



THE SHARING ECONOMY

Epiphenomenon or fundamental shift?

The sharing economy encompasses the different forms of collaborative consumption: renting a room for a week on airbnb or your car for a week-end on Drivy, but also sharing a ride with strangers via BlaBlaCar or a meal via Cookening.

In order to assess the strength of this phenomenon among the population and its impact on the traditional economy, OC&C Strategy Consultants carried out a large scale survey (over 2,000 respondents) and a series of economic analyses in the hosting and transportation businesses.

Our conclusion is clear and final: the revolution is in progress.



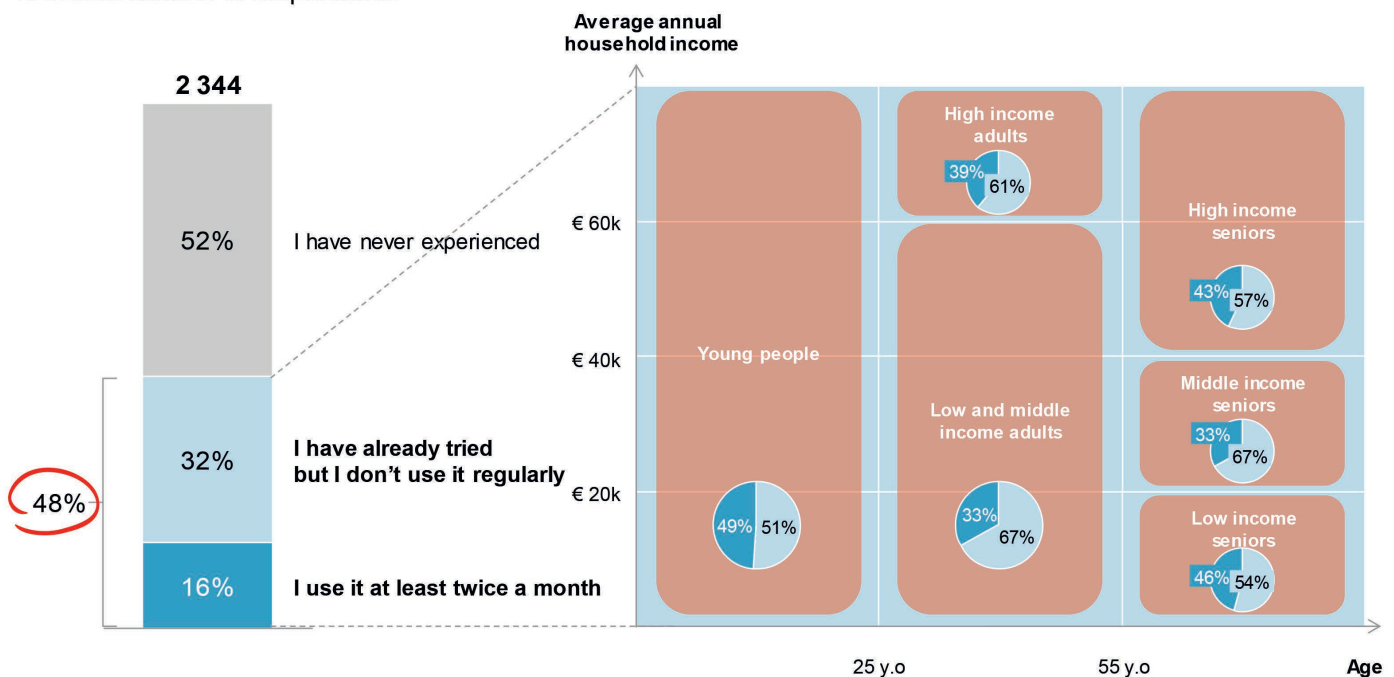
1. Almost half of respondents have already tried a service linked to the sharing economy

The survey shows that 48% of respondents had the opportunity to experience a service related to the sharing economy - 16% regularly (more than once per month), and 32% occasionally. Surprisingly, there is no typical user: adepts of the sharing economy can be found in every segments of the population: young people, adults, and seniors, regardless of their wages.

The sharing economy is a groundswell driven by a combination of **three favorable sets of factors**:

- **Social factors:** aspiration for sharing, desire for community alternatives, and higher sensibility to sustainable development are completely in keeping with the times;
- **Economic factors:** with a lower cost for the user of the service, and an additional income for the supplier, this system is welcomed in the current economic context;
- **Technological factors:** penetration of smartphones, online platforms providing ubiquity and proposing secured payments as well as community-based self-regulation have largely contributed to the emergence of the sharing economy.

Degree of familiarity with various practices of the sharing economy
% of total number of respondents



Sources : Survey and OC&C analyses

2. The sharing economy touches everything, starting with everyday items

Among the different examples of what is offered by the sharing economy, **rental / exchange / resale of multi / single-use products** (tools, clothing, housewares...) tops the list, with 76% of respondents that already experienced this.

In second place is the transportation sector: 65% of the sharing economy users

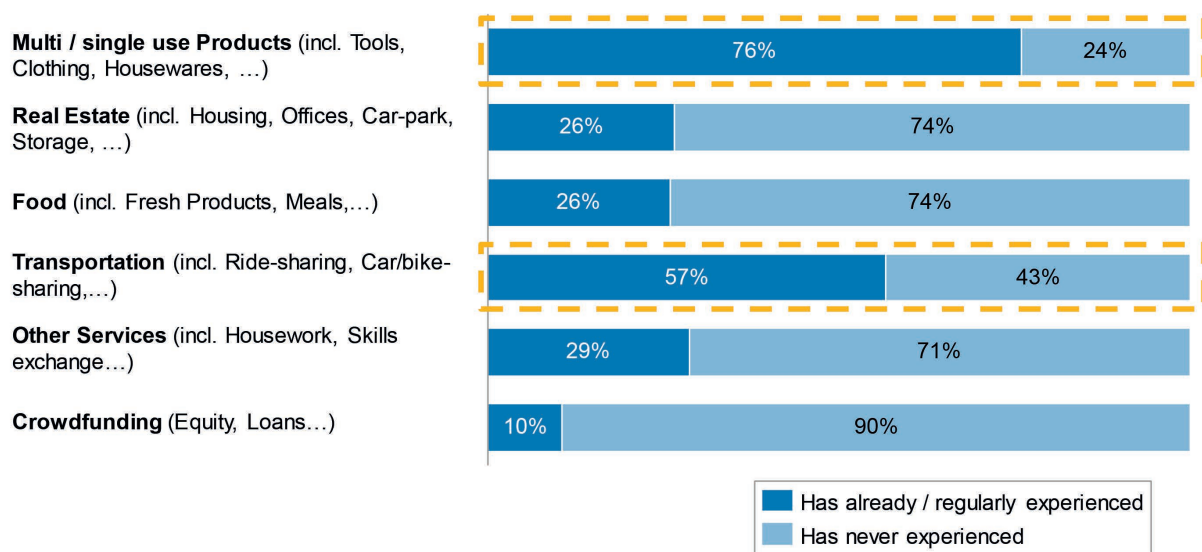
have indeed already tried ride-sharing or car-sharing...

The other sectors are positioned far behind in terms of usage, with 29% for food sharing (cooked food, fresh products...), and 27% for real estate.

Most importantly, within a community, 35 to 50% of members (depending on the service) are both users and providers. This two-way collaboration creates stronger reciprocal links than in the usual commercial relationship of the traditional economy.

Degree of familiarity with various practices of the sharing economy

% of respondents who have already experienced a service related to the sharing economy (N = 1 126)



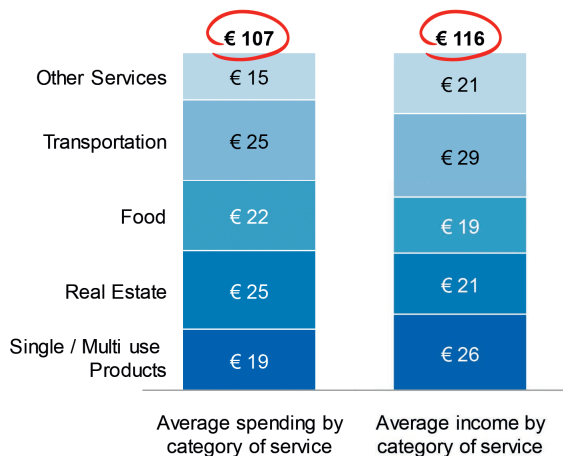
Sources : Survey and OC&C analyses

In average, €110 per month are exchanged between individuals and c.5% of users (resp. providers) spend (resp. make) more than €500 per month.

All sectors except crowdfunding¹

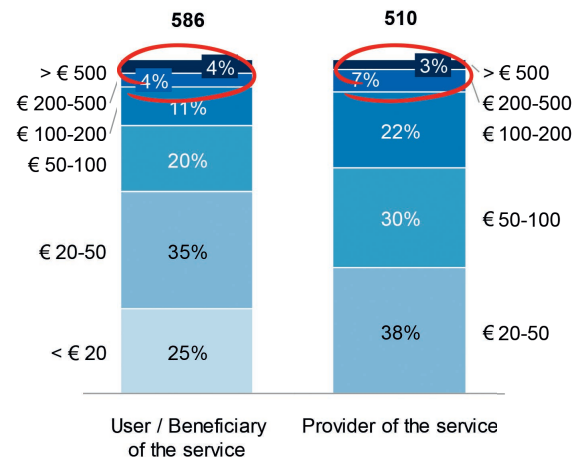
Average monthly spending and income by category of service

€ spent / gained by people who already experienced the sharing economy



Average monthly spending and income for all categories

% of total number of people who already experienced the sharing economy



1. Compounded average by segment
Sources : Survey and OC&C analyses

3. Very discreetly, the sharing economy has already taken a considerable weight beside the traditional economy

There are many examples of sharing economy players that provide evidences of the importance taken by this sector in recent years. In 2013, the 10 million travelers using BlaBlaCar represented in number 9% of SNCF long-distance travelers. And at the current stage, BlablaCar's sales valued in equivalent of SNCF prices would represent a market share of 15% on long distances.

Overall, the new leaders of the sharing economy managed, quickly and almost undetected, to play an important role against classic well-established companies. Most interestingly, contrary to classic business models, these challengers have no capital expenditure and fixed assets:

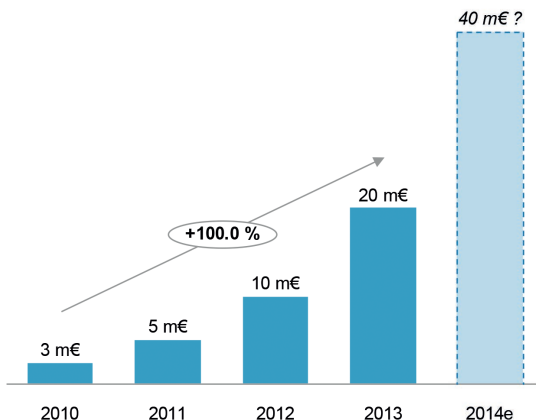
airbnb offers the 7th accommodation network in the world without owning a room, and BlaBlaCar allows 10 million people to travel, without having invested in a single car or employing any driver. This is a revolution, and it is a key to understand this massive and growing phenomenon. Another characteristic driving the success of these companies is the agility and flexibility of their model. Their offer can indeed be easily and instantly adapted to changes in the demand.

For instance airbnb can create an additional offer adjusted to demand for special events (World Cup, World exposition), when classic hotels are full, cannot increase their number of rooms and thus, cannot seize the punctual growth opportunity.

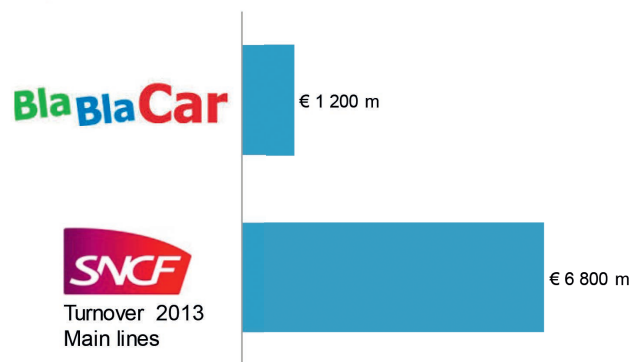


	Intermediation rate	Discount effect	Ratio between platform revenues and traditional player turnover
	10%	c.1/3 of price (66% cheaper)	€1 BlaBlaCar ⇔ €30 of train

Revenues of BlaBlaCar¹
€m; 2010 – 2014e



Service provided by BlaBlaCar compared to its equivalent in traditional economy (SNCF)
€m; 2014e



1. World wide revenues, but paid service only in France
Source : Financial communication of SNCF, BlaBlaCar, press clips, OC&C analyses

4. Who will be the winners in the sharing economy?

How could a company take a market leadership in the sharing economy? In these community models, where the offer must match the demand, size is a key success factor that fosters the emergence of an ultra-dominant leader in some sectors, as LeBonCoin in the product category, or BlaBlaCar in transportation.

Another reason of LeBonCoin's success is the ability to expand the sharing economy model to professionals. LeBonCoin was originally a local consumer-to-consumer classified advertisement website. It has gradually gained market shares from classic C2C estate websites to reach a very high audience on real estate. Professional estate agencies, usually working with B2C specialized websites could no longer ignore LeBonCoin and started to display their ads on this platform, making of LeBonCoin a major competitor of B2C classified platforms. airbnb is following the same trajectory, and it will probably be also one of the main drivers of their success. Indeed airbnb has reached such a high audience for C2C room booking that hotel professionals are starting to offer their services through this website whose fees, in addition, are

much lower than other online room booking websites (e.g. booking.com or hotel.com). Valued at \$10 Bn, airbnb is today compared to classic hotel companies as Accor or Hilton, but it would be more relevant to compare it to pure online booking platforms. And with a market cap for booking.com approaching \$60Bn, one could easily expect that airbnb's valuation would continue to skyrocket...

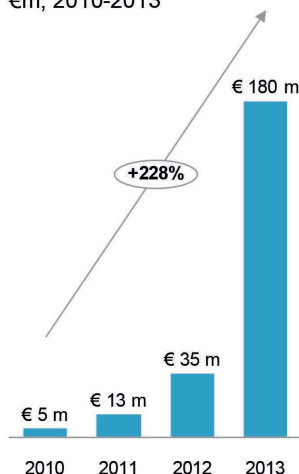
Nevertheless there are still some categories where there is no clear-cut winner, like the crowdfunding market, where in France, KissKissBankBank appears to be the leader, without managing to make a clear difference with other platforms like Prêt de Chez Moi, Ulule, or My Major Company.

In all cases, the rapid expansion of the sharing economy results in ever higher financial offers even from traditional players. For instance, in 2013, SNCF took a position in ride-sharing, by acquiring the specialized website 123envoiture.com and strengthened it by launching IdVroom in December 2014. Similarly, AXA Seed Factory, the early-stage venture capital funds of the group, that targets startups specialized in banking and insurance, invested 350 000 euros in Particeep, a software used to create crowdfunding "white label" platforms.

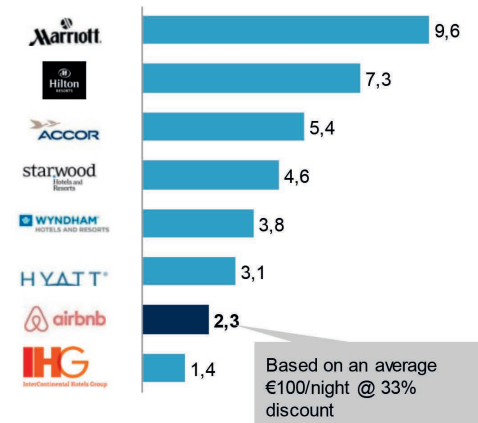
Historical leaders must react now, because news models and usages are infinitely more rapid and agile.

	Intermediation rate	Discount effect	Ratio between platform revenues and traditional player turnover
	~12% ¹	c.2/3 of price (33% cheaper)	€1 airbnb ⇔ €12.50 hotel

Revenues of airbnb
€m; 2010-2013



Bookings on airbnb compared to their equivalent of leading hotel chains revenues²
€B; 2013



Market cap of leading hotel chains
\$B; November 2014



1. 3% to the tenant, 6% to 12% to the user
2. Revenues models of hotel chains vary significantly from franchise to fully owned assets
Source : Annual reports, privco, bloomberg, OC&C analyses & estimates

5. Three trends to anticipate: the importance of e-reputation, a new market for insurances and other related services, and a reaction of tax system

a. E-reputation will become more and more essential to the sharing economy

E-reputation of the sharing economy users and providers will form an increasingly important condition for success, being more and more decisive to generate trust among community members.

OC&C Strategy Consultants' study shows that 39% of people that already experienced a service related to the sharing economy have dropped, at least once, a transaction after reading feedback on the provider. However today there is no leading platform that aggregates individual e-reputation for every member of the sharing economy community. In the future, consumer-trust ratings will be a very valuable asset for those who will participate to this massive flow of community exchanges.

b. An emerging new market for insurances and ancillary services

According to our survey, for car or flat sharing, if more than a third of respondents indicated that they looked at the insurance clauses, about 50% have not checked in details that they were correctly insured. New insurance contracts fully covering uses related to the sharing economy should be provided.

A new market is also thriving on the fertile soil of the sharing economy. With the magnitude of this phenomenon, a multitude of companies have emerged, proposing ancillary services, and acting as facilitators for sharing economy players

or their customers. For instance, many startups have proposed to airbnb hosts to take care of the logistic (key, sheets, cleaning). By facilitating the offer, these new services are giving another impetus to the sharing economy, and contribute in turn to amplify this phenomenon.

c. Towards news rules and tax regulations

Considering the growing weight of the sharing economy, the tax administration will probably be brought to react, either by taxing transactions, or regulate the different activities. The crux of the issue will be to regulate without threatening innovation and earnings for members, for which this alternative economy represents a significant boost to their purchasing power.

Conclusion:

The sharing economy is indeed a major shift that may change everything. Tomorrow's giants are growing today, just in front of our eyes and very rapidly, and they already count in traditional economy (BlaBlaCar, LendingClub). Leveraging every available and unused resource is infinitely more powerful than building dedicated capacities, and each traditional actor is exposed: in the transportation, accommodation, and financing sectors.

The value creation paradigm is fundamentally changing: where traditional actors consider clients and assets to monetize, the new conquerors consider community and links between members to develop, without relying on capital expenditure.

Methodology of this survey

The survey was conducted in June 2014 on the Internet, distributed to 2,344 respondents, aged from 18 to 65 year old, representative of the French population, in partnership with Ouest-France.

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