



HARVARD UNDERGRADUATE

**CBE**

# Sharing Economy

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## CBE Industry Report | Fall 2020

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# Sharing Economy Overview



The sharing economy has drawn significant attention from both investors and users over the past decade, and pre COVID-19, was projected to continue growing at a rapid rate.

## A Rapidly Growing Space

- Pre COVID-19, the Boston Consulting Group reports that over **\$24 billion** in venture capital has been invested in the sharing economy since 2010.
- Key verticals within the sharing economy are **ridesharing**, **coworking spaces**, and **short-term rentals**.
- Companies in these verticals tend to have the higher valuations than those in other segments of the sharing economy.
- Of these verticals, ridesharing is projected to grow fastest (19.9% CAGR), followed by short-term rentals (7% CAGR), and coworking (6% CAGR).
- Distribution of capital amongst verticals is allocated accordingly.
- Generally, high competition because barrier of cost to switch between various sharing economy services is low.

## Sharing Economy Users in the U.S.



Statista, BCG, McKinsey, Mordor Intelligence, Brookings Institute

# Sharing Economy Business Models



Typical business models are categorized by amount of centralization regarding ownership of the product or asset that is shared.

## Decentralized Platforms



- The asset owner sets the terms and offers the asset to the user.
- The value-add of the platform is to **facilitate** the transactions.
- Platform has a low upfront cost but requires **finding a large base** of providers/asset-holders.
- Example: Airbnb

## Centralized Platforms



- The platform owns the asset and sets the terms.
- Greater quality, quantity, and standardization **control**.
- Much greater upfront costs but also collects a **higher proportion of the transaction value**.
- Example: ZipCar

## Hybrid Platforms

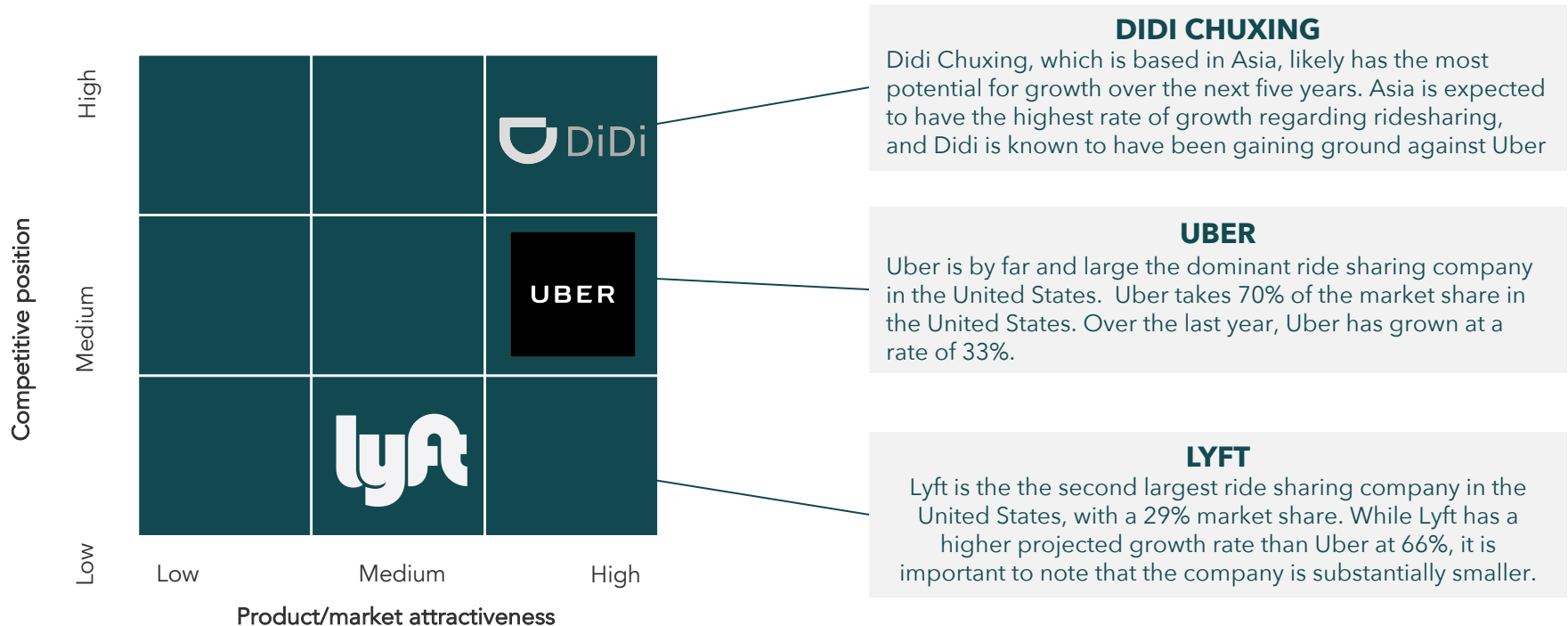


- Asset owners provide a service with price set by the platform.
- Ownership is **decentralized**, standardization is **centralized**.
- Relationship with providers must be **carefully managed**.
- Low upfront costs.
- Example: Uber and Lyft

# Ridesharing: Competitive Market



Unlike some other sharing economy verticals, ridesharing is dominated by a select group of relatively few large-cap companies.



## Key Takeaway

Ridesharing markets tend to be dominated by a few major companies. Globally, it seems that Didi Chuxing will likely become the largest ridesharing company, based off its valuation and recent successes in new markets.

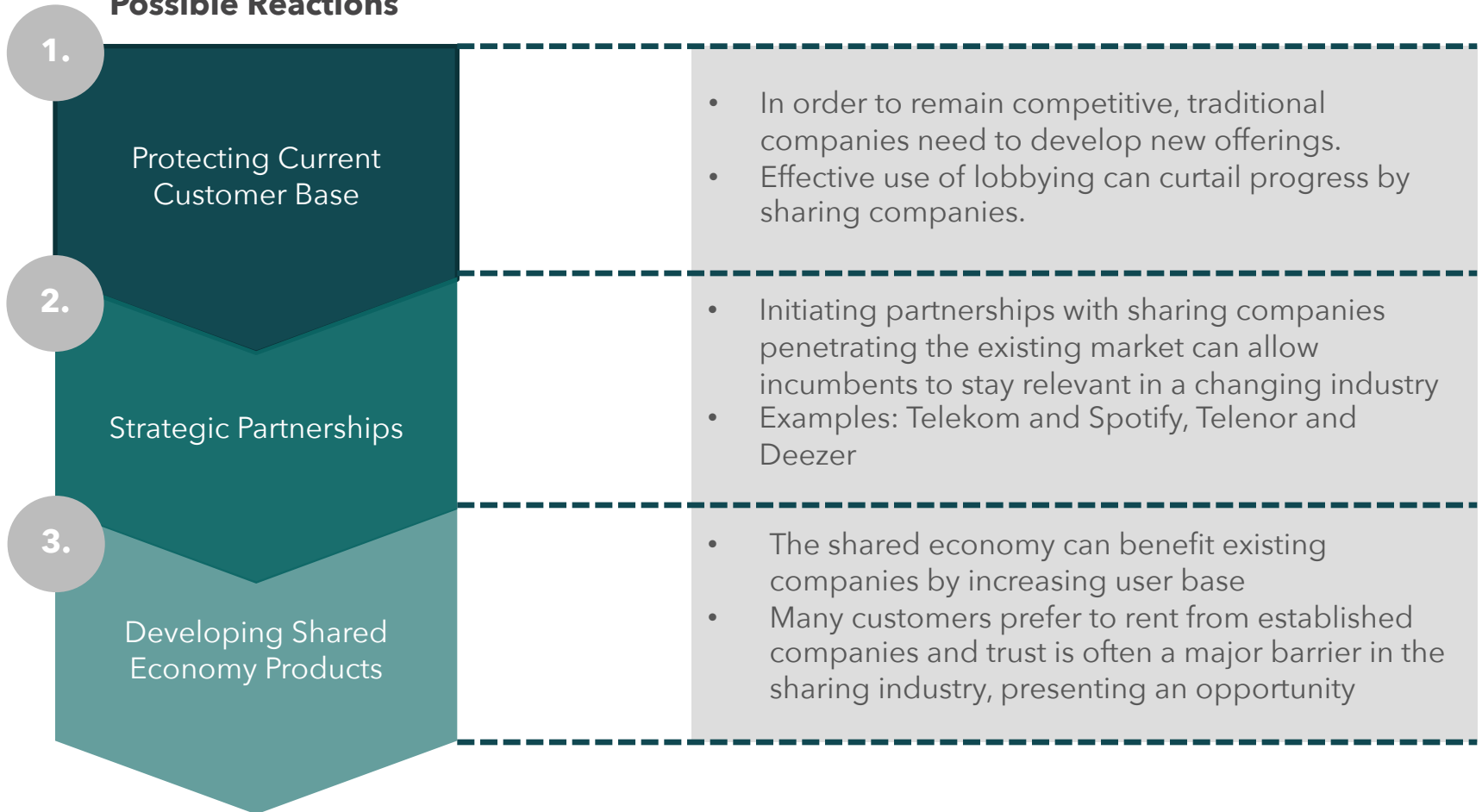
Mordor Intelligence, Marketwatch

# Reacting to an Age of Sharing



PricewaterhouseCoopers identifies three main strategies that companies can use to respond to the rise of sharing economy--shared products being the most viable option.

## Possible Reactions

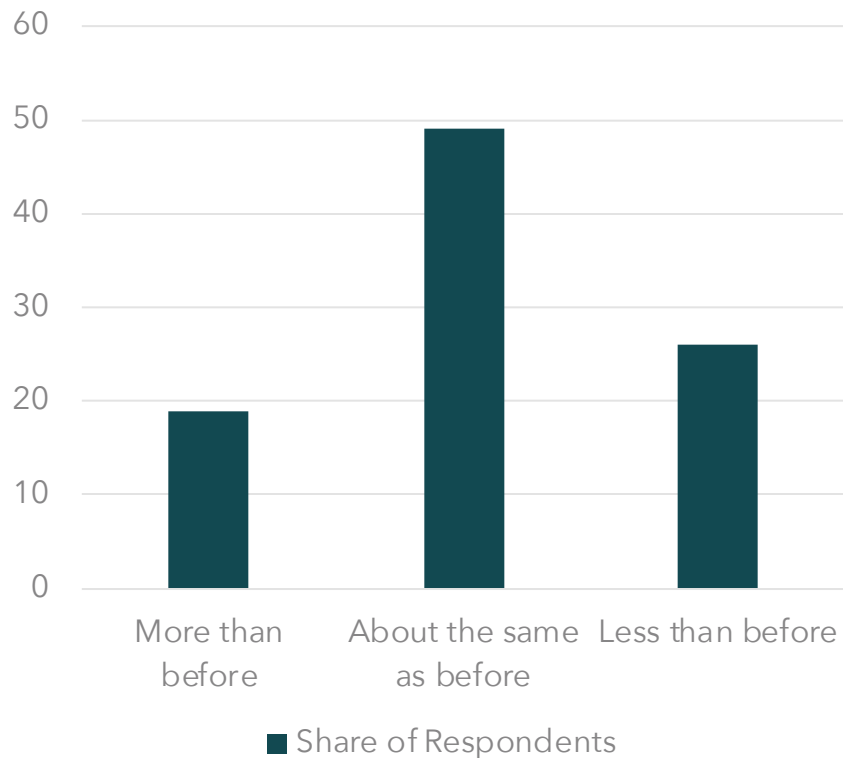


# Impact of Coronavirus



COVID-19 has had an enormous impact on the sharing economy. This has resulted in extreme reductions in projected revenues for FY2020.

How will your use of sharing economy services change after the containment of COVID-19?



NYTimes, Statista

## Expected Impact

- The initial impact of COVID-19 has been **substantial**.
  - Uber and Lyft have disclosed large losses in their businesses in March.
  - Home sharing companies like Airbnb have lowered costs and downsized their workforce. Airbnb has also delayed an IPO and lowered their revenue estimates by more than 50%.
- Business models built around sharing **struggle** when human interaction **is limited**.
- Initial surveys indicate that sharing economy services may see a **return to growth** at a **faster rate than expected**.
  - A **majority** of respondents in a survey indicated they would be interested in **returning to** sharing economy services.

# Gen-Z and the Sharing Economy



The prevalence of younger generations in the sharing economy brings about several demands for companies currently in the space.

## Access Not Ownership



- Gen-Z seem to have embraced not having the ability to own a product, but rather pay for limited access
- Reflective of a “gig economy”, in which customers utilize existing relationships with companies and generate income temporarily

## Brand Appeal and Ethics



- Younger generations are keen to take sides with a cause
- Branding is important because younger consumers associate with the idea the company stands for
- They know how to access information ready as well

## Social Networking



- Appeals to the identity aspect of younger generations
- Finding value in making connections with others, businesses, trading skills
- Important for companies to have social networking function

Sources: [McKinsey](#), [Business Insider](#)