



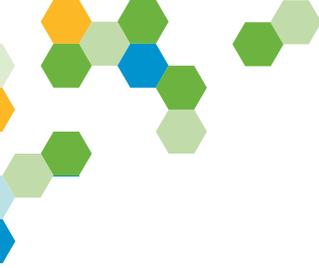
SPECIAL REPORT

Matchmaking: the creation of the sharing economy

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I. INTRODUCTION

Throughout history, there have been a number of situations in which it seemed that people around the world have rebelled. They become annoyed and nonconformist, they perceive and know first-hand that things are not right with the economy, society, and how governments are operating. They demand change, take to the streets, demonstrate, and find new ways of fixing those worn models that have promoted crisis and inequality.

After the 2008-2011 economic crisis, many countries were on the edge of bankruptcy with weak economies and high unemployment rates. Due to this fragile situation, many demonstrations took place between 2011 and 2012 in cities like New York, Madrid, Rome, London, and Sidney, as well as in the Arab world.

Despite the specific demands and complaints that varied from one country to another, specifically in the political context, there were also common matters, especially those related to the idea that the economic system was failing and that it was unequal and unfair.

Joseph Stiglitz, an American economist, explains that “young people were tired and frustrated that so many people were having a rough time and losing their homes and jobs.” He adds that three themes were repeated throughout the world: “The markets were not working because they were inefficient and unstable, the political system had not corrected market failures, and the economic and political systems were unfair¹.”

As we faced a crisis of this magnitude, some people began to realize that we had large amounts of underused resources, combined with the inability to create jobs for so many citizens. As a result, they began to use their knowledge to develop innovative solutions that focused on development through smart, sustainable, and integrative economic growth that would create jobs and also improve productivity and social cohesion.

In this midst of this context, and thanks to the publication of the book titled *What’s Mine Is Yours: The Rise of Collaborative Consumption*, in 2010 the sharing economy began to position itself as a horizontal and innovative model that allows us to optimize underused assets and generate new business opportunities through the use of technological platforms.

¹ Stiglitz, Joseph. *The Price of Inequality*. Editorial Taurus. Madrid. 2012

“This new era of the sharing economy has created new entrepreneurial alternatives”

2. WHAT IS THE SHARING ECONOMY?

The word collaboration has become a riddle for economists, philosophers, business analysts, and entrepreneurs who strive to explain why society has decided to regress back to ancient exchange systems in which maximizing available resources is the main focus for development and entrepreneurship.

In this regard, the Opinion of the European Economic and Social Committee on Collaborative Consumption aims to define the sharing economy as a sustainable model for the 21st century. It promotes cooperative values and provides a solution to the economic and financial crisis as it enables exchanges when needed².

A BBVA report revealed that “in economies with a deeper economic recession, the willingness of citizens and the change in mentality that is needed to launch initiatives linked to a sharing economy are stronger.³” As a result, societies have benefited from the exchange and rental of goods and services that lower spending.

Thomas Friedman, a New York Times columnist, explains that this “new era of the sharing economy has created new entrepreneurial alternatives,⁴” and it has become a disruptive, open, and dynamic response towards the world’s inequality and inefficiency.

The sharing economy is rooted and closely linked to technology and the behavior of individuals in the digital ecosystem that includes new ways of interacting, such as social networks, which make it possible to optimize underused assets⁵ because we are able to share, exchange or rent them using platforms, without sacrificing our lifestyles or freedoms.

Within the framework of this model, people are immersed in a social innovation process that opens the door to fair peer-to-peer exchanges, with access to a series of benefits, goods, and services, without the associated costs of ownership. This is combined with the possibility of saving money, space, and time, as well as meeting people and becoming active citizens.

These ideas allow us to define the sharing economy as a model based on channels

² Opinion of the European Economic and Social Committee on ‘Collaborative or Participatory Consumption, a Sustainability Model for the 21st Century’ (Initiative opinion) <http://eur-lex.europa.eu/legal-content/ES/TXT/?uri=CELEX%3A52013IE2788>

³ Sharing Economy. Ruta BBVA.

⁴ Welcome to the Sharing Economy. Thomas Friedman. The New York Times. July 20, 2013. <http://nyti.ms/1mLPrsQ>

⁵ The Sharing Economy, PwC

“Internet has caused a social-technological revolution”

and technological citizen participation platforms that are autonomous and independent, and that have generated businesses and exchanges that rely on reputations and peer-to-peer relationships, with the aim of optimizing underused assets.

3. THE PILLARS OF THE SHARING ECONOMY

According to PwC, the sharing economy is based on four key pillars:

DIGITAL PLATFORMS THAT CONNECT SUPPLY AND DEMAND

Sharing economy models are based on digital platforms that make it possible to connect supply and demand dynamically and in real time.

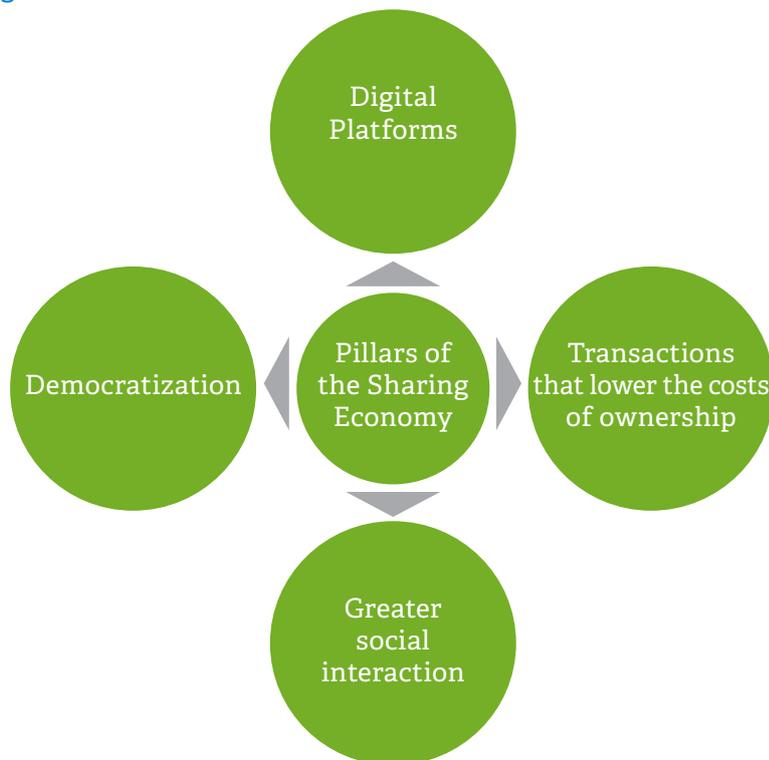
It is important to keep in mind that the Internet is a catalyst, democratic, and decentralized tool that has caused a “social-technological revolution” that, as pointed out by the academic Manuel Castells, gives us the chance to experience interactions without spatial limitations⁶ and to participate in the development of personal and corporate networks that have restructured life in society.

TRANSACTIONS THAT LOWER THE COSTS OF “OWNERSHIP”

In this model, the access to goods, products, and services takes place in a process in which people can mitigate the costs associated with ownership. Consumers have now started to show interest in renting and sharing goods, ranging from homes to solar panels or vehicles. In this model, “what’s mine is yours.”

⁶ The Impact of the Internet on Society: A Global Perspective. Manuel Castells.

Figure 1.



Source: PwC. The Sharing Economy

“We are operating in a reputation economy”

GREATER SOCIAL INTERACTION

The sharing economy has helped strengthen horizontal peer-to-peer exchanges. This empowers consumers and reconfigures the sense of community and citizenship. In this regard, Arun Sundararajan, a researcher and professor at the New York University Stern School of Business, points out that “thanks to sharing economy platforms, citizens are able to directly influence the solutions for the problems that exist in their communities.”

DEMOCRATIZATION

Thanks to this model, governments, businesses, and citizens have started to find increasingly viable alternatives for social and economic development. Thomas Friedman, a New York Times columnist, explains that this “new era has created new entrepreneurial alternatives,”⁷ and it has become a disruptive, open, and dynamic response towards the world’s inequality and inefficiency.

4. THE IMPORTANCE OF REPUTATION IN THE SHARING ECONOMY

As mentioned earlier, the sharing economy model is built on technological citizen participation platforms that have helped generate business and exchanges based on

relationships between equals, but especially on reputation.

Through a number of studies, the Reputation Institute has indicated that we are currently operating in a reputation economy, which is a market where the support of stakeholders is based on perceptions about who you are. This results from living in a hyper-connected setting that has been restructured into digital communities in which building trust, fortifying, and being coherent with what we say we are have become imperative. Just like Henry Ford said, “You can’t build a reputation on what you are going to do.”

Positive or negative stances create a profile of trustworthiness and the reputation capital of companies that operate primarily in the sharing economy because digital platforms have become “influential communication environments that affect the perceptions, assessments, and expectations made by consumers and stakeholders”⁸.

⁷ Welcome to the Sharing Economy. Thomas Friedman. The New York Times. July 20th, 2013. <http://nyti.ms/1mLPrsQ>

⁸ Reputación y liderazgo. ¿Existe la reputación online? Tres respuestas y más incógnitas (Reputation and leadership. Do online reputations exist? Three answers and more unknowns). Ángel Alloza, Jorge Cachinero and Iván Pino. Llorente & Cuenca.

“A complex environment is an underlying concern”

5. THE IMPACT OF THE SHARING ECONOMY ON THE GLOBAL ECONOMY

In 2010, Time magazine published an article stating that collaborative consumption is one of 10 ideas that will change the world. The sharing economy has grown faster than Facebook, Google, and Yahoo combined. PWC data shows that this sector has been valued at US\$15 billion in its first seven years, and it is expected to reach its highest potential in 2025, with an estimated US\$335 billion in revenue.

JWT Intelligence figures estimate that the region most inclined to use services originating from the sharing economy is Asia, with 78% willing to participate, followed by Latin America and the

Middle East with 70%, and Europe and North America (the United States and Canada) in third place with 52%.

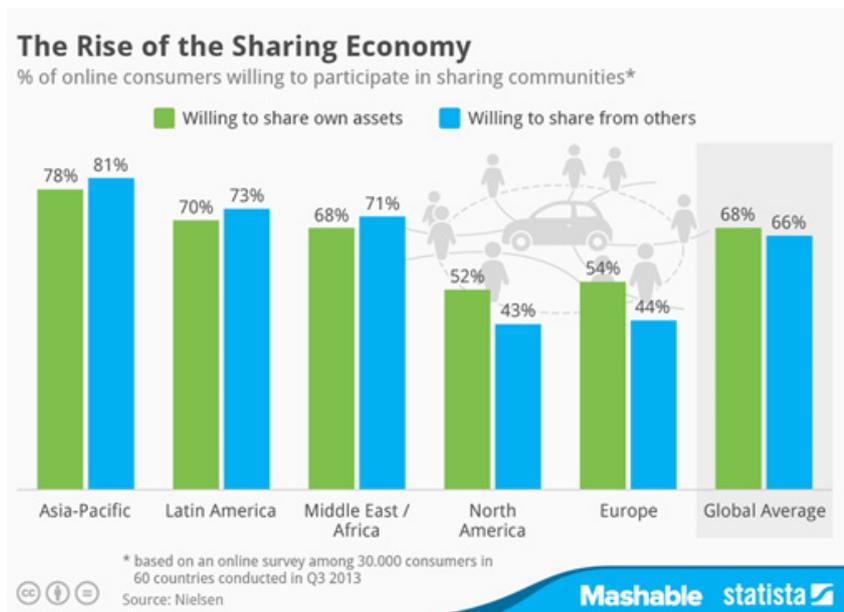
6. REGULATORY CHALLENGES

Due to its disruptive nature, the exponential economic growth, and the social impact of the sharing economy, regulatory instruments have been left behind, so operating in a complex environment with constant regulatory uncertainty is an underlying concern.

Businesses operating in the sharing economy have had to fight accusations of unfair competition or of violating existing regulations because traditional economic sectors and the government were not prepared for this wave of innovation.

Manuel Molano, Adjunct Director at Mexican Institute for Competitiveness, states that “the actions of governments and regulators could harm the economy by placing unnecessary limitations on innovation, research, and development.” As a result, it is essential to create spaces for dialog in which to begin designing ideal regulatory systems that overcome these barriers without falling prey to rigid and restrictive regulations that make these new businesses unfeasible.

Figure 2.



“Is decisive to build an atmosphere of trust”

It is essential to position the message that the sharing economy does not intend to destroy a system or eliminate the rights and basic principles that already exist in the legal and regulatory framework that protects citizens. Instead, it aims to offer alternatives and solutions for citizens.

For example, agreements and initiatives have been established in cities like Amsterdam and Seoul so traditional sectors and the sharing economy may coexist.

In Korea, the “Seoul Sharing City”⁹ project was proposed by the mayor of Park Won-soon with the goal of “promoting policies that encourage the creation of sharing-economy businesses that improve the quality of life of citizens” and fostering the culture of sharing underused products and goods as a way of creating economic value and environmental benefits, while reestablishing the sense of belonging in people and fortifying a society based on trust.

In Amsterdam, Laila Frank, a consultant for the city government, stated in an interview with The Huffington Post that since “the sharing economy is here to stay,”¹⁰ we must explore and create a regulatory path in light of

this new phenomenon. As a result, in December 2014, the city of Amsterdam and Airbnb signed an agreement in which the platform agreed to collect a 5% tourism tax (the highest in Europe) for the city. Homesharing was also added as a new vacation rental category between private individuals.

However, combined with the regulatory limbo that the sharing economy faces, it is decisive to build an atmosphere of trust in which users from countries such as Mexico, where insecurity has undermined the notion of community, have the certainty that they are not in danger when using these new platforms.

It is also important for developing countries to consider the role of digital literacy so no population segments are excluded from this new way of sharing.

7. SUCCESS STORIES

Aside from successful platforms like Uber, Airbnb and BlaBlaCar, below are a few companies from this new business model that show how the sharing economy has permeated all economic and social sectors.

In a highly-regulated sector like the energy industry, Solar City is a company that allows

⁹ Sharehub. Seoul Sharing City. <http://english.sharehub.kr/>

¹⁰ Huffington Post. Así resolvió Ámsterdam el rompecabezas de Airbnb (This is how Amsterdam resolved the Airbnb puzzle). Vanessa Rodríguez. August 9, 2015. http://www.huffingtonpost.es/2015/08/09/amsterdam-airbnb_n_7923884.html

“The interdependent world is full of both opportunity and forces of destruction”

consumers to rent solar panels instead of buying them, thereby protecting the environment through the use of solar power, which is a clean energy. In addition, through the company’s Give Power Foundation, Solar City provides energy to underprivileged consumers in such a way that for every megawatt that is installed, the company will provide electricity to a school without this service.

The Dutch company Vandebrom is a collaborative platform with more than 38,000 subscribers in which consumers pay a monthly fee to directly buy the excess production of small producers of renewable energy, thereby injecting cash into an investment that has already been made. Consumers can choose their energy provider and producers can set their own prices.

In the agri-industry sector, Buen Campo is a Mexican platform for local consumption that sells and distributes food with the commitment of guaranteeing fair trade relationships with field workers¹¹. Buen Campo sells seasonal produce baskets to avoid food wastage. In an interview with the *El Financiero* newspaper, Agustín Ortiz Monasterio, the company’s founder, stated that “they gained market share by word-of-mouth and through

a community of people who consume these types of products.”

Another example is Coursera, an educational platform that was founded by Stanford University professors with the aim of making knowledge and online courses available to everyone. Etsy is a global community in which people connect with each other to buy and sell products made by artisans, artists, and designers, as well as to complete business courses aimed at artisans looking for new ways to support themselves and their families¹².

Bill Clinton once stated that “the interdependent world we live in is inherently unstable, full of both opportunity and forces of destruction,” so models like the sharing economy represent an opportunity that creates new opportunities and horizons for people who want different ways of optimizing their resources and diversify their revenue sources.

It is no longer possible to stop this revolution, but will we be able to face the challenges and find effective solutions for balancing and coexisting with these new models that are defined as innovative, disruptive, economic, and ecological?

¹¹ El Buen Campo. <http://www.elbuencampo.com/pages/nosotros>

¹² About Etsy. <https://www.etsy.com/mx/about/?ref=ftr>

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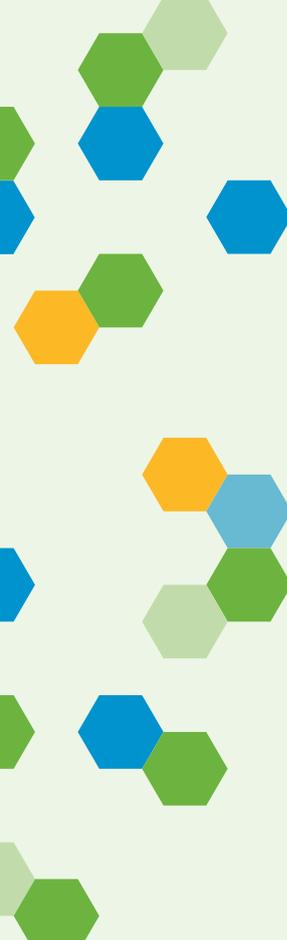
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