

## THE AUSTRALIAN

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### The people have said yes to the sharing economy

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'There is a need for streamlining and making those processes simple and easy for buyers and sellers to make their lives easier,' says Marianella Watman, founder of Popup Brands. Picture: Adam Yip

**It began as a quiet revolution — people using real-time digital technology to connect like never before and share their lives in an unprecedented fashion.**

Then these same connections forged a new language of commerce whereby people used personal digital connections to trade and share.

Suddenly, an entirely new parallel economy had formed, largely bypassing traditional institutions, corporate norms and the need for centralised asset ownership.

Perhaps even more profoundly, the rise of the collaborative or sharing economy, epitomised by the likes of Uber and Airbnb, has begun to disrupt government and the

notion of regulation and the way tax is extracted.

Something big is happening, something both exciting and terrifying; something that calls for a new set of rules. Some are calling it the biggest potential change to the nature of business and industry since the industrial revolution.

Just as mechanisation and automation technology created many of the scale opportunities that forged modern corporations, digital technology has opened the floodgates of a very different style of commerce.

that bind them, and to connect directly to someone with something to offer — a ride into town, a room for the night, some selling space or the capacity to do some work around the home.

In Australia, this collaborative economy has been tipped to grow from about \$10 billion at present to \$335bn by the end of the decade. And it could be just the beginning.

It is easy to write off the rise of collaborative business models as merely the latest version of free-flowing micro business disruption. Is it really any different from flea markets and bartering that bypass traditional retail — or even people using classified advertising to link buyers and sellers?

A lot of smart thinkers believe it is different. Very different.

Rachel Botsman, an Australian who has become one of the leading global voices on the issue, says the rise of this new person-to-person commerce model represents a macro-economic shift in business structures and consumer behaviour. “What even some very smart leaders miss is that this is a shift away from an economy that had to be built on top-down, centralised institutions that could control the creation and distribution of how goods and services got to market,” she tells *The Australian*.

“That’s been blown up in a massive way, shifting to a world of networks and marketplaces where people can get what they need directly from each other or where distribution channels bypass traditional institutions.”

These new-style businesses also represent a recalibration of asset structure. “If you look at many of the business models, they don’t have to own the assets; they just facilitate access to assets that already exist,” Botsman says.

“They are moving from being incredibly asset-heavy businesses to asset-light models where the network is connecting assets in really interesting ways.”

Typical of this approach is Sydney-based Marianella Watman. Her company, Popup Brands, lists spaces available for short-term commercial purposes.

Watman developed the concept after she worked for a major property group and found there was no easy way to source short-term space. Now the company is engaged with 7000 brands, and attracting international interest.

She has brokered some interesting approaches to commercial space, in one case linking a struggling cafe with somebody who wanted to open a restaurant and arranging for them to share the same premises on a day-night handover basis, splitting the rent.

“People are becoming busier and more transient and there is a lot more requirement for products and services that you need on demand,” Watman says. “There is a need for streamlining and making those processes simple and easy for buyers and sellers to make their lives easier.”

Botsman, author of *What's Mine is Yours: How Collaborative Consumption is Changing the Way We Live*, says that while Uber and Airbnb are the best known examples there is now an explosion of similar plays around the world that are driving multi-billion-dollar businesses outside the conventional models.

These new models have been made possible by a curious evolution in human dynamics and a new “era of trust” — dealing directly with other people and relying on them to do the right thing.

“What is happening that is surprising to many people is how trusting we are of one another and how much traditional regulations and licensing that we don’t seem to need to have these kinds of relationships and transactions,” Botsman says. “That is what is - really frightening to many industries.”

It is also frightening to governments. The Queensland government has declared publicly that Uber is an illegal taxi operation yet it now appears to be running dead on compliance while a review takes nearly a year to sort the conundrum. Similar reviews are happening nationally.

The people have spoken. Governments just seem at a loss on what to say back to them.

Botsman says the collaborative economy marks a disruption to government-think and the need for a fresh lens on marketplace regulation as buyers and sellers declare that they have found a better way to transact. “I think there is a role for regulation (in this space), but not traditional regulation,” she says. “What many governments are asking is: How well can these marketplaces self-regulate? Where do we really need to intervene to create market competition and protect providers and customers?”

For the traditional businesses already struggling with wave after wave of disruption as digital technology enters new dimensions of maturity, it is all about trying to achieve a fair playing field of rules in a space that seems to evolve into new corporate species in real time.

Kate Carnell, chief executive of the Australian Chamber of Commerce and Industry, agrees with Botsman that the changes are more than a “margin play” and possibly the most fundamental change in business since the industrial revolution. “I think it is a massive disrupter,” she says. “What we’re seeing is the beginning of a fundamental change in the way we work, the way we do business, the way we deal with people.”

Carnell says the sharing economy model is a major problem for change-averse businesses, but there are already many traditional businesses using the global market opportunities that have opened through digital technology to grow.

“The upside (for existing business) of this is potentially a lot bigger than the downside,” she says. “It’s certainly not all shock horror. But businesses that don’t adapt will be at risk — but it has always been thus.”

Carnell says most businesses recognise that you cannot hold back the tide on the collaborative economy. All they want is a fair playing field and the same laws for everyone, not one group operating outside of the system and one inside it.

Uber director of public policy Brad Kitschke says the rise of successful sharing models supported by consumers should prompt governments to question the extent and necessity of present regulations. He argues that technology is allowing checks and balances and openness in business systems that never were possible before, and governments need to rethink their approach in response.

“If businesses are concerned about the disruptive technology, they should apply a very simple principle that they should disrupt themselves or someone will disrupt them,” Kitschke says. “Businesses need to provide better service, deliver better options, and give consumers what they want. If they do that and look to evolve their business models then they shouldn’t have an issue with the new players.”

Holly Ransom, chief executive of Emergent Solutions and chairwoman of last year’s G20 youth program, says the rise of the new economic model is partly a consequence of a younger generation struggling to fit into the traditional mould of work and consumption.

She told the recent Global Integrity Summit in Brisbane that the world was seeing the consequences of a “lost generation” where one in three young people was not in education, training or employment.

As a result, they were bucking traditional institutions and rules and looking for cheaper alternatives for products and services, and ways to piece a living together from various income sources.

“A lot of young people feel like a social contract has been broken with them,” she says. “They grew up with the idea that if you did the learning you would get to do the earning. That hasn’t proven to be the case.” She says only 1 per cent of young people

trust advertising, but 90 per cent are happy to rely on peer validation.

“We are seeing a fundamental shift in consumer purchasing decisions,” Ransom says. “This is in some ways a forced reality of the fact that the financial choices available to this generation are very different. We are seeing a mindset shift that we didn’t think was possible — from ownership to access.”

The so-called millennial generation has grown up through the global financial crisis and major environmental disasters and this has created a distrust of traditional institutions and the level of governance around them.

“You have a generation that is mobilising technology and peer-to-peer networks. In a way, they will try to write their own justice. They are taking these things out from corporate business and government control and leading forward with businesses that are finding new ways of operating.”

The idea of piecing together a living wage when traditional fulltime jobs are often hard to come by is a close cousin of the sharing/collaborate economy phenomena.

Just as consumers can now have an economic want or need met by connecting through technology, people with skills can find potential employers all over the world using the same sort of digital marketplace together.

Again, the change is profound and rapid. A study by freelance talent marketplace Upwork released this month shows 4.1 million Australians did some freelance work last year, up 370,000 in a single year.

The survey suggests this trend is a result of choice and necessity, with 51 per cent of freelancers saying they were earning more since they had moved to the free-range economy while 72 per cent saw it as a means to retain living standards into traditional retirement years.

An Institute of Public Affairs report on the sharing economy, by research fellow Darcy Allen and senior fellow Chris Berg, points to lab experiments in economic game theory that back the idea that people increase their trust and co-operation levels when exchanges become personal.

“It is not surprising humans act differently when trading with a large, relatively anonymous corporation compared with an individual person,” say Allen and Berg. “Successful co-operative systems are based on the fundamental pillars of empathy, social norms, fairness and trust.”

The report suggests the success of using online reputation and ratings as a self-governance alternative to the ever-growing raft of government-imposed regulations should be taken seriously.

“It is not controversial to suggest that government solutions are often a slow, expensive and inflexible alternative,” Allen and Berg say. “It may be a sub-optimal way to regulate the behaviour of individuals.”

Botsman says this emerging evidence of a more trusting person-to-person consumption environment raises the question of whether present institutions and system are really serving the needs of contemporary humans.

“The changing ideas around trust started with social networks,” she says. “We share information in a way that was unimaginable to our parents. The social glue of - connections is changing — we interact differently and we expect to get things in our lives in a different way.

“People behave better in these (new) systems because there is more person-to-person accountability. They are afraid that if they do something wrong it’s going to be public and impact their ability to transact in the future.”



Social innovator Rachel Botsman: ‘What is happening that is surprising to many people is how trusting we are of one another’. Picture: Dan Himbrechts

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**John**

39 MINUTES AGO

When the pickings in the new unregulated economy become big enough, the heavies (and I don't mean the corporate heavies) will move in. The people's cries for regulation and supervision will follow.