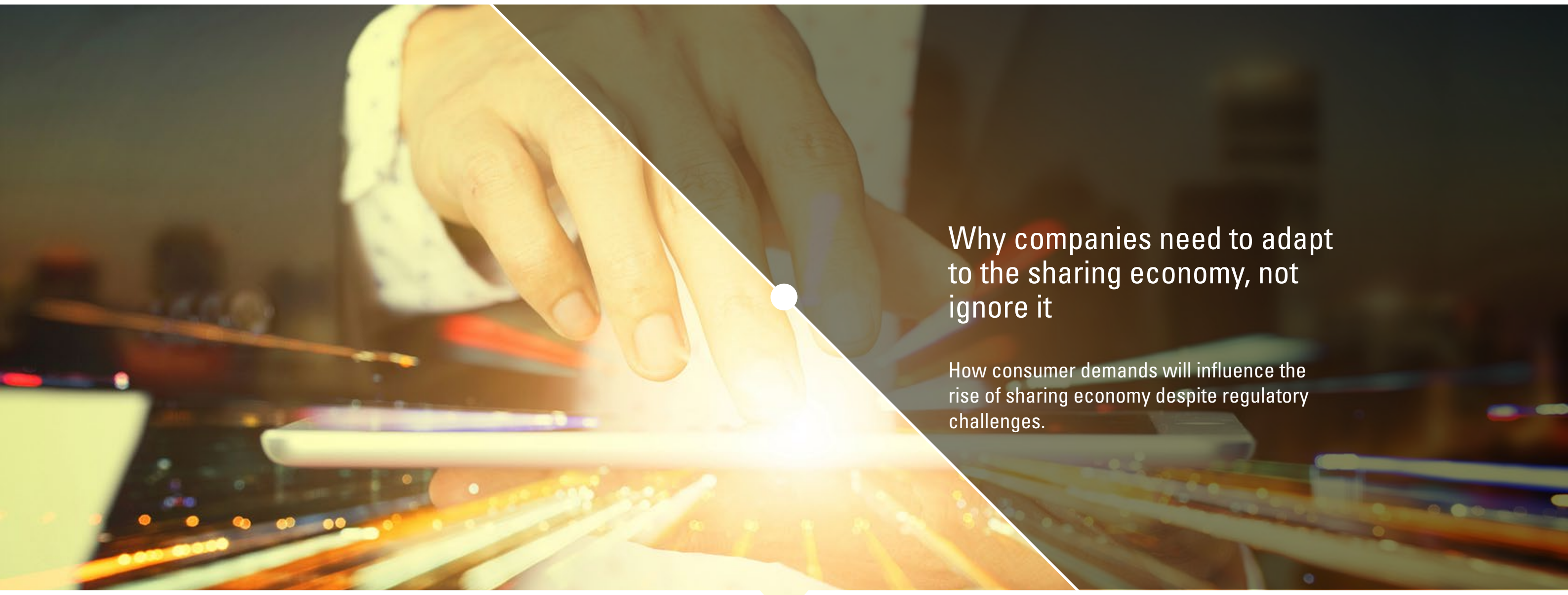

Why companies need to adapt to the sharing economy, not ignore it

How consumer demands will influence the rise of sharing economy despite regulatory challenges.

There are two ways to make your mark in the business world: innovate, or embrace innovation. For companies like Uber, Airbnb, Kickstarter and Lending Club, revolutionizing well-established industries was at the center of the business model, allowing individuals to book taxis, find accommodation and lend money in a way that's never been seen before. But you don't have to develop a new initiative to embrace the sharing economy. Companies simply need to be open to the opportunities of sharing-related technology, and think about how it could fit within their business in order to help them streamline their processes, reduce spending and smarten operations.

In fact, it's arguable that companies cannot afford to ignore the impact of the sharing economy. Despite the pressures it faces, it is not going away. Why would it? Once a customer or organization has experienced the ease and cost-effectiveness of a sharing economy service, they're not going to return to the costly and clunky option. As long as there is consumer demand for cheaper, easier and more personalized services, the sharing economy will be around to destabilize traditional models.

From free exchange networks to profitable businesses

The sharing economy, or 'shareconomy' as it is colloquially known, is not a new phenomenon. People have been sharing items, services, and even talent within communities for years. The invention of The Freecycle Network in 2003 provided a platform from which people could connect with other traders, and the launch of CouchSurfing, also in 2003, facilitated the process of finding people to stay with. While these networks were based on free, peer-to-peer exchanges, companies like Lending Club, Kickstarter, SnapGoods, Turo and Airbnb have transformed these innovative ideas into viable and profitable business initiatives.

Building consumer confidence

A significant barrier in the growth of peer-to-peer sharing has been trust. The uncertainty of providing your financial details online has put many individuals, investors and organizations off trying out sites like Lending Club. The same problem exists for asset-sharing platforms. This is something that technology has rectified, allowing previous users to post reviews and ratings about their experience, making the services more transparent and building confidence among consumers that these platforms are safe to use.

The trade body Sharing Economy UK is piloting a seal-of-approval Kitemark called TrustSeal among smaller sharing economy-related businesses to help boost consumer trust further. In order to qualify, companies must meet a list of 'Good Practice Principles' relating to things such as identity verification, product transparency and customer service. If you're thinking of venturing into the sharing economy, this is an opportunity to demonstrate your validity, ethos and credibility as a business.

Legislation is a challenge but not a barrier

The sharing economy has encountered hiccups as it has scaled, mainly relating to regulation and taxation, and this is something to be aware of. Global governments are in agreement that some form of regulation needs to be put in place to ensure 'sharers' do not profit unfairly from the model. This is felt more strongly in some countries than others: in Australia, the Taxation Office is cracking down on undeclared income; in France and Germany, Uber's inability to comply with legislation has meant some of its services have been banned; and in some countries, Uber is entirely illegal.

A recent European Commission report was largely supportive of what it called the 'collaborative economy'. The report said that the largest issue the economy faces is currently regulatory uncertainty, which is halting progress for new services, established operators and consumers. The Commission agrees that the sharing economy is vital to a competitive European economy, and that fair taxation, employment conditions, and consumer and social protection are paramount to keeping the sharing economy in check.

Among the issues discussed in the report were:

- Market access requirements: In terms of obtaining business authorizations and licenses, service providers should only have to do so when it's in the public interest. The report also clarified that EU Member States should distinguish between occasional service providers (such as individuals who sometimes rent out a room using Airbnb) and professional users of the sharing economy.

- Liability: While networks are not ultimately liable for the information they store on a service provider's behalf, companies should attempt to combat illegal content so as to build trust with their users.

- Consumer protection: The report stated that consumers should be highly protected from unethical practices, but governments must be sure that occasional service providers are not unfairly restricted by disproportionate rules.

- Employment rights: Labor law is an uncertain issue within the sharing economy, as there is little to say whether or not someone is considered an employee. The Commission's report clarified this somewhat, saying that the nature of the work, remuneration and subordination to the platform should all be taken into account when deciding an individual's employment status.

- Tax: All service providers need to pay tax on personal income, corporate income and VAT.

How can your company adapt to the sharing economy?

As initiatives like TrustSeal ease consumers' security concerns about the peer-to-peer marketplace, new opportunities are going to open up everywhere for corporate proponents of the sharing economy. Some companies have invested in sharing platforms (car firm Avis acquired car-sharing company Zipcar in 2013) or started up their own network. The most important thing is to find the right fit for your company and your area of expertise. Start thinking about how you could capitalize on your assets and spare capacity. According to a PwC report, the average office uses just half of its desks. If you have spare desks, then why not share them with other businesses? This will help you maximize the efficiency of your office and resources, and implement new revenue streams – a great first step into the sharing economy. Don't just think about what matters now – project yourself into the future and consider how technology and markets are going to change across the next ten years. Thinking ahead will stand you in good stead to become a first-class market leader – an innovator of the sharing economy.

Here at a-connect, we can help you disrupt your industry. Contact us today to find out how.