

Has the sharing economy failed?

The 2008 global financial crisis invigorated growth and buzz around the sharing economy, which has given birth to global sharing giants like Uber, Airbnb, WeWork, and swathes of sharing-based startups. But over a decade on, can we say that the sharing economy has been a failure?

Private ownership and individualism propelled the growth of capitalism over the course of the 20th century. Adam Smith, the father of modern capitalism, wrote that, “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.”

Yet as capitalism faced up to some of its own shortcomings in the wake of 2008’s global financial crisis, so too has the notion of individualism. Instead, what emerged was this notion that growth could be propelled by community, by collaboration, and most importantly, by sharing.

The sharing economy has come to represent a wide range of companies that capitalise not on the selling of resources, but rather on their sharing. You can share food or household goods, you can share music, films, or information, and you can even share a spare seat in your car or a spare bed in your house.

From an estimated \$15B global market value in 2014, the sharing economy is predicted to grow to \$335B. This has seen the emergence of sharing giants, from ride-sharing platform Uber to property-sharing site Airbnb, each with their

own global audience and multi-billion dollar valuations.

But behind the veneer of success and global domination is fragility and uncertainty. Sharing platforms have often struggled to turn profits, and cannot reconcile the desire for growth with alarming environmental and social impacts. COVID-19 – in which we’ve been told to choose isolation over community – may have been the final blow. So, has the sharing economy finally failed?

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A history of the sharing economy

The idea of a sharing economy is rooted in the early days of the internet. In the 90s, as the internet was growing and finding its feet, the open-source software movement gained traction as a way of sharing and collaborating on ideas around software development.

This same spirit of sharing extended to some of the internet’s earlier success stories. Napster, the groundbreaking but doomed music site, encouraged users to share their music collections digitally, arguably paving the way for the success of music streaming platforms that have changed how we consume music.

More successful has been Wikipedia, which stands much closer to the original ideals of the open-source movement. This encouraged users to contribute information to its pages, as well as to update and correct errors, pinning its success on participation and sharing.

The global financial crisis in 2008 was no doubt a huge catalyst for the mammoth sharing economy we see today. This often happens in the wake of economic recessions: societies look to pool resources in order to widen access at a lower cost. The difference in 2008 was technology, which easily facilitated the connectivity and micro-transactions that constitute many sharing apps and services.

This DNA runs through the biggest sharing success stories. Airbnb was founded by two flatmates looking to offer cheap accommodation as a way of offsetting the cost of their flat in San Francisco. The idea is simple: share the space and split the cost.

Similar notions saw Garrett Camp conceive the idea of a cheaper taxi alternative that would allow any driver to sell off spots in their car, even allowing multiple passengers to ride share. Thus, Uber was born.

Overall, this has played to a wider trend in millennials and Gen-Zers, who are

less concerned about ownership and more oriented towards shared access, driven by ideas of community and togetherness.

WeWork, and the countless co-working imitators, promise more than just shared workspaces: they offer opportunities for collaboration and community. Even Netflix and Spotify, although not strictly sharing platforms, are fuelled by a similar notion of fostering communities around art.

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Economic, environmental and social failures

While many sharing platforms boast multi-billion dollar valuations, it's impossible to get away from the reality of the numbers. Many sharing platforms have never made money. Uber posted \$6.7B losses in 2020, a humble improvement from the \$8.51B loss in 2019. Airbnb likewise reported a \$674M deficit in 2020.

Many of these companies have only reached their coveted 'unicorn' status through extraordinary cash injections from investors. Uber has raised over \$25B since its conception, and WeWork just over \$20B. The tactic is simple: domination for now, profitability for later.

With no other option when facing multi million – or even billion – dollar losses, these companies often turn to IPOs as a way of generating returns for investors, but even these have often proven disastrous.

Uber's IPO in 2019 saw its stock price plummet, only recovering its price nearly 18 months later. WeWork's botched attempt at going public, moreover, was a source of embarrassment for the company, seeing founder and CEO Adam Neumann resign. The company is now valued at roughly a fifth of its pre-IPO valuation.

Attempts by sharing platforms to achieve mass scale and market share have also brought some particularly alarming environmental and social side effects.

Bike-sharing companies, for example, rely on a widespread presence in the market both for convenience and for perceived wider access compared to other competitors: as a result, the market is highly saturated. Seeing hundreds of bikes lining the streets has become commonplace. And when a company fails, this produces extraordinary waste: photos of mass scrap heaps of Ofo bikes illustrate this perfectly.

Uber adopts a similar model. For the best user experience, Uber must offer convenience and low cost. To achieve this, they have to flood the roads with cars, creating greater congestion and pollution, as well as increased competition among their drivers.

On a social level, sharing platforms can also have hugely detrimental effects. Airbnb has come under fire for the way it has driven up rent prices in certain neighbourhoods and cities. Not only does this become counterintuitive for tenants looking to reduce their rent costs through short-term subletting, it also creates a dependence on the platform for income.

For these companies, scaling is a necessary option towards generating revenue and gaining market share. At the same time, reaching scale can in itself be self-defeating, while also externalising any potential downsides to the environments and societies in which they operate.

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Time to return to real sharing?

Perhaps one of the reasons behind the sharing economy's failure is that the term, as it's come to be used, is a fallacy. "These platforms are very commercial and have very little to do with actual sharing in the sense of solidarity and community," explains Christoph Lutz, associate professor of communication and culture at BI Norwegian Business School.

Instead, the term has less accurately been used to describe the monetisation and digitalisation of aspects of the 'informal economy': for example, microtransactions like taxis, food delivery, or overnight stays that might usually be 'off the books'. It's also used as an umbrella term for aspects of the gig economy, as certain sharing platforms become reliant on workers on low wages who perform multiple jobs.

There's already been a strong public backlash against sharing economy side effects. Berlin, among other European cities, tried to ban Airbnb and similar short term letting platforms, while also introducing legislation that limits their appeal. Uber drivers in the UK hit the headlines after a groundbreaking legal case afforded them 'worker', rather than 'self-employed', status: this means Uber must pay them minimum wage, holiday pay and statutory sick pay.

Capitalising on cheap labour, artificially driving inflation, and generating waste and pollution: the sharing economy has strayed a long way from its original ideals of community, cooperation and collaboration. Is it beyond the point of no return?

Perhaps, like in 2008, it may be time to take stock of the values that inspired people to embrace sharing.

Throughout the pandemic, a sense of community has largely remained strong. While use of Uber and Airbnb may have plummeted, apps like Nextdoor have boomed in popularity, as have food-sharing platforms like Olio, tapping into desires for informal sharing. *Times of crisis can be times of great innovation and disruption*, and COVID could be the catalyst for a return to real sharing.

Platform cooperatives could be one promising avenue. Juno, the New York-based ride-sharing app, is one example. Juno only takes 10% commission from its drivers (compared to 20-30% that Uber takes), while also giving drivers the option to be contractors or employees. Other similar models revolve around energy sharing, in which communities share access to a communal grid powered by solar panels or turbines.

It also could be fuel for large sharing platforms to find profitability in more sustainable solutions. Uber already offers Uber Green for electric vehicles, offering a 15% reduction in the service fee for drivers for the remainder of 2021. This is part of Uber's commitment to be emission-free by 2025. Airbnb has also launched Airbnb Experiences, actively engaging with local tourism initiatives.

Sharing isn't dead: conversely, it's a human instinct. Companies will no doubt look to tap into and capitalise on this human instinct: but taken in the wrong direction, we've peered into its potentially catastrophic outcomes. Platforms of the future would do well to pay homage to the sharing economy's original values.