June 22, 2018

Sharing Platform Business Model Value Chain [Updated]

Airbnb and Uber are the two most prominent examples of how to apply the platform business model to the sharing economy. But there are countless other sharing economy platform businesses as you have seen last time in the explanation of types and examples.

One of the early thought leaders, Rachael Botsman, defines the sharing economy as *"an economic model based on sharing underutilised assets from spaces to skills to stuff for monetary or non-monetary benefits. It is currently largely talked about in relation to P2P [peer-to-peer] marketplaces but equal opportunity lies in the B2C [business-to-consumer] models."*

The sharing economy is one of the most significant socio-economic trends of the last decade. And it is in the early days still. For innovators, this is yet undiscovered land with countless ideas and opportunities to be discovered.

But how do we innovate within a large trend? One of the most important aspects is to understand which business models are suitable to bring the strength of the trend to light.

And that's exactly what we are going to look at today: How the Platform Business Model fuels the Sharing Economy!

The Sharing Platform Business Model Value Chain

I am going to use the concept of the value chain to give an overview of the remainder of the article. It shows how value is generated within a company starting from the input side, the

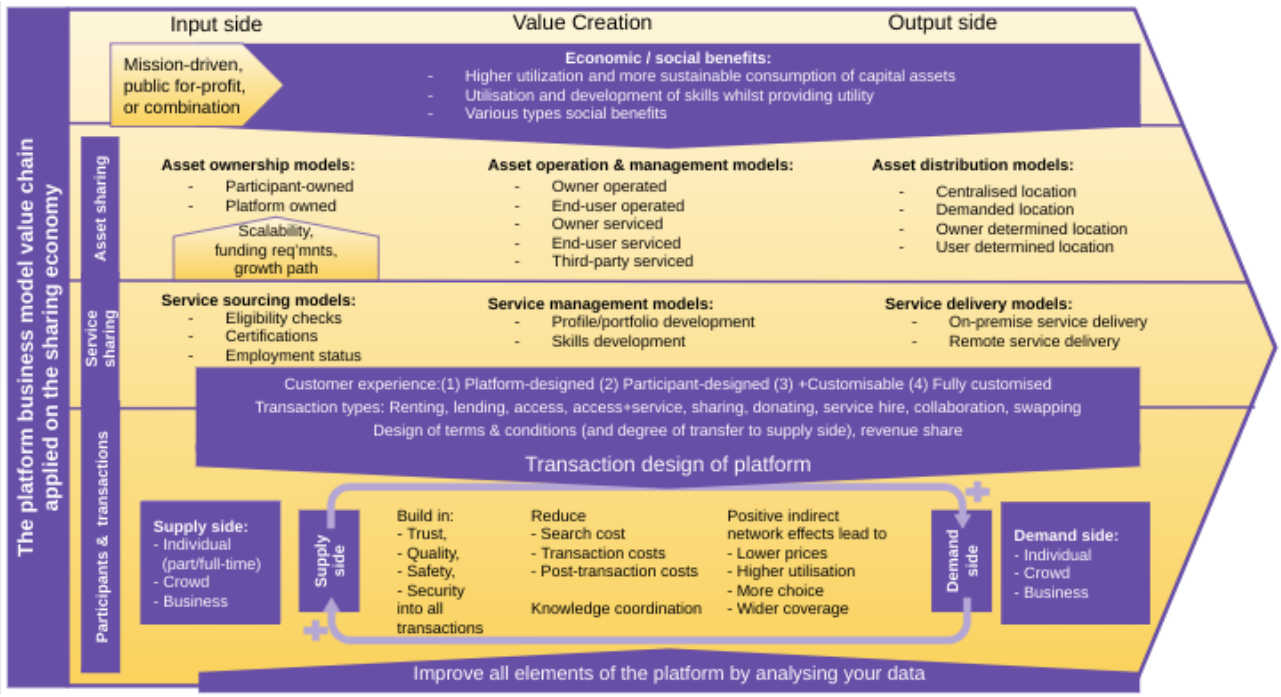
value creation steps through to the output side:

1. **Input side**
    - Product/service shared
    - Asset ownership / service sourcing models

2. **Value creation**
    - Economic or social benefits
    - Asset/service operation & management models
    - Core transaction types
    - Search and transaction costs
    - Indirect network effects
    - Trust, Quality, Safety, Security
    - Big data

3. **Output side**
    - The actors and participants
    - Asset distribution models and service delivery models
    - Customer experience

4. **Purpose and profits**
    - Purpose
    - Funding & scalability
    - Price control & revenue share



The sharing platform business model value chain (download high resolution version at the end of this article)

Now let's go through each of the elements of the sharing economy value chain and explain the options.

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(1) Input side

On the input side, we have the product or service shared and its ownership/sourcing model.

- Product/service shared
- Asset ownership or service sourcing models

Product or service shared

Obviously, pretty crucial for your innovation idea is the asset, utility or service that you want to make shareable. Here is a quick summary:

Products/utilities:

- Consumer and durable goods

- Cars
- Car rides
- Bicycles
- Office space
- Storage space, parking space
- Leisure accommodation (room, unit, house, etc)
- Meals
- Food
- Personal loans
- Energy
- Wi-fi
- and more

Services:

- Do-it-yourself type services
- Computer-based projects
- Asset + service (e.g. ride-sharing)
- Food delivery
- Study groups
- Education
- and more

Check out my last article for the types and wonderful examples of products and services that are being shared.

Asset ownership and service sourcing models

When we talk about product sharing platforms then you have to first decide which ownership and sourcing model you want to apply. This will also then tie into the asset operation and distribution model that we will look at in the value creation and output steps.

Asset sourcing and ownership models

- **Participant-owned:** When we think of the sharing economy, generally the expectation is that the asset is owned by the consumer/peer, think of Uber, Turo, Airbnb, Peerby. In

many of these cases, safety checks are mandated for the asset

- **Company-owned:** There are valid sharing economy companies that own the asset in question. Zipcar is a good example. They either own or lease the cars they share. Most bike sharing companies are also company-owned. Once Uber has self-driving cars, they will be most likely be owning all (or most) of them. They have ordered 24,000 of then already from Volvo. Khan Academy own and produce their educational videos (though often contributed by volunteers)
- **Asset condition:** Almost without exception, the platform needs to define any (minimum) safety requirements for the assets that are involved. Bike sharing companies need to ensure the bikes are safe to operate, a helmet is provided (in those countries where helmets are mandatory). Ride-hailing companies (e.g. Uber, Lyft) permit participants to join after appropriate checks to their cars

Service sourcing

Services are in most cases provided by "peers". Very rarely are the service providers of a sharing economy platform employees of the platform (this has happened after court rulings in some EU jurisdictions). And then there are the asset + service platforms (Lyft, Uber, BlaBlaCar, Airbnb). Here are some considerations on the service sourcing:

- In almost all cases there are some minimum **eligibility checks**, e.g.
  - Most platforms start with basic criteria, such as a minimum age, social security number (in the US) and a few other basics
  - Airbnb and others require government IDs and a few other basic checks
  - Ride-hailing requires criminal background checks, driver history checks, etc
- **Skills sourcing:**
  - Most service companies come without major skills checks and predominantly rely on the **feedback system** (e.g. Fiverr, Freelancer, TaskRabbit)
  - Additionally, Freelancer.com displays proficiency in relevant skills after taking respective skills tests
  - Uber as an asset+service sharing platform has a mix of ex-professional drivers (limousines/taxis as well as non-professionals) and predominantly non-professionals
- **Employment status:** in almost all cases are the service providers are classified as independent contractors/freelancers. This frees the platform from typical employment entitlements, such as sick leave, annual leave, etc as well as obligations such as payroll taxes. This comes not without concerns that I will elaborate on next time

You can see that as an innovator you can combine among these input parameters. Even if your idea involves the same asset or service your platform might distinguish itself through its sourcing/ownership model. That is surely the story between Uber vs Zipcar.

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(2) Value Creation

Every business needs to create value which is the reason it exists. Value creation for sharing economy platforms involves all of the below which is what we are going to look at next:

- Economic or social benefits
- Asset/service operation & management models
- Core transaction types
- Search and transaction costs
- Indirect network effects
- Trust, Quality, Safety, Security
- Big data

Economic or social benefits

Economic or social benefits underpin value creation. Sharing economy platforms can do this in various ways.

Asset utilisation

Car and ride-sharing companies help to better utilise idle-sitting assets. Take the example of one of the major assets of private households, cars:

- Average cost of ownership of a car per year in the US: **$8,558** ($23 / day)
- Cars are utilised only 5% of the time (72 mins/day) and **parked 95% of the day**
- In case of Uber, this has led to economic benefits of "$2.9 billion in consumer surplus in the four U.S. cities included in our analysis." [Cohen, et al., pdf] This is for the four cities of Chicago, Los Angeles, New York, and San Francisco
- Based on this they estimate a consumer surplus (=economic benefits) **of $6.8 for the US in 2015 alone**

- Other car-sharing (Turo, Zipcar) and ride-sharing (Lyft, BlaBlaCar) companies deliver economic benefits based on using cars better

Similar considerations can be made for other asset sharing companies, such as Peerby, Airbnb, Bike-sharing, office/space sharing, sharing of items on-the-go and many others.

There are some grey areas and counter-arguments. E.g. recent examples of bike sharing, umbrella sharing, etc have led to many items being lost, stolen, damaged. It is valid to ask whether this really leads to a better usage of resources. Where this is not the case, the respective concepts will require fine tuning or will go into history as an interesting experiment.

Skills utilisation

Using skills and idle time in the personal services sector is a different case. While not everybody may agree with this being called a sharing economy concept most authors count this in. From an economic perspective, these contribute to the gross domestic product (GDP) as well as to invremental personal income, i.e. deliver economic benefits.

Here are few different types and examples:

- Think of students, pensioners, part-time workers using some of their available time and assets (bicycle or car) to generate income via Uber, UberEats, Foodora (food delivery). Others offer their skills for do-it-yourself type work via TaskRabbit, etc
- For those with computer skills, delivering computer-based projects can be a good way to improve their income but also a great opportunity to advance their skills and portfolios by delivering real-life projects
- Hobby chefs can generate additional income, improve their cooking skills and be social by participating in Mealshare.com or be an event host on Airbnb (all sort of skills)
- Educators can share their knowledge via platforms like Coursera or Skillshare

The contention with some of these is the question of who will pay for the social entitlements (such as sick, annual leave, etc). I believe that over time solutions will be found in the realms of innovation (reasonably priced private insurance supported by the platform) as well as adjusting the regulatory framework in a way that is fair to the participants (esp the supply-side actors) and hopefully without stifling innovation.

Social benefits

And there can be socially beneficial platforms, such as Khan Academy, Peer to Peer University, Kiva, Gridmates, Sharecity and many others.

Activating dormant economic or social benefits is of the fundamental principle of the sharing economy. Think about the economic or social benefits of your idea as a starting point.

Asset/service operation & management models

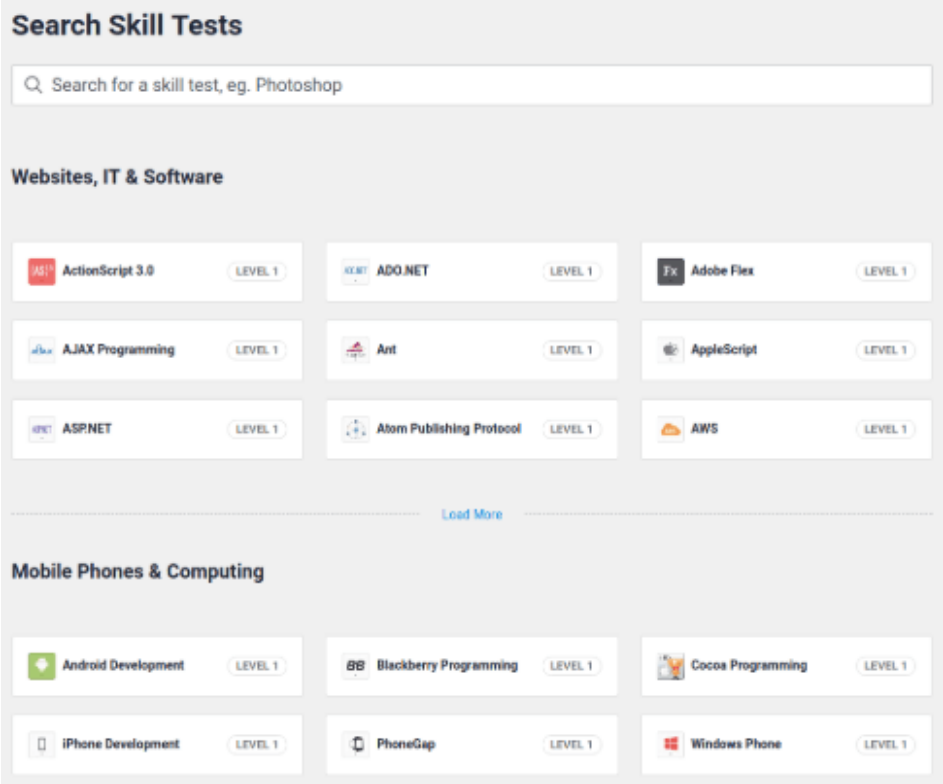
Where assets are involved, they can be operated and managed in different ways. Here are some common ones:

- **Owner operated & serviced:** the owner of an Uber car is a consumer in normal life. And it is the owner that operates and manages (e.g. service and maintenance) their cars
- **End-user operated:** Turo is different to Uber. The cars are still owned by a consumer (the first peer in **peer**-to-peer) but operated by the end-user (the second peer in peer-to-**peer**)
- **End-user serviced:** In the case of Turo vehicles are operated by the end-user but largely managed, e.g. maintenance, by the owner (fuelling would be by the end-user as well as tidying the interior back to how they picked up the car). Zipcar is different in that they also move the task of minor maintenance to the end-user (Zipcar reimburses any costs)
- **Third-party serviced:** The owner (host) of an Airbnb home can choose who they allocate the servicing tasks to, e.g. cleaning after the visit, linen, towels, etc to be provided for new guests:
    - E.g. the burden can be fully moved to the **end-user** (i.e. the guest). They may have to bring their own linen, towels, etc and clean the unit/house/room on departure. This will be typical at the lower end of the price spectrum
    - The **owner** can decide to provide linen, towels but move cleaning to the guest as an example. Generally, they will decide which tasks they do themselves and which tasks they move onto the guest
    - Alternatively, they can decide to have everything fully managed by a **third-party**. There is a host of companies (example Glasby here in Australia) that take care of this for home owners
    - Uber: service partners (maintenance shops) provide tiered discounts to Uber drivers based on the hours worked

Service operating models

The above section included asset + service platforms. But what about pure service sharing platforms? It's fair to say that they generally leave skills development to the respective provider. Now while that is ok, it also looks like a space for innovation in my mind. Here are a few examples where platforms do at least something:

- **Skills development:** While Freelancer.com does not develop the skills of their supply-side participants, they, however, encourage those actors to take proficiency tests on their platform as to be able to display respective competency badges. This helps job seekers find qualifies people and encourages the service providers to gain competencies and they have introduced a preferred freelancer program for those who fulfil certain criteria
- **Profile/Portfolio development:** Fiverr, Freelancer.com and other typically allow their supply-side to develop and display a portfolio of relevant work. On other platfroms people typically develop a profile of ratings and feedback



Freelancer.com offers skills tests (for a fee) to earn badges and indicate proficiency to service seekers

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Core transaction types

The sharing economy enables different types of transactions between the involved parties:

1. **Renting:** Turo allows renting out your car
2. **Lending:**
    - Lending can happen for a fee or for free, think of Peerby for the latter
    - Money lending, such as Kiva

3. **Access or access+service:** Airbnb, Zipcar provide access to a major asset with a service component. Khan Academy shares access to educational content
4. **Sharing:** BlaBlaCar allows sharing of a ride. Fon allows sharing of excess bandwidth
5. **Donating:** Gridmates allows energy donations
6. **Service hire / sales:** Services, such as food delivery, do-it-yourself or computer-based work can be considered as sales of a service or hiring a service. These type of platforms are only included in wider definitions of the sharing economy
7. **Collaboration:** Sharecity enables collaboration for food sharing
8. **Swapping:** LoveHomeSwap is another way of staying at someone else's home
9. **Reselling:** Some very wide definitions include reselling into the sharing economy – personally, I don't include this type of transaction as a part of the sharing economy

Here is a pretty comprehensive list of sharing economy platforms filtered by transaction type. And you can ask where some platform fall in this spectrum. Is Uber and access+service transactoin or a service hire? Maybe UberBlack is access+service as this happens for the sake of gaining access to a high-end vehicle and UberX might fall under service as the car itself is only the tool for the utility that is to be gained from it. I leave it to you to decide how you see this.

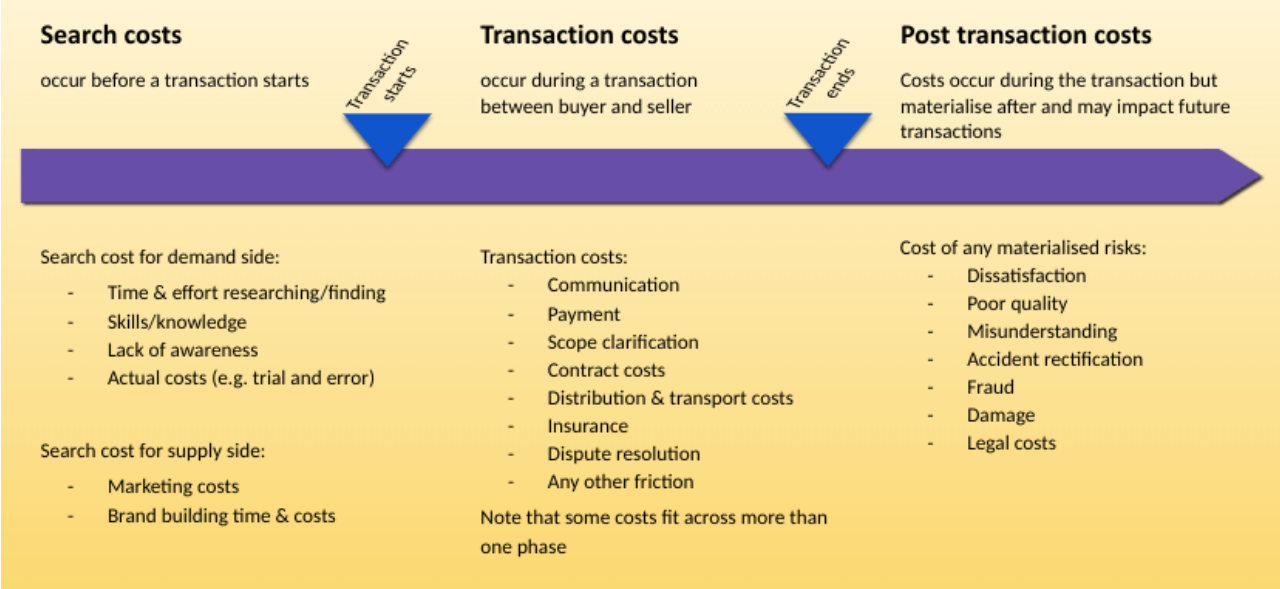
New ideas can arise from introducing a different core transaction to an existing type of platform. It then would require a new, tailored set of activities for the new transaction type.

Search and transaction costs

Let's have a quick look why the platform business model is so well poised to fuel sharing economy ideas. It is because the inherent characteristics of the platform business model enable transactions between two different sides (or types of actors). I will give a very brief summary of the most important characteristic here. But if you haven't read any of my articles on this business model, definitely check out the complete guide to the platform business model.

You can opt-in at the bottom of this article or the sidebar to get a number of downloads platform business model including the complete guide.

One of the most defining characteristics is that these platforms reduce search and transaction costs for their participants. In a wider economic sense, this is why all of a sudden individual actors can offer products and services at competitive cost. One defining characteristic of large companies is that they internalise transaction costs and reduce them through economies of scale (this is one of the insights that economist Robert Coarse received his Nobel Prize for). With the help of platforms, individual actors now are now able to do the same



The reduction of search and transaction costs is what makes the platform business model so successful when applied on to the sharing economy trend. It is now much easier for different types of participants to interact with each other

Search costs

Let's look at an example. When bike sharing companies go from docking station based bicycles to dockless bikes that can be picked-up and dropped off anywhere then they are doing this to further reduce search costs (finding out where the docking station is and then going there are both examples for search costs). They are willing to accept an increased risk of damage to and theft of their bikes. The asset distribution model (see below) plays a big role in reducing search costs.

Some search costs reduced by this form of bike sharing platform are:

- Time & effort researching/finding: by being dropped-off anywhere the assumption is that over time the bikes will naturally locate in more popular places, i.e. be where demand is

the highest
- Skills/knowledge: all bikes are the same and simple to use
- Locating the shared object: bright colors that stick out
- Lack of awareness: marketing leverages economies of scale

But search costs can be more sophisticated and invisible (here is one such example for Airbnb). I am covering search costs in more depth there. This is the kind of stuff that platform engineers work on day-in, day-out.

Example transaction costs

Transaction costs are like sand in a gearbox. They can bring the whole transaction to a halt. Successful platform businesses work relentlessly to remove any friction. If you are interested in details, check out my previous explanations here and here. Here is one more example of how Airbnb has helped to reduce a lot of the transaction costs that would have put barriers in the way of offering and taking up lodging from a peer:

- Booking management calendar for the host
- Communication between host and guest via the app
- Secure payment transaction
- Inclusion of a $1m home and accident insurance
- Optional third-party servicing (in some locations)
- Increased safety through government ID checks of all participants
- Review system for accommodations for risk reduction (weeding out the bad apples)
- and more

The simplicity that most sharing economy apps offer these days are all part of transaction cost reduction.

"I would never be able to provide you a car for an hour if the transaction cost was anything" Robin Chase, former CEO and co-founder Zipcar.

Compare to classifieds

Platform businesses make it much simpler for the participants to interact with each other. When you think about search and transaction costs, simply ask how would these actors have found each other prior the internet: maybe via local newspaper small ads? Or consider how any

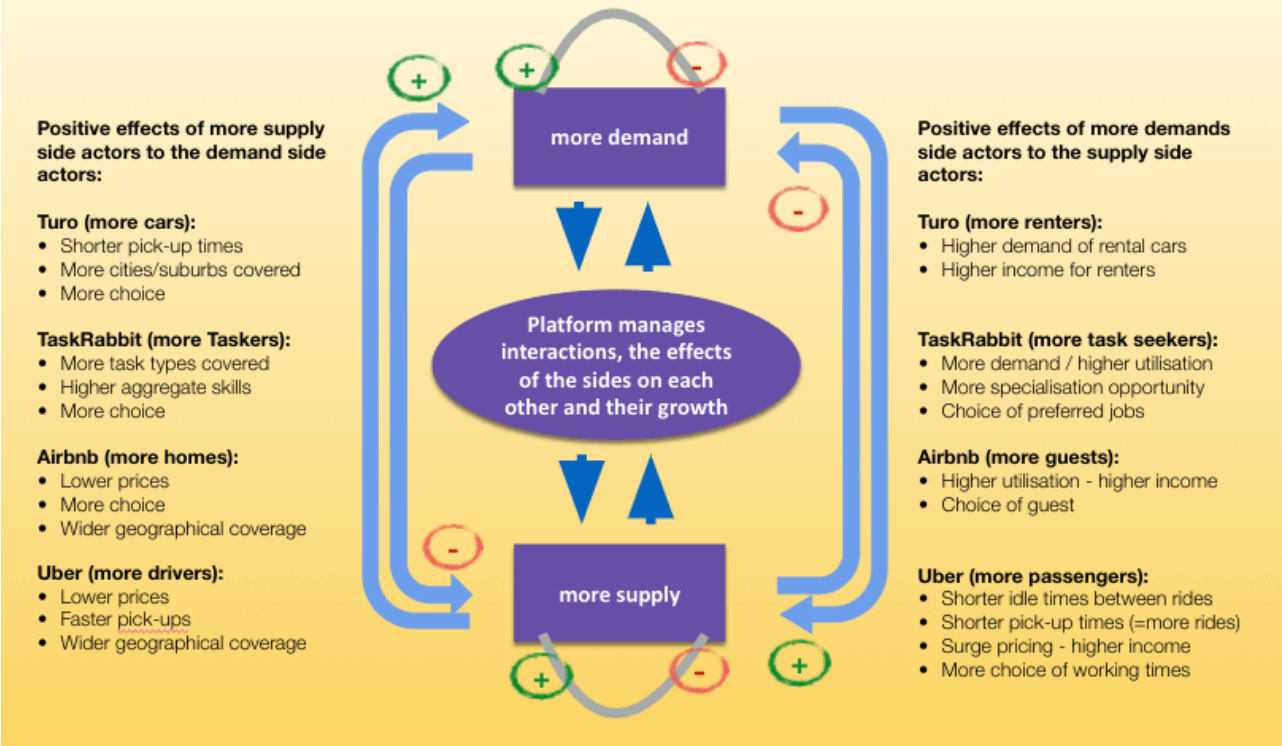
of the examples would occur on not-specialised internet pages such as Craigslist, Gumtree (here in Australia) or any classifieds portal in your country.

Look at some of the search and transaction costs above and ask, how easy (or hard) would it be to rent someone's car (Turo), someone's apartment (Airbnb), a bike (Ofo, Mobike), computer-based projects (Fiverr, Freelancer) or DIY services (TaskRabbit)? With the exception of the last item, I would argue that they all are much harder on a classifieds portal.

Indirect network effects

One of the most important elements for sharing economy platforms are network effects and in particular indirect network effects. If you have to travel 25km to pick up a Turo car, an item from a Peerby lender or meet people from the P2PU (Peer to Peer University) then this becomes a much less attractive offering. If you have to wait 20 mins for your Uber ride or have to book an Airbnb home 3 months in advance, this too will stop transactions from occurring right from the start.

Positive indirect network effects are beneficial effects among cross-party participants of the platform, i.e. effect between those that are providing the shared good or service and those that seek these.



Platform business models have positive and negative network effects. Cross-side effects are called indirect network effects and can be positive (e.g. more Uber drivers reduces waiting time, pore passengers reduce idle time for drivers) or negative (the opposite)

Indirect network effects are one of the most important concepts in understanding sharing economy platforms. Note, that some of the more recent sharing economy platforms tend towards a company-owned asset model (think of bike-sharing). In this case, the indirect network effects morph largely into economies of scale and direct network effects.

Trust, Quality, Safety, Security

Trust is a big concern for many who are contemplating to use a sharing economy platform. We will immediately think about the risks associated with taking a ride in someone else's vehicle or letting a person into our home when getting a hand with household chores. There are many elements to the trust aspect. Here are some essential ones:

- Quality
- Security
    - risks posed by cross-side participant
    - risks posed by the platforms (privacy, personal data)
- Safety
- Insurances
- etc

Here are some examples of platforms and how they address the concerns:

Examples how Uber, Airbnb, Turo and TaskRabbit address participant's concerns prior using the platform

These are some of the measures some have put in place (read more in the respective link):

- Turo:
  - For car owners:
    - "$1 million in liability insurance, and your car is covered against theft and physical damage"
    - "screen each traveler"
    - "24-hour emergency line"
  - For car renters:
    - "pick your protection package for physical damage and liability protection"
    - "each car on Turo must meet our rigorous eligibility standards for safety, condition, and operations"
    - "24/7 roadside assistance and emergency support during each trip"

- Airbnb:
  - "In the rare event of accidental damage, the property of every Airbnb host is covered up to a million dollars."
  - "If your guests get hurt or cause property damage, our Host Protection Insurance protects you from liability claims up to a million dollars"
  - "All Airbnb travellers must submit a profile photo and verify their phone & email. Hosts can also require a government ID"
- TaskRabbit:
  - "All Taskers must undergo extensive background and identity checks, and each task covers up to $1 million in property damage."
- Uber: Lots of details here

Quality

As you know quality is almost always indicated in terms of a 0-5 star rating system based on the cross-side participant's feedback. Some platforms allow for both sides to rate the other side. This is a well-established system but has some short comings (or risks) that I will elaborate on in the next article. You can also check here some of Yelps experiences on the risks associated with the rating system.

When the platform is the problem

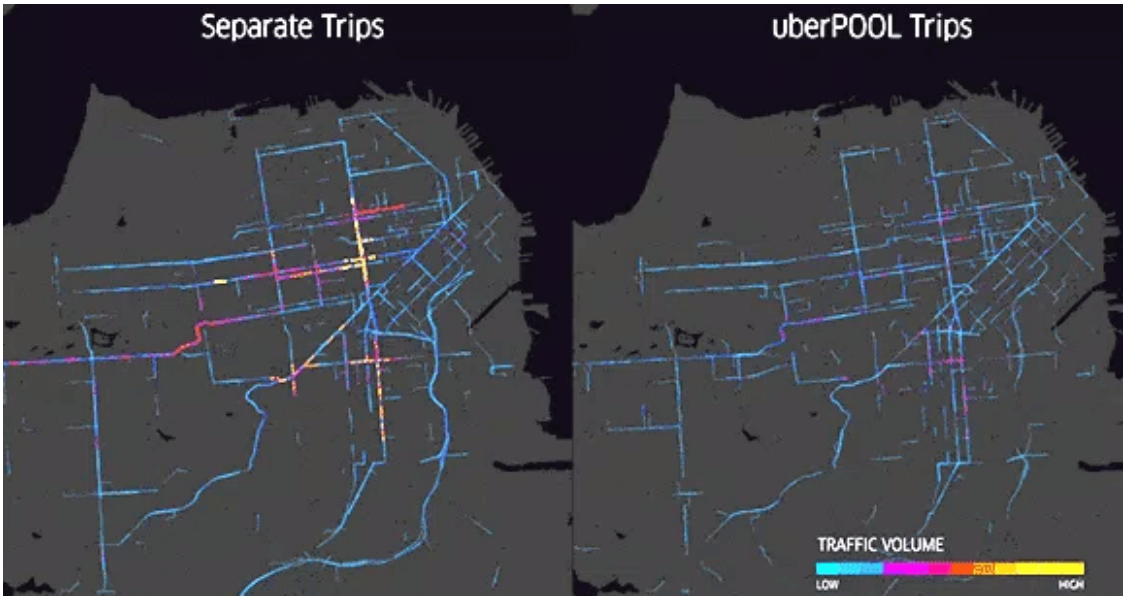
Last but not least, you need an internal governance system that avoids the platform being the problem. Uber had data breaches, privacy issues and cover-ups. 2017 has been a difficult year in terms of customer relationships (here's a list) due to a significant amount of negative coverage and regulatory intervention.

Trust (or lack thereof) can be a steep barrier to people trying your platform and you need to address it openly. Most of the examples above are either on the home page or just one click away.

Big data

Big data on supply/demand patterns helps to finetune the sharing and improve the value creation. Uber's data on demand and supply patterns has drawn the fascination of economists. This use case describes short-term spikes and surge pricing. But aggregated over longer periods a number of other benefits can be achieved, including better utilisation of

cars. uberPool is a service that is based on predicting demand. It pools several passengers (that otherwise would have taken separate rides) into one ride further improving asset and resource utilisation and reducing costs for the passengers.



UberPool data compared to individual trips shows lower traffic volumes on high traffic roads (San Francisco)

The topic of (big) data, algorithms and engineering is a fascinating topic in itself. The choice of research topics is mindbogglingly extensive and I can't even scratch the surface in my blog. If you are interested have a look at the Airbnb or Uber engineering blogs.

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(3) Output

In our value chain, lets now look at the output side:

- The actors and participants
- Asset distribution models and service delivery models
- Customer experience

The actors and participants

Which participants are you connecting to each other? Which segments exist? What are they seeking? Do you offer everyone the same or is it better to adapt your offer to the target

segments? Think about this in relation to your offering.

On the surface, Uber connects drivers and riders. But these can come from many walks of life. Some of the full-time drivers are either ex taxi drivers (who may prefer to offer UberX or UberPool) or ex limousine drivers (who may prefer UberLUX or UberBlack). Many are individuals working part-time. Equally the passenger side can be segmented. Uber has different offerings targeting different segments (though overlaps exist):

- UberPOOL: Weekday regular workplace commuters in a car pool
- UberX: business travel users (e.g. airport to CBD)
- UberX: Casual users
- UberBLACK: Limousine users
- UberSUV or UberLUX: Weekend / recreational users

Or compare Freelancer.com.au to Upwork:

- Freelancer.com has on the supply side freelancers (students, professionals, etc) or even small businesses
- Upwork is different in that it supports activities that enterprises (their targeted customer) seek, such as interviews, recording of timesheets and some sort of evidence of work (e.g. screenshot taking during the work)

Other sharing economy platforms connect genuine peers:

- Peerby connects peers where participants can be on both sides of the platform (demand and supply), i.e. they can offer as well as seek goods

Airbnb has a lot of customer segments with many value propositions.

This one is only about the active participants of the platform business. But there can more important actors and stakeholders which I will elaborate on the next time.

Asset distribution models and service delivery models

The last piece to the asset ownership, operations and management model is the asset distribution model. Equally, for services can be sourced, managed and delivered in different ways.

Asset distribution models

- **Centralised location:** The early bicycle sharing companies all had a central pick-up and drop off point (i.e. docked bikes). They have typically a number of locations scattered throughout the cities they are operating in. The user has to come to these stations, unlock the bike from the docking station and does the reverse when they drop the bike off
- **Decentralised location:**
  - **Owner determined location:** unlike traditional car rentals, Zipcars are not centralised. Yet, each Zipcar has their determined parking spot that is scattered in an area that Zipcar (the company) serves. The user has to pick it up and drop it off there
  - **End-user determined:** The newer bike sharing companies, Mobike, Ofo are station/dock-less and allow pick-up and drop-off anywhere. A number of other assets are trying this concept currently. There are negative externalities as well as risks to the asset associated with this approach that I will elaborate on in my next article
  - **On-demand location:** Uber, Lyft come to the requested location (that is part of the whole point, huh). BlaBlaCar drivers generally offer to pick the passenger up but I'd imagine there are limits to how much of a detour individual drivers are willing to take
- The above obviously links also to the asset operation model and the type of asset. Uber cars come to your determined location as they are owner-operated. Whereas Zipcars will need to be picked-up from their parking spot as they are end-user operated

Service delivery models

- **On premise service delivery:** Housework and errand type services are provided on the premises of the service seeker. Whether it be someone help you assemble your (IKEA) furniture or mow your lawn the service is often delivered at your premises. This of course requires thorough consideration in terms of insurance, safety and security
- **Remote:** in the wonderful world of computer work, the service occurs remotely (think Fiverr, Freelancer.com, etc). It requires appropriate management of communication, trust, etc

Customer experience

I have bundled a few things under this category. Customer experience has several elements of which many are in the value creation space (e.g. search transaction costs). But there are also elements in the output/delivery space. Here are just a few final thoughts and examples on this.

Quality management

Quality management reaches across several layers. Here are some of those layers:

1. Turo, Uber and others mandate **safety requirements** and checks to the cars
2. There is of course the **customer feedback loop** in terms of rating and written feedback which gives the platform and the participants a chance to improve
3. Uber has an **automated customer service process** for most of the repetitive issues (cancelled rides, lost items, etc)
4. Further, both have a **customer service line** for more difficult issues

Terms & conditions

An important question comes to the terms & conditions. This is particularly difficult in the space of freelance work that often involves a unique project with its requirements and intellectual property considerations. Here is how Freelancer.com has structured their T&Cs:

1. T&C pages
2. Codes of conduct
3. Copyright infringement policy
4. Fees and charges schedule
5. Privacy policy

Unless you are a legal specialist you would get someone to help you with this. There are online or offline legal service providers for this kind of work. It will be one-off work with some ongoing fine-tuning.

Customer experience and offering design

Customer experience design can be done by the platform, the supply side or be customised to the demand side's requirements:

1. **Platform-designed:** as shown above Uber offers distinctly different products designed to the needs of various customer segments
2. **Participant-designed:** Airbnb Events are designed by the event host
3. **Participant-designed choice plus customisation:** Fiverr projects are designed by the service provider but can often be customised to specific requests of the job seeker for an additional fee
4. **Fully customised:** Freelancer.com projects are fully customised to the requirements of the job seeker

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(4) Purpose and profits

I am closing the topic off with a few points that effects various parts of the value chain:

- Purpose
- Funding & scalability
- Price control & revenue share

Purpose

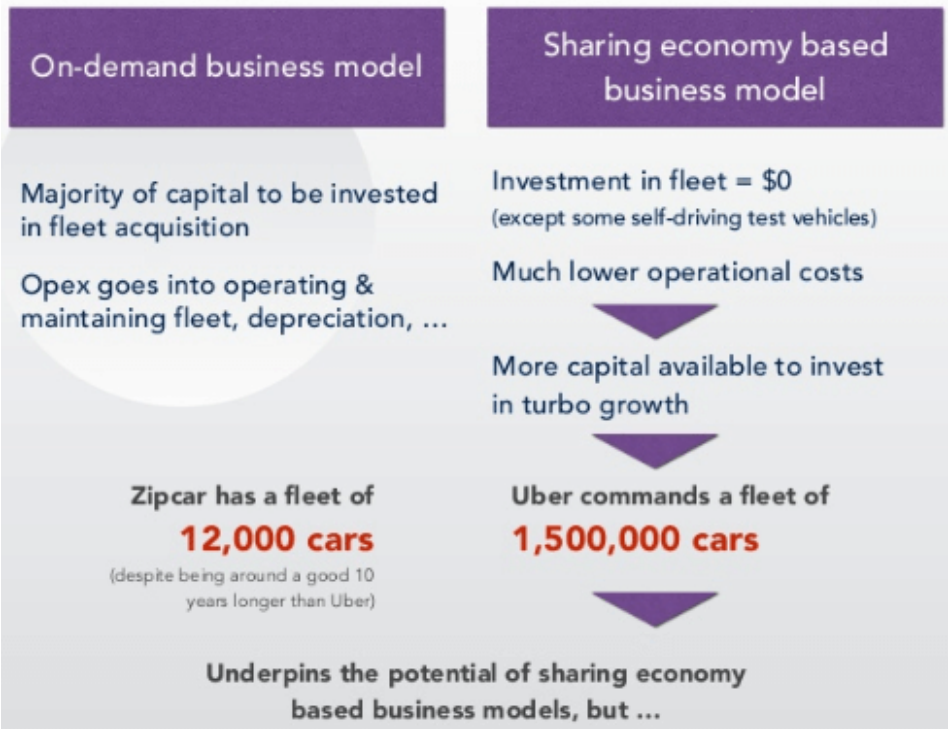
The purpose of a company influences pretty much every decision made in the value chain. Here are the most common types:

- **Purpose/mission driven:** this can be not-for-profit. Think of Khan Academy, Gridmates, Wikipedia. Each of them has a mission, may it be to provide better access to education for those who don't have this or charitable purposes. It is still possible to support these organisations financially through donations or other ways. (see example how to support the Peer-to-peer university, P2PU). You can recognise these companies through their 501(c)(3) tax-status
- **For-profit:** Uber, Airbnb and many others are clearly profit driven. Of course, they still support a number of wellfaring initiatives (e.g. go to the Airbnb pressroom or directly to the community link therein). But none of this doesn't changes the fact that they are predominantly for-profit

- **Hybrid:** A number of crowdfunding platforms run a hybrid model of being for for-profit and committing to socially-responsible standards (which have to be reported to shareholders)
- **Communal:** Cities and communities are developing sharing platform business models for various purposes. Check out more details in my previous article (direct link to the section here)

Funding & scalability

The asset ownership model that I have described above has a very big impact on the growth trajectory of asset sharing platforms. Compare Zipcar to Uber:



Not owning the working asset has allowed Uber to grow at breathtaking pace. Nothing shows this better than the comparison to Zipcar who own the shared asset themselves (or lease which still moves the apportioned capital costs into the operating cost model) [source: Zipcar vs Uber presentation]

Announced Date	Transaction Name	Number of Investors	Money Raised	Lead Investors
Dec 28, 2017	Funding Round - Uber	1	$1,250,000,000	SoftBank
Dec 28, 2017	Secondary Market - ...	7	$8,700,000,000	SoftBank
Apr 19, 2017	Funding Round - Uber	2	—	—
Jul 7, 2016	Debt Financing - Uber	4	$1,150,000,000	Morgan Stanley
Jun 1, 2016	Series G - Uber	2	$3,500,000,000	Saudi Arabia's Public Inves...
Feb 12, 2016	Private Equity Round...	1	$200,000,000	Letterone Holdings SA
Aug 19, 2015	Private Equity Round...	1	$100,000,000	Tata Capital
Jul 31, 2015	Series F - Uber	6	$1,000,000,000	—
Feb 18, 2015	Series E - Uber	10	$1,000,000,000	Glade Brook Capital Partne...
Jan 21, 2015	Debt Financing - Uber	1	$1,600,000,000	Goldman Sachs
Dec 12, 2014	Series E - Uber	1	$600,000,000	Baidu
Dec 4, 2014	Series E - Uber	8	$1,200,000,000	Glade Brook Capital Partne...
Jun 6, 2014	Series D - Uber	9	$1,400,000,000	Fidelity Investments
Aug 23, 2013	Series C - Uber	4	$363,000,000	GV
Dec 7, 2011	Series B - Uber	11	$37,000,000	Menlo Ventures
Feb 14, 2011	Series A - Uber	6	$11,000,000	Benchmark
Oct 15, 2010	Angel Round - Uber	29	$1,250,000	First Round Capital
Aug 8, 2009	Seed Round - Uber	2	$200,000	Garrett Camp, Travis Kalani...

Uber funding rounds show massive capital injections [source: Crunchbase]

While Uber's cost model is capital-light (in terms of the working asset), growth is not exactly cost-light. I have covered their cost structure in more detail here (direct link). The difference is that Uber can devote capital to customer (and competitor) acquisition as well as brand building, The only exception – since recent – is the expansion into self-driving cars which are owned by Uber, thus require capex.

Taxis, by comparison, have to also pay for the working asset but much more costly are the medallions (which are a relic from the 1930 depression times). But the medallions also serve the risky purpose of speculation (thus their funding is financially engineered differently) and are going through the bust phase of the boom-bust-cycle.

I will elaborate on this in more depth once Airbnb / Uber file for their IPO (anticipated for 2019) which is when they need to provide more financial data in earnest and then of course as they provide updates to the markets.

Price control & revenue share

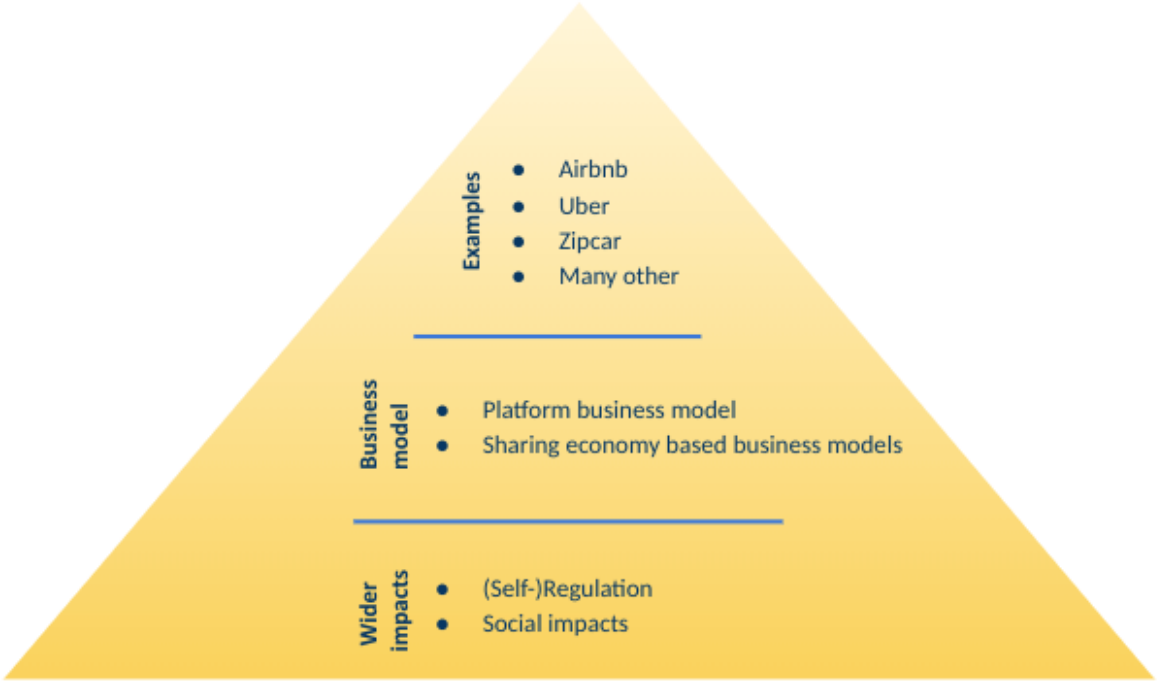
Platforms can choose different approaches to controlling the price and their revenue share on the transactions. Market forces will still be the major driver of both prices and revenue share.

- **Strict control:**
  - Uber maintains strict control over the pricing and 20-30% with differences across their offerings, e.g. UberX, uberPool
  - Surge pricing: Under Travis Kalanick, UBer was an avid protagonist of surge pricing despite copping a lot of criticism for it. It is a fascinating experiment that hands price control to real-time supply and demand. E.g. when thousands of people leave a football game or a rock concert, prices in that area surge to more than 10x. In theory, this should attract more supply to the area. Adding predictive features to this would make it a very value adding feature
- **Loose/no control:** Airbnb lets hosts set their own prices. The most important price driver, though, will be the market itself. If the supply exceeds demand over prolonged periods (i.e. correcting for seasonality, such as school holidays), then prices will go down or vice versa. Of course, the ceiling are hotel room prices and other alternatives. Unlike Uber, Airbnb's cut of the revenue share is in the vicinity of 12-15% depending on a number of factors. Here are their service fees per transaction:
  - Rental guests pay 5-15%
  - Rental hosts pay 3-5%
  - Event hosts pay 20%
  - Event guests pay 0%

Prices and revenue share are of course coupled to each other. The higher the revenue share, the higher the prices of the offering, e.g. a ride or a night's stay. The higher the price of the offering, the less competitive it is in comparison to alternatives (with the ultimate alternative being to forego consumption of the ride or the night's stay). Thus, revenue share will be a resultant of a lot of factors and experimentation.

I have covered Uber's revenue model in depth here and Airbnb's revenue model here.

Link collection



I have covered the sharing economy in great detail over many articles. The figure gives an overview. Here is a quick link collection:

1. **Examples:**
   - A wide array of for-profit and non-profit sharing platform examples
   - Uber business model canvas
   - Airbnb business model canvas
   - Business model comparison: Uber vs Zipcar

2. **Business models:**
   - The platform business model is the business model used by practically all sharing platforms. But not all who use a platform business model are considered a sharing platform (e.g. Expedia, TripAdvisor, Google, Facebook, etc). This is a comprehensive guide to this business model
   - Sharing economy based business models: this is an article on the specifics of the platform business model applied onto sharing platforms (this article)

3. **The impacts:**
   - Can sharing platforms self-regulate? An important question that will have significant impact on the trajectory of sharing platforms (especially the major ones): if they can't participate in the discussion constructively chances are they will be hit with heavy-handed regulations

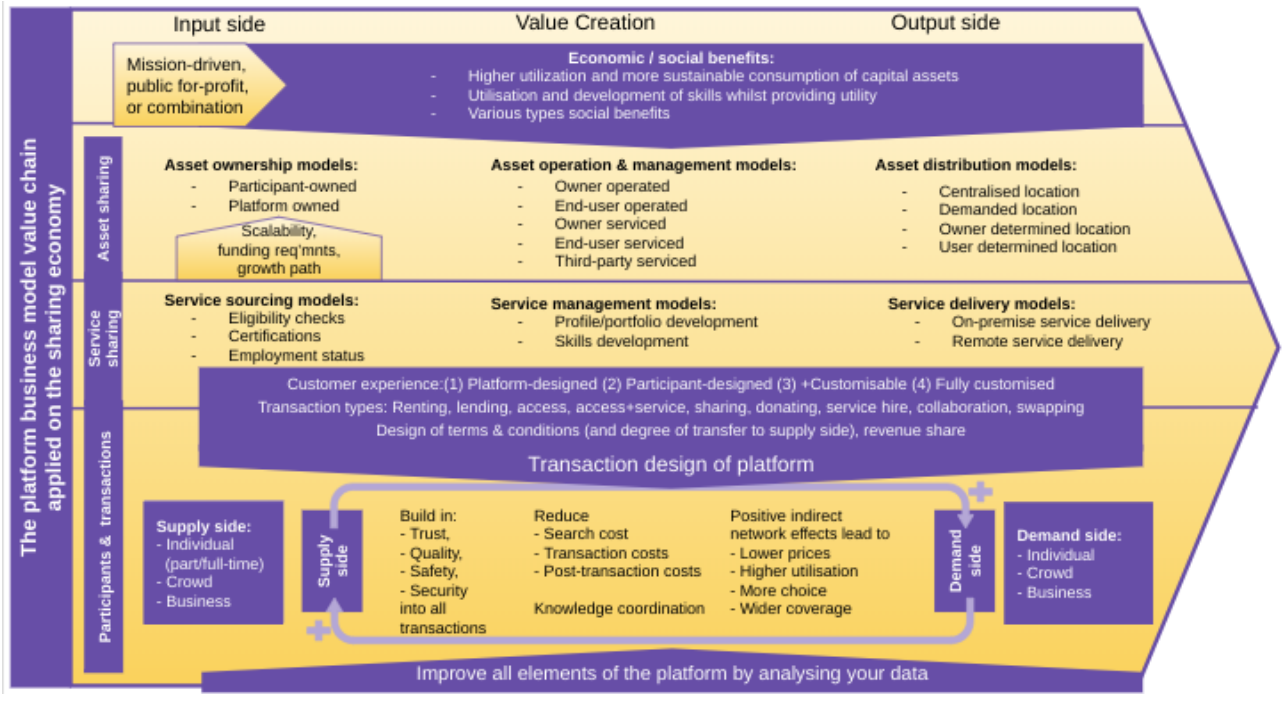
- Utopia or Dystopia? The social impacts, risks and opportunities are what drives the necessity for regulation. Understanding this fundamental layer will help widen your horizon and the discussions

Talking about the sharing economy, please share:

All in One!

I have covered the sharing economy in great depth (5 articles). And I have covered the platform business model in even more depth (8 or more articles). The platform business model is *the* business model that practically all sharing platforms use.

The sharing platform business value chain summarises it all in one infographic:



Get the sharing platform business model value chain infographic in high resolution into your mailbox. Just enter your email address below (even if you are already a subscriber)

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Article by Dr Murat Uenlue / Platform business model, Sharing Economy / Airbnb, Uber

About Dr Murat Uenlue

Murat Uenlue, PhD (Engineering), Program Management Professional (PgMP), Project Management Professional (PMP). Project managing the most significant strategic innovation project for our company >$1 billion. Best way to contact me is *LinkedIn (click here)* but please add a note that you are coming from this site!

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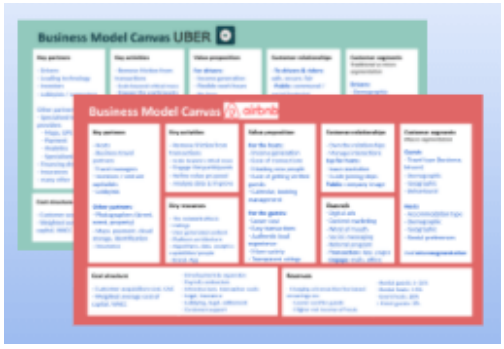
3. The Airbnb strategy activity map
4. Uber Five Forces Analysis
5. The Complete Guide to the Platform Business Model



Airbnb & Uber Business Model Canvasses and Ebooks

Airbnb Activity Map & Uber Five Forces Analysis

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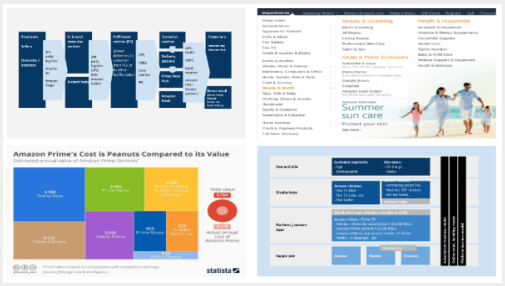

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Murat Uenlue, PhD, Program Management Professional (PgMP), Project Management Professional (PMP). Currently program managing the most significant strategic innovation project for our company >$1 billion total value.

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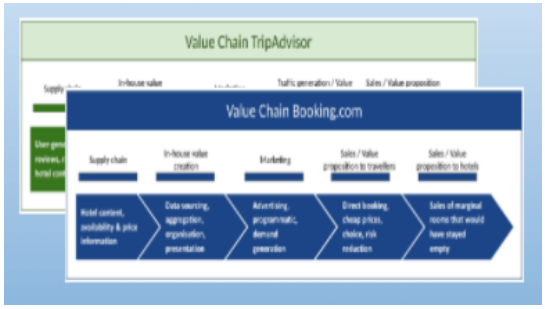

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PLATFORM BUSINESS MODEL

One of the biggest innovation opportunities right now is the revolutionary **platform business model** (click here for an overview) that fuels Uber, Airbnb,

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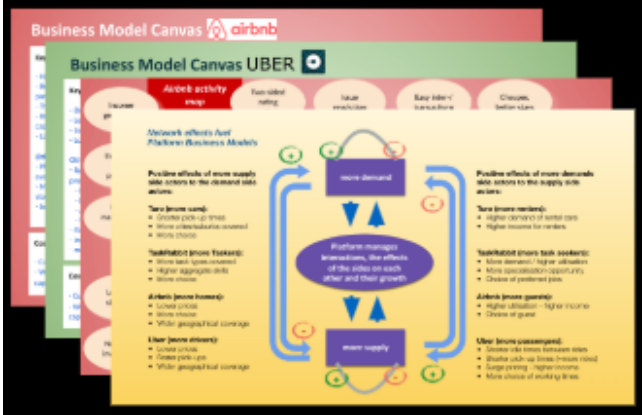

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