phases

1 Connect to share information

2 Connect people to each other

3 Connect to share daily thoughts and media

4 Connect to access and share assets

The growth of the sharing economy is accelerating, now impacting many sectors in many ways.

The European collaborative economy market – as defined by theses five sectors (accommodation, transportation, buying or selling of goods, on-demand professional services and sharing or renting of goods) – facilitated €27.9bn worth of transactions between May 2015 and May 2016, with an estimated 191m citizens engaging in at least one transaction involving payment. (Source: "Exploratory study of consumer issues in online peer-to-peer platform markets", European Commission , 2017).

According to last year's EC Eurobarometer, familiarity with the sharing economy is increasing fast, with more than half of all Europeans knowing about it and one in six already using it. This familiarity and use increases in the younger population to a one-in-three ratio amongst younger, more highly educated, urban and working people. Usage by category varies widely though as only used goods, transport and accommodation have penetrated beyond 20% in Europe. However, intention to participate in the sharing economy is increasing, driven by a willingness to make money but also to do good for the environment and to build communities.

This is the rise of the Prosumer / Micropreneur: almost one third of people who have been on collaborative platforms have already provided a service. That's more than 5% of the European population already providing products and services through such platforms.

Accommodation

Transportation

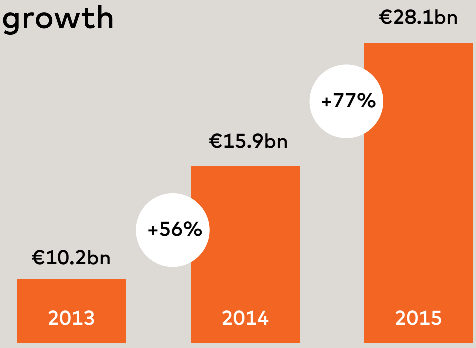
Buying or selling of goods

On-demand professional services

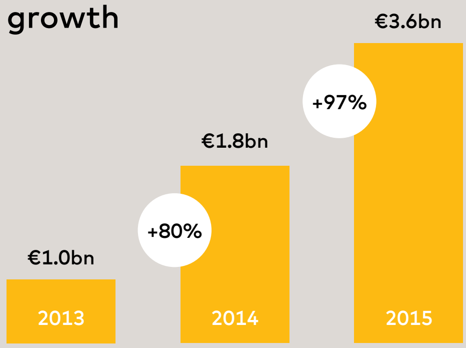
Sharing or renting of goods

By 2022, more sharing platforms will continue to proliferate, growing and segmenting the market with new innovation. Winners will emerge to dominate, consolidate and broaden their service offer, leaving incumbents to respond, in turn creating new ventures. As part of this, sharing will penetrate the mass market, with major sharing platforms growing to equal their traditional market equivalents. It will also spread into new sectors, including, insurance, utilities, health and social care.

Value of transactions growth

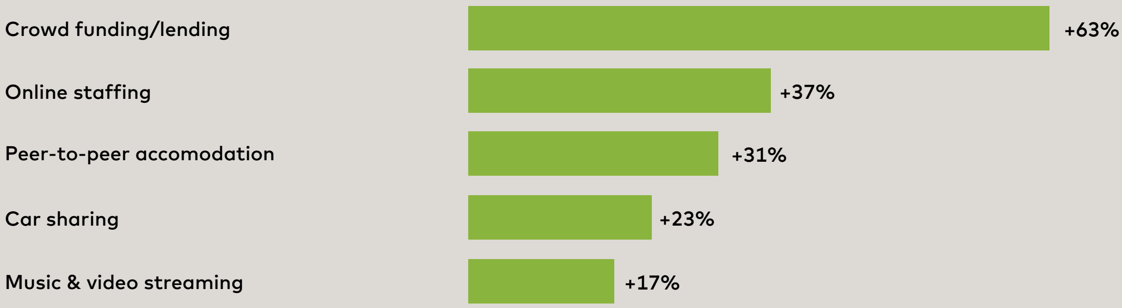


Platform revenue growth



Projected compound annual growth rate for key sharing economy sectors (In % 2013-2025)

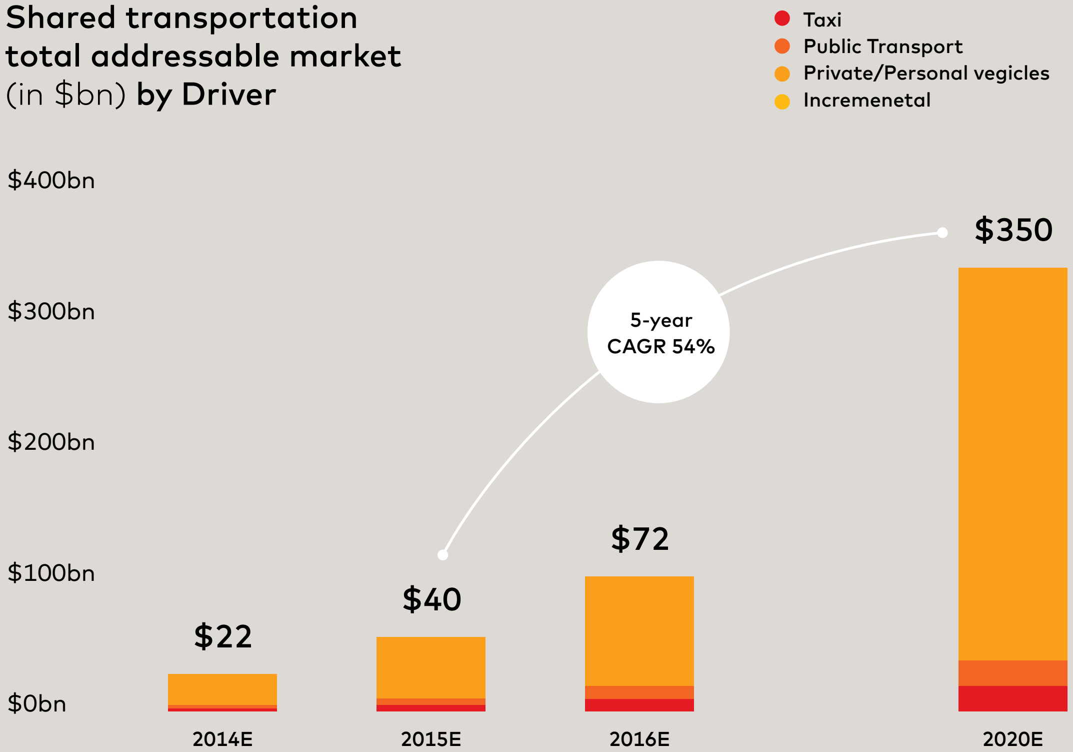
Sharing economy sectors



Traditional rental sectors

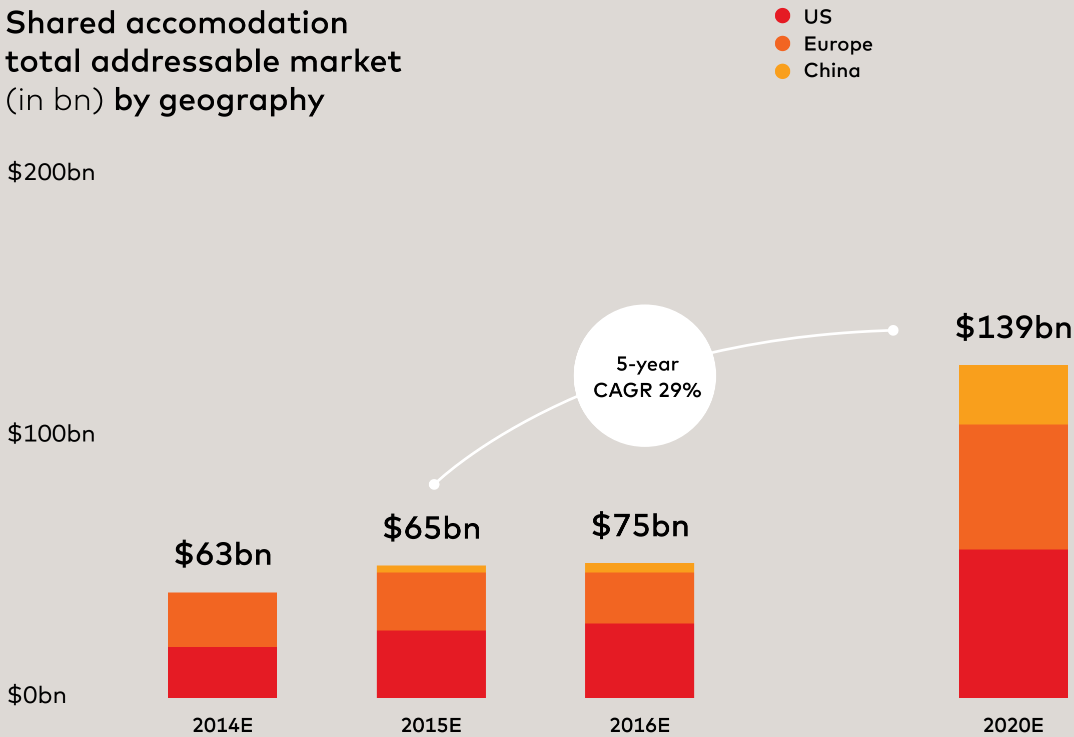
Shared transportation and shared accommodation alone represent a c. $500 billion market opportunity

Shared transportation total addressable market (in $bn) by Driver



Source: Company reports, UBS estimates

Shared accomodation total addressable market (in bn) by geography



Source: Phocuswright, company reports, UBS estimates

Maximising the Opportunities: The Future of the Sharing Economy

This study has identified three inter-related themes around which future change will impact the sharing economy.

1. Access to value

As new ways to access emerge, greater value will be delivered to consumers and organisations alike. This access will be driven by technology, which unlocks new value through increasing use and reducing cost of access. As access improves, so the sharing market broadens and deepens.

Examples of this include Blockchain, the Internet of Things (IoT) and Artificial Intelligence (AI).

Blockchain is an emergent frontier with an abundance of data, that can enable a more mature and digitised environment, where real time analytics, pervasive connectivity and skilled data interpretation are the norm.
However, at present, there is little knowledge of how to fully exploit this data, which extends more generally to organisations that don't always know how to create value from theirs. For the most part, decisions are still made on judgements, despite a number of disruptive technologies and business models seeking to exploit opportunities to move towards a more automated system.
When it comes to the IoT, the majority of internet enabled sharing currently takes place via centralised platforms. The potential for every device to have a connection is recognised, but not yet at scale, and human users actively participate to provide and manage supply and demand.
If fully utilised, Blockchain and IoT, supported by AI, can power the shift from static to active: as more objects and people become interconnected, so the opportunity to share and benefit from access increases.

As the IoT develops, it will further automate, in turn exposing idle capacity while also making the facilitation of booking and sharing simpler. Meanwhile, AI and quantum computing will increase our ability to combine information and construct models to make better use of data. This results in a step change in data interpretation, reducing cost, increasing utilization and providing many new opportunities.

By 2022, one trillion connected things will drive significantly better resource use, adding even more connectivity, and in turn, much greater access to sharing and value creation.

2. Improved trust and transparency

Trust remains the critical enabler of the sharing economy, and will naturally grow as the sector expands and people become more comfortable with the wide range of products and services that the sharing economy captures.

But trust can only truly be achieved with improvements in regulation and technology.

Regulation often lags behind disruptors, with the former seeking to ensure they fit and operate within existing legislation, often lobbying to keep the status quo. But as society adjusts to new models of commerce, regulation will need to move from a reactive to a proactive stance, better protecting consumers, providers and platforms alike. This will provide both a social safety net, and also help regulators share in the value they create.

Bruce Davies, ethnographer and founder of Abundance, notes that ultimately governments will become involved and regulate the sharing economy. It's important that organisations in this economy welcome regulation and participate in these discussions. By working with regulators, organisations can engage, inform and educate to help shape how a government responds to regulatory challenges.

Added to this, fairer sharing is also key to building trust. The sharing economy is currently often perceived as circumnavigating regulation and abusing market power, especially workers' rights. Value is viewed as accruing to the few rather than the many, and there is a blurring of lines between consumers and producers – 'prosumers' – adding a layer of complication for regulators. As the sharing economy grows, there will need to be a move towards a more equitable and 'human' sharing for all stakeholders, ensuring the sharing economy as a whole becomes a responsible part of society.

On the technology side, consumer trust in sharing is currently driven mainly by platforms' own activity and brand reputation, and is augmented by consumer peer reviews. Platforms provide insurance and assurance for users, but there is virtually zero carriage of trust between networks, for example, eBay ratings do not count on Airbnb or Uber. As the sharing economy grows, distributed trust networks and mechanisms will need to emerge, whereby consumers will have access to and more control of their own data, as well as the ability to share this data with multiple parties. There also needs to be a shift from a human driven network of ratings, to one where technology plays a greater role – recording, tracking and sharing independent accurate performance insights that complement personal feedback.

Finally, as new platforms proliferate and wider market consolidation gets underway, the winners will be defined by the quality of product, service and communications. We will therefore see global and regional platforms vying to demonstrate impact and trust.

3. Enhanced experience

An enhanced user experience is vital to the growth and expansion of the shared economy, and is what leaders need to achieve to engage their customers, further develop, and maintain legitimacy.

According to Giles Andrews, executive Chairman, Zopa.com, the winners will be those that deliver a great customer experience, enabled by technology.

To do this, platforms must embrace the crowd, provide frictionless transactions, transfer control of personal data to the individual and despite technological advances, never lose sight of the human touch.

The crowd: At present, use of the crowd varies, with only some platforms seeking to cultivate members as active participants in their own development. However, if used correctly, the crowd enables services to become better, easier to use, more efficient and also helps put the user in control. Crowd feedback, for example, enables rapid service improvement while crowd participation opens up entirely new service offers and improves engagement.

Frictionless transactions: This will enhance the overall experience and remove pain points. However, while decreasing friction is an increasingly common objective across many sectors, it's often one that is not executed well. Organisations therefore need to focus on using data to inform process change and decisioning, often in real time and using AI where useful. In this way, seamless payments are possible and enhance the users' experience, whilst adding value to the brand that can now better connect with its customers.

Personal data: Added to this, new disruptive providers seek to put individuals in control of their personal data, dis-intermediating data-intensive businesses. This means that power over data shifts from the organisation to the individual, allowing consumers to control and manage their data use, supporting wider acceptance of data sharing across more platforms.

Human touch: While technology developments is crucial, as service provision and consumption becomes ever more digital, automated and algorithmic, those brands that can offer more emotional engagement and human-to-human contact become increasingly attractive.
This reassures users and creates significant brand differentiation.
In fact, Emily Mackay, Founder and CEO, Crowdsurfer, believes that when and where you do get a human touch, empowered by data, it will be much more impactful.

Finally, the sharing economy is largely dominated by centralised platforms that provide a trusted marketplace for exchange and enforce standards, for example, Uber (the vehicle, driver, insurance, legal etc.). Many of these centralised platforms extract most of the value. However, enabled by new technology development, some transactions will be able to move to more distributed networks. This reduces platform margins and returns more value to users.

Looking to the Future: Closing these Gaps

The sharing economy is a growing, powerful entity that's accelerating at a significant rate. It's contributed to some of the most impactful innovations the world has seen in the last few years, and as it continues to grow, it will remain an influential component of the global economy. However, in order for it to truly thrive and for the world to reap the benefits, public bodies and businesses alike need to ensure they continue to invest in innovation and remove regulatory barriers that have the potential to stifle opportunities for growth.

Mastercard shares common values with the sharing economy. The perspectives we have described above resonate strongly with our missions:

1. Guaranteeing trust and reputation

Mastercard is a trusted brand providing a trusted payment network and safe and secure solutions. Reputation is the foundation of our business; equally, trust and reputation are key for the sharing economy to grow. Partnering with its leaders through card-on-fil preference, we can promote this trust. From payment provider to trust provider, we want to become a facilitator of trust and reputation.

2. Improving experience

The minimum requirement for Mastercard is to guarantee a frictionless transaction. From a focus on POS terminals and a narrow payment experience to every device is an acceptance device and a broader payment experience. We need to set higher customer experience standards.

3. Creating greater value

While sharing economy leaders are expanding the breadth of their offer, seeking to add value, we at Mastercard also tap more and more into more services and Priceless experiences, we move beyond payments to stay relevant and can define a richer value proposition for both users and providers.