



STATE OF THE SHARING ECONOMY

CROSS COUNTRY REPORT

TABLE OF CONTENTS:

Introduction

Sharing Economy Concept

Methodology

Comparison of results

Recommendations

INTRODUCTION

The report presents results of the research conducted within the project SharOn “Opportunities for European Entrepreneurs in the Sharing Economy” in Bulgaria, Estonia, Slovakia, Poland, and Italy. SharON is co-funded by the European Union Programme for the Competitiveness of Enterprises and SMEs (2014-2020). **The main goal of the project is to support SMEs, as well as social enterprises active in the sharing economy area. SharON enables to gather knowledge about enterprises and identify their needs, stimulate their growth and, in consequence, boost the sharing economy in the European Union.**

Conducting research on the sharing economy is of vital importance, as it is becoming one of the most significant trends enabling a better utilization of resources, protecting environment, and strengthening social connections. Especially that the new lifestyles (e.g., limiting consumption or slow living), environmental awareness, and the need for different career paths (e.g., establishing a small, cause-oriented start-up instead of working for a corporation) contribute to the growing popularity of the sharing economy. Despite its advantages, the sharing economy is still not a precisely defined and well-researched category. It is rather, by and large, an umbrella term for a variety of business and social models (e.g., both big international corporations and small organizations) with different financial and development potential. **To take full advantage of the sharing economy, European, national and local support programmes have to be tailor-made and based on the in-depth and multi-faced research.** Taking this into consideration, researcher teams adopt a broad definition of the sharing economy assuming the sharing of resources with the use of digital tools.

The project consists of two stages. Within the first stage, researchers mapped enterprises active in the sharing sector area. Desk research, empirical observations, and conducted survey help to identify companies’ expectations, range of challenges they have to face, and obstacles for their growth in five participating countries. The already gathered know-how enables to prepare an acceleration programme, which is the main task of the second stage. In the coming months, 24 start-ups or entrepreneurs wanting to develop their concepts will be chosen in the PitchContest qualification. Innovators will work for four months with specialists and mentors in their areas of interest. Eventually, in each region, the one most promising company will be chosen. In the last quarter of 2019, five companies will have the opportunity to present their business and social models to investors from various regions of Europe at Demo Day.

The report is a summary of the first part of the project. It contains cross-country results of the survey, which was conducted from July till October 2018 in Bulgaria, Slovakia, Estonia, Italy, and Poland. Furthermore, it includes the key recommendations gathered during the series of twenty workshop meetings on the sharing economy which were open to the public in five participating countries. Workshops meetings were complemented by the Round Table sessions held by all partners in their regions and supported by central and regional authorities. The conclusions from the Round Table sessions could also be found in the presented document. However, it is worth noting that these discussions allowed the consortium not only to exchange ideas and solutions enabling the sharing economy development, but also to raise awareness of this economic concept among decision makers and citizens.

SHARING ECONOMY CONCEPT

The sharing economy has been a major economic and social trend in the recent years. Consumers value on-demand access to various resources and services, often preferring temporary usage of assets over ownership. Sharing economy initiatives have a great potential in a better utilization of resources, reduction of environmental footprints and strengthening cooperation between citizens. Moreover, sharing economy solutions may also support and facilitate economic activities in local communities. Therefore, EU economies and societies would benefit from thriving sharing economy ecosystems.

However, the sharing economy is not a homogenous category, but rather an umbrella term for several business models and activities, with different economic and social impacts. Public debate has been dominated by the challenges related to major platform-based companies from the US, such as Uber or Airbnb. Such platforms were promising for peer-to-peer, non-professional services that would rather complement, and not compete with traditional companies. However, these platforms quickly became professional, facilitating business services and moving away from the idea of the sharing economy. Such platforms are often referred to as the access economy, and are treated separately from the sharing economy.¹

In this project, the literature on the sharing economy and the recommendations of the European Commission² are followed. Instead of focusing only on a narrow segment of the sharing economy, a wider approach has been implemented. The project considers several business models that are based on the sharing of resources, including both non-professional and professional services. This wider take on the sharing economy is necessary to maximise the impact of the project and boost the activity of EU firms. As the EU digital economy is strongly shaped by US platforms, it is necessary to strengthen local initiatives that meet the needs of EU communities, including platforms for professional service provision.

The aim of the first phase of the project was to map the firms that operate in the widely defined sharing economy, examine their characteristics and assess their barriers to growth. This report provides a summary of the survey results which are the basis for the acceleration program. The report presents the results for the regions participating in SharOn, and it provides a comparative overview of the sharing economy across countries.

¹ Frenken, K., & Schor, J. (2017). Putting the sharing economy into perspective. *Environmental Innovation and Societal Transitions*, 23, pp. 3-10.

² http://ec.europa.eu/growth/single-market/services/collaborative-economy_en

METHODOLOGY

The research methodology developed for this report consisted of two stages. The first stage covered the mapping of companies and institutions offering sharing economy services in Poland, Bulgaria, Slovakia, Italy, and Estonia. Moreover, researchers prepared a desk research on the sharing economy in the countries of interest. Finally, researchers conducted ten in-depth interviews with representatives of the selected companies and organizations mapped in Poland.

Within the second stage, on the basis of the material collected, researchers prepared a questionnaire consisting of 26 questions. Questions concerned, among other things, information about the company, its business model, identified obstacles for growth, and plans for the future. Four language versions (Polish, English, Italian, and Bulgarian)³ of the survey were prepared using a paid online survey tool www.webankieta.pl. Researchers collected results over the period of July – October 2018 in all countries participating in the project.

COMPARISON OF RESULTS

The study analysed the sharing economy enterprises in Poland, Bulgaria, Slovakia, Italy, and Estonia. The research team focused both on depicting the companies in each of the analyzed countries and identifying general characteristics of all European companies operating in the sharing economy.

The results highlight three major issues. **For one, despite regional differences, the sharing economy trend is gaining popularity.** The findings suggest that the new consumer trends (e.g., slow living or limiting consumption), increasing environmental awareness and the eagerness of younger generations to create their own innovative companies will contribute to the development of the sharing economy sector. Although participating enterprises are still making their first steps in business, they can benefit from the lack of competition and, therefore, solidify a leading position in the local markets. **Secondly, in order to mature and expand, companies will have to gather know-how, look for innovative, disruptive solutions and sharpen their technological skills.** Otherwise, European sharing economy enterprises will not be able to enter new markets (e.g., promising Asian markets) or, due to e.g., process automation, significantly increase the number of customers. In the digital era, European companies are set to compete with the most innovative enterprises from around the world. To compete effectively, they have to develop skills and practices (e.g., the use of algorithms) that enable them to be more customer-oriented and respond faster to market needs. However, the actions of companies are not enough for a dynamic development of the sharing economy. Financial and legal challenges hamper companies' daily activities and prevent them from raising efficiency. **Thus, thirdly, without good legislation and**

³ Estonia and Slovakia used the English version of the survey.

stable sources of financing, European companies will not be able to realise the full potential of their ideas. To allow for the expansion of European companies, legislative processes need to be simplified and the companies need to learn how to access to new sources of financing. The detailed results of the survey follow.

Business ideas in the sharing economy most often evolve from the observation of the environment and identification of customer needs. **In three out of five countries, the identification of market needs was most often indicated as the source for the business idea.** However, respondents also declared that their prior business activities, models already functioning abroad, and social causes played a role. These results varied somewhat across the countries. In Italy the primary, by far, cause for establishing a business was the identification of market needs (46.2%). Polish companies also (36.2%) declared this cause as a crucial one for their business development. In Slovakia both the identification of market needs (30%) and inspiration by model already functioning abroad (30%) were equally important. In contrast, in Bulgaria the most significant source of an idea for establishing a company was prior business activity (23.9%). Only in Estonia was the social cause indicated as crucial for the development of companies (i.e. 26.7% of the surveyed Estonian companies were established to make a difference and improve their surroundings).

Where does the idea for your activity come from?					
	Bulgaria	Estonia	Italy	Poland	Slovakia
I identified a market need	21.7%	23.3%	46.2%	36.2%	30.0%
I got inspired by new trends related to the sharing economy (collaborative economy)	17.4%	16.7%	33.3%	24.1%	17.5%
I got inspired by a business model already functioning abroad	17.4%	10.0%	15.4%	10.3%	30.0%
I wanted to make a difference and improve my surroundings	19.6%	26.7%	0.0%	17.2%	17.5%
The idea originates from my prior business activity	23.9%	23.3%	5.1%	12.1%	5.0%

Figure 1

Importantly, many sharing economy companies operate in the niche markets and have none or few competitors. Research findings hint that in four out of five analyzed countries at least a tenth of enterprises claim not to have competitors at all. For instance, in Bulgaria and Slovakia 28.6% of companies indicated no competition on their market. In Estonia, most companies indicated having competition, although half of the responders claimed there were only few competitors. This result can be attributed to the particularly high level of development of digital services in this country. Moreover, in Bulgaria and Italy, 23.8% and 31.3% respectively also indicated only few direct competitors in their market area. Finally, it should be noted that in four out of five analyzed countries some companies did not feel the need to assess their competition at all. In Bulgaria this percentage equalled 9.5%; Poland 10.3%; Slovakia 7.1%, and Estonia 8,3%.

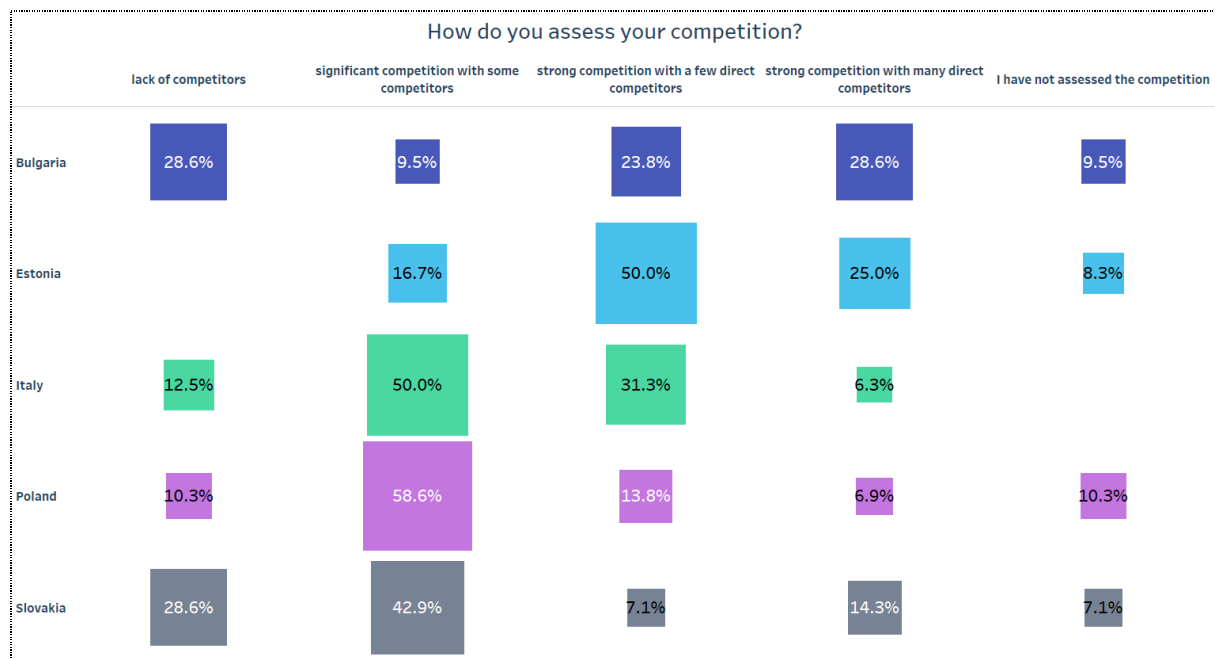


Figure 2

The results make it clear that companies are mainly active in the European Union market. On average, in all countries about 47% of all companies operated there. However, some differences can be observed. Slovak companies (62.5%) are the most concentrated in the EU market. This percentage is also high for Estonia (50%) and Bulgaria (44%). According to the study, Italy and Poland are less interested in this area (38.9% and 40%, respectively). According to the research, companies are less interested in markets in the United States, Asia, and European countries that are not members of the European Union or face difficulties in entering those markets.

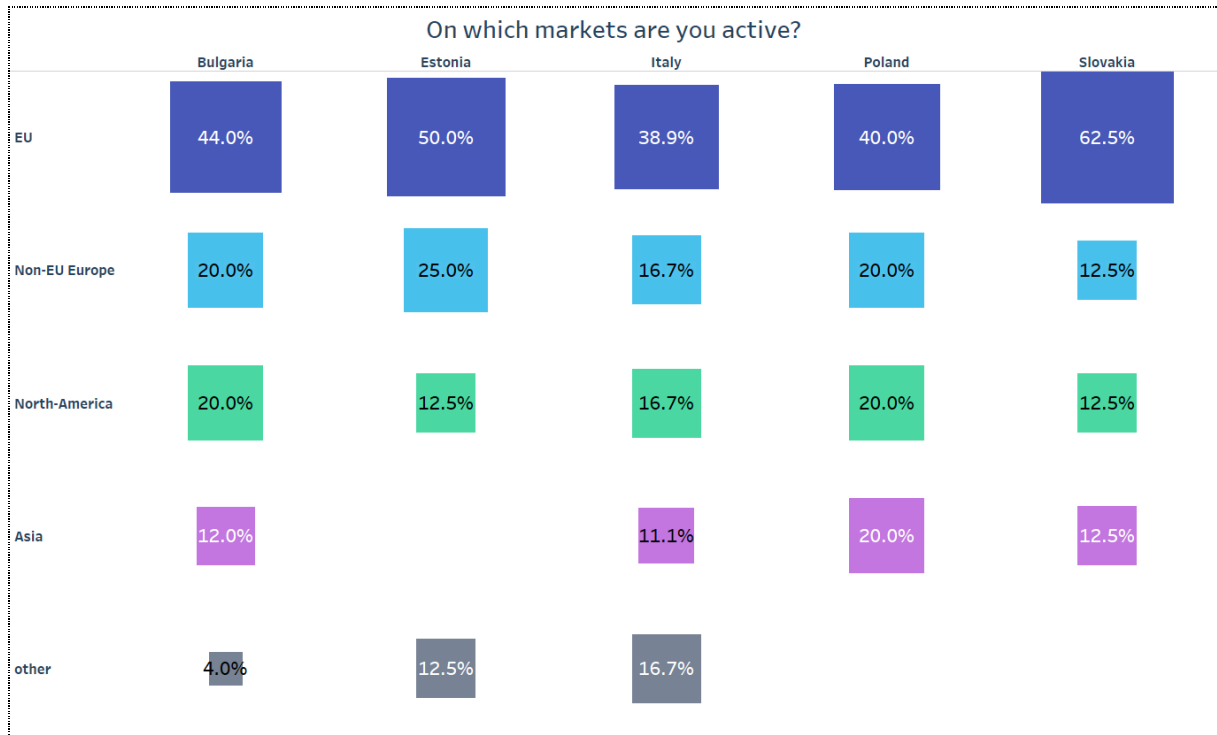


Figure 3

Observation of business models confirms the trend of introducing platforms, enabling interactions among various sides of market, the usage of information and data, and – in consequence – creating a network effect.⁴ **The results show that a platform connecting different sides of the market is the most popular technological solution in the countries of interest.** In each country, more than 50% of companies declared using a platform in their business model. The solution was the least popular in Poland – only 55.2% of companies take advantage of it. Moreover, the results demonstrate that the overwhelming majority of Italian (93.8%) and Estonian companies (83.3%) are in favour of this solution. The platform model is equally popular among enterprises in Slovakia and Bulgaria (71.4% in both).

⁴ <https://ec.europa.eu/digital-single-market/en/online-platforms-digital-single-market>

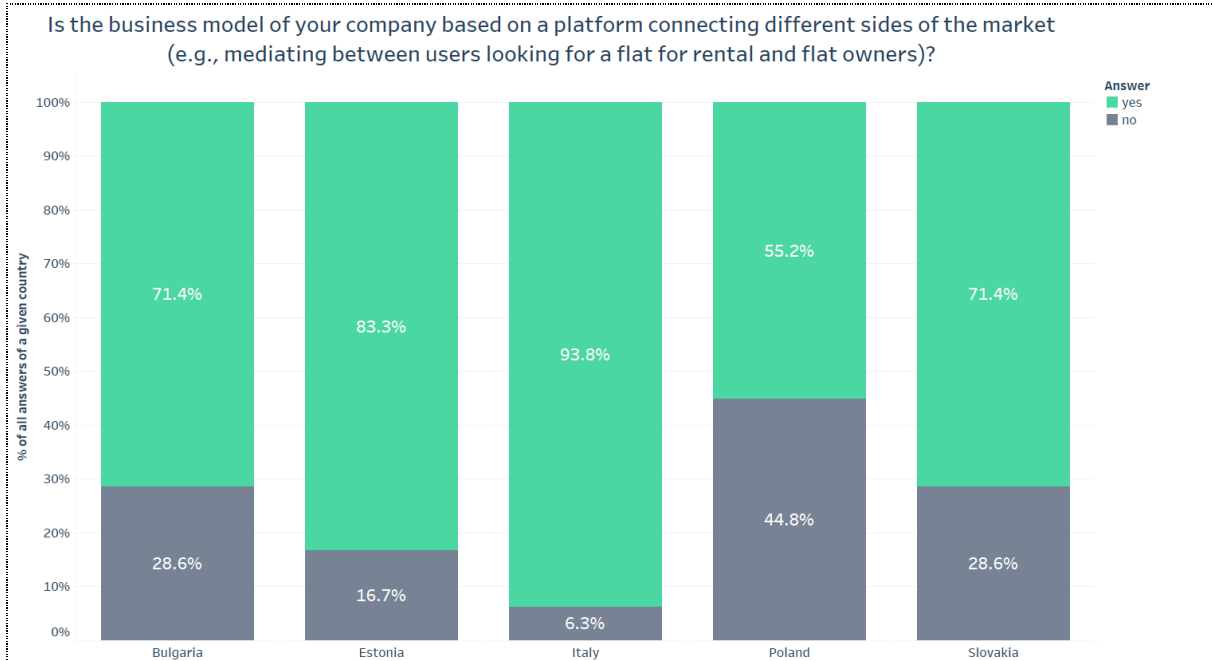


Figure 4

Research indicates that enterprises use platforms largely to share free assets, coming either from the company or clients' resources. Estonian and Italian companies indicated little sharing of company assets (8.3% and 0%, respectively), but they also turned out to have the highest shares of companies sharing the clients' resources (50% and 87.5%, respectively). Slovak enterprises favor equally clients' resources (42.9%) and business solutions not based on sharing free assets at all (42.9%). In Poland, the three business approaches are almost equally popular. In Bulgaria, most surveyed companies did not share any free assets (42.9%), with 28.6% sharing company's resources and further 28.6% sharing clients' resources.

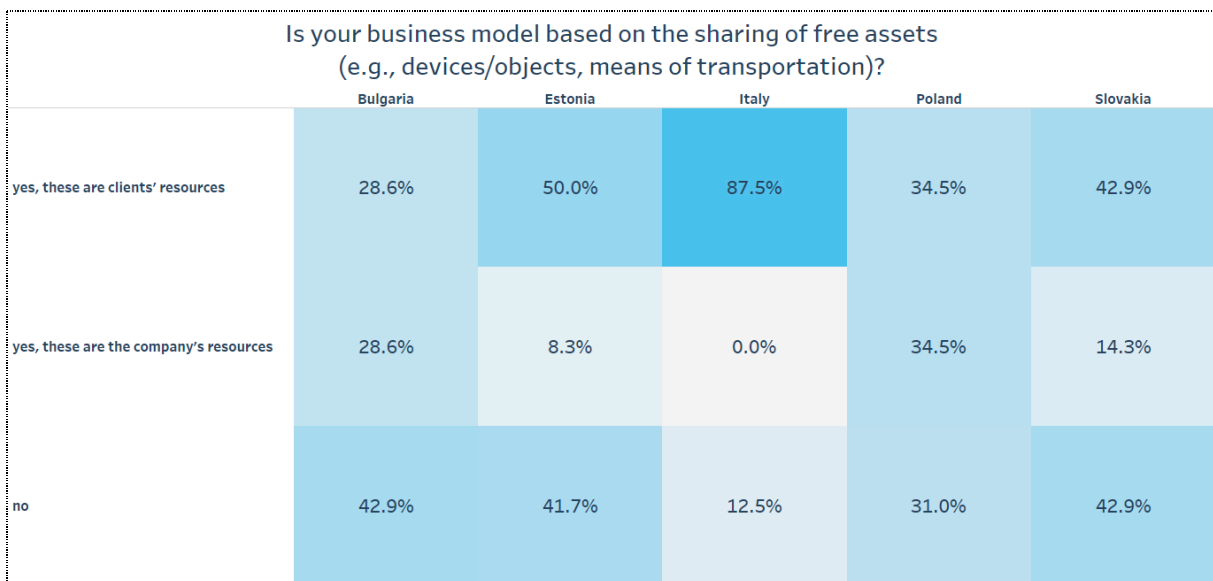


Figure 5

In consequence, the choice of the business model largely determines the source of income. **Various forms of commissions (received from clients, services providers or both of them) are the most prevalent source of income in all researched countries.** This percentage is particularly high in Estonia (76.4%) and Slovakia (70%). Various types of commissions are also the financial backbone of Polish (68.3%) and Italian enterprises (60.8%). Commissions are the least common solution in Bulgaria – only 45.7% of Bulgarian enterprises take advantage of this business approach. Interestingly, subscription fees and the sale of big data are of lesser importance. Subscription fees are a relatively popular solution in Bulgaria (37.1%) but only slightly popular in Poland (17.1%), Slovakia (10%) and Estonia (17.6%). Some Italian companies gain income from subscription fees (17.4%) and the sale of big data (17.4%). These results highlight that sharing economy enterprises still do not exploit the technological potential of platforms to generate revenue.

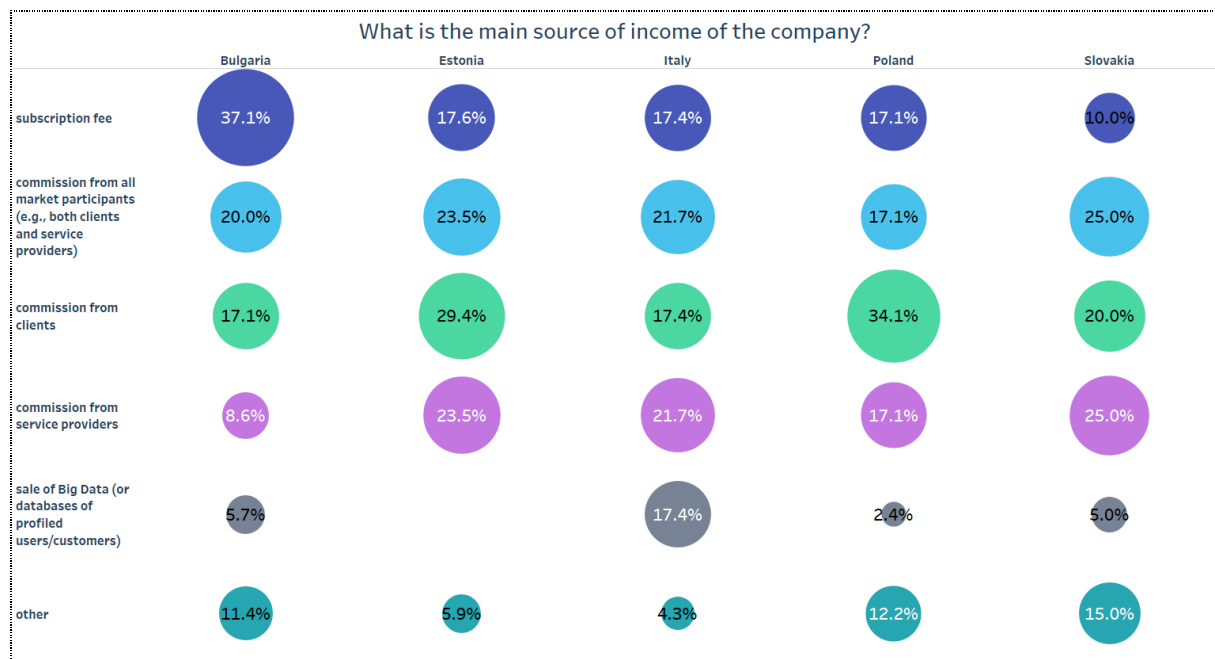


Figure 6

The findings are in line with the results concerning the strengths of the analyzed companies. Survey results suggest that advanced technologies are still not the strongest point of the sharing economy enterprises. **Moreover, the surveyed companies do not see their competitive advantages in new, disruptive technologies.** Respondents reported low preference towards big data analysis and implementation of algorithms. For instance, only 9.5% of Bulgarian companies consider data analysis as their biggest asset. 6.3% think that the implementation of algorithms is their strongest point. Similar results can be observed in other countries. In Poland, data analysis is indicated as a strong point by 7% of the surveyed companies; while the implementation of algorithms is at the level of 4.7%. For Italy results are, respectively, 5.6% and 7.4%. Interestingly, no Slovak company considered data analysis as its strength, while only 6.4% of companies declared that the implementation of algorithms was their advantage. Data analysis and algorithms implementation are the least popular in Estonia. Both solutions are indicated as strong points only by 3% of the analyzed enterprises. **On the contrary, companies identified their strengths in different areas of building an enterprise such as insights into the business environment, social aspect**

or a competitive offer. Know-how is the most significant asset for companies from Bulgaria (19%), Poland (20.9%), and Slovakia (23.4%). Italian companies equally value most the social or ethical side of the business (20.4%), and cheaper offers (20.4%). Also for Estonian companies (27.3%) the social or ethical side of business is considered to be the strongest point.

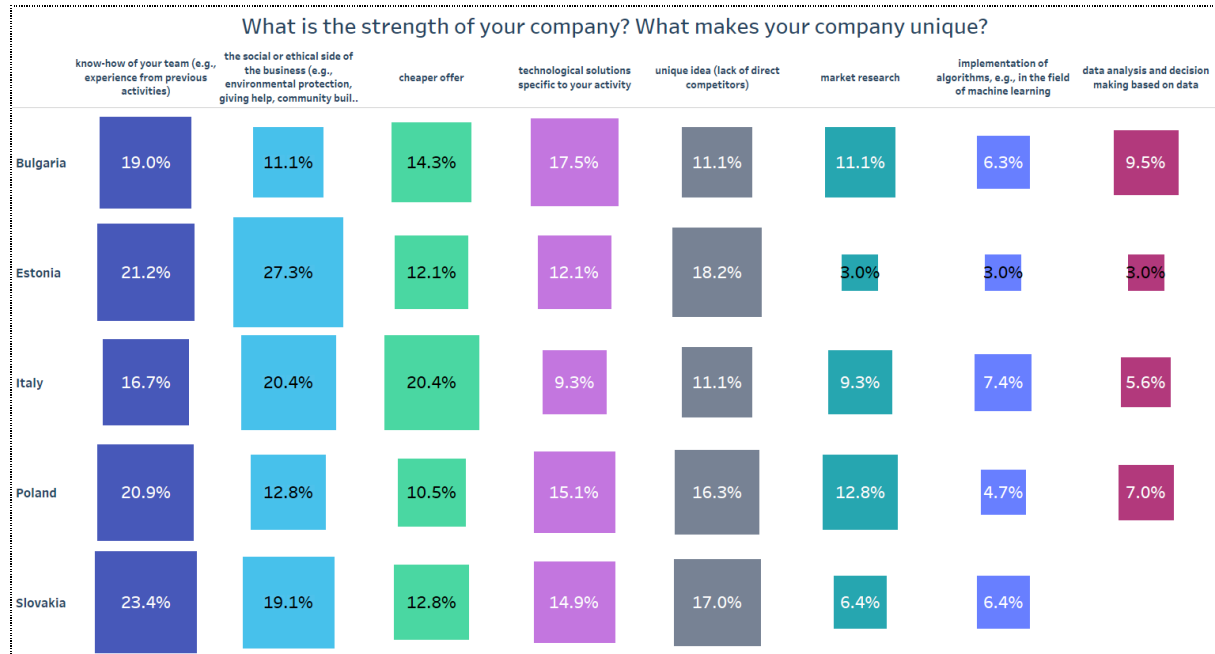


Figure 7

As results also depict companies' plans for the future, researchers draw a conclusion that enterprises do not plan to implement advanced technologies in the coming years. **Although enterprises want to introduce new ideas, the majority of companies take into consideration less technologically complex solutions that serve marketing purposes rather than accelerating business processes.** Results demonstrate that 28.3% of Bulgarian companies consider developing profiles in social media as the most important tool for their business. It is notable that similar results (28.7%) are recorded in Poland. For Slovak (25.7%) and Estonian (31.3%) enterprises, the development of a mobile application is of crucial importance. Italian companies more often than those from other countries (24.5%) considered the use of geolocation data to be the most important for the development of their business model. **A brief overview of data confirms that the interest in developing technological know-how remains, in general, at a relatively low level.** For instance, in Poland only 13.8% of companies are interested in machine learning algorithms. Also, machine learning algorithms are of lesser importance in Estonia (12.5%) and Slovakia (14.3%). Only 11.3% of Bulgarian enterprises want to develop the geolocation technology. Italians are the most interested in technological solutions. Not only the use of geolocation data is higher than average. Italian enterprises also want to develop machine learning algorithms (18.4%).

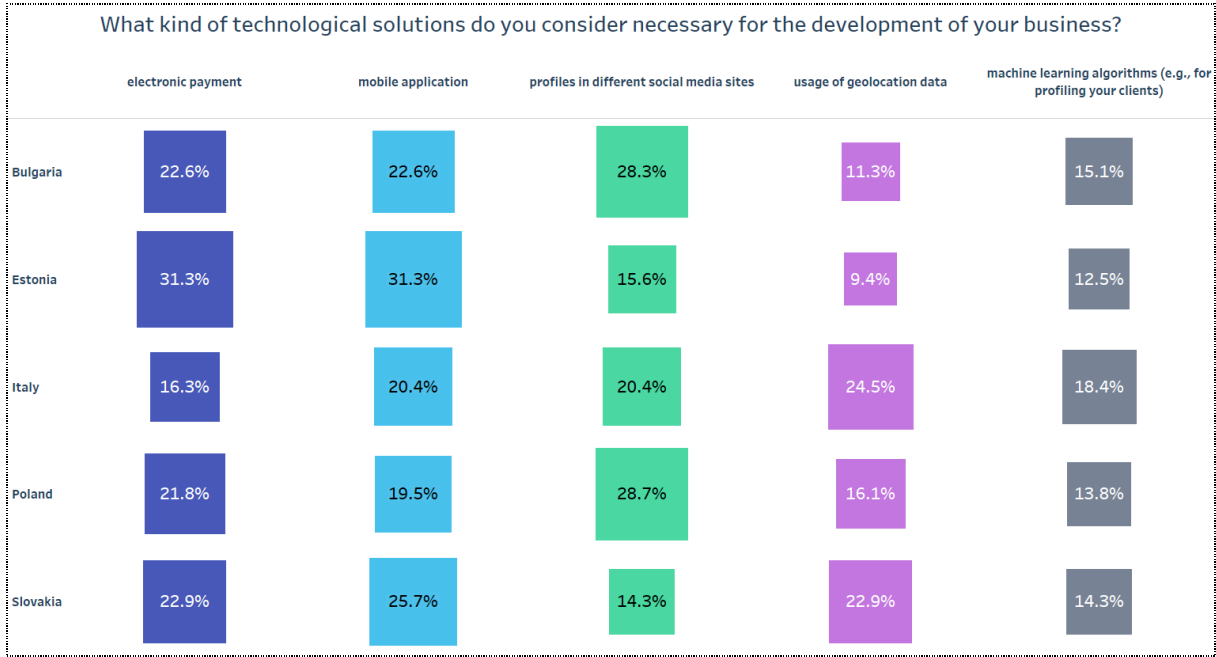


Figure 8

However, technology is not the only challenge that sharing economy companies have to face. **Data reveal that gaining access to finance, regulatory barriers, finding new clients and gaining trust were named among the most prevalent issues that companies are struggling with.** In Bulgaria, 23.7% of enterprises identify gaining access to finance as their biggest challenge. For Polish companies (26.4%) acquiring new customers poses a difficulty. In Italy both of these issues were mentioned. Equally, 19.6% of Italian enterprises are struggling with looking for new financial possibilities and attracting new clients. In contrast, in Slovakia, regulatory barriers (19%) are the biggest obstacle for development. For Estonian companies the biggest challenges are finding new clients, gaining access to finance, and gaining trust (16.3%).

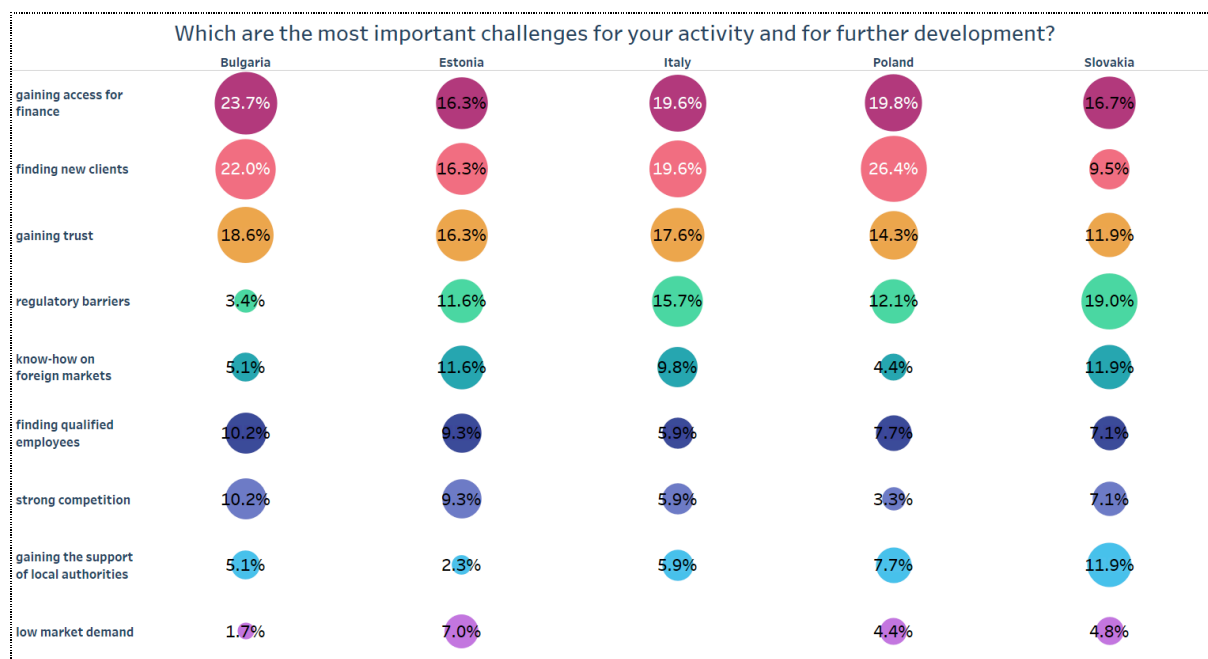


Figure 9

Interestingly, despite financing challenges, own capital is the most popular source of funding in each country. In Bulgaria 52.6% of companies used this solution. In Poland 54% of enterprises decide to use their own capital. The results are similar in Slovakia (43.5%) and Estonia (47.1%). The smallest percentage of companies using their own capital as a source of financing is found in Italy (32.4%). It is also worth noting that sharing economy companies do not finance their ideas from the already available sources (e.g., European Union funds). Among all the analyzed countries, the Slovak companies (17.4%) are the most willing to use EU funds. In Estonia, 11.8% of enterprises decide to use this form of financing. Interestingly, both old and new member states do not take advantage of this source of financing. 2.9% of Italian enterprises finance its activities from the European Union funds. At the same time, in Bulgaria this percentage amounts to 5.3%. The results in Estonia and Poland are similar. 11.8% and 10%, respectively, of local enterprises use this source of funding.

What are the most crucial sources of funding in your company?							
	own capital	investor	EU funding	tangible support (e.g., goods, materials, and services)	domestic public funding	crowdfunding	bank credit
Bulgaria	52.6%	13.2%	5.3%	13.2%	5.3%	2.6%	7.9%
Estonia	47.1%	23.5%	11.8%	0.0%	11.8%	5.9%	0.0%
Italy	32.4%	29.4%	2.9%	5.9%	8.8%	11.8%	8.8%
Poland	54.0%	6.0%	10.0%	4.0%	4.0%	10.0%	12.0%
Slovakia	43.5%	34.8%	17.4%	0.0%	0.0%	0.0%	4.3%

Figure 10

To sum up, although the sharing economy model is just developing, young entrepreneurs recognize its potential and invest in their business ideas. However, a careful observation of the market and an innovative idea are not a guarantee of a business success. Advanced technologies, transparent and simple legislation as well as skilful use of available financial resources are prerequisites for improving business processes and, in consequence, gaining new customers.

RECOMMENDATIONS: HOW TO BOOST THE SHARING ECONOMY IN THE EUROPEAN UNION?

- **Clear definitions** – in the European Union the sharing economy is only at the initial stage of development. However, it is becoming a significant business playground for entities that have not only different ideas but – above all – different financial and scaling potentials. Therefore, the most needed action from both the European Commission and national/local authorities is developing a clear definition of the sharing economy. First of all, such definition could determine if an entity is a sharing economy enterprise. Secondly, a set of criteria could help to differentiate between large scale and mature businesses (e.g., corporations, professionalized companies) and smaller, local, and – very often – cause-driven companies. This distinction is important for several reasons. It helps to boost companies and organizations taking advantage of the sharing economy potential. Moreover, it enables to reduce abuses by entities that use the term *sharing economy* only for image-building purposes. **Eventually, the clear definition will allow for levelling the playing field and, consequently, more fair competition.**
- **Legal framework adjusted to the supranational model of the sharing economy** – the above-mentioned clear definition of the sharing economy concept is the basic condition for building a legal framework. As sharing economy businesses are platform-based, with adequate financial resources, they can be easily scalable and expand quickly. As the result, the business model could operate globally, regulations are set at the various levels (e.g., European, national level), and effects of platform activities appear mostly within local ecosystems. In consequence, big players on the market (such as Airbnb or Uber) have a significant, but not always positive impact on local communities (e.g., hotel or transport industry, etc.). Therefore, the representatives of both central and local governments should take part in developing the European Union legislation. What is also important, regulations at the national level should be preceded by the definition of public policy goals towards the sharing economy concept. Furthermore, domestic sharing economy regulations should be an outcome of the cooperation between central and local authorities, in order to meet expectations of both mature and developing businesses of different model types and from various business areas.
- **Creating new rules for the new business model** – the sharing economy also redefines relationships between clients and service providers. Therefore, while formulating regulations, several issues should be taken into account. **First of all, legal framework has to ensure consumer rights and safety of both service providers and service users.** Prosumers should be broadly and consistently informed about the regulations concerning the protection of customer and employer rights, as well as tax regulations. However, at the same time, the regulation has to prevent the disproportion between different sides of the market and offer support to those in the less privileged position (e.g., less wealthy people who have to change their place of residence due to the higher rent prices in districts where home sharing is exceptionally popular). Mitigating the negative

effects of online, often corporate platforms and promoting the essence of the sharing economy, which is social-driven value creation, may be one of the main objectives to be met by such regulations. **Secondly, regulations should support the sharing economy model, enabling companies and organizations to act faster and more efficiently.** Although during the meetings in five participating countries, various ideas were proposed, the researchers' team distinguished several key recommendations such as standardizing digital policy for collecting fees or other money transfers in order to provide both users and businesses with a secure transaction system, introduction of more flexible forms of employment, giving a possibility to conclude part-time job contracts without a formal obligation to conclude, e.g., an employment agreement, and classifying cause-oriented sharing economy entities as non-governmental organizations. At the same time, national governments should promote the development of the collaborative economy and ensure SME support (e.g., access to financing), as well as access to international markets. **Thirdly, the legal framework should indicate how to manage potential conflicts.** As already mentioned, due to the network effect, the sharing economy connects customers and service providers operating in different countries, legal systems and cultures. The legal framework should include ways of resolving disputes that will not discriminate against any of the parties involved.

- **Inclusion of the sharing economy into the urban ecosystems** – sharing economy services are gradually changing cities and metropolises. To take full advantage of the sharing economy (e.g., better management of resources, environmental protection), metropolises need to have a strong voice in the regulation debate both at the national and European Union level. For instance, various public associations can be a good place to work out a common position (e.g., the Union of Polish Metropolises or the Association of Polish Cities). However, when implementing solutions, cities should take into account several issues. **Firstly, to be more efficient, sharing economy services should be deeply embedded in the urban ecosystems.** Therefore, local authorities should facilitate the development of sharing the economy concept and encourage (e.g., with various discounts or tax reliefs) companies and enterprises to cooperation. Just to give an example, transport platforms offering car or scooter sharing could operate as a part of local transportation systems under similar conditions as the public transportation. **Secondly, local governments should evaluate the sharing economy effects in their area and identify the negative social phenomena (e.g., gentrification of districts) associated with this business model.** In such cases, at the request of municipalities, legislative initiatives at the national level could be taken to mitigate negative effects on metropolitan communities. **Thirdly, as the sharing economy has a significant impact on local ecosystems, cities should develop information campaigns devoted to the topic (e.g., rights and obligations of landlords, positive consequences of the new economic model).** Furthermore, by promoting the idea of the sharing economy, cities can also strengthen local ties, contributing to the better functioning of, for example, communities in districts.

- **Gaining knowledge and building trust** – the sharing economy trend is gradually gaining popularity. However, despite this fact, the lack of knowledge on the subject and the need for know-how is one of the most significant empirical observations during the conducted project. Therefore, one of the recommendations is establishing an international platform for the knowledge and experience exchange for those interested in the matter. Later on, such a platform could be of great benefit while determining needs, opportunities and obstacles for companies and entities active in this area of economy. It also should be stressed that the sharing economy concept is based on social trust. Therefore, the exchange of goods and services based on the platform model, should be especially promoted in the countries with a significant lack of social trust (e.g., post-communist countries). **To sum up, the sharing economy concept requires promotion not only from corporations noticing its financial potential, but also from the public authorities.** Such benefits of the sharing economy as environmental protection, building social capital and increasing the potential of young entrepreneurs cannot be overlooked.