

## ***The collaborative economy? How peer-to-peer platforms are changing work, business, and policy***

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A revolution is sweeping through business and the economy. It goes by many names: the sharing; on-demand; peer-to-peer; collaborative economy. Millions of people use online peer-to-peer technologies to find matches for products, work, transport, accommodation and finance. Further afield, local energy providers are matched directly with customers, and new digital currencies on peer platforms are emerging, bypassing traditional institutions. Businesses, communities and policymakers around the world are struggling with how to respond. 21st century innovation is outpacing the 20th century regulation. Some envisage a wholesale alternative to today's largely market-based system. Others argue that the new platforms erode labour and other community standards. What is sure is that not everyone will emerge a winner: the peer-to-peer economy is disrupting existing firms and industries and changing the very notion of a 'job'. The new platforms also pose policy challenges. Changes will be needed to address issues such as tax, licensing and employment laws in ways that protect both customers and providers on the platforms. But how can this be achieved without impeding innovation made possible by the new opportunities created via peer-to-peer exchange?

**Rachel Botsman**, a global leader in the analysis of the collaborative economy and peer-to-peer marketplaces, joined **Dr Jim Minifie** from Grattan Institute in a discussion on the challenges and opportunities this new economy presents.

**JIM MINIFIE:** Welcome to tonight's Grattan and State Library of New South Wales *Forward Thinking* event on *The collaborative economy? How peer-to-peer platforms are changing work, business and policy*.

My name's Jim Minifie, I work at the Grattan Institute, I run the Productivity Growth Program there, what I focus on is cost reduction and innovation, and tonight I think we're mostly in the innovation end of that spectrum. I'm really excited to introduce you, Rachel Botsman, who is a real innovator in this field and has a really long history of thought leadership across the collaborative economy, and it's great to have all of you with us this evening. I should let you know that we're recording this event and it will be played on our website within the next few days. We'll devote ample time for questions at the end, so we welcome question as well. What I've got in mind is that we'll run through a series of topics, you shouldn't feel that you shouldn't ask a question in an area that we've covered at a high level, so we'll make sure we've got plenty of time.

Broadly speaking, the first arena that I'd like to cover Rachel is around what is the collaborative/peer-to-peer/sharing economy and why has it become something that people think of as an entity?

**RACHEL BOTSMAN:** So start with an easy question. So the space has a brand crisis because it has so many different names, they're three of about 40 that we've counted, and the terminology is important because we think it actually stands for different things. So I'll try and break it down.

The easiest way to think of the collaborative economy, which I would say sits at the highest level, is through a structural lens. So think of big top-down pyramid-shaped organisations and institutions that were built in the industrial age, and what's happening in the collaborative economy is they are being disrupted and what's happening is these distributed decentralised networks and marketplaces are

taking their place. So we saw this happen with media, we're seeing it happen with taxis, we're seeing it happen with financial services, and all the way across sectors. And what happens in these marketplaces is technology matches needs and haves in ways that transform supply and demand. The sharing economy is rightfully hit as a term because most of the businesses that people use to describe the sharing economy, the behaviour is not sharing. The behaviour is renting, it's buying, it's selling, it's leasing; it's good old-fashioned commercialism. So the sharing economy is a very good term to describe organisations and ideas that are generally around sharing an asset and generally around sharing a behaviour. So a really example of that is BlaBlaCar in France which is a ride-sharing platform that matches people on long distance journeys. That's very different from, say, Uber.

Peer-to-peer is another subset, so peer-to-peer refers to the method of exchange and peer-to-peer refers to when things are directly exchanged between individuals. So the easiest way to think of this is think of GoGet, which is a business to consumer model (B2C) and has anyone got their car on Car Next Door or Drive My Car rentals? That's a peer-to-peer model. So the B2C model is when the goods are still owned by a company and then people facilitate access. Peer-to-peer is when the goods are owned or the services are provided directly between individuals. Where it gets really confusing is the media has decided there aren't enough terms out there so we should add "on-demand" and we should have "access" and we should add "gig" and we should add "network". My fear is that now anything that matches a provider and a customer through a phone is being thrown under this umbrella. I read an article in the New York Times last week where it was like, "Das Beers", which delivers beers to your office in under one hour, and "Washio", which delivers your shirts in under one hour; these are now all the sharing economy and that's -

JIM MINIFIE: It does have a slightly dot com bubblish flavour to it around the edges of some of these platforms which you really have to how many winners are there going to be?

RACHEL BOTSMAN: What is just an on-demand app, for me those are no different from pizza delivery or Amazon Prime, versus going back to the principles which is you take an underused asset, you use technology to unlock the wealth and eek out the capacity in ways that fundamentally change distribution systems and the way value is exchanged. That's very different from pushing my phone, finding a dog walker or getting my beer delivered to my office.

JIM MINIFIE: So if you think about the sectors of the economy where there might be significant opportunities, you already mentioned you're seeing it in transport, finance and in work, but how material are we really talking about here? Is there a sense in which we'll come back in five years and say, "Well, there are some interesting niches, but fundamentally the old institutions persist"?

RACHEL BOTSMAN: I think people have been asking me if it's a nice or a trend for eight years now and all that happens is it gets bigger and bigger and more mainstream, and I think what we're starting to see is how it's eating into traditional incumbents' pies. So when you start to put it in the context not of the evaluations and the investments in the start-ups but the fact that Airbnb is the second most valuable hospitality brand in the world. So it's Hilton, Airbnb and Marriott.

JIM MINIFIE: How many nights would be transacted, if you like?

RACHEL BOTSMAN: I don't know the latest numbers. I know it was around 25 million, there are around 90,000 hosts in Australia - the reports are mixed, 70,000 to 90,000, it's the tenth largest market, Airbnb, in the world in Australia and I think the average host is making around \$7,500 a year, was the last report I read. So peer-to-peer lending, it depends which segment you're looking at but the growth rates are around 280% quarter on quarter. In the UK they've got around 2% of the unsecured personal loans market. Uber has taken two-thirds of the traditional taxi revenue in less than three years in San Francisco and when I was out there last year they said they've got a lifeline of about 18 months.

Financial services, transportation, hospitality, this is where we're seeing the most maturity, but those numbers and those growth figures we're starting to see emerge in things like logistics and food distribution, which will be other sectors that we'll start to see a, you know, Airbnb, Uber, Lending Club, XXX type thing.

JIM MINIFIE: And even as far afield as energy or, dare I say it, kidney transplants you're seeing some interesting models emerge as well.

RACHEL BOTSMAN: Yes, I think people always say, "Well, energy won't be touched because it's a highly regulated industry and healthcare, no way". One of the best things about my work is I get to meet these entrepreneurs and the interesting thing I find is they ask questions about their industries that no traditional incumbent would ever dream of asking. So Vandebron is a company in the Netherlands, it matches small independent energy providers, so people with a couple of wind turbines or some solar panels, directly with customers and the founder of that simply said, "Why can't we buy energy directly from the people who provide it?" And it's working, it's a marketplace matching up these small providers with customers. So you see that kind of thinking.

In healthcare there's an amazing company in the US called Cohealo and it was started by a medical salesman and he basically had an epiphany one day where he was walking around the hospitals and he said, "I can't sell these hospitals more stuff". Because he'd walk past hallways and he'd just see incubators stacked up and he'd see all this life-saving equipment just in the hallways, and then he'd go to another hospital and they would have nothing. Now this is often what the entrepreneurs see, they see broken systems of supply and demand, that over here you have massive oversupply and over here you have massive amounts of need and there's an opportunity to connect the two. So he's created this platform called Cohealo, hospitals are starting to track the productivity of their equipment and they're sharing it through a logistics platform.

JIM MINIFIE: Are there markets in which the uniqueness of demand and supply also plays an important role? So that might be an example where there's excess capacity and you're reallocating it, but let me ask, so if I look at Airbnb I presume there are many people who would have a strong preference not to stay in a generic hotel. Is that an important part of these peer-to-peer networks, the diversity, finding niches that otherwise wouldn't be met?

RACHEL BOTSMAN: I think it's a mixture. So what you see a lot is entrepreneurs find pain, so they find pain that is present in many people's lives and that they can find a solution around. A really good example of that is JustPark in the UK or we have Divvy in Australia. Parking is a common pain point, they estimate you'll waste 102 days of your life driving around looking for parking. So create a

marketplace out of underused parking spots, so that's a really good example. And then Airbnb is an example of a latent or an unmet need where people didn't even realise maybe that they wanted to travel this way. And I think what's really interesting is if you look at the segmentation behind Airbnb is how you have many mixed users, so they still use hotels in some contexts of their lives, but in other areas Airbnb staying in a home is now their normal behaviour.

JIM MINIFIE: I presume that there's potential for significant upside when you've got 10 million spare bedrooms in Australia and that the largest two components of people's capital stock are their house and their car, and you might get much greater utilisation and that would free up potentially to have a smaller car stock?

RACHEL BOTSMAN: Yes.

JIM MINIFIE: And essentially we can use that dividend for some other purpose?

RACHEL BOTSMAN: That's exactly right. You're looking at two key ingredients, it's where do you have mass amounts of underused assets with high value and then where do you have a segment that already exists? So driving, parking, travel - you're not having to create a new behaviour, you're just transforming the way the asset is utilised.

JIM MINIFIE: How are the incumbents responding? You've just taught a course at Oxford's Business School looking at implications of these technologies for business. So the incumbents are seeing this happen around them, are they responding and, if so, are some of them succeeding?

RACHEL BOTSMAN: It's really interesting to me the change in the conversation. So a couple of years ago they started to go, "Okay, this isn't going away, this isn't just a reaction to the GFC". So the first wave is we saw investments, like, "We'll invest in these start-ups". We see it in Australia, like Westpac invested in Society One, the GPT Group invested in LiquidSpace. And then they sort of said, "Okay, maybe this isn't enough. Maybe we need to partner with these start-ups", so we're starting to see interesting things around that. And now what they're starting to say is, "Crap, we get it, we are losing control of the distribution channel and at the end of the distribution channel is the customer and this is the Napster for our industry".

So they're starting to see that the way value is created, the way it's distributed, the way it's scaled, the way it's trusted, that's the disruption. So they're thinking much bigger in terms of what are the implications of this in terms of the change in consumer behaviour, but also the fundamental change in their business model and will their business model even be relevant in 10 years' time?

JIM MINIFIE: So can we dig into the consumer. I'm imagining that there's a kind of tip your toe in the water effect and somebody might not have participated as a buyer or seller on any of these markets, they try one and have an experience of some type in one of them and that might change their orientation towards participating in others. Do you see that kind of effect, that there's a tipping point where somebody might go from being a sceptic to a devotee or a non-participant to a very extensive participant?

RACHEL BOTSMAN: Yes, there's always a gateway in, it's often around transportation, and then you do see some transference in terms of, "I've tried this and I didn't think it would work and now I'll try I in other areas of our lives". The interesting thing is you look at the research, the term "the sharing economy" or "the peer economy", it doesn't really matter to people. To most people they're not making the connection of, "Oh, I just took a loan" or "I just went on AirTasker" or "I just stayed on Airbnb". That relationship isn't important, it's just they're getting more comfortable with these ideas.

So, again, it comes back to trust, it's like wow. You think about it, I often think of my parents, they think I am an idiot because I used to work for President Clinton and when I told them about this idea they were like, "You're going to give up your great job with a President to explore this stupid idea that is basically going to implode?" And when you actually dig into that, and we've had many conversations, then I think about it. BlaBlaCar, \$100 million company based on asking people to get in the car with a stranger, which we spent 15 years of our life telling you not to do; Airbnb, knocking on someone's door and staying in a stranger's home; Uber, sharing rides in taxis with people who aren't professional drivers; and so I could go on.

So I think there is a comfort level that's starting to emerge that we can trust individuals more than we can trust institutions, and that is the behaviour you do see transferred.

JIM MINIFIE: So far it all sounds pretty good. Let's think about downsides. So if you look in the press you'd say there's concern about casualization of the workforce, there may be concern about the destruction of value in assets that have been attached to the incumbent industry. Are you seeing responses as you look around the world to managing those downsides and, indeed, are they material?

RACHEL BOTSMAN: Yes, the space has gone negative, so to speak. It's lovely to actually do a media interview these days where people actually want to talk about the positives because everyone's fixated on the negative impacts. *The* topic of the day, and rightfully so, is on the impact of the future of work and the concern around the providers of these platforms both in terms of are they employees or independent contractors, and if we start moving to a world where people aren't employed by corporations what does that mean? The interesting thing is if you actually talk to the platforms there are so many things in place to stop a race to the bottom. So this is their primary concern, they're starting to set minimum wages, so in bidding marketplaces you can't actually bid below the minimum wage.

My concern is less around income and earnings, because when you actually talk to the users this is how they want to work. They don't want to be employed by a company. They want the freedom, they want the flexibility. It's as much economical as psychological. My concern is do these providers really understand the transference of risk, which is not clearly explained by the platforms. So yes, there are insurance policies in place, but do they really understand that the liability that was formerly carried by the corporation is now carried by the individuals in this peer-to-exchange? So there's a big education piece on that.

JIM MINIFIE: And presumably that's for both sides of the transaction, it's not just for the supplier, there are also risks that the consumer takes on by inhabiting somebody else's property?



RACHEL BOTSMAN: Yes, it's interesting in Australia the debate is very different from the States. So in the States the debate at the moment is really about protecting the provider side. In Australia it's still sort of lower beat, the conversation is primarily around consumer protection, market protection, fair competition. So it's much more on the consumer protection side.

JIM MINIFIE: Are there other observations about how businesses are responding, before we move into the policy world?

RACHEL BOTSMAN: The way we often frame it is there's three responses. So they're ostriches, so they say, "I'm just going to bury my head in the sand and I'll hope or pray this will go away". They fight, so they say, "Regulation or the law will save us", so that's the route they take. Or they choose to pioneer and when they choose to pioneer what they're often asking themselves is how can we create new value from our assets and what is the new role that we have to play in customers' lives?

I think BMW is a really interesting example. The car brands are starting to embrace that maybe ownership of cars, maybe the concept of ownership will become an antiquated idea in 10 to 15 years' time. So not just owning a car, but ownership in general has very different meaning to generations growing up. So they're saying, "Okay, if selling cars isn't our future we have to be in mobility services, we have to think about our business is helping people get from A to B". So they've launched what I would all next generation car sharing platforms, so you can rent the cars by the minute, you can drop them off in different locations, but then they're doing really interesting things like they've just partnered with JustPark. So in the steering wheel of BMWs now there are these peer-to-peer marketplaces, so you can drive along and literally say, "I need to park X" and it will find you a parking space on JustPark. To me that is really leaning into this and saying, "Okay, we can now take a marketplace and put it in the steering wheel of our car and start to think differently about the role BMW plays in a customer's life".

JIM MINIFIE: So it seems the platforms are becoming more and more powerful, more and more pervasive, and it's an important question to consider what type of power they might accumulate and how that might be exercised, and it could occur in different ways. So one is you might just have good old-fashioned pricing power, the ability to extract margin if you like. Another one would be that you become a kind of de facto judge over disputes between participants on the platform, your hosting reputation according to a set of judgments you make about how much priority to give to recent versus much earlier or negative versus positive or mid-range versus the outliers and so forth.

Are you seeing the platform operators themselves behaving in a way that's more or less consistent with those powers that they might be accumulating being exercised in a responsible way?

RACHEL BOTSMAN: It's a difficult question to answer. I think they're starting to realise the power that they have and the responsibility they have and the question they are asking themselves is what is the role they should play? When you have these peer-to-peer relationships, when is it your responsibility and when is it in the market's good to intervene versus actually creating systems and behaviours where these disputes are resolved peer-to-peer?

So to make that real, for the Oxford course I had to write this case on Airbnb and it was mind-blowing to really go inside their customer experience team. The thing that first flew me away was they call it

“customer experience” but in any other company it would be call reps basically in a basement somewhere. They’re in these beautiful offices, they’re highly qualified people, many of them are trained psychotherapists, many of them have PhDs. I met someone who was an expert from the government in conflict resolution. And the work they have done to understand the psyche of resolving disputes in a way where they basically rarely get involved but give the tools to the hosts and guests to resolve that dispute themselves is remarkable. And I think that’s just a really interesting example of a company saying, “How do we manage a peer business at a global scale? How do we retain this human connection and this human accountability that is really important when we’ve got millions of interactions going on?” You can’t be involved in every single dispute that goes wrong.

That’s why I think it’s so fascinating is the next generation of thinking is going to be do these organisations represent the next generation of organisational design? The way they’re structured, the way they treat their employees, the way they think of their customers, whether you’re in the peer economy or not, is this how corporations will start to function?

JIM MINIFIE: I find it noteworthy, just on the question of the power of the platforms, that I think going back five or six year it might have been reasonable to assume that Google would have dominated more of these platforms than they’ve ended up doing. They would have been perceived at that time as having an unsurpassed understanding of customers, technology that was really difficult to replicate, and an ability to really pick off markets that they wanted to dominate. And in large part that hasn’t happened and I find that quite informative, just as Microsoft before them had a great deal of difficulty in adjusting to a new era of connective devices. And that gives me I guess a degree of comfort that the durability of the market power of any given platform may not be that extensive when you’ve got continued development of the technology underlying those platforms.

RACHEL BOTSMAN: Do you think that Google will become a search aggregator around behaviours? So, for example, you’ll search a mobility need and Google will actually aggregate all the services out there?

JIM MINIFIE: My understanding is that there are apps today that do give you access to multiple ride-sourcing entities and if you look back historically there have always been the attempts to be the aggregator of aggregators. Often those don’t work and I think the other challenge for incumbent firms is that intrinsically you get attached to whatever the business model is, you’ve got a revenue stream that’s derived from that, and just in practice the range of potential innovations that need to be explored by entrepreneurs is so much larger than any one firm can do that intrinsically big new opportunities are often gained by entrants. But, having said that, I do have concerns about whether a dominant platform might attempt to make it difficult for either buyers or sellers on that platform to use competing platforms that might not quite have the scale. So they might seek to prevent a driver operating on another platform or they might seek to prevent a seller of, say, the Airbnb-type proposition using their reputation on another platform.

RACHEL BOTSMAN: Yes, this is why the case that’s in the California courts at the moment is so crucial. You’re probably all familiar with it, but it’s the case with Uber where they’re trying to decide are drivers independent contractors or employees, and the implications of this are massive in relation to loyalty. Because if these drivers do become employees they can’t jump from platform to platform

and this ties to a bigger question. In Australia I think we really have to think carefully around the regulation we're putting in place because we don't have competition in the market. You go to the US and people just use Lift and SideCar and Uber, they interchange, and what's interesting is that Lift is renowned for the way they treat the drivers, they have a very different culture; it kind of raises the standards of the industry.

So if Australia makes it a really hard climate to operate in - I know that these entrepreneurs, they're looking at which markets they should enter into and the conversation I have with them is, "Why on Earth Australia?" It's a long way. Yes, you speak the same language, but it's a pain in the arse to get stated there. And that's a real problem.

JIM MINIFIE: Is that just because of the tyranny of distance or because the regulatory environment is not conducive?

RACHEL BOTSMAN: Because the regulatory environment is not conducive and then you compare that, they're like, "We're looking at the UK. We're going to go to the UK" because all the signals - I should say, I live in Sydney even though I've got a British accent. So it's really important when we're making these decisions around Uber, whether it's GST or whether it's taxation, it's the signals that we're sending to these entrepreneurs all round the world who are deciding which markets they should enter into next. We will suffer as both providers and customers if there isn't competition, if there is a monopoly, which is what is starting to emerge.

JIM MINIFIE: China seems to have taken the view that they can home grow their equivalents and it works for them, 1.5 billion people. Is anything like that an issue for a country like Australia? Would you say we can build an app and it's going to be good enough and we won't be sending a cheque offshore to a company that's set up its IP regime such that they don't report much tax domestically?

RACHEL BOTSMAN: I actually read yesterday that China's just invested \$22 billion in this space in the last 18 months, which is phenomenal. In terms of innovation, Australia in this space per se, to be honest, is just copycatting. I haven't seen anything come out of Australia where the rest of the world is going, "Did you see that peer-to-peer marketplace that these Australian entrepreneurs created?" What's happening is we're saying, "Oh look, there's that crowdfunding platform that works in Australia" or that error networking platform, and then we're adapting it for this market. So it's really important that we start becoming seen as a source of home grown ideas versus ideas that we take and adapt.

JIM MINIFIE: Yes, it seems that our IT successes have been in the area of online collaborations of teams, so if you think about some of the -

RACHEL BOTSMAN: Yes, Freelancer.

JIM MINIFIE: There are a range of firms that provide environments for document storage and for contract negotiation and what have you that have been globally very successful, and then yes, as you've said, there's Freelancer which has been quite successful globally as well.

RACHEL BOTSMAN: Yes.



JIM MINIFIE: So we're not batting zero for zero, but still.

RACHEL BOTSMAN: No we're not, but it's interesting, why have we succeeded on the coordination of labour and talent fronts, so 99 Designs, Freelancer, Elance? Why are we strong there and then falling down on other areas?

JIM MINIFIE: Why don't we turn then to the policy questions, and let me just start with a proposition that says the non-peer economy is full of imperfections and I would make the assertion that setting the standard of perfection for what gets done in the peer-to-peer space is probably the wrong level, but nevertheless there are a set of challenges. What do you see as the main policy challenges facing policymakers to get the most out of this space or managing the downsides?

RACHEL BOTSMAN: Let's start with the downsides first and let's leave labour aside, because I think those things are actually easy to fix, how you recreate benefits, how you set minimum wages, they're actually easy to control. My concern and I think the really interesting wave that is coming is around these reputation systems and whether even policymakers, I'm not suggesting that they have a role but I think it's going to be really interesting. The focus at the moment is on the relationship between the providers and the platforms, but what about the relationship between the providers and the customers? You could have the next wave of defamation suits, so if your reputation is unfairly ruined on one of these platforms in ways that has implications, whether you can't use these platforms or you can't use another platform or you even lose your job because of a bad review, what system is in place or should there be a system in place to actually address these issues?

This has happened to me on Airbnb, this has happened to me on Uber, I have I think been unfairly reviewed and have publically contested it, but I think this is a really interesting question. The bigger question is what is the role of government regulation in these self-regulating markets? And how does self-regulation work really well and where does it fall down, and the gap is actually where we need policy and regulation. I think the mistake I see many policymakers making is, well, they're starting to realise that the traditional regulations don't apply to these models, so it's a conversation non-starter to figure out how do you apply taxi regulation to on-demand ride-sharing? How do you apply hotel taxes to Airbnb? So we're starting to see that go away, which is a really good thing. What I'd love to see them think about is what is the policy that needs to allow this space to thrive and protect both sides of the marketplace, not today but over the next five years?

So a really good example of this is policymakers have just started to figure out how to regulate Uber and create fair competition standards, and then they're surprised when a week later Uber launches Uber Fresh and Uber Logistics and Uber Rush. And then they're like, "Oh, we didn't realise this was going to be a logistics company" or "We didn't realise it was going to be a food company, we thought we were dealing with a taxi problem". This is using technology to coordinate the flow of goods and services in a new way and that's the way they've got to think is like, "We have to solve these new types of coordination". You can't reverse consumer behaviour, so how does regulation apply to a world where goods and services and value flow in a completely different way? So don't focus on regulating taxis, think about the bigger system that Uber and others are changing.

JIM MINIFIE: Can I now turn to a couple of the verticals, so we've talked a little bit about transport. If you look at accommodation it's got a very different set of issues, so it's not so much that there's an

incumbent, although of course regulated hotels will quite rightly say, "If I'm competing with an unregulated industry then I've got a cost disadvantage", but there's the question of the neighbours. There's plenty of feedback on those platforms but as far as I know there's no opportunity for a downstairs neighbour to click on Airbnb and say, "You know what? I'm not going to give you a high rating". So there are limitations to these rating systems and is there a way around that that doesn't involve just willy-nilly applying current body corporate regulations and saying you can't do it?

RACHEL BOTSMAN: The negative externality, so to speak, whether it's the noise that neighbours complain about, it's really difficult. It's an interesting idea, can neighbours actually complain about a reservation? I don't know. But then you have to say do the upsides, not erase these issues, but Airbnb has proven that it brings money to local neighbourhoods, that people spend their money differently when they stay in Airbnb accommodation. So I don't know. I have friends in New York and they have said that they've had to move out of their building because of people coming and going and one described it as like living in a brothel. That's the extreme, but I get it. And this elderly woman was saying to me, I like to interview a range of users, and she said, "I feel really unsafe. These aren't residents coming and going, these are travellers". So those safety issues around that homes don't become hotels.

It's a really big thing for me, we're living in a country just like in the UK where we're not even living in a nation of homes, we're living in a nation of houses where property is becoming an asset, and I worry that Airbnb is a further commercialisation of homes that are a fabric of the community. So it's a very fair point in terms of the impact beyond the individual, the impact in terms of the neighbourhoods and the overall community.

JIM MINIFIE: So we've covered a couple of areas where policymakers need to potentially look at sector-specific, if you like. Another one could be finance and my understanding of some of the issues there are that incumbent banks have got a great deal of information. Take the Australian Credit Reporting Arrangements which have just recently shifted from negative to more comprehensive, so there'll be more information about people's credit-related histories, and that's a form of trust-builder and potentially that could permit entrants to be more active. Are you aware of other regulatory issues in the finance space that would help to exploit the benefits of peer-to-peer?

RACHEL BOTSMAN: It's interesting, I think finance is actually the sector where the regulation is changing the fastest and these entrants are getting FCA/ASIC approval within months of launching and they're coming up with pretty innovative ways to protect risk, so thinking differently about risk pools. And it's funny to say, but it's actually some of the easiest regulation to change around these peer-to-peer financial systems because they're saying if you designed a financial system today you would never design a traditional bank, so many of these peer-to-peer systems are actually more efficient, more secure forms of financial exchange than traditional institutional structure.

JIM MINIFIE: Any other sectors where the policy issues are particularly tricky?

RACHEL BOTSMAN: It's kind of the same things come up regardless of the sector, so you see how do you deal with what was a private good becoming a commercial asset is one line. Taxation, labour issues, consumer protection, competition law; it's the same issues they just have different flavours depending on the sector.

JIM MINIFIE: Could we just dig a little bit into the labour issue because most of us work or have worked at some point and the terms under which those deals are struck can be viewed in two very different lenses. One of them is it's the atomised world of freedom of contract, a set of characteristics associated with that, the other view is it's very much a bargaining arrangement with the opportunity for exploitation, especially after the fact if a worker has invested heavily in firm-specific human capital. When you look around the world, are you seeing different governments taking different orientations towards that issue?

And let me just put one thing out there, to my mind I see why it's so material in the US context that people really care about whether their work is being classed as employment or not because your health insurance, your unemployment insurance are linked with your employment relationship. Now those are not immaterial here, but some of those linkages are much, much weaker in the Australian context and at least on that basis I would have the hypothesis that broadly we've got a fairly good flexi security system which permits a safety net to be put in place that is compatible with the peer-to-peer economy. Now maybe that's an unrealistically rosy example, but does that resonate for you when you look around the world?

RACHEL BOTSMAN: Yes, I think it's interesting, I think one of the biggest accelerators in this space when people ask for drivers is Obama Care. The transformation of healthcare has given people the confidence to actually leap into independent work. And it's really interesting if you're following the presidential debates, which are entertaining in themselves - let's hope Donald Trump stays in just of comedy - but this has become an issue. Hilary Clinton started it with her big economic speech which she's now tried to back-pedal, but it was based on the data that just came out that 45% of the Australian population are freelancers; they're not in traditional jobs. Now she came out and said, "Oh, I'm going to protect these workers and I'm going to prevent a race to the bottom". But what they're actually saying is we're scared shitless because if the corporation, to your point, doesn't have the safety net it becomes the government has to form this new form of security. Sorry, I've forgotten the question.

JIM MINIFIE: Just the response of governments to this challenge around the world.

RACHEL BOTSMAN: Of labour, yes. I think they definitely realise that this is just an indicator of the future of work. I know where I was going. The really smart governments are saying, "We can't think of this as one lump issue", that there's a labour issue because even within the labour supply there are very distinct archetypes. So you have what I would call professionals, so these are people that these platforms it is a profession and they were either doing it beforehand or they've discovered a new career. So that's everything from the black cab driver on Uber to the attorney who's now said, "I don't want to be a partner in a big law firm, I'm going to run my practice on a marketplace like UpCounsel". They should be the primary focus in terms of this is a highly active economic segment, this is one of the biggest markers in terms of people moving out of traditional jobs.

The other two categories I don't think the same argument applies, so I would call them flexors, and these are people who a traditional nine to five job is just not an option. It's not even what they want, it's just not an option, so that's everything from people with disabilities, sometimes students, parents are a huge category, stay-at-home parents, retirees is a massive category. They don't want a

traditional work contract. And then the last category which is really fascinating are the moonlighters and the moonlighters are people with traditional nine to five jobs who are selling on Etsy, are hosting on Airbnb, are even driving on Uber on the weekend because it's not just about extra money, it's something very intrinsic. So when we talk about regulating these issues it's a really basic point, but we often forget the people. It's a complicated people issue and it is not one person or one type of person, so we need different types of policy and regulation applied to one issue, so to speak.

JIM MINIFIE: It strikes me too that, just as in the pre-internet economy there have been ebbs and flows of the more cooperative versus more market-oriented ways of managing housing finance through housing societies and mutual societies and so forth, there may well be the opportunity for some of these social insurance type of models to be provided through a peer-to-peer platform?

RACHEL BOTSMAN: Yes, I think this is the next wave. If I was running one of these peer-to-peer platforms what I would be worried about is two things, one is what does the digital 21<sup>st</sup> co-op structure look like where the providers suddenly say, "You know, it's not okay that you are a billionaire and I create the value for your company but I don't have any shareholdings". So I think that you'll actually see a rising protest in terms of the people creating value saying, "I actually want a stake in that company" and that will be really interesting in terms of will we see more distributed equity structures. The second thing, which is the next stage on, is will we need the companies or the platforms altogether? So will we move towards completely disintermediated networks, so imagine Bitcoin for Uber and Bitcoin for Airbnb where there is no need for the company in the centre.

JIM MINIFIE: Can I put you on the spot for the 30 second succinct explanation of the Bitcoin architecture?

RACHEL BOTSMAN: I was joking with Jim, I was talking earlier. I'm not deflecting the question, but I had a miner in my class at Oxford. So for those of you who don't know, whenever a transaction occurs on Bitcoin a miner solves the algorithm of the blockchain, and everything I said he was like, "Sorry Miss Botsman, you're wrong, it doesn't actually work like that". So the basic way to explain it – does everyone know what the blockchain is? Alright. I can't do this in 30 seconds.

JIM MINIFIE: I know, it's impossible.

RACHEL BOTSMAN: The innovation is not Bitcoin. This is the most important thing to takeaway. Forget the cryptocurrencies. The most interesting thing around Bitcoin is what they call the blockchain which is basically every time value is transferred, so we transfer value, that is recorded on a public ledger. Now the miners come in because every time you try and make an exchange a miner has to solve an algorithm and then more Bitcoin is released into the system. But it's the blockchain that is so interesting that we now have this highly transparent form of peer-to-peer exchange of value and you can start to see how – I hope there's no real estate agents in. You're top of my list for disruption because I'm buying a house at the moment and I hate the industry. But it lacks transparency, they are middlemen, I'm sorry, that add very little value, they just offer a lot of pain and they're really not necessary.

JIM MINIFIE: If it helps to vent.

RACHEL BOTSMAN: It does help to vent, it really does. Attorneys are next on my list, I'm married to one, and I haven't decided on number three. But the point is how many of you if it was easy would love to transfer properties directly? The blockchain enables you to do that, it enables you to transfer value peer-to-peer and that's what I think is interesting. It's not the cryptocurrencies, it's the transparent peer-to-peer infrastructure that sits underneath it.

JIM MINIFIE: So would it be fair to say that that potentially provides a technology that replaces having a trusted platform in the middle of the peers which is keeping control of the accounting?

RACHEL BOTSMAN: Exactly, yes. When you talk to regulators about Bitcoin they're like, "But who's in the middle?" You're like, "There is no centre". "No, there must be someone in the centre?" "No, it's a decentralised system." I think it's really interesting how it does hurt our brains because it is so far removed from the way we think money and value should be controlled. And to your point, I think it's really interesting that we assume these systems are unsafe and we assume that there is more risk involved in these peer-to-peer transactions, and yet we are so forgiving of institutional failures at a colossal scope, I mean, the collapse of economies, and yet we say, "The market will figure it out and institutions work". That's why I recognise all the dark sides, but there has to be an alternative to these institutional systems that, at the end of the day, have got too big to serve the people they're meant to serve.

JIM MINIFIE: In a sense, peer-to-peer is the opposite of too big to fail?

RACHEL BOTSMAN: Well, yes and no, because it's ironic that you quickly form monopolies in peer-to-peer systems because of network effects. So that's the big question, how do the Airbnbs, the Ubers, the Lending Clubs just not become other flavours of what we already have in the world?

JIM MINIFIE: Why don't we take that question as rhetorical and turn it over to real questions from the floor?

AUDIENCE: You were speaking before about regulation, how do you see regulation policy developers and governments with the rate of change that's going on? With the too big to fail comment, I mean, if something gets really big then it invariably changes anyway because of technology and people move so quickly around the economy, so how do you actually implement the policy when something's changing so fast?

RACHEL BOTSMAN: It's a good question because it comes back to what we were talking about which is do they have to actually start to think bigger, which is what is the role of policy in this fast-changing world, in peer-to-peer marketplaces, do the timeframes around policy even make sense? Because by the time they've made a decision the market has evolved and moved on and in the lack of decision making and in the grey zone, that's where it sits in a really precarious period. So I think it's really interesting, if you look at cities like Portland, Amsterdam, Paris, Barcelona, what they're saying is, "Okay, we're going to bring something out for two years and it's not perfect and it's probably going to be wrong, but it's good enough to protect the people involved and to actually see where this innovation is going to go".



AUDIENCE: I also had a question about regulation, rather than imposing regulation on the disruptive figures, have you seen good examples of the incumbents being deregulated to address that competitive imbalance point? Because sometimes you could say you've got a licenced entity and a traditional industry, might you take that licence off and apply the same sort of risk-based approach?

RACHEL BOTSMAN: I haven't but it's a really interesting. I wonder how the incumbents would react when they're complaining about fair playing fields and you're like, "Okay, we'll remove the licences and everyone will have to think of managing risk in a completely new way". It's a really interesting way to look at it.

AUDIENCE: When it is a highly regulated area the incumbents would probably say, "There's a lot of resources I don't spend on administering the regulation", so it's a saving.

RACHEL BOTSMAN: Yes, so to create a playing field remove the regulation altogether and see what happens.

AUDIENCE: You spoke a bit about network effects before. Are any of the peer-to-peer organisations looking to protect and enforce IP or are they relying solely on that network effect to protect their businesses?

RACHEL BOTSMAN: Of course they're protecting IP. I mean, they understand at the end of the day that they're data-driven, IP-driven companies. I'm trying to think what I can say without breaching confidentiality but yes, the short answer is they are very smart about IP and data protection and that they realise that is fundamentally the value of their business.

AUDIENCE: You spoke pretty extensively about seeping into the market through peer-to-peer programs, so if you use Uber you're more likely to then use Airbnb or whatever. How important do you think traditional advertising is in that process or do you think it's very much a social media/word of mouth kind of thing that's impacting the market?

RACHEL BOTSMAN: It's a great question. This actually was something that really interested me, is how do people embrace these ideas and is it that they learn about them through traditional advertising? And I think one of the most interesting things is that we're actually seeing a change in the way people adopt ideas.

So we've been working on this thing called the "trust stack" where if you think about it in this space, which is different from traditional advertising, you have to convince people to trust the idea, "I trust getting in the car with a stranger" and "BlaBlaCar is a good idea"; you then have to trust BlaBlaCar the platform, the company, and that's where traditional advertising still very much plays a role; and then you have to trust the user, so "I trust the other driver or the passenger". And traditional advertising really doesn't work on the top layer and the bottom layer of the stack. It works in the middle, so when you're thinking traditionally about the corporate brand and you're thinking about risk and assurance, that's where traditional advertising plays a role. Social media, social network effects play the key role in terms of "I trust this idea" because you sort of get social proof from people like you, then it's traditional advertising, and then the bottom is all these peer-to-peer reputation systems.

That's what I think is really interesting is that there's a whole different alchemy, a mix to thinking about brands and marketing that traditional advertising just doesn't work if you just apply that mindset.

AUDIENCE: In sustainability circles there's a lot of interest in the collaborative economy. I have a friend who explained the potential that it provides as more users, more different uses, and more amount of use. I was interested in what your perspective was in terms of how the collaborative economy might fit within a resource constrained world and where you see opening up new opportunities in that regard?

RACHEL BOTSMAN: It's a great question and it's sad that it's kind of a dialogue that's got lost recently. So yes, at its heart it is about maximising the efficiency of existing assets to solve efficiency problems. I think one of the dangers is that in the early usage patterns you actually see an increase in consumption. So yes, they might be using a shared resource, but many people using Uber X will now say they use Uber X more than public transport. I think that's just an early adoption curve because the next wave of Uber X which we're now seeing in the US is Uber Pool, so it's matching people within a five minute deviation. So if you're going to the airport it will try and find two people to share that ride with and you'll split the fare. And that's where I think it becomes really interesting from an environmental point of view is how you take the behaviour from a single usage behaviour and create these maximum shared efficiency solutions.

I think also from a sustainability angle it becomes really interesting in terms of the way goods are designed. So goods are designed to become obsolete, whether that's through planned obsolescence or perceived obsolescence. So when you have companies like BMW or you have companies like Home Depot, which is like Bunnings here, where they're saying they want 50% of their business to be shared usage of equipment, suddenly they have to think about, "Okay, I don't want that lawnmower to break because I need to maximise usage out of that product" and that I think is really interesting. The third thing I'll say on the sustainability point, and this is probably the most interesting angle, is applying these principles to city and urban planning. So if you think about shared systems, you think about maximum use of resources, that's where you can have the most sustainable impact.

For example, in the US there's a platform now called MuniRent where they're starting to say to local councils, "I'm really sorry, you can't own your own snow plough and you can't own your own road roller and garbage trucks - and all the equipment that councils own - you have to have this on a shared usage platform" and that has enormous environmental impacts.

AUDIENCE: I'm interested in are you aware of any platforms and peer-to-peer models in the social service sector, where there are a whole lot of issues? And I'm specifically thinking about peer-to-peer where volunteers could play a role in supporting people who are disadvantaged and vulnerable. It creates a lot of issues around risk, but huge benefits.

RACHEL BOTSMAN: I'm so glad you asked this question because this is another thing that has got lost recently is applying this thinking to social services and support structures. There are wonderful examples, I'm just focusing on the UK because I've just been back there, but FutureGov actually gave a lump sum of money.

So just to give some examples, Casserole is a really simple idea, trying to address elderly isolation and the rubbish food that is typically delivered through Meals on Wheels. So what they're doing is they're matching families who say, "I'll make a lasagne" or "I'll make an extra pot of soup" with elderly people in their community, they drop it off two or three times a week. It's not just about the food; it's about the social interaction. The GoodGym is a really similar example, it's like a dating platform, I guess, between elderly isolated people and young people who want to get fit and run and you basically say, "I want to run two miles, I want to run five miles" and it connects those two people together. And the data is just starting to come out in terms of the impact this has this weekly visit or some people run three times a week and it's incredible. It's incredible that just knowing someone's going to come and talk to you for half-an-hour three times a week, what impact that's having.

One I love actually was launched by McMillan Cancer and I thought this was really quite forward-thinking of them. It's the largest cancer charity in Europe, around a third of people in the UK interact with McMillan Cancer, but they said, "Our model is so broken because we basically spend all our money organising these fund-raising walks and the money from the fund-raising walks goes back into organising the fund-raising walks". So they created this platform called TeamUp where basically people who have cancer or have been affected by cancer can post things that they need doing. As someone that I spoke to said, "I do not need another vase of lilies. I need someone to walk my dog, take the rubbish out, help take my kids to school". They post these things that they need doing and then other cancer survivors, people in the community offer to run those errands.

That for me, that is what this is about. Coming back to it, this isn't about beers being delivered to your office; this is that you have an abundant world of supply and you have an abundant world of need, and technology can bring that together in really interesting ways.

JIM MINIFIE: There are at least two start-ups doing similar operations in the context of the National Disability Scheme as well, looking at ways to coordinate what are often quite short visits, so it's quite rich.

RACHEL BOTSMAN: And they just ignore the regulators those innovators because they're like, "If we wait for criminal background checks, this thing will never get off the ground". So they just walk ahead.

AUDIENCE: Those are two really good questions to lead onto mine. A lot of attention is given to the STEM skills that we'll need in the new digitally-driven economy and with innovation. But I'm interested in what you think the responsiveness of the education system plus some way for those of us who are way out of the education time zone, the sort of attitudes, skills and behaviours that mean we'll act in honest and trustworthy ways, we'll take responsibility, we'll negotiate for win-win and we'll think sustainably. So it seems to me that sitting on top of the digital technology platforms, the sharing economy, there's the human platform which is how we behave and a lot of the regulatory things that are needed or the transition from institutions to individuals, they're to do with attitudes, skills and behaviours that are quite neurobiological.

So how do you think we, as humans, are going to transition to attitudes and behaviours that actually enable the value and values of the sharing economy to be best realised?

RACHEL BOTSMAN: I don't think it's going to come from universities.

AUDIENCE: No, it wasn't on my list.

RACHEL BOTSMAN: No. Honestly, I think it's really basic but I think we learn through experience and we learn through mistakes. So we learn through experience in terms of this is a whole new world of accountability and I think the people who hate these ideas have things to hide. They're really worried that behaviours or the way they've treated clients can suddenly travel with them and never be lost in the history of time.

Now, the flipside of that is if we move into this world we have to be more forgiving because people do make mistakes, people do make contextual judgments. So I think we need to be teaching people to understand the implications of this world of transparency, is number one, to think about how they want to be trusted and how they will build trust with other people. And then bigger picture than that, you're really asking people to start to become more self-reliant and more entrepreneurial, so many of the things that you were able to say, "Well that's not my fault, that's my company's fault", you're going to have to actually stand up and take accountability for that. So how do you actually teach people to have that kind of emotional and entrepreneurial resilience?

It's a really difficult question, like how do you prepare people for a world where people fundamentally trust differently, where you access products and services differently, where you sell differently, where you work differently? Education is not about STEM skills, it's about human skills that enable you to function in that world.

AUDIENCE: I was just wondering from your unique viewpoint what traditional industries do you think will have the most rapid disruption or decline?

RACHEL BOTSMAN: I think over the next three years definitely professional services without a doubt, consultancies, financial advisors, legal services, HR consultants. I think the value of the firm, you know, people talk about software eating the world, but I love the phrase that marketplaces are eating firms and professional services people will question, "I'm paying these fees for this nice office and these flowers and this lovely Nespresso coffee, but I can find that attorney or the consultant and work directly with them". So definitely professional services. Financial services I would say is number two, not all spectrums of the financial services offering but it will be personal loans, mortgages, international money transfers; these are things I think will drop away steadily from the traditional banks. And then if I had to pick a fourth I think we'll see massive disruption around logistics, shipping, delivery would be the top ones I'd put on that list.

JIM MINIFIE: So not real impact then?

RACHEL BOTSMAN: No. You're safe.

AUDIENCE: As a follow-on to that one, do you think there are any industries or marketplaces that are completely safe from this? Because I was thinking in my head about the people who design the technology on which these marketplaces are spread out, so Samsung, Apple designing the iPhones that people are using, they are probably going to be facilitating this so therefore safe?

RACHEL BOTSMAN: Yes, I call those the enablers, so whether you're building the rails or the products or the payment systems, the identity systems, the data protection systems, those enablers will thrive. They will do very well in this world. I don't think personal hygiene products, there's certain low value categories of household goods that I think are pretty safe. People talk a lot about peer-to-peer sharing of stuff, it's really the long tail. That's going to be the hardest thing to change behaviour around is people still think, "I need to own things these because it provides convenience and choice and it's mine", and that is just billions of dollars of advertising to unwire and also there are elements of truth in that. So general household stuff I think is actually the last category that we'll see.

AUDIENCE: Do you think it's time that policy advisors start thinking about how they can disrupt themselves, and by that I mean creating systems that they sort of own for a reputational system and allow the marketplace to use reputations to say this product is safe or not? And I think the question earlier around the Uber situation or hotels that are regulated now and if another system can replace them, why not get government out of the way?

RACHEL BOTSMAN: I'd love to see a policymaker invest deeply in research in terms of these self-regulating systems, where do they work and where do they fail? We should not interfere with the ways that they work, but we need to figure out how we either raise standards to improve the areas that they're failing around or where traditional regulation actually plays a role.

So I'll just give you an example, I'm working with the UK government at the moment where they're trying to develop a set of trust standards that players across different industries have to meet, so everything from payment security to data security to insurance platforms. Now my hope is that maybe only two or three platforms in the space need them and this certification is so valuable that it accelerates a whole wave of innovation where platforms have to raise their standard just to compete. That's an example I think of policymakers saying there are things that we can create to raise innovation without imposing traditional regulation, which is really interesting.

JIM MINIFIE: A couple of other areas where policymakers seem to be at least facing opportunities if not fully capturing them are the use of prediction markets and the use of essentially tournaments whereby expert data analysts can compete against one another to solve analytical problems. And then a third area is to look at the lessons from peer-to-peer market design and think about using those market design principles in areas that might be delivering public value.

So let me just give you one example, in many school systems you've got perverse outcomes from the way in which preferences of families and children against schools might lead them to not reveal their top preference because of a concern that they would be a low chance of getting into that top preference, knowing that schools tend not to accept people who haven't made that school the top preference. So there's an emerging field of market design which is very, very closely related to this world of the peer-to-peer platforms, because those platforms have all solved a market design problem which can be applied to allocation of students to schools or, again, the kidney example is one that's already up and running and has saved thousands of lives in the US.

RACHEL BOTSMAN: Yes, how could platform design reimagine public services is really interesting.



AUDIENCE: This is a bit of a follow-up in terms of professional services. I'm wondering if there's a time where it falls over on itself, and what I mean by that is I guess you might be referencing Expert 360 where people will do 10 years in a big consultancy and then go freelance. But I guess there's also a period – I'm a fresh graduate – of 10 years or so where my learning is absorbed by the firm. So if we see a destruction of the firm, where will these fresh graduates who know nothing learn their skills to outsource?

RACHEL BOTSMAN: It's an excellent point, I'm really glad you raised it because this is when we talk about the future of work and we talk about independent contractors. I think one of the biggest implications is continuous learning and I think it's really interesting when you look at professional services, most people are joining seven, ten years in because they've sucked everything they can out of the firm. They're like, "We know how this works, we know how to sell, we know process" so the upside of being with the firm is sort of undervalued. But it is a huge concern is if graduates are coming out and they're very green to the market, even the basics of client relationship management or billing or just what you learn from people who've done this for 10 to 20 years, where does that form of mentorship and support come from?

So I think there's going to be a massive opportunity reimagining continuous learning in professional occupations. So they're not just mooks, but if highly talented people are graduating and going to a marketplace, could you create a continuous learning program that would actually compete with what you get from these traditional firms?

JIM MINIFIE: I think we're just about out of time, so if I can now thank all of you for what for me has been a really fascinating interchange. Rachel, thank you so much for joining us and sharing very generously your insights into the sharing, collaborative, peer-to-peer, on-demand economy.

RACHEL BOTSMAN: Which term are you going to use now?

JIM MINIFIE: Well, I think I'm going to interchange them on a fair basis. As a token of our appreciation Rachel, thank you very much for joining us.

RACHEL BOTSMAN: Thanks very much.

JIM MINIFIE: And thanks again to our hosts, the State Library of New South Wales.

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