

Platforms for the People

Competitive Strategies Within and Between Platform Markets

Lecture 6

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Sharing economy: a global Phenomenon

“Uber, the world’s largest taxi company, owns no vehicles. 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. Something interesting is happening.” (TechCrunch 2015)

The “collaborative revolution” will be as important as the industrial revolution (Botsman 2016).

The SE is named as one of 10 ideas which will change the world by Time Magazine



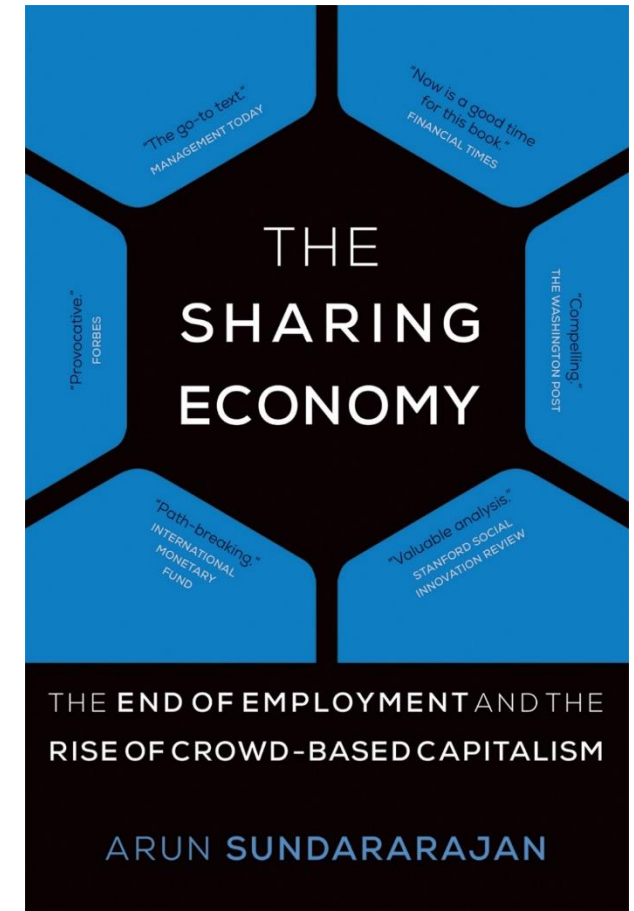
Main themes surrounding the sharing economy

- Increases utilization of underutilized (personal) assets
- Reduction of transaction costs and search goods
- The effect of the sharing economy on traditional industries:
 - The effect of Uber on the taxi business
 - The effect AirBnB on the hoteling business
 - The effect of Bitcoin and the blockchain on banking
 - The effect of Kickstarter on the venture capital business
- Redefinition of the organization as an exchange platform?
- Existential threat to the institutional organization?

Defining the sharing economy

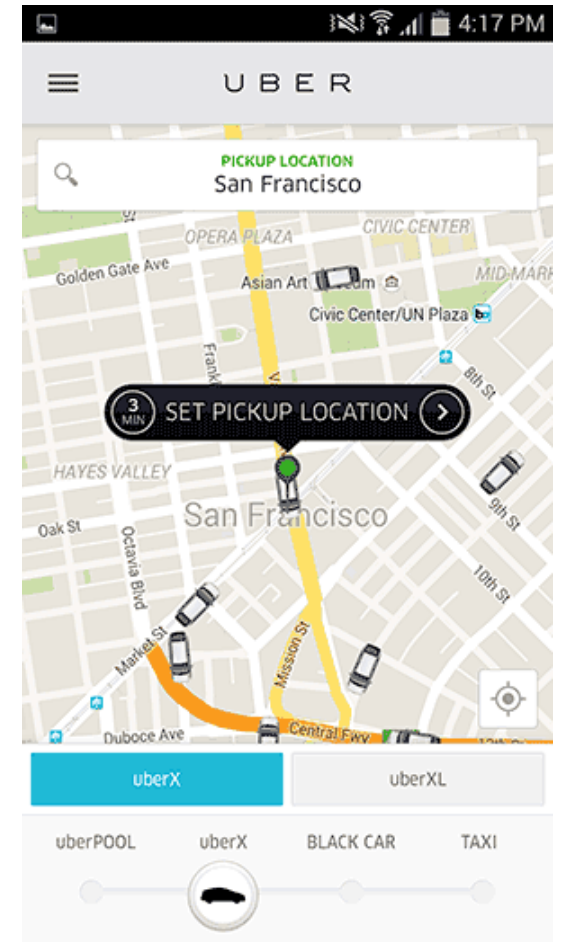
SE can be defined as participants granting each other (“peer-to-peer”) temporary access, without changing the ownership of the goods, to their under-utilized assets, possibly for money (Belk, 2014; Woskow, 2014; Lamberton & Rose, 2012; Sundararajan, 2016).

“The Sharing Economy is a socio-economic ecosystem built around the sharing of human and physical resources. It includes the shared creation, production, distribution, trade and consumption of goods and services by different people and organizations.” – thepeoplewhoshare.com



What is driving the sharing economy?

- Getting to know people, increasing sustainability, and enjoying sharing are examples of societal drivers while saving (or earning) money are economic drivers
- But the **reduction of search, coordination and transaction costs** through the mobile internet is the most important driver (if the social element really matters why is Uber moving towards driverless cars?)
- Technologies enable platform sponsors to easily match supply and demand for un-utilized assets in **real-time**

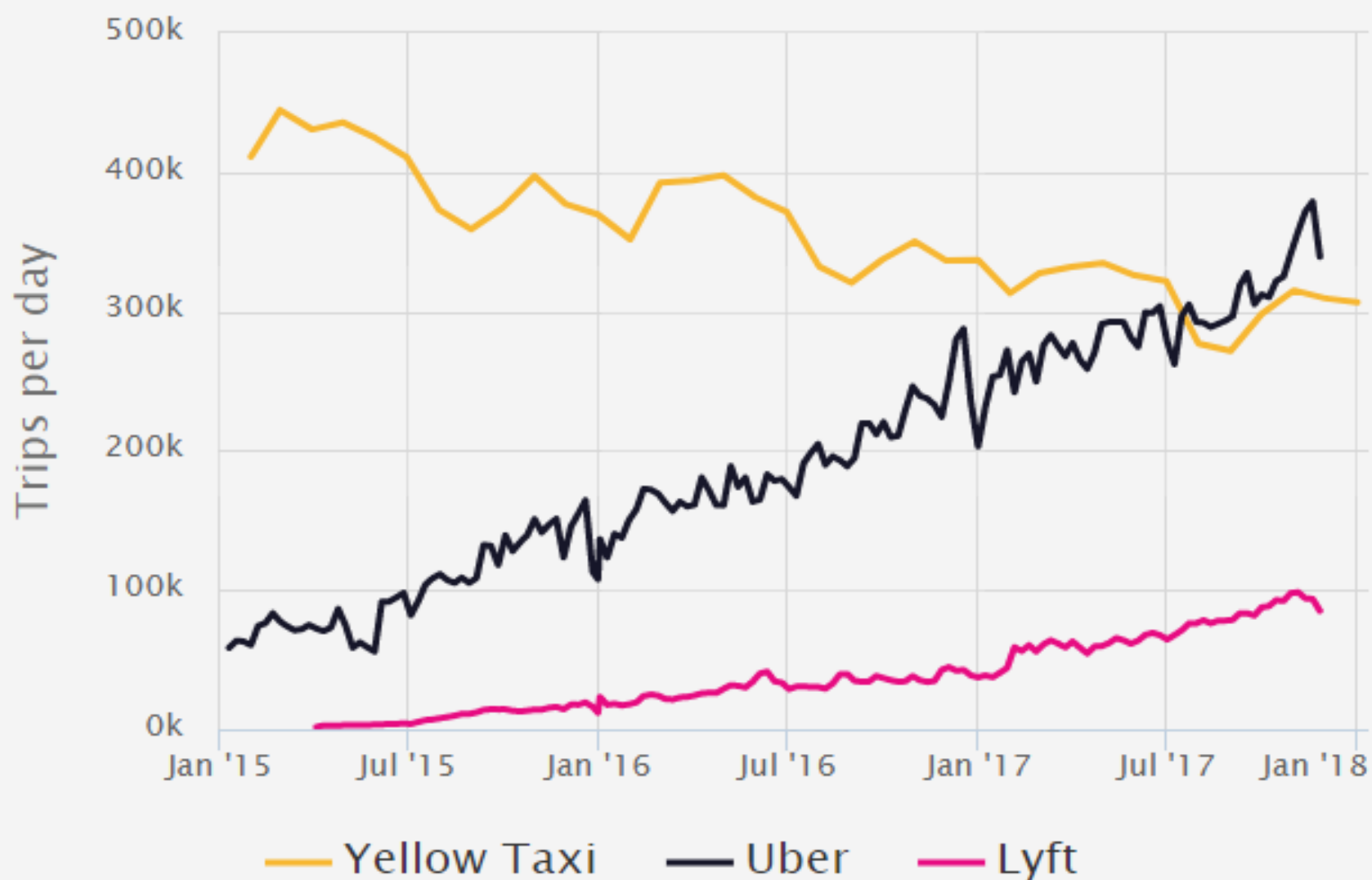


Does the SE compete with traditional industries?



NYC Daily Trips: Yellow Taxi, Uber, and Lyft

Based on TLC summary data





airbnb

"If Airbnb is on track to book **80 million room nights a year**, that is 80 million room nights that the global hotel industry is not getting."

Henry Harteveldt (independent analyst)



"[...] an interesting experiment that is fun to watch."

CEO, Arne Sorenson

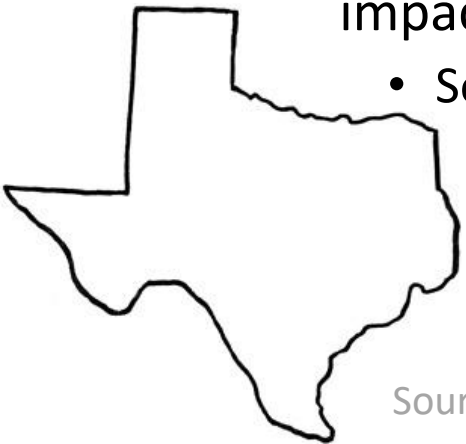


"[...], traditional hotels offer amenities and services that Airbnb listings typically don't."

Analyst, Dan Wasiolek

Empirical evidence from Airbnb in Austin, TX

- In areas with many Airbnb listings, hotel revenues and occupancy rates decreased by about 8-10% over from 2008 to 2014:
 - Affected hotels experienced a decrease in occupancy rates and an even bigger decrease in hotel room prices
 - Hotels in areas with many Airbnb listings were affected the most
 - The impact of Airbnb was magnified for low cost hotels
 - The impact of Airbnb was attenuated for hotels offering additional services
 - The impact of Airbnb on independent hotels was disproportionately larger than the impact of Airbnb on well-known chain hotels such as Hilton
 - Some evidence that ride-sharing services and Airbnb complement each other!



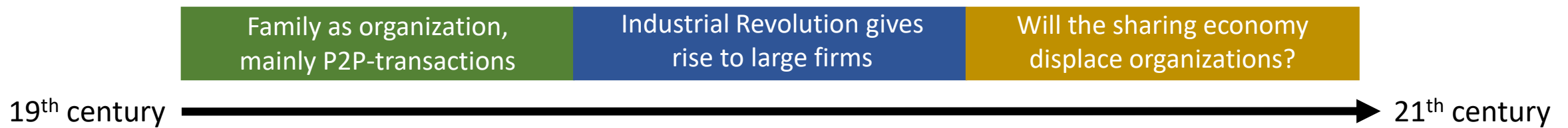
Trusting the sharing economy

- Most Sharing Economy platforms use two-sided rating systems to ensure both parties fulfill their parts of the mutual agreement
 - Have you recently checked your Uber rating, or your Tinder ELO score?
- While rating systems are generally an efficient way for sharing economy platforms to govern their users, rating systems are not 100% bullet proof
- Luca and Zervas (2016) found:
 - Restaurants on Yelp are more likely to commit review fraud when they have a weak reputation and are not part of a restaurant chain
 - Restaurants are more likely to gain fake reviews if the overall competition intensifies



Will the sharing economy displace organizations and change the nature of work (“crowd-based capitalism”)?

- The sharing economy enables more fluid work relations and substitutes organizations with P2P transactions
- Sharing economy firms have very flat hierarchies and play a mere facilitating (or, match-making) role in the interaction between “buyers” and “sellers”
- When (if) the use of blockchain technology becomes the norm, “buyers” and “sellers” are able to control the whole transaction process
- Displace organizations and return to the pre-industrial revolution age?





Thank you!



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