Entrepreneur & Innovation Exchange
Published online at EIX.org on April 21 2020
DOI: 10.32617/505-5e9f356c0d6be

Is the Sharing Economy Over?

Oksana Gerwe (Brunel Business School, Brunel University London)

The unprecedented pandemic of the coronavirus has turned the world upside down, affecting individuals, societies, countries and economies across the globe. Both the human and the economic toll of Covid19 continues to rise. The sharing economy is one of the sectors that has been profoundly disrupted by the measures taken to slow down and overcome the pandemic.

Closed borders, cancelled flights, enforced lockdowns and extended quarantines have put on hold many sharing services that in the last several years we have come to take for granted. Staying at an Airbnb property at a travel destination, taking a ride with BlaBlaCar or Uber, renting a car through Turo, getting help with an errand on TaskRabbit or borrowing a bike through Peerby are all but impossible in a world of self-isolation, social distancing and strict personal hygiene protocols.

Will the sharing economy, just recently the darling of all unicorn watchers, survive the coronavirus pandemic?

Sharing Economy Strengths become Weaknesses

Even though we still do not have a universally accepted definition of what the sharing economy really is, according to current research companies in the sharing economy are characterized by four unique features:

- They are digital platforms that facilitate offline transactions between suppliers and consumers.
- They are based on peer-to-peer transactions, where both the suppliers and the consumers are, mostly, ordinary individuals or micro-entrepreneurs, not large business or companies.
- They emphasize temporary access instead of ownership.
- They enable access to underused physical or human assets (an empty room, a parked car or empty seat, or someone's skills, talents or time).

Each of these features contributed to the spectacular success of the sharing economy in the last decade. Digital platforms like Airbnb, Uber, Lyft and many others were able to scale up at a mind-blowing speed by professionally aggregating underused assets owned by individuals and capitalizing on the social trend that values access more than private ownership. Sharing became a culturally cool and an economically smart thing to do both for suppliers and the consumers of the sharing economy.

The coronavirus pandemic turned each of the sharing economy strengths into a weakness. First, even though the digital backbone of the sharing economy remains untouched and the online sites can operate just as smoothly under lockdown conditions, the new restrictions make it impossible to provide or consume the services these platforms were designed to facilitate. The Airbnb platform remains functioning, but you cannot rent (out) a property in locations that are closed down because of the pandemic; the Uber app is still working but you cannot go anywhere as a driver or a passenger because that would imply breaking social distancing rules. In the absence of transactions, sharing platforms have seen their businesses implode. Equally, the suppliers to these platforms have overnight lost all the demand for their offerings, resulting in canceled bookings, massive economic losses and unclear future prospects.

Second, in light of the increased demands for personal hygiene and safety, a peer-to-peer business model suddenly seems suspect and unreliable. Proximity, touch and cleanliness may mean the difference between getting and not getting the virus or passing and not passing it on to someone else. So people no longer want to ride in a car that has already driven many other passengers, stay at a property where many guests stayed recently, or invite a stranger to their home to help with an errand. The carefree, relaxed attitude to health and safety standards adopted by the sharing economy as part of its easygoing ethos during the boom times now starts to look like carelessness.

Third, the pandemic has forced us to use only what we already own. Forget access to other people's assets when you have to stay indoors for weeks on end. Those who have property, cars, garden furniture, bikes, scooters, etc., are able to wait out the lockdown in a more comfortable, sustainable fashion. With access to alternatives eliminated, ownership suddenly starts to look more appealing. The owner can assure the cleanliness, condition and availability of his or her own property. The real estate and other assets they own can help them weather the pandemic's economic turmoil and make them feel safer and more secure. No wonder social media is overflowing with stories and videos of people rediscovering pleasure and value from their old guitars, sports equipment, kitchen appliances, tools and grills that had not been used in years. The lucky owners of balconies and patios have never used them more than during the recent weeks spent in quarantine. The old saying “My house is my fortress” has never rang so true as during this time of medical, economic and social uncertainty.

The Future of the Sharing Economy

What will happen to the sharing economy in the aftermath of the coronavirus pandemic? What are its implications for the sharing economy suppliers, consumers and platform owners?

On the one hand, the Covid19 outbreak is likely to expose all the weak points of the sharing businesses, taking some of them to the breaking point. In the upcoming weeks, we may begin to see some sharing platforms run out of cash and exit the market, creating massive losses for platform owners and investors. Platforms that survive may end up being swallowed by the stronger players in a wave of mergers and acquisitions, leading to rapid consolidation in the sector. The economic consequences of the pandemic will be just as catastrophic for the individual suppliers of sharing platforms. As a result, customers will end up with fewer alternatives to access goods and services through sharing in the long run.

On the other hand, the pandemic may be a reset button that can bring balance to some of the excesses that developed in the sharing economy during the past few boom years. This will benefit the sector in the long term. The surviving platforms will have to pay much closer attention to the business fundamentals of their operations. They may prioritize profitability potential and cashflow instead of counting on growth and investors who can rescue them with capital. Using the lessons from the pandemic, platforms and individual suppliers of sharing services are likely to improve their health and safety standards, making the sector more sustainable for all.

Finally, the coronavirus outbreak can serve as a catalyst for policymakers to level the sharing playing field and implement better practices, rules and norms. New policies might give the people who supply their homes, cars or other assets more protections for when the market declines. Policymakers could try to balance the tensions between economic benefits and sustainability pressures from over-tourism at some travel destinations. They could bring back the supply of long-term rentals that had been converted to short-term vacation rentals, making it difficult for locals to find places to live. While we will likely see some version of the sharing economy return after the pandemic, the right policies could protect everyone from its previous excesses.

According to the World Trade Organization, global trade may drop by a third in the aftermath of the pandemic, reducing the amount of goods and services available to consumers. Local sharing economy platforms, communities and businesses may fill the resulting gap and play a role in the post-epidemic recovery. Let’s hope the lessons of the coronavirus outbreak make the sharing industry more sustainable, resilient and safe for all the parties involved.

EIX.org (2020)
DOI:
10.32617/505-5e9f356c0d6be