

The sharing economy: A black box

Why write an analysis of the sharing economy when it is already getting so much media attention? To find out what's what, beyond the anecdotes and controversy being generated by some initiatives purported to be sharing economy initiatives, as well as to identify some landmarks and milestones for pondering it and attempting to discern its reach. The sharing economy has multiple facets: technological, legal, economic, and even ideological. It also features a plethora of examples that challenge the current ways we do things. It is hard to pin down. Between total acceptance and total rejection lie a lot of questions that must be addressed to grasp the phenomenon fully. Here are some of them.

IDENTIFYING ITS CONTOURS

No definition of the sharing economy will satisfy everybody. The definitions selected, presented in Appendix 1, are just a few of the versions now being proffered. Like a pot luck, there's something for everybody. Fundamental is the concept of sharing an asset, a service, or even expertise. Then there's the matter of whether or not compensation is received; this aspect alone is a real bone of contention. Wikipedia is one of the most frequently cited examples of the sharing economy, an encyclopedia built on everybody's cooperation that lies outside the rules of traditional publishing.

SHARING ECONOMY AND COLLABORATIVE ECONOMY: ONE AND THE SAME?

The sharing economy and the collaborative economy are two concepts that are sometimes combined, and sometimes treated as distinct. Those who distinguish between them think the collaborative economy creates more social interaction insofar as it amalgamates initiatives that are designed for sharing an experience and/or service. For them, the sharing economy is organized around the use of goods. Believers who participate do so for individual reasons. Some only include non-profit initiatives, while others acknowledge all of the examples on the official economy's periphery, and others still establish their own criteria and think they can spot imitations.

There is, however, relative unanimity on the fact that these practices lead people to think twice about purchasing goods. Buying something is less and less automatic. A number of analysts who have studied the phenomenon have expressed it as follows: "preferring the use of property rather than possession of it" (Violaine Wathelet¹) (our translation) or "access over ownership" (Gaëtan Vanloqueren²).

VARIATIONS ON THE THEME OF SHARING

The surge in the sharing economy in recent years has prompted some observers to talk about the emergence of a new world, while others instead refer to an accelerating change in behaviour. Those who believe the latter say that resource sharing did not start yesterday; they cite the public libraries, mutual associations and farming coops that got their start well before the 21st century. In their view, choosing to use rather than own a good is nothing new. It is a phenomenon that is spreading rapidly due to technological advances on the Internet, lessons learned during the last recession (difficult recovery after the 2008–2009 economic crisis, with many seeing a change of fortunes), and growing environmental concerns.

¹ Wathelet, Violaine, "Et si l'économie collaborative n'existait pas?" Économie sociale et enjeux de société, SAW-B, Analyse 2015, 9 pages.
http://www.saw-b.be/spip/IMG/pdf/a1514_economie_collaborative.pdf

² Vanloqueren, Gaëtan, "Cinquante nuances de partage. Le potentiel transformateur de l'économie collaborative, SAW-B, Analyse 2014, December 17, 2014, 12 pages.
http://www.saw-b.be/spip/IMG/pdf/a1414_observier_ecocol.pdf

WHAT DRIVES THE SHARING ECONOMY AND WHAT HOLDS IT BACK

Along with the explanatory factors mentioned earlier, the different sharing economy observers note other factors. Those who promote and use the sharing economy list the growing awareness of material abundance and excess and, in terms of aspects that are harder to quantify, a desire to collaborate, a stronger need to create social bonds, and the proliferation of “self-reinforcing” loops.

Some, including Deloitte,³ identify and categorize the factors supporting the sharing economy. The firm ranks them according to three “dynamics,” the first of which is “societal.” The latter dynamic includes the concern with sharing, alternate practices, ecology, the environment, and a situation in which ownership no longer says as much about social status. The second dynamic is “economic,” and it includes the fallout from the last economic crisis, the demand for lower prices, the search for additional income and a desire to capitalize on a “surplus inventory” of property that may be un- or under-used. The last dynamic is “technological” and it includes the proliferation of communication platforms and the securing of electronic payment methods. Others prefer to group the factors driving the sharing economy into economic, social and environmental dimensions. In short, the understanding of the phenomenon is also evolving.

At this time, a few factors have been identified that could slow its advance. These include the regulations that define a sector’s activities and practices, taxation, which is not necessarily advantageous, and reputation, which may or may not be harmed.

A KALEIDOSCOPE OF ACTIVITIES

The sharing economy is a label that covers an extraordinary number of activities, making it hard to shed any light on the phenomenon. For some people, the sharing economy includes Uber and Airbnb; for others, it does not. According to numerous people from the social economy and some analysts, many initiatives claim to fall under the sharing economy label, whereas, in fact, whether they belong there is open to question.

Initiatives that clearly come under the sharing economy umbrella have been proliferating in the last few years. They may have a substantial community vocation, like platforms on which skills are exchanged free of charge. Software sharing is another example of exchange. There are also places, commonly called as “fablabs,” that provide the public with free access to labs equipped with tools (precision tools and sophisticated equipment like 3D printers, etc.). In addition to having access to equipment, it is possible to share the expertise of those who know how to work the devices, and therefore increase everyone’s skills. Here, the primacy of access over ownership shows. There are also platforms for exchanging ideas (such as E-180, Share Your Knowledge, University of Streets Café, Wikipedia, etc.), goods of all kinds (for example Ça pour ça, Give Box, Montreal Mega Swap, Minitrade, Troc-tes-trucs, etc.) and services (libraries (several sites), StudEtree, Netlift, Kutoto, Upwork, etc.).

The financial component is surging. Computer platforms have been created in order to seek crowd funding, in order to help make a movie, a record, finance expensive medical treatment, help develop a park or beautify a building, or even start a business. There is no shortage of causes to raise funds for. This is referred to as participatory or social financing. The people who invest rally behind an idea: they feel like they’re voting or, in a way, participating in initiatives that go off the beaten track, in other words, like they’re making a difference. Sometimes there is a return on the investment, which could be in the form of a premiere, a share in the project, or even privileges. In Quebec alone, the “La Ruche” platform, with which Desjardins is partnered, has raised \$1.1M over three years and supported nearly 200 local projects. There are many other examples of platforms with similar goals (such as Babeldoor, Kickstarter, KissKissBankBank, SeedsUps, Ulule, Yoyomolo, etc.). These are the best-known aspects of the sharing economy.

ON THE FRONTIER OF THE SHARING ECONOMY

As exchange platforms and brick-and-mortar sharing sites like fablabs and bike repair workshops proliferate, analysts are increasingly wondering about the scope of the sharing economy, its various manifestations, and the purpose of the many actions that are defined as an integral part of this movement.

³ Monitor Deloitte, “Ubérisation : partager ou mourir!? L’économie on-demand ou collaborative est un modèle disruptif qui appelle un nouveau regard sur l’innovation et sur le leadership.” July 2015. <http://fr.slideshare.net/JeanMarcLIDUENA/2015-etude-deloitte-uberisation-economie-ondemand-vfinal>

The outcome is the following question: where does the sharing economy stop? At what point does the provision of a service (such as lending someone a sofa for the night) go from being a practice occurring between a few people to an organized reservation system, establishment of a clientele, and professionalization of the activity?

Is the sharing economy still involved when the added value citizens gain is at least partially redirected into the hands of a few managers or even flows outside the country in which the service is delivered or good is shared?

In an economy that is taking the road less travelled, can minimum labour standards be flouted? These questions are being asked around the world at this point, and workers, entrepreneurs, unions and employer organizations, social organizations, legal experts and governments are trying to find answers.

Very basically, we need to ask about the foundations to examine and work on: the means or the ends, or both simultaneously?

ATTEMPTS TO CATEGORIZE

Some researchers have tried to categorize the practices of the collaborative economy. One example is included here, the nomenclature used by Rachel Botsman, who puts the activities into three broad categories. She refers to redistribution systems (reselling and swapping, in particular), systems that turn products into services (auto, bike and tool sharing, or goods that are shared or leased) and, finally, “collaborative” lifestyles in which intangible resources like time, space and skills are traded and shared.

Figuring out how to define the myriad instances that claim to be from the social economy is no easy task. Some researchers are even talking about magma, given how hot, sweeping and difficult to grasp the activity is.

INNOVATIVE

An avant-garde nature is one characteristic pinpointed with respect to the sharing economy. Yet, as noted earlier, resource pooling is not a new concept. However, we have to acknowledge that the areas in which it is being applied are increasingly varied. Moreover, the technical support—the digital platforms—is a very powerful vector for transmission. This is why some say the sharing economy is not, in and of itself, a new economic system. It is the technology that is driving practices that were less common in the 20th and very early 21st centuries, such as resource sharing and the valuing of the use rather than ownership of an asset. In other words, technology is propelling the movement faster.

BUT HOW MUCH FASTER?

Attempts have been made to estimate the value of the sharing economy in recent years. In light of the above, it is clear that the estimates vary widely. Partly because the applications are proliferating on a daily basis, as are the initiatives, without necessarily being counted. Partly because not everyone includes the same activities in the sharing economy. As we noted earlier, the definition is still highly elastic. However, putting some numbers to the phenomenon remains interesting, so here are three snapshots.

According to Deloitte,⁴ in 2013, the collaborative economy’s market had an estimated revenue of US\$26B, which could potentially reach about US\$100B three years later, in 2016. In their opinion, the activities involved in housing, transportation, finance and retailing seem to create more value than they destroy.

According to Philippe Cases,⁵ the sharing economy includes billionaire corporations (he includes Uber and Airbnb, among others) and has almost doubled in size every year since 2012. He valued the sharing economy at US\$140B in 2015. PricewaterhouseCoopers (PWC) also attempted the exercise in 2015⁶ and included travel, car sharing, finance, staffing, and music and video activities. They think that these sectors’ global revenue could rise by about US\$15B in 2015, going to US\$335B in 2025. As is clear, there is no unanimity on the subject, especially as not everybody pinpoints the same activities.

OPINION IS SPLIT

The sharing economy is lauded or reviled, depending on how it is painted. For some, this economy leads to greater moderation in consumption and therefore greater social responsibility. From this perspective, the sharing economy is entirely in line with sustainable development. It changes how people vacation and get around, finance their plans, and consume goods and services.

⁴ Monitor Deloitte, *ibid*

⁵ Philippe Cases, “Sharing economy’s ‘billion-dollar club’ is going strong, but investor risk is high,” *Spoke Intelligence*, February 7, 2016. <http://venturebeat.com/2016/02/07/sharing-economys-billion-dollar-club-is-going-strong-but-investor-risk-is-high/>

⁶ PricewaterhouseCoopers, “The Sharing Economy,” *Consumer intelligence Series*, 2015. 30 pages <https://www.pwc.com/us/en/technology/publications/assets/pwc-consumer-intelligence-series-the-sharing-economy.pdf>

At the other end of the spectrum are those who consider it to be a myth.⁷ In their opinion, the sharing economy is a label used to define various systems of online intermediaries who put buyers and sellers together. In fact, they think that if sharing were to become widespread and everybody lent their property to anyone who asked, the incentive and willingness to work would drop substantially. They also think that the people who offer a spot in their car or their apartment are expecting monetary compensation. It is an economic exchange. These exchanges are facilitated and accelerated by technology that substantially reduces transaction costs. Buyers and sellers find each other much faster. In their eyes, therefore, what is involved is a more efficient economy, rather than a sharing economy.

Some ecologists are also sceptical. At first glance, the idea of sharing and reusing objects is good for the environment. However, in their view, consuming differently does not automatically mean consuming less. As an example, they cite the money saved on buying a car, which is then used to travel the world. This is characterized as a “rebound effect.” Moreover, some think that exchange platforms require very power-hungry data centres and, over the long term, sharing practices may not have all of the virtues they are vaunted to have.

A SNOWBALLING MOVEMENT—FOR HOW LONG?

Enthusiasm over and interest in the sharing economy in recent years have helped it expand and reach into almost every area of human and economic activity. What will be next? Before we can identify that, we need to be able to reach a consensus that goes beyond the common denominator of “access over ownership.”

We need to ask whether the various economic models can cohabitate harmoniously, respecting the consensuses that have been established about the labour market, social solidarity, and income redistribution in each society. Here, cooperatives, mutual associations and social economy businesses, which stray from the pure capitalistic model of an enterprise, have been demonstrating that harmony for hundreds of years. Technology makes it possible for almost anybody to become an entrepreneur; with more than 7 billion people on the planet, can we expect a plethora of sharing economy enterprises to emerge? The formula has further potential and has not stopped evolving. We can expect it to keep blossoming for several more years, until the limits of some forms of organization have been reached.

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⁷ Harold Furchtgott-Roth, Hudson Institute (fellow), “The myth of ‘sharing’ in a sharing economy,” *Forbes*, June 9, 2016 2016. <http://www.forbes.com/sites/haroldfurchtgottroth/2016/06/09/the-myth-of-the-sharing-economy/#6fb9d2c26a1d>

The sharing, collaborative and social and solidarity economies: Definitions

Source	Sharing economy	Collaborative economy	Social and solidarity economy
PwC - PricewaterhouseCoopers (2015)	"Sharing economies allow individuals and groups to make money from underused assets. In this way, physical assets are shared as services."	The collaborative economy is therefore an economy that makes its profits by commodifying use rather than ownership. In other words, we are no longer selling the item, we are selling use of that item.	X
OuiShare international collective 2015	X	"A set of economic practices and models based on horizontal structures and participation of communities," which transform how we live, create, work. Resources are pooled, "fostering access over ownership and reducing waste" and "open and horizontal governance."	X
Gaétan Vanloqueren Saw-B - 2015	The sharing economy covers initiatives that organize the sharing of a good.	The collaborative economy (which covers initiatives that organize the sharing of an experience or service) creates more social interactions than the sharing economy.	X
Cyril Kretschmar	The sharing economy is peer-based: individuals organize to create a common good. It involves creating collective goods together: in ridesharing, the cost of a trip is shared equitably between the driver and passengers. The free software developed by its user communities belong to all.	The collaborative economy is based on the production of common goods and, especially, services, is horizontal and facilitated by the use of Internet platforms. It makes it possible to produce services for many people, which services are not necessarily collectively owned. A significant proportion of the rental price goes to the central reservation platform.	The social and solidarity economy focuses on the common good; democratic, its ethics involve sharing the revenue from the activity. The goods and services produced do not serve a single user category but are for all. A substantial proportion of this economy focuses even more specifically on users who are the most marginalized in terms of access to these services.
Portail Québec - Services Québec	Semi-formal arrangement among individual consumers to exchange objects, time, services (accommodation, transportation) in which the standard business rules are relaxed or skirted. (Source: Thesaurus de l'activité gouvernementale, 2014).	X	X

The sharing, collaborative and social and solidarity economies: Definitions

Source	Sharing economy	Collaborative economy	Social and solidarity economy
Wikipedia	X	<p>The collaborative economy is a human activity designed to produce shared value; it is based on new ways of organizing work. It is organized more horizontally than vertically; in it, goods, spaces and tools are shared (access rather than ownership). Citizens are "networked" or organized into communities; Internet platforms usually act as intermediaries (except for models like reciprocal knowledge exchange networks)."</p> <p>"The collaborative economy takes different forms (sharing economy, economy of functionality, including the circular economy, solution economy, peer-to-peer economy) depending on the type of goods and services involved or the end goal (consumer empowerment, environmental efficiency).</p>	X
Monitor Deloitte 2015	X	<p>Uberization of the economy (sharing economy, collaborative consumption, peer-to-peer economy, on-demand economy) is characterized by 7 essential aspects:</p> <p>Disruption - Traditional models are challenged: Corporations are threatened by individuals who are shaking the market up in record time i.e. "7 billion CEOs."</p> <p>Use - Access to a given good or service takes precedence over ownership of that good or service.</p> <p>Innovation - New approaches that take a different look at our daily lives and well-being through the user experience (UX).</p> <p>Exchange - Linking people who are looking for a product/service with people who have a product/service to offer. The exchange may take the form of a swap, sharing, a sale or rental.</p> <p>Digital - The exchange is supported by digital platforms.</p> <p>Interdependence - The consumer is at the core and middlemen are minimized.</p> <p>Dynamic - Prices adjust in real time, tracking supply and demand. Access to the product/service is on demand, at the time and place the user wants.</p>	X
Définitions Marketing B. Bathelot (2016)	<p>The sharing economy generally refers to the new modes of consumption that allow consumers to share use or consumption of products, equipment or services. Although the term originated in the notion of shared use, the sharing or loan can be free or fee-based. The sharing economy is being more or less heavily commodified, with the degree of commodification dependent on the sector; the drive is no longer to optimize a mode of consumption but to generate revenue, making the notion of sharing economy quite relative.</p>	X	X