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Shared Economy Business: Fixing Its “Genetic Disorder”

By Christopher H. Lim and Vincent Mack

Synopsis

The shared economy has not lived up to its presupposition of sharing. Instead, shared economy business (SEB) has generated at least three distinct types of garbage – physical, environmental, and moral. Moreover, it also promotes a social sickness of privatising profits and socialising problems in the real economy. For it to be sustainable, disruption is unavoidable.

Commentary

IN THE past decade, the shared economy business (SEB) has grown from its humble beginnings based on the online market place into a major disruptive force in our global economy. Mastercard had projected that the market size of SEB would reach at least [US\\$400 billion by 2020](#) (in the shared transportation and shared accommodation alone).

Current SEB typically exploits the demand-supply gap with digital platforms. These platforms reduce business overheads and capital expenditure (CAPEX) requirements, replacing the string of middlemen in the value-chain. Through these platforms, individuals can also start their own businesses and supplement their income based on arbitrage of underused assets, be they professional services, cars, houses or time, without the full financial burden as in the traditional business model. With all these benefits, should economic planners and policymakers the world over push for the adoption and expansion of SEB for economic development?

Shared Economy Business = Garbage for the World?

The shared economy is a model broadly used to describe peer-to-peer economic

transactions using a community-based online platform. SEB is a business model focused on the sharing of underutilised assets in ways that increase efficiency.

While the SEB in theory sounds like the panacea for future economic development, empirical evidence indicates otherwise. Attempts at running SEBs had resulted in the creation of garbage for society: namely physical garbage; delayed and unseen environmental garbage; and moral/social garbage.

Bike-sharing businesses like Ofo, Obike, and Mobike provide a healthy and zero-carbon alternative to getting around in big cities. However, the attractiveness of its business model coupled with low entry barriers ([\\$45 per bike as of 2016](#)), resulted in excess supply of dockless bikes, cluttering up public space (in Los Angeles), increasing pressure on city infrastructure (in Singapore), generating garbage and wasting resources, as evident in the bicycle graveyard in [Xiamen](#).

Similarly, ride sharing is supposedly good for big city life as it reduces car population and hence carbon emissions. As in the case of Singapore, we observe the reverse. While overall vehicle population has decreased by two percent since 2013, [petrol consumption has increased](#), and the private-hire (ride-sharing) vehicle population has quadrupled.

Furthermore, commuters who would otherwise travel via public transport would opt for ride-sharing due to relative low cost and the convenience of point-to-point travel. The increase in car-use has resulted in the creation of environmental garbage with a delayed effect like slow-acting poison, with costs we will only see in the future.

Other indirect costs are also often overlooked such as moral hazards and a deteriorating social fabric. For example, the sheer size of AirBnB's user base makes it next to impossible for platform owners or authorities to police undesirable social elements and criminal activities; the history of the firm is rife with social and legal abuses, ranging from racial discrimination, last minute cancellations, money laundering, and bogus listings. The lack of regulation and enforcement on AirBnB's platform has also resulted in the illegal conversion of rentals into [temporary brothels and drug dens](#).

Shared Economy Worse?

The amount of garbage generated by the business models of the SEBs not only casts aspersions on the shared economy's claim of sustainability but also its feel-good factor. This is the feel-good of increased sociability and mutual benefits that business owners, users, and community all stand to gain from such cooperation.

In reality, profits are privatised and problems are socialised. The sickness was also observed in the financial sector during the last global financial crisis. Is this infection spreading to the real economy? This [tragedy of the commons](#) stem from the current design of the SEB model, which fundamentally suffers from a "genetic disorder" as it lacks a "lysosomal function".

Lysosomes in cells are essentially "garbage collectors". When unwanted proteins and other cellular wastes build up in cells, they rely on their lysosomes to rid of waste and

keep the cells healthy. If the cell's lysosomes are absent or do not function, they become intoxicated. Children who inherit lysosomal diseases experience a [range of disorders affecting their organs](#). If left untreated, it can be potentially fatal.

Likewise, these costs arise largely due to the current business model of the SEB where the end game is to maximise profit, and reduce everything into a transaction. This is also in part due to the trust business owners and users placed in the digital platform, which is assumed to work all these out in the backend.

Create “Lysosome” For SEBs?

Given the garbage created by the shared economy, regulators will have no choice but to institute tough controls which may end up stifling its innovative spirit and creative entrepreneurship. This has already been observed in the bike-sharing industry, where regulators have imposed geo-fencing to dis-incentivise irresponsible parking behaviour.

While regulation seems effective, such interventions are akin to prescribing drugs to treat symptoms of lysosomal disorders, which may not cure the root of the disease.

For the SEB to be truly sustainable, business operators/owners need to “genetically modify” the SEB model with a “lysosomal” function – where garbage of all types will be eliminated instead of socialised, with full transparency.

This can be done with reference from the [circular economy philosophy](#): Not only should SEB owners think about extracting surplus value from unused assets, they should also consider how their businesses could create synergies with each other. They should do so by cooperating and forming strategic alliances to maximise asset utilisation and minimise waste.

For example, bike-sharing companies that face problems with chaotic bicycle parking could form strategic alliance with other business operators such as convenience stores, supermarkets, cafés, etc. with nearby bicycle parking lots, incentivising users to return them there for a discount on certain products/services.

This would not only reduce the need for regulators to step in and impose compliance costs of both businesses and government, but also transforming the current challenges of the SEB into business opportunities for other unrelated but like-minded business owners in the community.

Once the SEB fixes its “lysosomal disorder”, this could potentially trigger more creative solutions for other business entities and SEBs in the whole economy, and truly promote an appropriate business model for a sustainable economy.

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