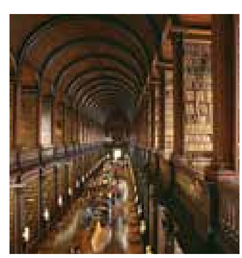
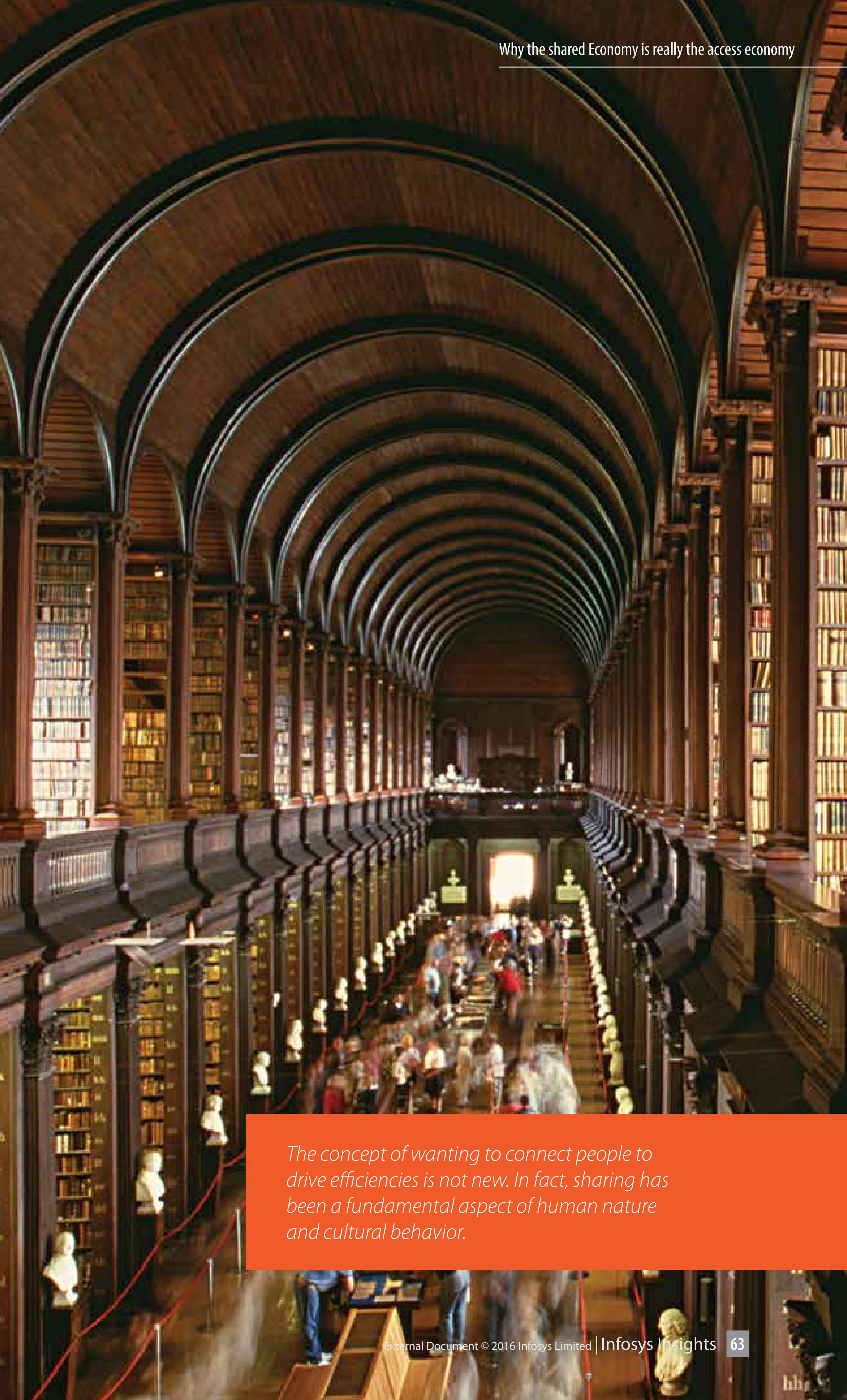
WHY THE SHARED ECONOMY IS REALLY THE ACCESS ECONOMY

We are living in an extraordinary moment in history – where consumers value access more than ownership, and this makes economic sense, too. What are the drivers of this new economic reality? How can businesses prep themselves up for it? Read on to learn more.



A new television advertisement shows a tired businessman sitting in crowded airports, stuffy airplanes, and rancid reception areas, only to get home and finally, be rewarded by sitting behind the wheel of his own car. Our protagonist comes home from an arduous business trip and gets to drive his own car alone and in Zen-like peace. But in the shared economy, he would feel a sense of pride for sharing his car with three other commuters so that they collectively reduce their carbon footprint. Just one car on the road versus four.

To some, the shared economy is a utopian vision for the future that may be enabled by advances in information technology. Using information technology, resources that would otherwise go unused (those three other car seats, for example) are utilized instead by people – sometimes complete strangers – who need to travel to the same place (using



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the car example). To others, the shared economy has socialist overtones where everyone can stake an equal claim to existing resources.

Not a utopia, but a business reality today

To start with, there really is no sharing going on in a purely economic sense. Ubiquitous IT platforms are creating peer-to-peer networks that allow civic-minded people to be aware of opportunities to reduce, reuse, and recycle. So, strictly speaking, the middleman who provides the platform isn't sharing anything. His innovative business is merely connecting parties that would have otherwise not known about the other, and among these parties, goods and services are rented out at a price.

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A Harvard Business School study makes a cogent case for renaming this phenomenon the `access economy'. Robust IT platforms allow more and more people to access goods and services which sometimes have the appearance of sharing. But make no mistake about it: The sharing (or access) economy is truly about utilizing every resource and byproduct by virtue of the fact that we're increasingly connected in a digital world.

Economically speaking, IT has empowered businesses and individuals alike to leverage every efficiency out of existing business models. There is yet another term for these developments: Collaborative consumption. According to Ericsson's Mobility Report, there are currently 2.6 billion smartphone subscriptions in the world. The report's research points to an increase to 6.1 billion by the year 2020.

Already, the access economy has shown its influence and strength through crowd-funding. Up until a few years ago, an entrepreneur would have limited options in obtaining capital for a new business – a bank loan or an infusion of cash from a venture capital firm. Now, that entrepreneur can post her business vision to any number of crowd-funding platforms and connect with potential investors. The technology platform typically gets a cut of whatever amount of money the entrepreneur raises from investors.

Drivers of the access economy

The concept of wanting to connect people to drive efficiencies is not new. In fact, sharing has been a fundamental aspect of human nature and cultural behavior. The oldest communities in recorded history – city-states that date back more than 5,000 years – were based around the concept of villagers sharing goods to form a community and most efficiently feed and protect its inhabitants. That same sense of sharing to save money and resources can be seen even today. Across many parts of the world, it has been typical for a family vacation to be planned around visiting other family members in another part of the world. Accommodation and food costs are minimized because everyone is staying with relatives. An early semblance of Airbnb.

Today, the owner of the apartment isn't necessarily a member of your family and is instead `sharing' (or, more accurately, giving access) with you for a profit. Technology has been the game changer, powering millions and millions of these connections and that too on-demand. The confluence of three factors is driving the access economy into the mainstream:

1. Credit (or blame) the global economy. Experts in monetary policy have written that nearly eight years into a global economic crisis and the resulting slump, new ideas about what is socially acceptable in entrepreneurship have popped up everywhere. Do you really want a stranger sleeping in your bed when you're not at home? It is a business model born of a sluggish economy. Simply put, people who don't need income to support themselves don't sell their beds to strangers. People


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who were employed by companies that offered them health benefits, offices, and equipment, and a structured environment to work, are now among the vast masses of the unemployed. Their response to their dire predicament is to become entrepreneurs by using these technology-enabled access platforms. Now that the subpar economy has taken its toll, after eight straight years of malaise and rampant unemployment, people are becoming more creative about making a living.

2. Add to the prolonged global financial crisis, the rapid development of information technology, and you have a system in which people are making once-unheard-of business models, incredibly successful. Platforms such as online marketplaces and services platforms are giving rise to an on-demand economy.

3. Finally, the supreme thrust towards this new paradigm has come from the arrival of the millennial buyer. A watershed event, really. The millennial buyer takes pride in her ability to save not only money, but also ecological resources. Because millennials are relatively young and the global financial crisis has been relatively long, we have an entire generation that is happier to `experience' something rather than `own it'. They also have a green conscience, and want to be associated with sustainable and fair business practices.

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Watch outs for businesses

The access economy will compel every business to rethink their business model, either to stay relevant, or drive more opportunities. Innovation in the access economy will have the following considerations common across all types of businesses:

1. A new price-to-value curve

In this new access model, expect a shift in the price-to-value curve. For millennials, affordability will be less of a concern. Those wanting to 'own' will have the option to recover money through sharing – so durability, quality, and brand will become important. Others who are happy with just 'experiencing' will be charged marginal prices. Here, again, brand and quality will be important decision factors. Brands should therefore resonate with millennials and acquire all the qualities the millennials value; for example, the high price of a Patagonia jacket is worth it because of its brand recognition, the company's commitment to sustainable practices, and the existence of its Worn Wear collection – gently used Patagonia-brand clothing that is cheaper than the new stuff.

Patagonia is also a part of `ifixit.com', an IT-enabled community of people who are committed to repairing and reusing used things. All of this fits seamlessly into the mindset of the millennial consumer.

2. A strong message

Sensibilities around consumption have changed largely due to the millennial mindset, which has been shaped by democratization of information, meritocracy, egalitarian and fair practices, and a consciousness to preserve our planet and its resources. So to connect with millennials, who comprise a vast majority of consumers, businesses must be genuinely committed to one or more of these values.

Some women like to shop for clothes but don't know what to do with their older outfits when faced with a storage space crunch. On platforms such as Poshmark and Tradesy, you can post photos of your favorite Tory Burch or Gucci haute couture and connect with shoppers anywhere around the world who are looking for a bargain – even for high-end goods that are never sold at sale prices in their original boutiques.

Another platform, LeftoverSwap, connects you to local people who wouldn't mind coming by your house and eating a leftover

slice of pizza. You arrange online to connect with them and give them the pizza slice. Theoretically, no food goes waste. But what about the fossil fuels burned in the car trip to get to that one slice of pizza? Is one slice worth the trip, after accounting for the carbon footprint of the person who wants the pizza?

3. New roles in the economy

Businesses can choose from many roles in the new, emerging economy. They can choose to be the 'creator' of all the innovation by extending their business model. General Motors recently bought Lyft, a ride-sharing service which was once a close competitor to Uber. Other car makers are following a similar strategy to stay relevant, fearing that ride-sharing apps and driverless cars can be disruptive to their existing businesses.

Other businesses may choose to leave this space to the Silicon Valley start-ups, and instead be a 'provider' or a 'consumer' of such services. The logistics industry has jumped on this opportunity with companies such as uShip or Lojistic, that are marketplaces which help connect shippers with carriers. Carriers have the opportunity to lower the empty miles traveled by posting available capacity on routes in near-real time. Shippers, especially the smaller ones, get an opportunity to find the best freight deals.

4. Building trust

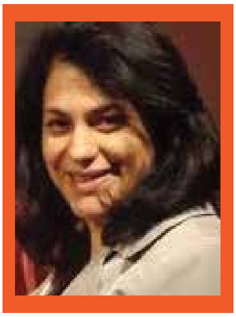
This is going to be challenging indeed. It will also be the maker or the breaker for any business adopting the sharing model. The poster boy of the access economy, Uber, has been challenged in several cities across the globe every time the perceived trust was broken. The company continues to work on making their rides safer for both passengers and drivers, with features such as sharing the estimated time of arrival with family and friends, round-the-clock `incidence response teams', and cashless transactions. In May 2016, Uber announced that it will bar any driver who knowingly denies a ride to a passenger because the person is traveling with a service animal. This was done as part of the settlement of a lawsuit brought by advocates for the blind, and it also elicited Uber's commitment to educate its drivers over their legal obligations to transport passengers with guide dogs and other service animals.

As businesses design end-to-end transactions in the access economy, the checks and balances have to be carefully devised at every step to build trust for both the provider and the consumer.

New synergies

How soon will established businesses rethink their business models and carve out their roles in this new world? As we innovate to find a place in the shared economy, we will only multiply opportunities and not cannibalize existing businesses. The shared economy holds the promise of democratizing consumerism. Imagine a world where the experience of consuming goods and services is not constrained by your purchasing power. Wouldn't that result in a boom in the markets you serve? If you are watching this development from the sidelines, it is time to jump right in. The access economy is not merely a trend, but a manifestation of the zeitgeist, spurred on by economic factors and the Digital Revolution.

About the Author



Shveta Arora

Vice President and Regional Head for APAC and MEA – Retail, Manufacturing, and Logistics Practice, Infosys

Shveta has lived and worked across the US, India, and Japan, and is currently based out of Singapore. She has over 19 years of experience in the field of business consulting, business development, and account management. In her current role, she holds P&L responsibility for the Infosys Manufacturing, Retail, and Logistics practice in the APAC and MEA regions. Prior to this, she was a client partner, leading strategic client relationships for Infosys based out of the US.

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