



SHARE OR SHRIVEL

Why no business can ignore the rise of the sharing economy

Bruno Despujol and Marc Boilard

In nine years' time, we estimate the world's "sharing economy" will expand by nearly 12 times, to reach \$300 billion. Peer-to-peer lending, accommodations, ride-sharing, content streaming, and online outsourcing are undergoing an unprecedented expansion. But their current size represents but a fraction of what companies will "share" in the future. Once corporate giants begin to disaggregate their physical assets to be consumed as services, the next phase of providing access to excess capacity over the internet – not just by people but also by companies – will dwarf anything we've witnessed so far.

Ultimately, most companies will need to morph into marketplaces to some extent – or they will risk losing their strength and might.

Some leading businesses already understand this. About 40 percent of Amazon's value is now based on offering access to other retailers' products through its "marketplace," rather than from its own inventory. The French hotel chain Accor Hotels offers not only rooms at its own hotels through its website, but also those of other hotel chains. German automaker Opel manages an app that enables vehicle owners to rent out cars of any brand. Luxury car makers Daimler and BMW are assisting their customers to rent out vehicles when they are idle.

More companies will follow suit to avoid being sidelined. Consider what's happening: Airbnb, founded in 2008, has been raising funds that place a greater valuation on it than the market capitalization of many well-known hotel chains. Just as telling, consumers are now more satisfied by sharing platforms than with many luxury items. In 2015, about 30 percent more people said they would recommend "sharing" taxis at Lyft, accommodations at Airbnb, and carpooling through Paris-based online ride-sharing service BlaBlaCar to their friends than buying a product from Yves Saint Laurent or even Apple.

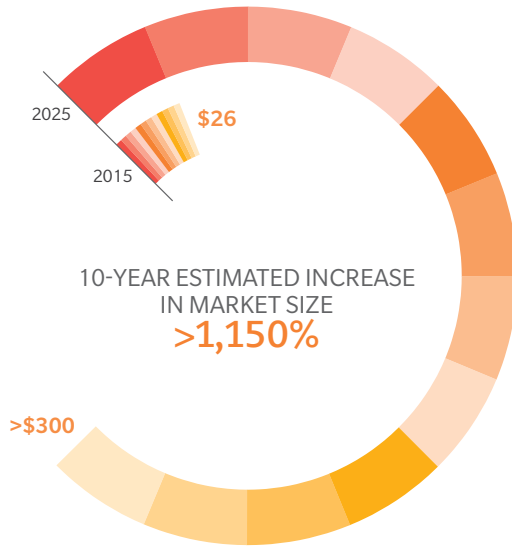
There are several reasons why this turnabout will only continue to spread. First, the availability of more data about people and things over the Internet permits today's sharing platforms to offer services for about half as much as traditional players. Second, as more people become both customers and ad-hoc suppliers, sharing platforms will only improve their customer experiences, especially once digital millennials become the majority of the population. Already, in France, where many people carpool through BlaBlaCar, carpoolers trust their fellow



THE SHARING ECONOMY MARKET SIZE

BY 2025, TODAY'S "SHARING ECONOMY" WILL EXPAND BY NEARLY 12 TIMES

US \$ BILLION



Source: Oliver Wyman analysis

12 EXAMPLES OF SHARING INDUSTRIES

- Peer-to-peer accommodation
- Car/ride sharing
- Streaming content such as video and music
- Freelance outsourcing/staffing
- Peer-to-peer lending/crowdfunding
- Office and warehouse sharing
- Wholesale purchases through retailers' marketplaces
- Freelance services such as legal advice and content creation
- Freelance catering
- Collaborative educational platforms
- Peer-to-peer equipment and machinery sharing
- Logistics sharing

carpoolers more than their neighbors and almost as much as their family and friends, a recent survey conducted by the Paris-based Research Centre for the Study and Monitoring of Living Standards showed.

Finally, sharing permits companies to build up their supply of inventory much faster and cheaper than traditional competitors. Airbnb, for example, adds rooms to its website three times as fast as the online hotel booking service Booking.com. More companies will be able to ramp up their offerings more quickly, as the number of smartphones nearly triples over the next five years and they operate as remote controls for tens of billions of objects, ranging from televisions to thermostats to washing machines.

Sharing platforms are already becoming an important source of additional revenue for some companies. Online communities such as MICE and SharedOffices.com are matching people up with companies' idle offices and conference rooms, from Dubai to Moscow. Seattle, Washington-based on-demand online warehousing provider Flexe.com is enabling companies to share their excess warehouse space in more than 200 cities in the United States and Canada through its online marketplace. Hospitals are lending each other

medical equipment. Some manufacturers are examining the potential of sharing their assembly lines and fleets of trucks.

Governments, too, will push the envelope of going halves. The Chinese government is studying if ride-sharing services can replace investing in more public transportation. Germany and the Netherlands are sharing soldiers, tanks, ships, and other military equipment to cope with cuts in military spending. And on and on and on.

The sharing economy began as a collection of online networks designed to help people get by with less by sharing things with their neighbors. But that is not where it will end. The act of sharing has already changed the way that people find rides, loans, and accommodations. Now, many other industries are considering setting new standards by behaving more like marketplaces. The race to remain relevant is on.

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This article first appeared on *BRINK*.