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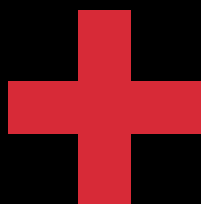
[Compassionate
business thinking]

July / August 2015 #002

MOTHER EARTH NEEDS

YOU

**HOW TO SAVE THE PLANET
IN OUR LIFETIME**



INSPIRING LEADERS

The reluctant genius:
Richard Saul Wurman,
founder of TED

SUSTAINABLE SOLUTIONS

In the long run:
Why an ageing population
is a good thing

POSITIVE IMPACT

A world in balance:
What businesses can learn
from native Americans

NEW ECONOMY

Why sharing is caring:
The dynamics of a
new economy



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PROFESSOR LIZ DOWLER



The words 'sharing economy' evoke a paradise of community connectedness. They suggest the opposite of the world of dog-eat-dog capitalism and social isolation. There is an instant emotional appeal to left wingers and Green Party members. It's true major aspects of the sharing economy involve communities in sharing possessions for mutual benefit or using technology platforms to reach vulnerable people. But critics of the evangelism surrounding the sharing economy point out that the largest companies, including Uber and Airbnb, take advantage of regulatory grey areas to evade taxes and make huge profits. The biggest players are tech companies based in Silicon Valley and funded by venture capitalists.

The rapid emergence of the sharing economy has taken everyone by surprise. Two years ago, at the World Economic forum in Davos, hardly anyone

knew what the term meant. This year, it was the phrase on every economist's lips. In 2013, more than US\$3.5 billion of venture funding was invested in sharing economy businesses, but by 2014, investments had reached an estimated US\$10 billion. Uber, the ride-sharing service founded in San Francisco in 2009, has a market capitalisation of more than US\$40 billion, which means it has grown faster than Facebook, Google and Amazon over the same period. Airbnb, the room-sharing service that began in 2008, now operates in more than 34,000 cities. Last year, it averaged about a million guests a month globally and it has been valued at US\$20 billion. To protect their investors, both platforms are involved in complex regulatory battles around the world, including with the Federal Trade Commission in Washington.

At its current rate of progress, the sharing economy could be worth US\$335 billion by 2025 and its sheer

[[THE RAPID EMERGENCE OF THE SHARING ECONOMY HAS TAKEN EVERYONE BY SURPRISE. UBER, THE RIDE-SHARING SERVICE FOUNDED IN SAN FRANCISCO IN 2009, HAS A MARKET CAPITALISATION OF MORE THAN US\$40 BILLION, WHICH MEANS IT HAS GROWN FASTER THAN FACEBOOK, GOOGLE AND AMAZON OVER THE SAME PERIOD.]]

Professor Liz Dowler

size makes simple definitions hard to come by. What we can say is that it involves technology-based sharing platforms but these can be for profit or not-for-profit and it might involve working with neighbours or with strangers on the other side of the world. The model can support local economies or pay for the yachts of venture capitalists thousands of miles away.

Workable solutions

As a sharing economy advisor for companies and business all over the world, April Rinne is a passionate advocate but even she acknowledges regulatory problems. She just thinks there are workable solutions. "Everyone's in limbo including policy-makers, governments and companies. There are issues around insurance and taxation and the difference between personal and commercial use," she said. "We know how to regulate individuals and businesses but not how to regulate people as businesses. At what point does renting a spare room to make ends meet become a business? These are thorny issues for policy-makers but we have dealt with similar issues for centuries as they are a natural process of innovation. When the car was first introduced, many cities ruled it could drive on the street as long as it didn't go faster than a horse and buggy. It seems ludicrous today but new technology is disruptive."

Rinne believes that human ingenuity and bold regulators can surmount the challenges. "Governments need to not see things as black and white. We need regulatory structures that can grow with the collaborative economy as new companies enter the field," she said.

One of Rinne's favourite businesses, TaskRabbit, encapsulates the critical debates about the nature of the sharing economy. Advocates praise its flexible working model whereas critics say it promotes a 19th century form of capitalism. TaskRabbit is a kind of eBay for errands. People post jobs and 'Taskers' compete to do the work. It could be anything from writing a love letter to mending a computer. The most popular task is putting up Ikea furniture.

"About 70 per cent of Taskers are under-employed or unemployed when they find TaskRabbit. Each is a new type of micro-entrepreneur," said Rinne. "The majority have skills and want to be productive but need flexible working arrangements. They might be mothers with young kids or retirees. A nine-to-five job doesn't suit them but they need an income. By 2020, 40 per cent of the US workforce will be freelancers. It's a new kind of livelihood enabling income generation in ways that didn't exist before."

Casual labour?

Rinne's positive view of TaskRabbit does not convince everyone, however. Tom Slee, the author of 'No One Makes You Shop at



Wal-Mart' and a trenchant critic of many parts of the sharing economy, says the flexible working models can easily slip into exploitation. "TaskRabbit has becoming a glorified temping agency. Like many companies in the sharing economy it began

AIRBNB IS CREATING MARKETS FOR THINGS WE DIDN'T HAVE MARKETS FOR BEFORE. SO PEOPLE HAVE BEEN RENTING IGLOOS, OR TREEHOUSES AND AT ONE POINT THE ENTIRE STATE OF LIECHTENSTEIN WAS ON THERE

with great ideals but slid rapidly from neighbourliness to casual labour. TaskRabbit call their Taskers micro-entrepreneurs but they're really engaged in precarious piecework," he said. We've been through all that before with 'women's work' in the 1970s when cleaning jobs were not 'real jobs'. They just provided a little extra cash so workers didn't need protection or decent salaries. TaskRabbit is similar. Like those jobs, they don't come with things like insurance protection, job security or benefits. That's all 'old economy' stuff."

Similarly, Slee questions the motivation behind McDonald's agreement with the online delivery service, Postmates. "What happens if someone cancels an order? Who pays for the travel time? The courier does. The corporates are pushing the risk associated with any transaction on to the individual in the name of flexibility and control," he said.

The car-sharing company, Lyft, is another sharing economy business that fiercely divides opinion. Rinne sees it as a logical outcome of the "idling capacity" of most people's cars, as well as a community-minded approach. "Lyft cuts the cost of transport and reduces CO2 and congestion in cities," she said. "But it's not just about economics. Lyft is about creating a sense of community

and a spirit of fun. Drivers greet passengers with fist pumps. Lots have jazzed-up cars. One driver bakes different cookies every day and another has karaoke in his car. It's about building community and solidarity."

Rinne says Lyft has been operating in a regulatory grey area that has attracted the ire of conventional taxi companies. But the California Public Utilities Commission – an important regulatory body given California's immense presence in the market – has passed a law creating a new business called a Transportation Network Company. "This regulates them for what they are rather than trying to fit a square peg into a round hole. This is the kind of thing other cities need to look at and then we will see a big expansion in this type of company," said Rinne.

Of course, Slee does not share Rinne's high opinion of Lyft. He says Lyft started by offering something called Zimride which was modelled on carpooling but was sold to Enterprise Rent-A-Car in July 2013. Instead, Lyft moved to an alternative taxi model which gives drivers another source of income. "Lyft is different to Europe's BlaBlaCar which has stayed closer to a carpooling social model. BlaBlaCar drivers get paid enough to cover the cost of the trip but not enough to make a profit. Lyft started like that then people charged enough to make money and it went south. Lyft has moved closer to Uber's model in the past year or two. Both take money out of the local economy and transfer it to distant owners."

Polarising opinion

Perhaps the most famous business in the sharing economy, Airbnb, also polarises opinion. Rinne celebrates its capacity to reduce costs for travellers and provide community experiences between owners and visitors. "It's creating markets for things we didn't have markets for before. So people have been renting igloos or treehouses and at one point the entire state of Liechtenstein was on there," she said.

But Slee sympathises with bed and breakfast owners who say the unregulated nature of much of the Airbnb market undermines their trade. "To register as a bed and breakfast in most places you need to conform to regulations so you need insurance and fire inspections and other such things. Bed and breakfast owners say they can't compete when Airbnb don't have those costs. In some cities, such as Amsterdam, Airbnb says it's collecting taxes on transactions and handing them over but they won't tell the authorities exactly who the money is coming from. So it's possible some of the owners may not be complying with rules saying they need a licence and health and safety inspections."

Although Rinne and Slee disagree about many things, both admire community-minded approaches. One of Rinne's favourites is the British platform, GoodGym, which sends runners on errands. "They go on missions for housebound people," she said. "A person might need a light bulb changing or a prescription delivering so the runner jogs to the house and helps them. Or they go to share a chat and a cup of coffee with an isolated person.

They bring a ray of sunshine into that person's life whilst getting fit."

Rinne is also a huge fan of the Vancouver Tool Library, which takes advantage of the "idling capacity" of household devices. "On average, a power drill costs US\$100 and is said to be used for just 14 minutes in its entire life. For a membership fee, the Tool Library takes care of that waste," she said. "TechShop is similar but it shares more sophisticated technology such as 3D printers and laser cutters. Technology used by the multi-billion dollar company, Square, was prototyped at TechShop," she said.

Slee agrees that both GoodGym and the Vancouver Tool Library make positive contributions to society but he says they are a minor part of the sharing economy. "Models such as GoodGym and the Vancouver Tool Library are a great idea but act as a Trojan horse for a deregulation, free market agenda," he said.

Slee, however, has ideas about how to make the sharing economy conform to its original ideals. Ride-sharing companies could limit their income to remove liability and taxation issues and prevent revenue leaking out of local economies. Lyft and Uber could work with taxi unions to protect workers' rights. Airbnb could restrict hosts from listing several properties. In New York, almost half of Airbnb's revenue comes from owners with multiple listings, defeating the platform's original goal.



APRIL RINNE

Wingham Rowan, director of the UK's Beyond Jobs consultancy and author of two books about online markets, offers a different view of how progress could be made. He says government is the "sleeping giant" of the sector. "Government is the biggest buyer of irregular labour in the economy – both directly and indirectly – and has all sorts of levers it can pull to entice this kind of activity into the legitimate, tax-paying economy."

Rowan expects the sharing economy to look completely different in 20 years' time. "We will have state-of-the-art markets for sharing economy transactions with ultra-low overheads and low risks. The markets will offer personalised data on opportunities across thousands of sectors. Irregular work will be more empowering, stable, informed and progressive than we can currently conceive."

Rinne says that Slee, and others, can argue as much as they want about the virtues of the sharing economy but it is here to stay and will continue to transform our lives. One area where it can have a positive effect is in creating shareable cities. In the context of diminishing budgets, the sharing economy enables cities to "do more with less".

"In an age of rapid urbanisation, climate change and shrinking budgets, city leaders can be the greatest beneficiaries of the sharing economy but they are largely absent from the table. This is starting to change. The mayors of major US cities, including New York, Los Angeles and San Francisco, are promoting the sharing economy and Seoul, in South Korea, has become the most shareable city in the world thanks to a visionary mayor," she said.

"He has passed legislation making it a pillar of his urban strategy. He sees the city as a 'sharing lab'. It's not easy to become a shareable city as we never imagined we could connect with magical devices called smartphones and we built our regulations around ownership societies. But Seoul is finding ways around these issues and will be a leader for years to come."



10 PIONEERING SHARING ECONOMY COMPANIES

Airbnb

Based in San Francisco, Airbnb is a community marketplace for people to list and book accommodation around the world through the internet. It has more than a million listings in 34,000 cities and is valued at US\$20 billion.

Lyft

Also based in San Francisco, Lyft is a "transportation network company" that has raised more than US\$1 billion from investors. Lyft's app facilitates peer-to-peer ridesharing in US neighbourhoods. Drivers are screened.

JustPark

London-based, the JustPark mobile app permits drivers to book a parking space between half an hour and a year ahead. People can also rent their parking spaces.

TaskRabbit

TaskRabbit connects users with neighbours willing to do small tasks. It has been dubbed "ebay for errands". People post tasks and the rate they will pay. Putting up Ikea furniture is a popular job.

DogVacay

Based in Santa Monica, DogVacay places dogs in host families when owners are on holiday. Users browse lists of hosts who have been screened and received online training. Hosts set their fees.

EatWith

EatWith allows people to throw dinner parties and invite locals, or tourists, to come along for a fee. Founded in Tel Aviv, it is available in more than 30 countries.

Uber

Another "transportation network company" based in San Francisco, Uber is available in 58 countries. Uber's app lets users submit requests for a ride. They are sent to nearby Uber drivers.

Peerby

With Amsterdam-based Peerby, users borrow what they need from local people. It could be a power drill or a bike pump. Peerby's founders believe in sharing cities where it's possible to get hold of anything.

Postmates

Based in San Francisco, Postmates allows small businesses to compete to deliver consumer goods. Like Uber, it uses a mobile phone app and GPS to receive orders and dispatch drivers.

Homejoy

Another San Francisco-based company, Homejoy finds house cleaners for customers. Homejoy is available in North America and the UK, and works with thousands of independent cleaners.