Lessons from the Shared Economy
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The shared economy has become very real and can no longer be ignored by all businesses. According to PriceWaterhouse Coopers, the shared economy is likely to grow from $15 billion in 2013 to $335 billion by 2025. Part of this growth is out of necessity. Cities are becoming very urban and this is where everyone is migrating to; thriving in a world that increasingly is getting very crowded. You can’t continue to add more cars, hotels, and other infrastructure. Instead, people are adjusting and accepting the fact that a better way is to share the infrastructure in highly concentrated environments. Businesses will need to adjust to this new reality and recognize several lessons from the shared economy.

The first lesson has to do with the enabling drivers behind the shared economy; one of which is the digital economy. Consider the fact that 60% of all online time in the United States now takes place on a mobile device. Much of this time is spent looking and searching for local businesses. If you run a small local business, you must pay attention to local search optimization as part of your marketing strategy. And keep in mind that your future customers are Millennials. Millennials are very much about being online in a mobile environment. Also think about the fact that China with its growing middle class is all about mobile and Africa with the largest youth population is all about mobile. So this trend is not going away – you better become serious about your mobile presence. This is the tool customers will use both locally and globally.

“Americans know that the economy is changing at its core. We are in a time of fundamental economic disruption. The resulting transformation of our economy – including changes in technology and globalization – holds peril and promise. Piecemeal proposals that tinker at the margins of our current economic structure will not be sufficient to get our economy back on track.” – Rewriting the Rules of the American Economy by Joseph E. Stiglitz

Another important lesson from the shared economy is the flexible workforce. In the past companies would hire almost all full-time employees. This is changing in the form of the Gig Economy – on demand labor as needed. According to a survey commissioned by Elance-oDesk and Freelancers Union, there are now more than 53 million freelance workers in the United States. Companies need to embrace a more diverse way of managing the workforce. This not only includes more part-time or interim personnel, but more flexible working arrangements for your full-time staff.

A third lesson is the rise of the Micro-Business. Anyone anywhere can startup and create a business to compete with the “tired” looking businesses that dominate an industry. This creates an opportunity for disruption and we all know what has happened to the taxi cab business; an incredibly “tired” looking industry disrupted by Uber. Business owners must be very observant of how they stand-out from the crowd; especially in relation to how the shared economy works. All it takes is someone with a great mobile application, empowering people at the local level with a much better value proposition to create a business.
“The 20th century model doesn’t work in an age when you can monetize your parking space.” – Senator Mark Warner, D-Virginia

The shared economy is also about making the transaction easy – hassle free and instant. Speed and convenience is really important in the shared economy. This is why a lazy company can get disrupted – someone else delivers the product or service much faster and easier from a mobile device. All of these lessons dove-tail back to what the shared economy is about and what people now expect from business. People increasingly want the process to be effortless, fast, and benchmarked with customer satisfaction ratings such as Yelp. Additionally, they want to buy products and services that represent something more than just the product or service. For example, putting a social cause into your business can help solidify your position in the shared economy.

A final point that should be noted is that the shared economy does have a negative impact. We all want to do the right thing and share resources, but there is also a dark side on how it puts enormous pressure on lower wages, part-time work over full-time work, and less benefits. Income inequality in the United States is now as bad today as it was during the Great Depression. So it is important for businesses to also recognize how the shared economy can adversely impact those who directly participate.

“This is the new economy: contracted, freelanced, automated, Uber-ized, 1099-ed. The sharing economy is hot, a darling of venture capitalist investors as well as the media. Increasing numbers of workers find themselves on shaky ground. Even many full-time and professional jobs are experiencing this precarious shift. Add to that the steamroller of automation and robots replacing millions of workers and the jobs picture starts looking grim.” – Raw Deal: How the Uber Economy and Runaway Capitalism are Screwing American Workers by Steven Hill

There are many lessons here for all of us – you must get serious about your digital footprint in the mobile world. You must collaborate with a wider range of players to get it right and earn trust. All of these underlying drivers, be it digital, mobile, or a flexible workforce, will require major change for all businesses. And when I walk around Main Street today, I continue to see a lot of very tired looking businesses unaware of the Uberization of the local economy.

“The true innovative spirit of collaborative consumption can be found in start-ups like Brooklyn-based SnapGoods, which helps people rent goods via the Internet. Or Airbnb, which allows people to rent their homes to travelers. There’s a green element here, of course: sharing and renting more stuff means producing and wasting less stuff, which is good for the planet and even better for one’s self-image. And renting a power drill via SnapGoods for the one day you need it is a lot cheaper than buying it. It’s a perfect fit for an urban lifestyle in which you have lots of neighbors and little storage.” - Today’s Smart Choice: Don’t Own. Share by Bryan Walsh, Time Magazine