



Business Innovation Observatory



The Sharing Economy

Accessibility Based Business Models for Peer-to-Peer Markets

Case study 12

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Business Innovation Observatory
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1. Executive summary

In traditional markets, consumers buy products and gain ownership. However, through accessibility-based systems, consumers are increasingly paying for temporary access-rights to a product. Within these accessibility based business models, there is a trend towards peer-to-peer platforms that enable consumers to access consumer owned property or competencies. Companies can facilitate peer-to-peer markets for nearly all assets or services owned by peers. Within the context of this case study, we consider companies to have an accessibility based business model for peer-to-peer markets when their value proposition consists of creating a match between a peer owning a certain resource and a peer in need of that resource, at the right time and against reasonable transaction costs.

There are several macro-economic factors driving the growth of the sharing economy. One such factor is decreased consumer trust in the corporate world as a result of the financial and economic crisis. In addition, unemployment rates have risen and the purchasing power of consumers has dropped. Therefore people are in need of ways to earn or save money, which is why consumers are currently more receptive to peer-to-peer business models centred on consumer needs both as a potential supplier and buyer. Furthermore, the required technology for hosting an online peer-to-peer market has, in recent years, become available at more reasonable cost. As a result, the potential of the sharing economy is significant, with annual growth exceeding 25%.

The most widespread business model deployed by sharing economy companies features an online market place through which the demand for certain assets or services amongst peers is matched with the ownership of those assets and services by other peers. Differentiation strategies are based on the mechanism that drives matchmaking, which can be either demand-driven, supply-driven or a combination of both. Further to this, sharing economy companies' operations in different industries and markets have not yet contributed to a golden standard in matchmaking being set.

Companies deploying a peer-to-peer platform face several obstacles and drivers in their environment that are

specifically associated with the sharing economy model. The biggest challenge from a client's perspective of the innovation is the lack of trust in online activities and transactions. Companies in the sharing economy are therefore trying to come up with measures to boost confidence like peer-to-peer rating systems and ID checks. This is, however, also an area where policy makers could provide valuable contributions in the form of minimum quality and safety requirements.

A key driver for the sharing economy is the availability of funding sources. Support from both public and private parties has been significant. Many sharing economy start-ups are part of an accelerator or incubator programme, which provides them with advice from experienced individuals and seed capital. This RDI infrastructure also helps peer-to-peer marketplaces to gain international exposure. This is important because internationalisation can be another driver for some sharing economy marketplaces. Platforms that are significantly affected by network externalities can particularly benefit from expansion to non-domestic markets.

Companies in the sharing economy allow consumers to fulfil new roles and tasks that were normally conducted by businesses. Regulations and measures that are suitable to facilitate and coordinate Business-to-Business or Business-to-Consumer transactions are not always applicable to the newly created Consumer-to-Consumer market. Policy makers could focus on measures that:

- Tailor tenders aimed at innovation within start-ups to the restriction those companies face;
- Facilitate the creation of minimum safety and quality standards for peer-to-peer markets;
- Provide more project-based education for programmers and developers;
- Create more flexibility for employing workers;
- Make it more attractive for employees to receive company shares, and receive future dividends for instance in the form of tax exemptions for future dividends or reduced tax tariffs on salaries, in order to enable SMEs to better attract talented staff with limited cash reserves.



2. The sharing economy and accessibility based business models

In recent years, a transition from ownership towards accessibility can be observed across a wide variety of markets. Whereas in the conventional situation consumers would buy products and become the owners, in an accessibility-based system consumers pay for temporary access-rights to a product. Clearly this manner of commerce has already been conducted for many decades (probably even centuries for some goods), in the form of for instance car rental services in B2C markets and outsourcing in B2B markets.

This conventional business model, however, is subject to change. Two trends can be observed in the evolution of this rental-like model. Firstly, technological advancement allows the business model to spread to more and more markets and become more and more convenient and flexible. An example of this is the music streaming service called “Spotify” that provides consumers access to over thirteen million music tracks, conveniently through their smartphone, tablet or computer. Another example is the car rental company “Car2Go”, which provides members with flexible and nearby access to individual mobility through a large quantity of rental cars that are distributed across European cities. These are examples of accessibility based business models in the B2C market.

There is, however, a second trend which constitutes a shift to peer-to-peer accessibility based business models. Whereas in the conventional model, companies are providing access for consumers to company owned property, in peer-to-peer models, companies are **facilitating access for consumers to consumer owned property or skills** and competencies. Most of these companies function through an online platform or marketplace that connects consumers that own certain assets and skills with consumers in temporary need of those. These companies can facilitate peer-to-peer markets for potentially all product or service owned by

consumers. This business model might become particularly disruptive to conventional rental solutions for mobility, accommodation, catering and other sorts of services, because it is able to serve the same needs at a significantly lower price. Moreover, it empowers consumers to capitalise on their property and skills, providing them with an opportunity for micro-entrepreneurship and lowering total cost of ownership.

The promising start-ups that are active in this very specific and rather new market, symbolise the potential of the so called **“sharing economy”**. Due to the lack of scientific publications on “the sharing economy” we confine its definition to companies that deploy **accessibility based business models for peer-to-peer markets** and its user communities. This type of business model is not limited to specific industry sectors, because it can, in theory, act as a broker between consumers, for any consumer owned product or service.

In this case study we consider companies to have an **“accessibility based business model for peer-to-peer markets”** when their value proposition consists of creating a match between a consumer owning a certain resource (property or skill/competence) and a consumer in need of that resource, at the right time and against reasonable transaction costs.

Matchmaking is often realised through the deployment of an online platform or marketplace where consumers can post their offering and/or needs, and find the offerings and needs of others. The match has to be created at the right time, when both the offering and need still exist. The match also has to be created against reasonable transaction cost, meaning that depending on the nature of the resource to be shared, for instance the physical distance between both consumers cannot be too high.



3. Socio-Economic Relevance

As a result of the economic crisis, available technology and decreased consumer trust in the corporate world, consumers have become more receptive to peer-to-peer business models which are centred on consumer needs, both as a supplier and buyer. In order to capitalise on this, companies emerge that host online marketplaces for matchmaking between consumers. The manner in which these companies generate revenue and impact the economy depend on their commercial interest. For all of these business models, however, community building and creating social relevance is crucial.

3.1. The market potential of companies that drive the sharing economy

The sharing economy implies transactions between peers. Companies can therefore only take the role of a broker

between peers, or facilitate peripheral services. In this case we focus on the former, because these companies actively help build the sharing economy. Furthermore, the latter type of companies is not necessarily focused on providing services for peer-to-peer transactions.

Against this conceptual backdrop, this section of the case-study has drawn on data collected from interviews on specific sharing economy segments and transversal market data. This data presents and details the market potential of the trend in terms of prospected revenue and growth numbers, for the market as a whole, as well as for specific segments. Moreover, some key numbers on the sharing economy's most promising companies are provided. A summary of the companies incorporated in this case study is provided in Table 1.

Table 1: Overview of the company cases referred to in this case study

Company	Location	Business innovation	Success signals
Peerby	NL	Peerby is an online marketplace that matches people that are in temporary need of a specific object, with those that are in possession of the object and are willing to lend it.	Peerby participates in the Amsterdam based Rockstart accelerator programme; it has attracted support from the Dutch innovation agency and a foundation for social cohesion; has won an international sustainability award (Postcode lottery green challenge); and has attracted funding from commercial investors (Sanoma Ventures). The total amount of funding currently attracted is about USD 500,000. There are currently 10,000 platform members, with a monthly growth of 10 to 20%.
Shareyourmeal (Thuisafgehaald)	NL	Shareyourmeal is an online market place (website and application) that provides "home cooks" with the opportunity to sell their home cooked meals to interested neighbours.	Shareyourmeal's pool of users is currently growing with approximately 60 to 120 members per day, with currently over 35,000 users in the Netherlands and 8,000 in Belgium. Last year, 100,000 takeaway meals were transferred through the platform. The company has attracted several subsidies from foundations and local authorities. It aims to cover its costs with revenues in the coming year.
Sorted	UK	Sorted provides an online platform for individuals to sell their services to interested parties. A sorter (service provider) can indicate the tasks he/she can conduct, hourly rate and the distance he/she is willing to travel for conducting the service. The company also "certifies" its sorters and provides other services to its customers.	The company is not yet profitable, but has raised USD 150,000 to 200,000 already. Moreover it has won a USD 10,000 contest, as part of the Oxygen accelerator programme and the "Tech Entrepreneurs Week" annual contest.
Fixura	FI	Fixura is an online peer-to-peer lending platform. It allows potential lenders and borrowers to set the specific criteria against which they want to respectively lend out or borrow money. By having multiple lenders participate in a loan, individual risk is reduced.	At the moment the company is facilitating 4,500 loans, provided by 1,500 different investors to 25,000 borrowers. To date, Fixura has facilitated over € 13 million in loans. Total interest returned to its investors exceeds € 1 million, with an annualised average return of 10.91%.



Company	Location	Business innovation	Success signals
Airbnb	USA	Airbnb hosts an online platform through which peers can list, discover and book unique spaces (accommodation), all made available by other peers. It is currently the most widely spread method for people to monetize their extra space and showcase it to an audience of millions.	Airbnb was founded in 2008 in San Francisco. The company is already active in over 190 countries. The company generates estimated revenues of \$150 million in 2012. To date, its founders were able to raise approximately \$120 million in VC money from Sequoia, Greylock Partners, Andreessen Horowitz and Y Combinator. In 2011, the company was valued at \$1,3 billion. ¹
TaskRabbit	USA	TaskRabbit hosts an online platform through which both peers and companies can post task they would like to “outsource” to peers that are willing and able to do these. The person that posts the task can set the price he/she is willing to pay and choose a suitable TaskRabbit from the people who bid on the task.	TaskRabbit was founded in 2008 and has currently already received \$37 million dollars of funding, \$35 million of which is venture capital. The platform is currently only available in larger cities of the USA. Users are, however, encouraged to support bringing TaskRabbit to their own cities.

As illustrated in Table 1, peer-to-peer business models are applied to a variety of industries and sectors, including: the service sector; food and beverages; banking; and property rental. Peer-to-peer business models are applied to facilitate sharing of almost any consumer owned property and skills/capabilities.

In the USA there are already well established companies in many domains of the sharing economy. Most European sharing economy companies are, however, still in their infancy. The amount of companies active in the industry is already substantial, and is growing fast. **The required resources and technology for setting up a business in the sharing economy are relatively low.**

Due to its wide applicability, the potential of online peer-to-peer business models is substantial, with **growth exceeding 25%**² (see Table 2). At this rate, peer-to-peer sharing is transforming from an income boost through a stagnant wage market, into a disruptive economic force.

Table 2: Current and future potential of the sharing economy

Overall potential of the sharing economy

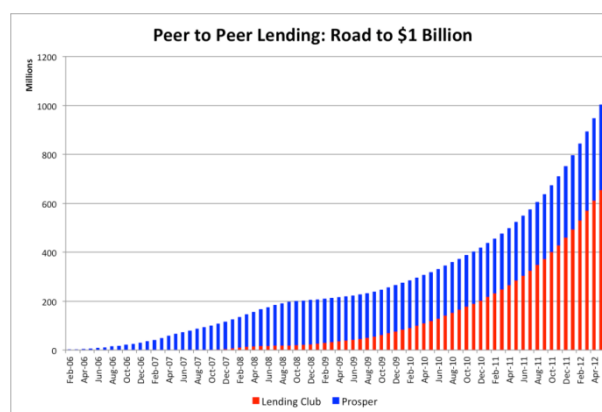
Current market potential	Future market potential
In 2013, an estimated USD 3.5 billion of revenue will flow through the sharing economy directly into people’s wallets. This number does not include the revenues that are generated by companies facilitating these flows ³ .	An MIT Sloan Expert projects collaborative consumption to potentially become a USD 110 billion market. ⁴

Research by companies in the sharing economy show **supporting evidence** like: out of 1 billion cars in the world, 740 million are only occupied by just 1 person; an average house is filled with USD 3,000 worth of unused items, and

69% of interviewed owners would be happy to share these items for a refund; and 80% of people indicate that sharing makes them happy⁵.

The sharing economy is covering many different industries, each with its own market potential. The **market for peer-to-peer money lending** is growing fast, with recorded **growth rates of about 250%**⁶. Especially in the USA, companies like Lending Club⁷ are already facilitating a total loan sum of over USD 1.5 billion (Figure 1 shows its growth trajectory in the USA towards USD 1 billion⁸). In Europe the market is still relatively small, but showing high growth rates. A recent study by innovation charity Nesta suggests that this sector has the potential to account for GBP 12,3 billion of loans per year.

Figure 1: Peer to peer lending: growth trajectory towards USD 1 billion



All companies included in this case study **use a web-based ICT infrastructure to host their peer-to-peer marketplace**. Interviewees indicate that this technology has enabled these platforms to become more and more convenient for users. It is highly likely that further advancement of this technology will drive the featured functionalities of online marketplaces.



For **Fixura**, revenue has multiplied seven times during the last accounting period and for this fiscal year, growth is expected to be even bigger. Fixura is expected to become profitable this year.

Sorted's founders claim that dog walking and mowing the lawn only scratch the surface of what the sharing economy is able to deliver. In the USA, users of service platforms like **TaskRabbit** are earning USD 10,000 per month, providing services to peers full-time. If peer-to-peer service platforms are able to enlarge their offering to more technical service providers like plumbers and electricians, they are effectively disrupting workforce industry. It puts the power to determine how to earn money, how much to earn, and how to out-source work in the consumers' hands.

The disruptive potential of the sharing economy is illustrated by the example of Airbnb, probably the sharing economy's most promising start-up. Airbnb, a US-based peer-to-peer accommodation platform, is successfully attacking the market position of hotels, all around the world. As Sorted's founder stated, through Airbnb you can rent some of London's most luxurious apartments for about GBP 120 per night, whereas an average hotel in London would easily cost GBP 170. Currently, **Airbnb's market value**, based on the latest funding round, is approximately **USD 2.5 billion**⁹.

The potential of companies operating peer-to-peer service platforms is illustrated by the funding that successful US-based ventures have attracted. **TaskRabbit**, launched in 2008, has already acquired **USD 37.7 million** in funding¹⁰. Its domestic competitor **Zaarly** boasts **USD 15.2 million** in acquired funding¹¹.

Shareyourmeal, although still relatively small has **facilitated a EUR 400,000 market** for home cooked meals over the last year. Its potential is significant, with an estimated **growth of 20,000 users per year**. Moreover, almost anyone is a potential user, as picking up takeaway food is a widely spread phenomena amongst the general public

3.2. It's all about matchmaking

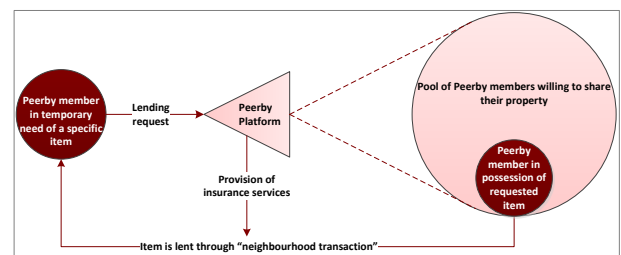
Nearly all business models deployed by companies in the sharing economy show a similar value proposition to customers. To a certain degree, they all host a platform or online market place through which the demand for certain assets or services amongst peers is matched with the ownership of those assets and services by other peers. Matchmaking can be either demand-driven (e.g. pursued by Peerby), supply-driven (e.g. pursued by Sorted) or a combination of both (e.g. pursued by Fixura).

Problem 1 – Some items are only used on rare occasions but are required nonetheless, for certain tasks or activities. If

a consumer would buy such an item, it would have to be stored unused most of the time. There is no need for all consumers to possess such an item.

Innovative solution 1 – Peerby solves the above described problem by having people share (for free) their items through an online platform. Peerby members that are in temporary need of for instance a specific screwdriver, can post their request and location on the online platform. The request is not viewable for the whole pool of Peerby members. A Peerby member that is in possession of the item, is willing to lend it, and is located in a close enough vicinity of the person in need (perceived benefit should way up against the transaction cost), can get into touch. Both members (often located in the same neighbourhood) can now agree on the manner of transfer of the item. Currently Peerby does not generate revenue from facilitating this matchmaking because the company wants to keep sharing for free. In the near future, however, Peerby is going to offer insurance services for lent items, creating a revenue mechanism for their business model.

A graphical representation of the Peerby business model: Through the Peerby platform, members can post a lending request, to which the total pool of members can reply.

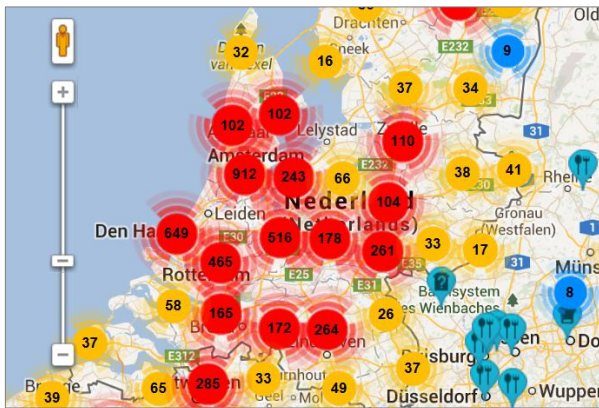


Problem 2 – Shareyourmeal's founders were experiencing the lack of healthy takeaway meals in their direct vicinity. Moreover, due to their fulltime jobs they were lacking a community feeling in their own neighbourhood. They founded the company as a result of a direct personal problem they were experiencing.

Innovative solution 2 – Shareyourmeal's founders found out that their neighbour, a talented home cook, was willing to sell them portions of her own dinner. This quickly resulted in a small local community, communicating through a WhatsApp messenger group that started cooking takeaway meals for each other. Based on this principle, Shareyourmeal was founded. The company has developed an online platform through which home cooks, willing to sell portions of meals, and neighbours in need of healthy takeaway food, can get in touch. For facilitating this matchmaking, Shareyourmeal receives a percentage of the price per sold portion, to a maximum of EUR 0.25 per portion. It not only solves the former problem, but by having neighbours visit each other for picking up takeaway food, it also helps to create trust between strangers in a neighbourhood.



A map of the Netherlands displaying the amount of home cooks and takeaway customers per region

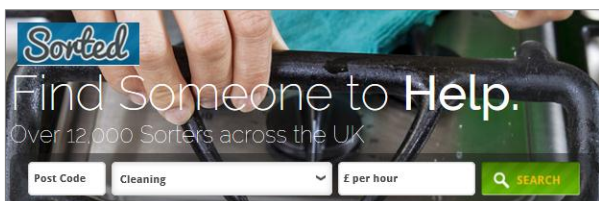


Source: www.Shareyourmeal.net

Problem 3 – The problem or challenge that Sorted’s founders aim to tackle is: how to earn an honest income, as for instance an unemployed individual, in a flexible manner and on short notice, if you do not possess a specific (technical) skillset? Freelancing is a common solution for some services, but how to provide services, as for instance an unemployed student without programming, design or other technical skills.

Innovative solution 3 – The solution that Sorted’s founders came up with is an online platform that matches individuals that are able to provide a certain service with parties that are in need of such a service. The platform was first demand driven. Individuals could post a service request on the online platform, and wait for sorters with the relevant skills to reply. This solution, widely used for peer-to-peer service models, did not work for Sorted, in the UK, only accumulating 800 users in 9 months’ time. Therefore, the company decided to turn the platform around, centring on its pool of registered sorters. The platform now facilitates the promotion of peer-to-peer service providers. Individuals in need of a certain service can browse the pool of over 12,000 sorters (accumulated in only two months’ time) by using three simple search criteria: post code, type of service and maximum hourly rate.

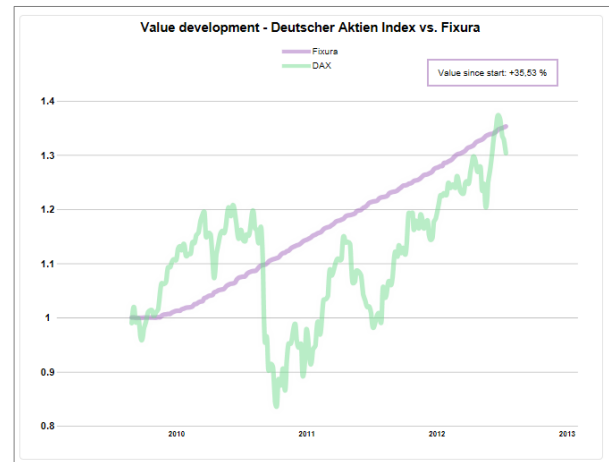
Sorted’s home screen providing customers with a concise search function. Customers can indicate: the category of service they are interested in (ten different categories ranging from administrative to dog walking services), the post code and the hourly rate they are willing to pay. Sorted will match the customer’s search parameters with its pool of registered sorters (service providers).



Problem 4 – Fixura’s founders were interested in cash flow investments in real estate, and wanted to develop an alternative for conventional practices.

Innovative solution 4 – On online platform that matches lenders and borrowers with each other. Both lenders and borrowers can indicate the specific criteria against they want to respectively lend or borrow money. Through the website, a borrower can indicate the amount of money he/she wants to lend, the duration of the loan and the interest rate. Moreover, he/she has to provide some information on what the money will be used for. Lenders can browse loan requests and manually assemble their investment portfolio. They can also use the “auto investment” function, which allows a lender to select the minimum requirements (on several criteria e.g. interest rate, duration) against which the platform will automatically make investments. Depending on the total amount of money to be invested, the tool splits the investments in a number of equal participations in different loans. For instance, a EUR 10,000 loan is always provided by 100 different investors.

A graphical representation of Fixura’s value development compared to German Stock Exchange Index. Fixura shows similar value development as the latter, with a total value development of almost 36%.



Problem 5 – Airbnb began by solving a practical problem that the company’s founders were directly involved with. In 2007, a prominent design conference was being held near the founders’ hometown. All commercial accommodation services, however, were already fully booked. A substantial number of visitors still required housing.

Innovative solution 5 – Airbnb’s founders decided to offer up their place, along with a breakfast and local hospitality, to a few strangers attending the event. As it turned out, there were many other people out there looking for a place to stay where the hospitality was genuine and prices were modest. Through this type of accommodation, their guests also gained insight into the city from a fresh, local



perspective, making for a more authentic and memorable experience. After this first positive experience, the entrepreneurs realised an opportunity. Soon after, the Airbnb platform was launched, which aims to facilitate above described process for people around the world.

A graphical representation of Airbnb's unique offering of peer-owned accommodations available for booking.

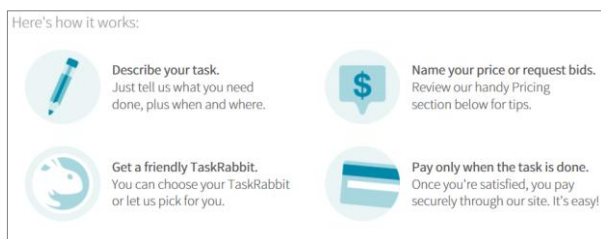


Problem 6 – It was a cold night in Boston in February of 2008 when TaskRabbit’s founder, Leah Busque, realised she was out of dog food for her dog. Leah thought to herself, “Wouldn’t it be nice if there was a place online I could go to connect with my neighbours — maybe one who was already at the store at that very moment — who could help me out?”

Innovative solution 6 – From this experience, TaskRabbit, an online and mobile marketplace that connects neighbours in order to get all sorts of tasks and errands done, was born. Entrepreneurially-minded professionals contribute their time and skills to help busy people find extra time in their days to do the things they love. Although the concept is based on the system of neighbours helping neighbours, it is not limited to close proximity transactions only.

The platform works similarly like Sorted, with the essential difference that this one is demand-driven, whereas Sorted is supply-driven. This demand-driven orientation is depicted by the illustration above, which shows that the person who posts a task is in charge (e.g. of price setting, selecting a TaskRabbit and describing the service to be delivered).

A graphical representation of how TaskRabbit functions from a “task poster’s” perspective.



3.3. The creation of new jobs versus the destruction of old ones

All companies in this case study have recruited new employees for the exploitation of their peer-to-peer business model, with current employment numbers ranging from 3 to

20. Most employed individuals are below the age of 35. The degree and type of education varies, but all companies are typically **employing** some **programmers** and **software developers**. Only Shareyourmeal is **outsourcing** this type of work to external parties, whereas the other companies have employed these individuals **in-house**, either full-time or part-time. Although all companies are web-based online platforms, most founders do not have any significant programming and development skills.

Apart from the direct creation of new jobs through the hiring of new staff, **companies operating in the sharing economy also generate substantial amounts of indirect employment**. Take for example Shareyourmeal and Sorted. Both platforms empower individuals to commercialise a certain skillset. An unemployed individual with a passion for cooking, can easily offer his/her meals for sale. As a result, this person is enabled to earn an additional income without having to make any significant investment, or leave the comforts of his/her own house.

Sorted even takes this up a notch, by enabling individuals to generate a full-time job. The company’s platform opens up new types of freelancing (e.g. full-time dog walking) and empowers its sorters to market their expertise. Sorted certifies its sorters by conducting ID checks, providing them with business cards, and operating a peer-to-peer rating system. Moreover, by contracting a sorter through the platform, the sense of security for customers is higher because a fraudulent sorter is always traceable through the company’s registration database. Sorters gain substantial exposure through the Sorted platform, but are also encouraged to promote their own offering.

Fixura’s peer-to-peer lending market provides individuals, which might otherwise not be able to acquire a loan from a bank, with the **opportunity of acquiring money against self-set conditions**. This money can potentially be used for investments or consumption, possibly generating new jobs. Moreover, it provides individuals with spare money an alternative to stock shares, obligations or a savings account. This increases investor’s options to spread risk. Moreover, **it allows investors to precisely set their own lending conditions** or hand-pick borrowers they like to support.

The peer-to-peer lending market will form a parallel economy to that of the conventional banking industry. Eventually the banking system has to also adapt to the changing needs of its customers, by coming up with advanced online platforms themselves. Customers want to have more control over their money and want to determine their own conditions against which to acquire or provide a loan.

For clients to Fixura’s peer-to-peer lending platform, the administrative burden for either providing a loan or acquiring one, is lowered compared to conventional money lending



systems. Moreover, this can all be arranged conveniently from home. Moreover, in contrast to participating in conventional investment or lending systems, both borrowers and lenders can set their own terms and conditions. Depending on the supply or demand for loans on Fixura's online platform, these conditions can be matched.

Opposed to traditional money lenders, Fixura has a significantly lower cost structure. Because lending and borrowing are facilitated through an online platform, matchmaking can either be automated or manually selected by clients themselves. This does not require any interference by Fixura employees, resulting in lower costs.

It is self-evident that the benefits described above allow companies in the sharing economy to compete with conventional product service providers. **This implies that some markets and jobs will therefore be destroyed.** A company like Shareyourmeal and its network of home cooks is basically providing the same service as takeaway restaurants. The net effect for the creation of new jobs is therefore unknown. **Companies in the sharing economy do stimulate micro-entrepreneurship** amongst the general public. After all, the barrier to capitalise on skills and property (a basic characteristic of commerce) for consumers is lowered. This movement of micro-entrepreneurs might drive the growth of future commerce and corporations.

3.4. The sharing economy has yet to set a golden standard for business models

As the sharing economy and its corresponding markets are quite a new phenomenon, especially in Europe, businesses operating in these markets are still searching for the best fit. **Peerby, Sorted and Fixura** have all purposively opted for differentiated models compared to their domestic or international competitors, because they think it fits their particular customer base best.

For instance **Peerby** and **Sorted** are **operating contradictory business models**. Peerby purposively chose to have a **demand-driven** online platform, opposed to established item sharing platforms, meaning that peers in need of a certain item can post a request. **Peerby** is currently **not charging its users any fee for the use of its model**. The company aims to introduce an insurance service on every transaction, which should safeguard both lender and borrower from any liability issues. Peerby conducted research into the viability of this revenue system, which showed promising results. Other possible revenue sources may include specifically targeted advertisements on the platform. Peerby's platform is based on an idea described in literature² but the company's approach is different in that the sharing of items is demand-driven.

Through Peerby's platform people in need of a specific item can post a request, to which community members can react.

Sorted started as a copy of Zaarly¹², which is an existing peer-to-peer service platform in the USA. Although both companies share the same concept, Sorted purposively took a different approach. Instead of hosting a demand driven platform, Sorted opts for a supply driven platform. This entails that sorters (service providers) can determine their hourly rate, distance they are willing to drive, and the types of service offered. Customers can browse the total offer by entering several search parameters.

The reasons that nearly all competing peer-to-peer service platforms opt for the 'Zaarly model', is that it has proven its worth in the USA. In the USA, however, the public has already had the opportunity to get accustomed to peer-to-peer business models. European equivalents are facing a somewhat different market that first needs to get familiar with the concept. Moreover, due to cultural reasons mentioned afore, a demand-driven model does not suit the British public. This is why Sorted's approach is outperforming its direct competitors in the UK. The only other platform in the UK that is using the same approach as Sorted is operated by a company called Teddle. Teddle's targeting and expansion strategy, however, is completely different. Teddle only focuses on cleaning services and at the moment only covers the London area. Its expansion plans are to target other international metropolises, instead of first covering the UK as a whole, like Sorted does.

Sorted's revenue model is based on a **surcharge on top of the hourly rate** a sorter is asking. Sorters can indicate the hourly rate they charge for providing their services, in their profile. Sorted tops this hourly rate with GBP 2.00, irrelevant of the type of service or its price. The hourly rate as displayed to customers browsing the platform, is a compilation of the hourly rate the sorter is charging and the surcharge. When a customer decides to hire a sorter to conduct a certain task, he/she transfers the money to the company. Sorted then retains the funds, until the service has been conducted. After successful completion of a task, the sorted is paid his or her hourly rate, leaving Sorted with GBP 2.00 times the hours worked.

Furthermore, as an additional source of income, the company will also offer premium memberships in the near future. Premium sorters pay a fixed fee per month and in return receive business cards and flyers, an ID check (increasing customer confidence) and the opportunity to upload a personal video on the platform, in which they can introduce themselves and the service they provide. Finally, Sorted also plans to set up a variant of the platform for business customers. In a nutshell, Sorted will provide companies with the workforce they need, and will minimise the administrative burden. The business customer can for instance conveniently transfer one sum of money to Sorted, which will then be distributed to the individual sorters.



Both companies claim that the opposing model is not working, at least for their (local) market and type of offering. Although both companies operate in different markets, it is illustrative to see that no golden standard has yet been set.

Fixura has also differentiated its business model compared to existing platforms. The company is different from for instance its German and American counterparts in that it puts more focus on a business approach to money lending. Characteristic like speed, ease of use and efficiency are valued over community building and social networking. This is oriented towards the perspective of the (large) investor, who does not necessarily want to evaluate each single loan in detail, but wants the opportunity to spread his/her investment amongst a large number of application. This is in order to reduce portfolio risk.

Fixura generates revenue by charging both the investor and borrower for use of its services. Investors whose portfolio value is below EUR 100,000 pay a subscription fee of 2% at deposit, and 1 % if portfolio value is higher than EUR 100,000. Investors pay a 0.9% transaction fee on investments and a four-euro fee per withdrawal of funds to a private account. The borrower pays a matchmaking fee to Fixura, consisting of an opening fee of 5% of the loan amount, an annual fee of 2% on the original loan amount, and an administration fee of EUR 4,- per transaction.

Shareyourmeal takes a less commercial approach. Shareyourmeal is a non-for profit organisation. **It charges 10% of the sales price per sold portion of food** (to the takeaway customer) with a maximum of EUR 0.25 per portion. In the beginning a rule of thumb was that home cooks should preferably offer their meals for sale against cost price. At the moment this rule is applied less strictly, mainly to allow unemployed people to earn some extra income.

As a non-for profit organisation, Shareyourmeal has more ideological goals for conducting its business. Besides providing an affordable and healthy alternative to takeaway food, the company helps to combat food waste and build communities. The company's earnings are reinvested back into the platform, mainly for platform maintenance and community management that supports volunteers actively building Shareyourmeal communities in their neighbourhoods.

There are not many equivalents to **Shareyourmeal's** business model in Europe. The only existent competitor in the Netherlands has already forfeited its attempt and in the rest of Europe competition is scarce, with one platform in Greece and one in France. Because of the relatively low sales price per meal compared to the transaction cost, it is hard to generate much revenue for the company hosting the platform. The only way to increase profitability is to create economies of scale. By increasing the amount of users at relatively inelastic costs for platform hosting, transaction

cost per sold meal drop, leaving a larger profit. This does imply that the market can only sustain a limited number of platforms.

3.5. Companies benefit from the uptake of the sharing economy trend

Start-ups can benefit from the uptake of the sharing economy trend because it provides them with opportunities for entrepreneurial activity in a wide variety of markets. The companies in this case study show that the sharing economy is extending to different types of markets. As start-ups in the sharing economy are able to leverage one of the largest pools of resources in the world, the assets and skills/capabilities owned by peers around the world, they are instantly able to compete with established incumbents in industries which normally have substantial entry barriers. For example the hotel industry, which is experiencing serious competition from companies like Airbnb.

The required amount of resources and technology for companies to set up peer-to-peer platforms is relatively low. Most case companies employ less than 20 FTEs and the required skill base is limited to well-trained software developers, programmers and marketers. As the most important resource base for a peer-to-peer business model (peer owned resources) is already in place, the pace at which start-ups in the sharing economy are able to grow is almost unmatched.

3.6. Client perspectives and challenges related to the uptake of peer-to-peer business models

Besides the trend's drivers and obstacles, there are a number of issues and problems that hinder clients' uptake of peer-to-peer business models. **Most of these issues and problems are associated with the lack of trust and familiarity of clients with web-based peer-to-peer platforms.**

The public's trust in online activities and transactions play a crucial role for the uptake of innovations in the sharing economy. In the USA, the market for peer-services has existed for several years. US residents already had the opportunity to get accustomed to peer-to-peer services. In Europe, customers are relatively more uncomfortable with contracting strangers through the internet to conduct business with. Certain client segments,

"Last year, we were only operating a mobile payment system. However, because customers were hesitant to insert their credit card details into a mobile application, we added a payment feature to our website. Customers are still suspicious towards mobile transactions". – Sorted



especially the older population, are completely unfamiliar with the manner in which online peer-to-peer platforms conduct business. These clients are unskilled in conducting online activities and even more so in conducting online transactions. Companies like Sorted therefore also certify their peers (through for instance an ID check) and operate a peer-to-peer rating system. This helps to create trust amongst customers.

Another key obstacle for the uptake of peer-to-peer marketplace platforms is the creation of critical mass. From a client's perspective, any form of platform, be it for services, money lending or borrowing items, needs both a customer and a supplier base to be of any use to either party. Without having people to lend money to, there is not much value added for an investor in being registered to for instance Fixura's money lending platform. The same goes for the potential borrower, who does not see his need fulfilled without a substantial pool of investors. For a start-up it is hard to build-up both a customer and supplier base at the same time. When only targeting one party at a time, you risk losing those people while they are waiting for the complementary participant base to be built up. Start-ups often lack the resources to simultaneously target both groups. For a company like Peerby, this problem is less prevalent. A user of the Peerby platform can just as easily be a supplier or receiver. As almost all peers have some property they can share, these types of companies do not have to specifically target suppliers or receivers. Obviously, for Fixura this is not so much the case. Peers that require a loan are often not the ones that are able to provide one. Adding to this problem is that many sharing economy businesses have early adolescents as (one of) their main target groups, as these individuals tend to be most receptive towards community based models and online activities. However, this group is also the most targeted segment for marketers in general. Therefore it is very hard, without spending too much money, to convey a message to this group of potential customers. From a client's perspective it is hard to perceive quality amidst this jungle of advertisement for web-based marketplaces and communities.

Moreover, for clients in remote regions (non-urban areas) uptake of certain peer-to-peer models will be difficult. **Platforms that facilitate sharing of physical goods or services of low added value**, like Peerby, Shareyourmeal and (in some instances) Sorted, **are unsuitable for (early) uptake in for instance rural areas**. It is significantly harder to reach the required critical mass in these areas. For

clients in these regions the **transaction costs often outweigh the perceived benefits**.

Finally, due to the strong network externalities that are in effect for some peer-to-peer platforms, the market will not be able to sustain many competitors. Especially **peer-to-peer money lending platforms** are able to generate significant network externalities, because they are not bound to physical distance for doing business. **Economies of scale can easily be realised by these companies, meaning that it will be much harder for the late majority to enter the market**.

From a client's perspective, the **strongest driver for market uptake** is the empowerment it offers them. This empowerment is two-sided, as **peers can become both a customer and supplier to the sharing economy**.

Peers that are in need of certain products and services are no longer solely reliant on the commercial sector. They can purchase services or rent products from their neighbours and other peers, often **against more attractive prices**. Moreover, peers are also empowered to become suppliers of all sorts of products and services. **Fixura** for instance empowers people with spare cash to generate a 10% return on investment, without having to do business with banks or stock brokers. This decreases dependence on for instance stock markets and savings account interest.

Companies like **Sorted** and **Shareyourmeal** make people less dependent on employers for generating an income. An unemployed individual can offer his/her skills and capacities for sale through the platform, without having to make an upfront investment. Platforms like Airbnb or Relayrides that allow peers to let out their property to other peers, help customers to **reduce the total cost of ownership of their property**. Owning a car or accommodation becomes more accessible for a large group of customers. Finally, platforms like **Peerby** and **Shareyourmeal** that are not solely focused on commercial gain, also help to create local communities and social cohesion. Isolated individuals and people that are new in a certain neighbourhood are provided with a practical manner of getting to know their neighbours. Shareyourmeal for instance has a network of volunteers that organise community building event in their own neighbourhood. Shareyourmeal supports these volunteers through its community marketers. This way, both companies and neighbourhoods are benefitting from the sharing economy.



4. Drivers and obstacles

The sharing economy trend is driven by a variety of factors. First of all, due to the **economic crisis**, unemployment rates have risen and purchasing power of consumers has dropped. Therefore people are in need of ways to earn money and are seeking ways to save money on their daily needs. High unemployment rates have resulted in many potential sorters and home cooks for platforms like Sorted and Shareyourmeal. **Financial constraints make people more receptive for lending or sharing than they would otherwise be.** Moreover, the economic recession has also made it significantly harder for consumers to acquire bank loans, or make a return on a savings account, legitimising the existence of peer-to-peer money lending platforms like Fixura.

Consumer trust in the corporate world has substantially lowered during the recent financial crisis, making them more receptive to peer-to-peer initiatives that eliminate the power of corporates. The needs and desires of consumers have a central role in peer-to-peer business models. The idea of peer-to-peer commerce is not new. It was one of the world's earliest forms of commercial activity, long before large corporations existed.

Another strong enabler of peer-to-peer online platforms is **available technology**, especially with regards to ICT. In parallel, and of equally importance, the public is getting more and more familiar with online activities and shows growing trust in online transactions. Ten years ago, when companies like eBay were first setting up shop, people were hesitant to provide the credit card details to online marketplaces.

"Five years ago it would not have been possible to host such a location rich website, or a mobile application with GPS location features."

– Sorted

4.1. Being resourceful in finding funding sources for sharing economy ventures

The companies in this case found various sources for funding their peer-to-peer platforms, ranging from government subsidies, angel investments, prize money, accelerator/incubator funding, founder capital and donations from NGOs. However, none of them has attracted venture capital yet.

The availability of funding and factors contributing to this, differs per company. There is no clear pattern in this. Furthermore, when comparing the case sample to other

sharing economy companies, no clear pattern can be identified either. For instance, there are plenty of examples of USA based sharing economy companies that already attracted substantial amounts of VC money (e.g. **Airbnb** and **TaskRabbit**).

For **Fixura**, being a direct competitor to conventional banking business, an obstacle for setting up the platform was that acquiring financial support from banks was impossible. The founders did, however, acquire funding from private investors in their personal networks. Eventually they used the networks of their initial investors, mostly business persons associated with various industries, to raise even more capital. In general it was relatively easy to acquire access to funding.

Sorted pursued an unconventional approach to raising funds. It consciously chose to have several smaller funding rounds to raise seed capital, instead of approaching a venture capitalist straight away.

"The current technology allows commerce to go back to basics, but in a modern way."

– Fixura

The logic behind this is that its founders first wanted to establish a market presence and have something to show for it, before entering into negotiations with a Venture Capitalist. The founders were afraid that if they did not, they would lose too much of their share in the company. This rather risky strategy paid off as they were able to raise a total of approximately USD 200,000 in five consecutive funding rounds, without losing a significant share of their company. In their current negotiations with American and British Venture Capital companies, the company can show much better valuations and revenue numbers, while at the same time its founders are still highly motivated to lead the company (due to their large share).

As a first source of funding, **Peerby** acquired an innovation subsidy from the national innovation agency. Subsequently, a Dutch foundation with matching aims, the creation of social cohesion in local communities, provided the company with a subsidy. The company also won prize money associated with winning the Postcode Lottery Green Challenge, an international contest for people and companies with sustainable ideas. Finally, a commercial investor called Sanoma Ventures, a Dutch media conglomerate, is currently investing in the social lending platform. Through this investment, the investor aims to explore new business models for revenue creation. Besides these external investments, the company's founder also provided capital for setting up the business.



Shareyourmeal was founded using the founder's capital, which he acquired as result of selling a previous company.

CEO of Shareyourmeal:

"Many public support actors are not able to grasp the functioning of a social infrastructure that operates in a digital environment".

The company has attracted subsidies from local authorities, several foundation and advertisement revenues. Access to funding for Shareyourmeal was facilitated by its presence in a very famous daily news show in the Netherlands.

This created the required exposure to get in touch with subsidy providers. A major obstacle to acquire funding, however, remains the lack of understanding amongst for instance local authorities of what Shareyourmeal does.

Although none of the included companies has attracted venture capital, accelerator and incubator programmes show much interest in companies operating in the sharing economy. Initially Fixura was not deemed eligible to participate in incubator or accelerator programmes, because the company had not yet developed anything that proved their concept. At that time, there was no company that was already putting a peer-to-peer lending platform successfully into practice. Now that Fixura has acquired its first investors, growing profit numbers and a substantial customer-base, interest of incubators is increasing again. Moreover, forerunners in the USA are proving that the concept can be very successful, further increasing the attractiveness of similar companies.

Sorted participated in the **Oxygen accelerator programme**, from which they acquired their second round of funding (GBP 25.000) and fourth round of funding (GBP 10,000 as a result of winning a contest). The programme was a sort of "start-up school" for its founders, who received a lot of valuable advice during this stage. The network provided by the accelerator also opened-up interesting opportunities for Sorted. For instance, the people investing in Oxygen also provided the third round of funding (another GBP 25.000).

Peerby participates in the **Rockstart accelerator programme**. All start-ups in this programme have the opportunity to participate in a "demo-day". During this event, Peerby was able to pitch in front of an audience of investors, which eventually led to the acquisition of funds from Sanoma Ventures. This summer the company will compete with other start-ups for a position in the renowned Techstars accelerator¹³.

4.2. Internationalisation looks promising for peer-to-peer platforms

All of the interviewed companies indicated that they want to internationalise their business to other European and non-European countries. This move fits the peer-to-peer online

business model. Due to network externalities, the perceived benefit of using a peer-to-peer platform becomes substantially large when more peers participate. The nature of the peer-to-peer platform, however, significantly influences the effect of these network externalities, as is explained for each case company below. Particularly for platforms that require no physical proximity between peers (e.g. Fixura), internationalisation can provide substantial benefits without many drawbacks. In fact, for some types of platforms it is evident that international representation is desirable. Of the case companies, this could apply to Fixura, due to investors wanting to spread their investments across lenders in different countries (risk aversion). Other non-case company examples are also abundant. For Airbnb users it is desirable that the platform is hosted in various international markets, as some of them solely rely on the platform for their holidays (in foreign countries).

For **Peerby** and **Shareyourmeal**, peers are reliant on the neighbours in their direct vicinity, because the value of the service provided is relatively low and thus more easily topped by distance related transaction costs. For instance, a home cook in the Amsterdam region does not directly derive substantial benefits from inclusion of German based takeaway peers on the platform, apart from economies of scale Shareyourmeal itself can establish. In that particular case, the economies of scale might be translated to additional services or to a decreased overall transaction cost.

Fixura in particular, and Sorted to a lesser degree (depending on the value added per type of service) benefits from internationalisation. An investor in Finland can just as easily invest in a loan for a Southern Italian adolescent trying to buy his/her first car, as he/she could when providing a loan to a neighbour. Transaction cost for this type of service is not dependent on a peer's physical location.

As a first step in internationalisation of their business, both **Fixura** and **Sorted** want to target (other) Scandinavian countries, as these countries are considered Europe's lead markets for peer-to-peer businesses. Especially, the anticipation of cultural and regulatory differences, faced when internationalising, will provide challenges for these companies. Sorted foresees that the existing network and international customers base of some of its partners, can help the company to gain access to markets outside the UK.

Peerby is currently expanding its platform to international markets. The company is exploring possibilities to host the platform in Berlin, New York and London. Berlin is expected to be a lead market for item sharing platforms, as the city's culture fits the sharing philosophy. New York and London are targeted to explore market uptake in metropolises in general. The biggest obstacle in internationalising the platform is the **acquisition of a sufficient number of users**, in a specific limited geographical area. For New York this would be a neighbourhood in a specific borough. For instance Brooklyn



as a whole would be too big, because transaction cost associated with traveling would be too high compared to value added. Another obstacle to internationalisation is formed by **legislative issues** associated with sharing business models (e.g. liability). Exploring and uncovering these with the support of attorneys is expensive, but required in for instance the US market where suing scandals are common.

Some companies indicated that (potential) partnerships will help their companies to penetrate international markets. **Shareyourmeal** aims to set up franchises of its business models in neighbouring European countries. The company seeks ambassadors for the platform whom are willing to set up a franchise. The franchise can use the existing platform infrastructure to serve to local market, and in return pays a periodical fee to Shareyourmeal. Shareyourmeal's franchise in Belgium has already established a user-base 8,000 people.

4.3. Lack of clarity on whether conventional industry laws apply to peer-to-peer markets

For the sharing economy in general, it would be beneficial to have specific legislation for sharing initiatives in various industries. In general there is a lack of clarity because existing legislation does not cover certain activities and transactions, or legislation developed for conventional industries is wrongfully applied to markets in the sharing economy. The analysed companies demonstrate a number of elements in which a lack of clarity or regulation altogether can have substantial negative consequences for the development of the industry. Another legal issue that practically applies across all domains of the sharing economy is related to difficulty in distinguishing between sharing economy activities and conventional business conduct. At which volume should a peer that rents out rooms in his/her home be treated equally as a small hotel.

Fixura's founders, although enthusiastic about investing their own money through the peer-to-peer money lending model, do not participate in the system themselves. This conscious decision was made in order to not get involved with banking regulation. At least in Finland, these laws apply if a company itself provides loans (like in a conventional banking model).

Moreover, in Finland there is **no regulation for a peer-to-peer lending market**. The company did follow strict procedures and protocols for setting up the company and its business model, as if actual legislation existed, but this was not obligatory. The lack of clear regulation for the peer-to-

peer financial markets is a danger to Fixura, and the industry in general. By having **minimum requirements on offered products and services**, market entry barriers are raised resulting in relatively lower competition for Fixura. In general, the presence of minimum quality and safety requirements will minimise the risk of calamities occurring and will provide customers with a sense of security.

The lack of regulation, however, also has positive effects. In Finland, for example, it is not legally required to follow strict administrative procedures when accepting or providing a loan. As a result, swift loan matching is not hindered and the company's online platform can function to its fullest potential.

Sorted faces challenges in the amount of time and money it has to spend on lawyers, making sure that all liability issues related to service provision are taken care off. For instance, which party is liable for any damages caused by a sorter is dependent upon whether the sorter, or the customer is charged for platform usage. In case the customer is charged, liability lies with the customer and not with Sorted (vice versa in case the sorted is charged). This makes a world of difference for the company. Furthermore, it is not clear to which degree existing legislation on employment agencies is applicable to peer-to-peer service provision.

Shareyourmeal's home cooks face difficulties in determining whether income from sold meals is subject to income tax. Moreover, users are sometimes hesitant to participate as home cooks, because they are afraid to be held liable in case someone claims to have become sick from a shared meal. These issues therefore limit the market uptake of Shareyourmeal's concept and more clarity on these matters, including a legal precedent, may help to overcome this.

Peerby was founded thanks to financial support from the Dutch national innovation agency. Calls for innovations subsidies published by these government bodies are, however, poorly designed. They require a start-up to create innovation based on a pre-formulated and well described plan. This contradicts with radical innovation, as pioneering a new field or market is associated with unknown outcomes and flexibility. In the US, new methods for lean start-up development are taught by leading universities, resulting in more exploratory entrepreneurship. **These methods prescribe short planning loops** (one month would already be considered lengthy) in which goals and directions are constantly revised. Deployed **subsidy programmes in Europe do not comply with this new approach** to entrepreneurship, as they require participants to submit long-term plans and goals.



4.4. Success and adoption rate of peer-to-peer business models is dependent on the culture and features of local markets

A key determinant in the success and adoption rate of peer-to-peer business models is the culture and features of the local markets. Culture plays a crucial role, because it directly influences the extent to which the business models are accepted by the community. As almost all peer-to-peer platforms are somewhat unconventional compared to established practices, customer acceptance is particularly challenging to acquire. Local and national cultures that are more receptive to these kinds of platforms show higher adoption rates, and consequently higher success rates. This might for instance be the case due to a more positive disposition towards online activities in general. It is therefore key for the success of these businesses to conduct activities in countries where the local culture is open to peer-to-peer business models, and to match their conduct to the specific local culture.

The US market for peer-to-peer platforms evidences the above. **Businesses operating peer-to-peer platforms emerged first in the US.** US-based **TaskRabbit**, a company operating a peer-to-peer service platform has already existed for five years, whereas **Sorted**, one of the UK's first equivalents, has only been active for about a year now. The same goes for peer-to-peer money lending (Lending club), car sharing (Relayrides) and for instance sharing of accommodation (Airbnb). All these US-based companies are more mature and outperform their European equivalents. This has to do with American culture.

First of all, as many online-based businesses, and markets for that matter, first emerge in the USA, the customer base is more comfortable with arranging all kind of activities online. Americans are less risk-averse and more receptive to doing business or sharing with strangers. Moreover, for the service sector in specific, Americans more easily outsource all kinds of activities to external parties (e.g. cleaning, cooking, administrative tasks), whereas for Europeans this is mostly limited to rather wealthy individuals. This explains why the European sharing economy is lagging behind, and requires tailored business models to be effective, as was stated by Sorted's founder and CEO.

For Fixura, the Finnish market is an **ideal lead market to set up their business.** Finnish residents are comfortable with arranging all kinds of (financial) activities online. The Finnish government has already introduced the use of e-identification amongst citizens for all sorts of government related procedures (e.g. tax applications) several years ago. Therefore, the step to online money lending is relatively small.

For the financial services industry, **risk and its mitigation are particularly crucial.** Fixura for instance has established a partnership with a credit rating agency, in order to provide potential lenders with a better credit score of potential borrowers (a composite of Fixura's own rating, based on an algorithm incorporating various borrower characteristics, and that of the external rating agency). Moreover, by coupling each individual loan to various investors, the individual risk per lender of investing in a loan of a borrower that defaults, is minimised. These measures should help to convince users in some European markets (e.g. Germany, Austria and Italy, with relatively high scores¹⁴) to use the platform, as these generally are more uncertainty averse than people in for instance the USA.

For **Sorted**, the cultural dimension also played a crucial role for their change of strategy. The conventional model for peer-to-peer service platforms, centred on demand for services, is not working in the UK. All UK based companies deploying such an approach, in essence copied from an American forerunner, face difficulty creating critical mass. UK culture does not comply with "seekers" (persons in need of a service) having to post a task to be done, and wait for a sorter to contact them. In the UK, a model in which the sorter can state his services, hourly rate and service area, works best. The customer can browse the service offering and contact a provider.

For **Shareyourmeal**, cultural aspects are less important for market uptake and potential success. The situation in the local take-away market is more important. In for instance New York, the offering of healthy takeaway meals is already abundant. In Germany, going out for dinner is substantially cheaper than in the Netherlands. These markets are therefore estimated to be less suitable for the company's platform.

Peerby faces "theorised trust" issues as an obstacle to market uptake of their platform. Peers that are not yet using the platform first tend to think about all the problems that are associated with lending out items, such as damages or missing items. In practice, users of the platform seldom experience any problems, implying that there are no significant behavioural obstacles.

4.5. No substantial partnerships with other industry players have been established

In general, the partnerships that have been established with other industry players are still relatively insignificant. Whether there are opportunities for establishing partnerships with other industry players depends on the type of product or services that are offered, and whether there might be any complementary products or services available. It is however not unimaginable that existing partnerships in the



conventional economy, e.g. between hotels and taxi-services are copied in the sharing economy (e.g. car sharing platforms partnering with peer-2-peer accommodation sharing services). Due to the destructive potential of sharing economy companies, being a direct competitor to many established firms, partnering with non-sharing economy companies might be inhibited.

Sorted has established partnerships with other peer-to-peer platforms. Users of both platforms can **provide complementary services** to each other. For example, Sorted has a partnership with a UK based accommodation sharing platform Flat-Club. Before a customer uploads his/her accommodation for rental, a pop-up appears suggesting to first have the accommodation cleaned by a certified sorter and displaying a link to the Sorted website. This way, the partnership creates new business for Sorted. Moreover, the company also established a marketing partnerships with for instance a student recruitment agency (part of the founder's personal network) that provides access to one of Sorted's key customers segments, graduates seeking a job.

Fixura has established partnerships with companies that deliver complementary services to their own value proposition. It has partnered with a credit collection agency and a credit rating agency. Both partner companies **extend**

Fixura's service provision to customers, making the online lending and borrowing process more convenient.

Peerby has set up partnerships with technical sponsors. These sponsors, like KPN and Amazon web services, provide free access to their basic infrastructure, helping Peerby to set up shop. Eventually Peerby might require additional services and become a paying customer to these sponsors. Furthermore, in the Netherlands Peerby has **set up a coalition of sharing companies, called ShareNL**. A substantial number of companies (e.g. Shareyourmeal and Snappcar) active in the Dutch sharing economy have joined this initiative¹⁵. The companies share knowledge and organise networking events. Member companies promote each other's services amongst customers as they are complementary. Furthermore, the initiative aims to bundle the efforts of individual companies in order to make a stronger case when lobbying with government organisations.

Shareyourmeal failed to establish major partnerships with for instance food suppliers, but did establish small partnerships with companies that directly benefit from it. Together with a company developing personal budget software Shareyourmeal organises workshops for its members. These workshops are useful for home cooks trying to manage their cooking expenditures. Both parties benefit from this collaboration.

5. Policy recommendations

5.1. Policy gap analysis

The sharing economy shows a vastly different approach to commerce than conventional industries do. Companies in the sharing economy allow consumers to fulfil new roles and tasks that were normally conducted by businesses. **Regulations and measures that are suitable to facilitate and coordinate B2B or B2C transactions, are not always applicable to the newly created C2C market.**

In general, **there is a lack of tailored policy frameworks for regulating new sharing economy industries.** Absence of these frameworks can result in undesirable behaviour of companies trying to exploiting loopholes in the legislative vacuum, damaging consumer trust. Creation and preservation of consumer trust is particularly important for the European sharing economy, as most Europeans are still relatively uncomfortable with online activities and transactions compared to their American peers.

In the absence of a tailored policy framework, **policy makers might inappropriately apply conventional**

industry standards and legislation. Although peer-to-peer companies facilitate the provision of similar products and services as is being done in traditional markets, the manner of delivery is highly different. Companies tend to have a stronger bargaining position than consumers, due to their substantial resources. A large portion of legislation is aimed at protecting the weaker party, the consumer, from a company's position of power. In a C2C market, this discrepancy in bargaining power does not necessarily have to be present. **This might demotivate uptake of peer-to-peer platforms on the supply-side.**

Furthermore, it will be **a challenge for policy makers to draw the line between peer-to-peer sharing and conventional commercial activities.** For instance, an individual that is sharing 10 cars through an online platform still a peer, or rather a rental company based on sole proprietorship? It is key that policy makers provide clarity on this matter. Start-ups that want to make investments in building a platform and creating a community need to know whether their market will still be existent in a year from now, or whether regulation will make competition with for instance the conventional industry impossible.



Calls for innovation subsidies published by government bodies can be key to driving growth of sharing economy companies. Designs for these calls for subsidy can be designed with greater accuracy. These tenders often require a start-up to create innovation based on a pre-formulated and well described plan. This is not always possible for companies developing and implementing radical innovations, like online peer-to-peer platforms, as pioneering a new field or market is associated with unknown outcomes and flexibility.

The existing government infrastructure aimed at supporting entrepreneurship (e.g. chambers of commerce and innovation agencies) does not possess the required knowledge to aid internet start-ups. Start-ups cannot deploy the same growth strategies as large corporates, for which product-market combinations are already established. They therefore also require a tailored support infrastructure.

For the sharing economy in general, it would be beneficial to have **minimum safety and quality standards**. An industry-developed **certificate of trust** could help convince consumers to participate in peer-to-peer activities. Such a certificate or minimum quality standard has a **strong signalling effect** to peers using the platform, as well as towards companies willing to partners with sharing economy companies.

Finally, policy measures that facilitate the **availability of entrepreneurial software developers and programmers**, and stimulate these individuals to work for start-ups are welcomed. The national workforce is not always accustomed to getting paid in the form of shares. Start-ups cannot always afford full-time salaries and therefore compensate their employees with a stake in the company. A change in mentality would provide start-ups with a larger pool of potential workers to choose from.

5.2. Policy recommendations

Policy makers could tailor tenders aimed at innovation within start-ups according to the restrictions those companies face. Calls for innovation subsidies published by government bodies can be designed with greater accuracy. When pioneering a new field or market, as is the case with radical innovation, companies are often faced with unknown outcomes and flexibility. In the US, new methods for lean start-up development are taught by leading universities, resulting in more exploratory entrepreneurship. These methods prescribe short planning loops (one month would already be considered lengthy) in which goals and directions are constantly revised. European and national **subsidy**

programmes could be tailored to be more in line with this new approach to entrepreneurship. This requires close collaboration with a monitoring party that is able to empathise with the needs and limitations of web-based start-ups. As companies in the sharing economy indicate that officials at innovation agencies and chambers of commerce are currently lacking this skill and thought logic, it could be an option to outsource such services to market parties that are already up to speed on this topic.

Policy makers should facilitate the creation of minimum safety and quality standards for peer-to-peer markets. This can take several forms. Policy maker can either proactively raise entry barriers to sharing economy industries; by setting strict criteria that companies deploying peer-to-peer platforms have to comply with. Another option is to stimulate industry partners in setting an industry-led certificate of trust.

Companies in the sharing economy require more project-based education for programmers and developers. Policy makers could ensure that a large part of university curricula are conducted within an industry context. This can either be facilitated by providing internship opportunities for students at commercial companies, or by having commercial partners organise a part of the curriculum. This could for instance take the form of cases or contests. This should eventually result in graduates that, when leaving university, require less guidance and support in a business context. This is particularly important for start-ups lacking the resources to provide guidance and support.

Some sharing economy companies are required to outsource most of their technical activities to external parties, because it is too risky to put too many employees under contract. Some EU member state labour laws make it very hard to fire employees. Considering the unstable income of, especially socially oriented, emerging peer-to-peer platforms, it would otherwise be hard to maintain liquidity. Policy measures that facilitate more flexible employment of workers are desirable.

Moreover, it is hard for sharing economy start-ups to attract talented software developers and programmers. Demand for these technical skills is often high, while supply is limited. Whereas large corporations can attract these workers by providing superior salaries, start-ups can often not compete. Many graduates therefore often choose to pursue a career in a large firm, with a stable income. The one thing that start-ups can offer is company shares. Policy measures that would make it more attractive for employees to receive company shares, and receive future dividends on them, could help start-ups attract skilled workers. These measures could take the form of tax exemptions for future dividends or reduced tax tariffs on the salary component.



6. Appendix

6.1. Interviews

Company	Interviewee	Position
Peerby	Daan Weddepohl	CEO/Founder
Fixura	Simon Sandvik	CEO/Founder
Shareyourmeal	Jan Thij Bakker	CEO/Founder
Sorted	James Pursey	CEO/Founder

6.2. Company websites

Peerby	https://peerby.com/
Fixura	https://www.fixura.com/eu
Shareyourmeal	http://www.shareyourmeal.net
Sorted	https://sortedlocal.com/

6.3. References

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- ² <http://www.forbes.com/sites/tomiogeron/2013/01/23/airbnb-and-the-unstoppable-rise-of-the-share-economy/2/>
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- ⁴ <http://mitsloanexperts.mit.edu/mit-sloan-grad-on-the-sharing-economy-the-next-big-trend-in-social-commerce/>
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- ⁶ Facts and figure on the sharing economy, produced by Universe, a web based local marketplace. Video available at: <http://www.sharedesk.net/blog/2013/03/the-potentials-of-the-sharing-economy/>
- ⁷ Figures and facts on the sharing economy. Available at: <http://www.bbc.co.uk/news/business-22401744>
- ⁸ Figures and facts on the sharing economy. Available at: <http://techcrunch.com/2012/05/29/peer-to-peer-lending-crosses-1-billion-in-loans-issued/>
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- ¹³ Accelerator programme website. Available at: <http://www.techstars.com/>
- ¹⁴ <http://geert-hofstede.com/dimensions.html>
- ¹⁵ Company website. Available at: <http://www.sharenl.nl/>