

Sharing economy in Russia 2018

models | industries | trends





In terms of environment for carsharing, Moscow is a typical European city, like Paris or Berlin. However, the growth rate of carsharing here by far exceeds that for Europe.

Loriana Sardar,
Managing partner at BelkaCar

One of the most important challenges for sharing services is to retain the personal experience during shared use. In carsharing this is addressed by the Yandex.Auto system incorporated into Drive vehicles. Drive cars recognize a driver and offer them their usual routes and favorite playlists. In the future, we will be able to transfer not only that information from one car to another, but also, for example, seat and temperature settings.



Roman Chernin,
Head of Geolocation Services at Yandex



Carpooling's main rival is not buses or trains, but the habit of staying at home, lack of a penchant for travel. We are first of all generating additional demand rather than claiming a share of the existing market. Thanks to carpooling, people become more mobile, which at the very least contributes to development of domestic tourism and at most increases the economic activity of the nation.

Aleksey Lazorenko,
Head of BlaBlaCar in Russia and Ukraine

C2C platforms make it possible to prolong the use of almost every item. For example, the lifespan of a baby carriage allows it to serve three families. Everyone wins. One acquires a needed product at a good price, the other disposes of an item that is no longer useful to them. The amount of waste at landfills is decreasing: some dumped goods can be recycled, others may be given a second life. Even those who do not use sharing services feel the positive effect.



Andrey Barkovsky,
Head of PR at Avito



In development of our platform we have a stake in customer service in all its forms: delivery, transaction security, insurance, convenience of interaction with the platform and other members.

Ekaterina Krayvanova,
Co-founder of Next2U

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INTRODUCTION

You are reading a new study from the Russian Association of Electronic Communications (RAEC) dedicated to collaborative consumption and sharing economy.

The 2017 research, which was the first paper on sharing economy in Russia, sparked immense interest among business, public officials and the media. For the first time, the magnitude and truly impressive growth rate of the sharing market were demonstrated. The 2017 study outlined the drivers of sharing services and obstacles to their development in Russia.



In 2018 we decided to dive into the sharing economy even deeper:

- **examine the contribution of sharing services** to implementing state priorities not only in the digital area, but also in the spheres of environment, entrepreneurship, urban planning and others;
- **provide an overview of various models** of collaborative consumption and of the sharing ecosystem (which includes, for example, services for secure deals);
- **analyze the specifics** of the most developed sharing industries in Russia – transport services, real estate rentals, crowdfunding, C2C sales, P2P item sharing and P2P services.

And, of course, we discussed trends with experts: what should we expect from the sharing economy in the near future?

Based on our findings, we plan to prepare a sort of road map – recommendations on improving the regulatory framework to bring Russia's sharing economy to a new level.

Best regards,
Anton Gubnitsyn,
Head of RAEC / Sharing Economy Cluster,
CEO of TIARCENTER

COLLABORATIVE CONSUMPTION AND ITS PLACE IN THE CONTEXT OF STATE PRIORITIES



Digital transformation leads to drastic changes in consumer behavior in developed and developing countries. Russia is not an exception to this trend.

Strengthening of horizontal relations in society enables people to optimize their spending and significantly improve their quality of life through collaborative consumption. Thanks to online services, consumers do not need to purchase a product to have access to it. Availability of goods and services expands in terms of both affordability and physical accessibility (reduction of delivery time).

This approach fits in organically with the lifestyle of millennials (or Generation Y, those born in the 1980s and 1990s) and, apparently, the subsequent Generation Z, who value impressions, mobility and self-expression higher than status consumption.

The influence of collaborative consumption models is not limited to the digital transformation of several markets; it is fundamental and multifaceted. The rise of the sharing economy in Russia contributes to fulfilling at least half of the objectives

enshrined in the Russian President's "May Decree"¹ (see chart below). Moreover, collaborative consumption does not just improve figures but also changes economic relations across very different spheres – urban environment, urban and long-distance transportation, hospitality and rentals of commercial real estate and equipment.

Encouraging such phenomena, that bring fundamental changes and impact the development of the country as a whole, is vitally important for economic growth, because they constitute the so-called Pareto effect: 20% of effort producing 80% of the results.

By 2020 in China, one of the global leaders in the sharing economy, expansion of sharing models is projected to be generating a GDP growth of 1.5-2% a year and will have created 5-10 new tech giants.² The dynamic of sharing services in Russia suggests that our country has an opportunity to become an integral part of the global transition to the sharing economy.



¹ The Decree of the Russian President dated 7 May 2018 No. 204 "On national goals and strategic objectives of the Russian Federation's development until 2024"



² According to 2017 report from China's State Information Center, – Zhong Nan, *Report says China's sharing economy to grow 40% annually* // China Daily, 23 March 2017

Sharing economy's contribution to achieving Russia's strategic development goals by 2024¹

Strategic development goals of the Russian Federation



URBAN ENVIRONMENT

Substantial **improvement in comfort level of urban environment**, a 30% increase in the Urban Environment Quality Index

Sharing solution: carsharing, bikesharing, scootersharing

20% Potential rise of Urban Environment Quality Index thanks to growth in sharing transportation means (cars, bikes, kick scooters)



THE ENVIRONMENT

Substantial **decrease in air pollution levels** in major industrial cities

Sharing solution: bikesharing, scootersharing

40 tonnes reduction in CO emissions in 2018 in Moscow thanks to bikesharing
(~annual CO emission of a 500 MW thermal power station)



ENTREPRENEURSHIP

Provision of **favorable conditions for entrepreneurial activities and work of self-employed citizens**

Sharing solution: freelance marketplaces, coworking

2.5 mln individual service providers use freelance marketplaces in Russia



DIGITAL ECONOMY

Accelerated adoption of digital technologies and creation of a multi-level **system for funding projects on development of platform solutions**

Sharing solution: crowdfunding, open source libraries

>7,000 non-gaming applications launched in the world thanks to crowdfunding



ROADS

Decrease in the proportion of overloaded motorways of federal and regional significance in the combined length of roads by 10% from the 2017 figure

Sharing solution: carpooling

15% reduction in traffic on federal highways in case of increase of carpooling penetration from 10% to 50%

¹ Expert estimates based on (1) decree of the Construction Ministry of the Russian Federation No. 1494/pr dated 31 August 2017, (2) data of CityBike JSC (the Velobike brand), (3) Federal Tax Service statistics on self-employment, (4) Kickstarter statistics, (5) BlaBlaCar data on occupancy of personal cars in Europe.



RESEARCH GOALS AND METHODS

The goal of our research was to estimate the level of development and prospects of the sharing economy in Russia. In particular, we attempted to estimate market size and the dynamics of primary sharing industries, analyze motivation behind use of sharing services by consumers, draw up a portrait of the typical user, and identify key trends of collaborative consumption in Russia.

Throughout our research we analyzed a number of key sharing verticals: carsharing and carpooling (ridesharing), short-term lease of residential and office property, crowdfunding, C2C sales of goods, P2P rentals of goods, and online marketplaces for self-employed service providers.

Based on the analysis of the above-mentioned industries, we produced a forecast of the sharing market for 2018. This approach is an adjusted version of that used in previous research of the sharing economy, released by RAEC in 2017, when online taxi-hailing was included in the sharing economy, while C2C sales were not.

The work performed included socio-economic analysis based on a wide range of sources – sharing companies, payment operators, government authorities, the media – and a series of interviews with representatives of sharing services operating in Russia.

SHARING PLATFORMS: BASIC ATTRIBUTES



Operates online



Centered around a user community



For movable property:

an item is used by various people throughout its lifespan, regardless of whether ownership is transferred or not



For real estate:

space is rented out non-simultaneously to various community members for a short period of time, or is rented out to several users simultaneously on a permanent basis



For services:

service provider finds temporary or part-time employment (gigs) on online platforms

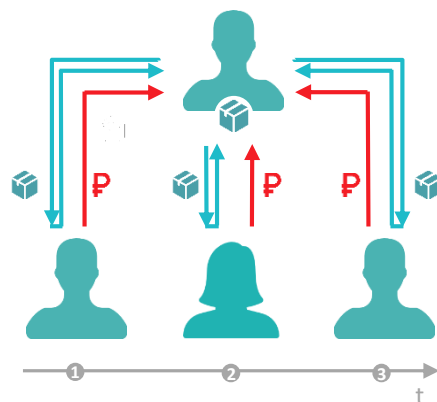


For joint funding:

consumers themselves support (co-fund) a product (initiative) that interests them at the design and development stage



MODELS OF COLLABORATIVE CONSUMPTION



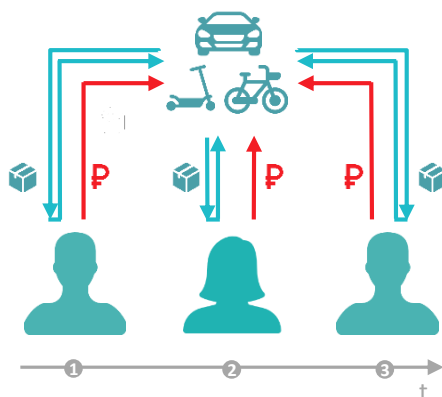
Rentals of personal property or offering free access to it; provision of services on demand

Property

Owners can profit from their property any time it is not in use. The consumer does not need to own an item as personal possession or employ traditional services (e.g. couch-surfing instead of staying at a hotel, renting a camera rather than buying it).

Services

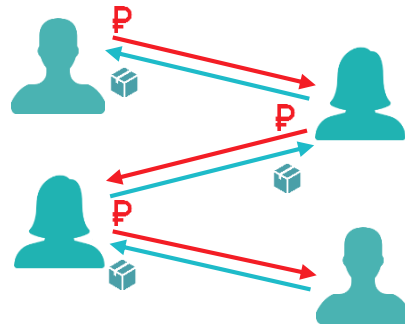
Providers sell their free time and skills, often unrelated to their primary career. The client can swiftly engage a service provider at an affordable price.



Centralized short-term rentals of movable property (mainly vehicles) or lease of small commercial spaces

Users can have access to individual means of transportation or an office at an affordable price when and where they need it.



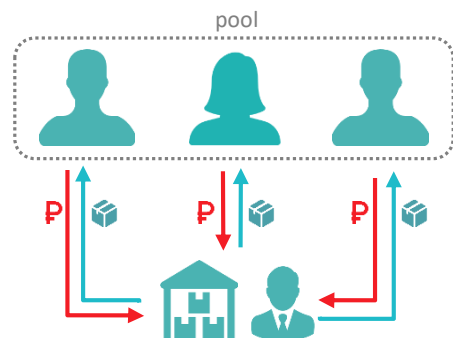


Selling, giving away or exchanging goods that the owner no longer needs

The previous owner frees up space in their apartment or garage and gets a partial return of their initial expense. The new owner saves by choosing a used option.



юла



Cost-sharing and co-financing

Through co-funding, consumers may have their need fulfilled at a lower cost (as compared to traditional purchase of a product or service) and sometimes in a way that is otherwise impossible. The supplier of the service or goods can not only cover their costs but also can monitor in real time the potential demand for their future offer.



ADVANTAGES OF COLLABORATIVE CONSUMPTION FOR USERS



Efficient use of resources and waste reduction

Collaborative consumption increases the proportion of car use time (the intensity of car usage) and reduces the number of cars on the streets. Sharing services help utilize groceries with approaching expiration dates, thus decreasing amount of waste.



Higher affordability of goods and services, an opportunity for additional income

Collaborative consumption allows cheaper vacations, handyman services, cleaning and tutoring. On the other hand, sharing services provide an opportunity to make money by running errands for others, selling an item you do not need or renting out property.



Acceleration of service execution, higher flexibility and mobility

In many cases, sharing services make it possible to receive a service faster and in a more convenient place than traditional suppliers.



Creating and strengthening horizontal relations in the sharing community

Sharing companies enable creation of a new system of quality control based on users' reviews.

Apart from allowing users to save, sharing services make it possible to receive a personalized, non-mass offer. The client gets a variety of options to choose from – from the time and place where a service will be rendered to the provider's hobbies and personal traits. The quality of goods and services provided is guaranteed by user ratings (the institute of online reputation).

Comparison of consumer experience with traditional and sharing models



Old-fashioned consumer

user convinced of traditional services

- Stays in chain hotels, which all look alike
- A personal car costs them 780,000 RUR a year¹
- Purchases a tent for 2,000 RUR for just one camping trip
- Goes to Pskov on a crowded Soviet-era train for 2,500 RUR
- Municipal plumber promised to come between 13:00 and 18:00



Digital life-hacker

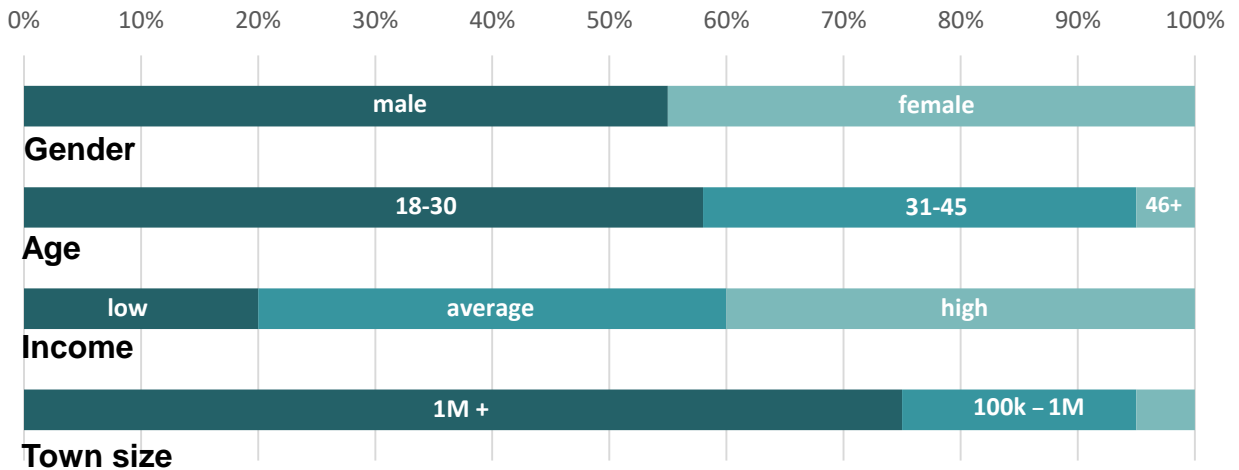
early adopter of sharing platforms

- Immerses themselves in local life staying with Airbnb hosts
- Carsharing costs them 580,000 RUR a year¹
- Rents a tent for a weekend for 400 RUR
- Goes to Pskov for 1,100 RUR with a BlaBlaCar driver who picks them up at their door
- A YouDo handyman came precisely at 17:15 as he said



¹ In both cases, comfort (~economy premium) class in Moscow, according to Alfred data – Ivanova A. *Carsharing turns out to be not that much cheaper than personal car* // Vedomosti, 6 July 2018

DEMOGRAPHICS OF RUSSIAN USERS OF SHARING SERVICES



Gender

Looking at the portrait of a Russian user of sharing services, we see that men prevail slightly, comprising 55% of user base. In Europe this gap is even smaller (52/48).¹ In the US researchers discovered complete gender balance.²



Age

Speaking of age groups, it is worth noting the low level of engagement by older users in collaborative consumption in Russia. European countries demonstrate a flatter distribution of sharing users by age due to greater digital literacy and purchasing power of senior citizens: 56% of users aged 55 and above use sharing platforms in Europe.



Income

The distribution of sharing platform users is relatively even: the services are popular with people of different income level.



Geography

The advanced development of sharing economy in Russian cities with populations above one million is linked to the fact that it is easier for sharing communities there to reach critical mass in demand and supply, an important condition for the collaborative consumption model to become indeed convenient and reliable.

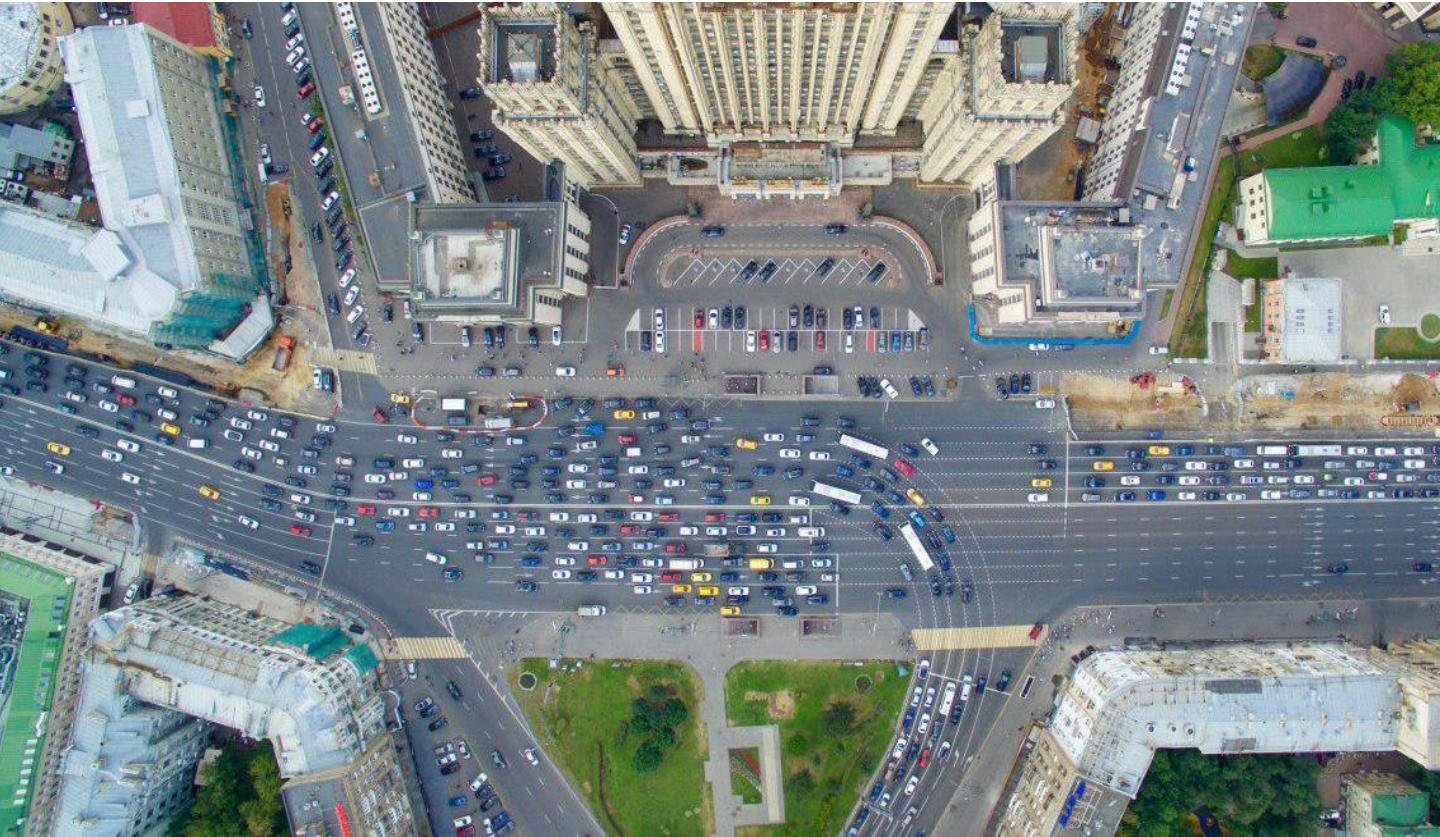


¹ Exploratory study of consumer issues in peer-to-peer platform markets, VVA, Milieu, GfK, 2017



² Smith A. *Shared, Collaborative and On Demand: The New Digital Economy*, Pew Research, 2016

DISTINCTIVE FEATURES OF SHARING IN RUSSIA



Concentration of demand in major cities

Russia is characterized by a high concentration of population and consumer demand in few major cities. This is reflected in the current status of sharing services, many of which have been widely adopted in Moscow and a couple of other large cities (e.g. carsharing, office sharing, accommodation rentals).

High level of internet penetration

Russia is also characterized by high internet penetration. According to Mediascope and GfK data, about 90 million Russians use the internet, most of whom (61%) are mobile users. According to PayPal and Data Insight, most Russians make online payments at least once a year. The spread of mobile internet and online payment is an essential condition for development of collaborative consumption in Russia.

Uneven development of public transportation

Transport sharing solutions are especially relevant in Russia. Due to the considerable distances between towns and uneven development of railroads, the Russian carpooling market really stands out: the Russian ridesharing community includes about 16 million people, making it the largest in Europe.

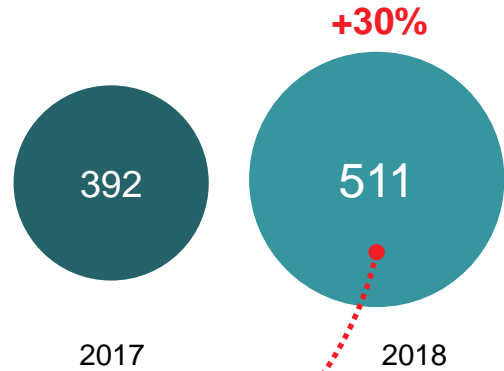
In Moscow, due to its complicated situation with parking in the city center and thanks to support from city authorities, carsharing is experiencing a boom. According to the Moscow government, the city's combined carsharing fleet is likely to reach 15,000 units by the end of 2018 and become the largest fleet among all European cities (according to some estimates, even the largest in the world).

SHARING MARKET SIZE AND DYNAMIC IN RUSSIA

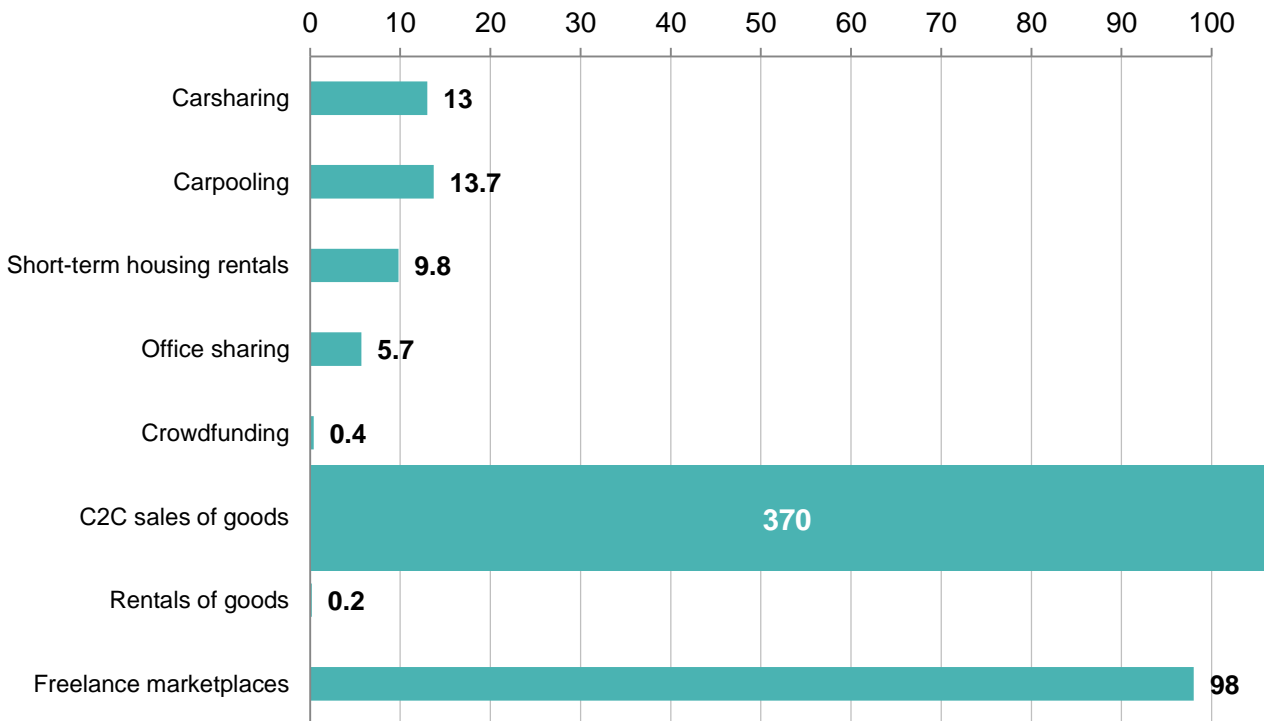
In 2018, the volume of transactions via main sharing platforms in Russia will total approximately 511 billion rubles, a 30% growth compared to 2017.¹

The main contribution to the size and growth of the sharing economy is in C2C sales (72% of 2018 transaction volume), freelance services (19%), transport solutions (carsharing and carpooling – about 2.5% each) and short-term P2P housing rentals (2%).

Russian sharing market dynamic in 2017-2018, bln RUR



Transaction volume by segments, bln RUR, 2018



¹ Figures provided are based on sharing companies' data, gleaned from expert interviews or published in open sources; statistics of government bodies; and expert estimates. The forecast may be revised according to results for the entire year 2018. The market size for 2017 was re-calculated, given the adjustment of the boundaries of the sharing economy (C2C sales were included, the online taxi-hailing market was excluded), therefore this number differs from the one given in the RAEC Sharing Economy Report 2017. The estimates provided may not be used as a basis for investment decisions.

OVERVIEW OF SHARING INDUSTRIES

1. Transport

1.1. Carsharing

In recent years, with support from city authorities, carsharing has been demonstrating unprecedented development in Moscow. The Moscow government expects that by the end of 2018, the city's combined fleet may reach 15,000 vehicles.¹ Thus, in the near future, it is likely to become the largest fleet in the world.

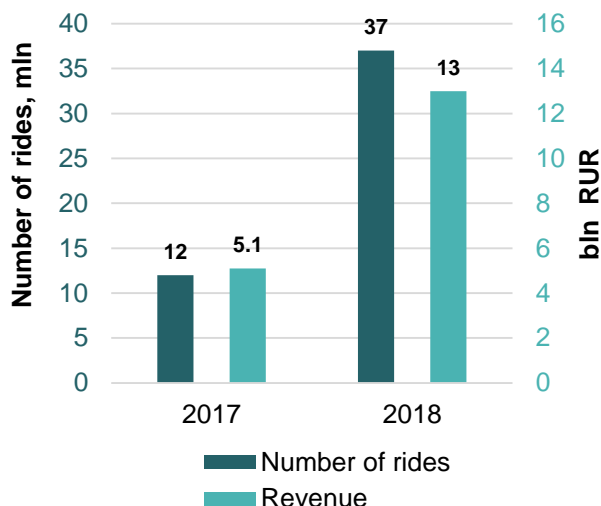
Like in the rest of the world, shared cars in Russia are mostly provided by companies that own fleets and allow users to leave a car any place within a designated zone.

In 2018, the number of players in the Moscow market reached fifteen, which, judging by global experience, might be considered excessive. In the coming years, market consolidation is expected in Moscow.

Beyond Moscow, mass adoption of carsharing is yet to happen. It is usual for a Russian city to have just one or two operators with small fleets. The only exception is St Petersburg with five operators. As of the end of Q3 2018, Russia's combined fleet exceeded 18,000 cars.²

The P2P model (when a private car owner allows others to use their automobile) has not earned popularity so far.

Carsharing market dynamic
2017-2018



An average ride in Moscow:



45 min



14 km



350 RUR

User portrait:



80% are men
25-35 years old
Above average income
5 years of driving experience
62% already have one car in their family

Key operators:

Яндекс Драйв



¹ Moscow carsharing has about 25,000 rides daily // Mos.ru, 09.03.2018



² Begiashvili A. "There are over 18,000 vehicles in Russian carsharing" // Truesharing, 23.10.2018



Why people choose carsharing

- Saving in comparison with a personal car and taxi
- Privacy and a sense of security in comparison with public transportation or taxi
- Mobility and freedom when combining carsharing with public transportation and taxi (it is not always easy to find where to park)



What discourages people from using carsharing

- Less privacy, feeling of comfort and safety in comparison with a personal car
- There might be no car available “here and now,” especially during rush hours
- Fear of damaging others' property and being held responsible



1.2. Carpooling

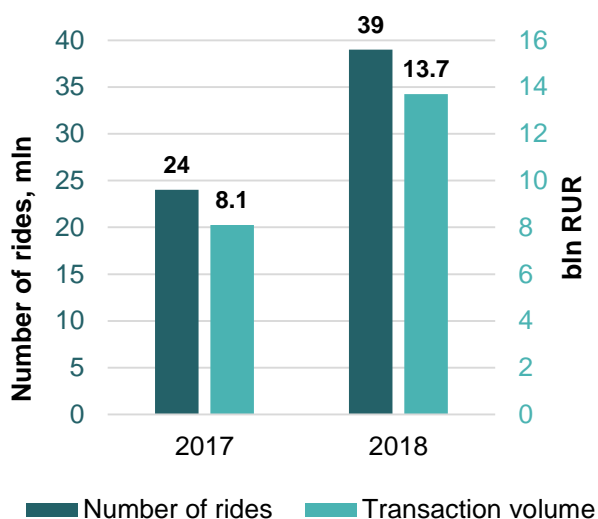
In Russia and globally, carpooling (ridesharing) platforms are mainly focused on long-distance rides, complementing trains and buses.

Today Russia is the largest carpooling market in Europe: the Russian community includes 16 million members. About 100,000 Russians use carpooling daily.

Carpooling has not yet been integrated into in-city rides. The practice of shared daily commutes is chiefly based on long-term offline agreements between neighbors and colleagues. However, platform solutions for short-distance ridesharing is being tested in various countries.¹

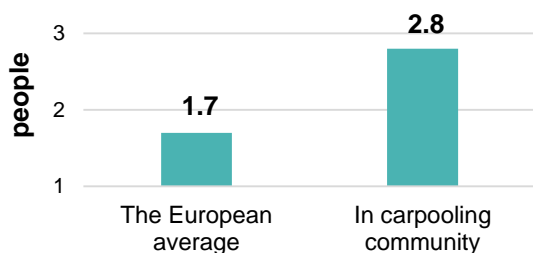
Different monetization models exist for carpooling platforms. The most popular ones are commission on transactions and subscription for access to the platform.

Carpooling market dynamic 2017-2018



The average car occupancy in the European BlaBlaCar community is

60% higher²



An average ride in Russia:



300 km



350 RUR

User portrait:



60% are male (the share of men is even higher among drivers)

25-35 years old

Average income

Within the community, 30% of drivers also become passengers

Key operators:



BlaBlaCar

including BeepCar³

Яндекс Попутка

Yandex Poputka was functioning as a feature of Yandex Navigator and as a stand-alone app. The project is now suspended.



Posts in groups on social media

¹ BlaBlaCar launches BlaBlaLines, a carpooling app for commuting // Corporate blog, 2 May 2017

² As compared to Europe's average car occupancy of personal cars – BlaBlaCar Contribution to Climate Change // Corporate blog, 8 December 2015

³ In summer 2018 Mail.Ru Group sold BeepCar to BlaBlaCar



Why people choose carpooling

- Opportunity to save in comparison with driving their own car or public transit
- A more comfortable ride in comparison with public transit
- Flexibility in terms of time and place of boarding (a chance to ride with a last mile included, "from door to door")
- For drivers: opportunity to cover gas expenses



What discourages people from using carpooling

- Low awareness of the existence of carpooling
- Trust issue: travelling with a stranger might seem risky
- Low traffic (supply and demand) for small towns



2. Real estate rentals

2.1. Short-term rentals of accommodations

Sharing accommodations (shared rooms, private rooms and apartments) has been growing rapidly in Russia in the last several years (55% CAGR in 2014-2017). In 2018, the growth rate is expected to be 70%, linked to the FIFA World Cup.

The practice of lodging at locals' apartments during global events reduces environmental impact, as the need for construction of new hotels, whose occupancy rate after such events leaves much to be desired, is decreased. This practice also facilitates inter-cultural dialog.

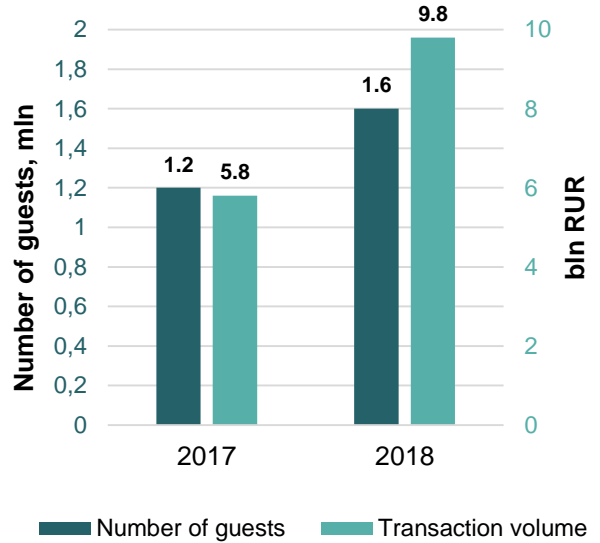
Russia is characterized by a high share of domestic tourism in short-term rentals. Even on Airbnb, specializing in an international audience, the portion of domestic trips among bookings in Russia reached 63% by 2017.¹

Platforms for renting out residential estates usually monetize through commissions on transactions, paid listing or promotion of ads.

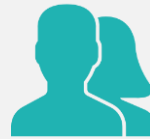
Key platforms:



**P2P accommodation rentals
market dynamic 2017-2018**



Guest portrait:



Gender-nonspecific (50/50)
25-35 years old
Average income

Host portrait:



60% are women
30-45 years old
Average income



Why people choose P2P rentals

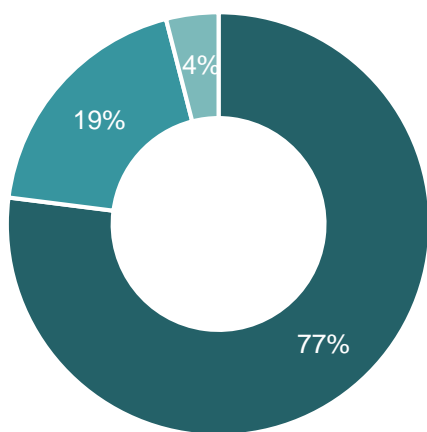
- Opportunity to save on accommodation and meals in comparison with hotels
- Immersion into local atmosphere, communication with the host
- When renting the entire apartment or house, more privacy, as compared to a hotel



What discourages people from using P2P rentals

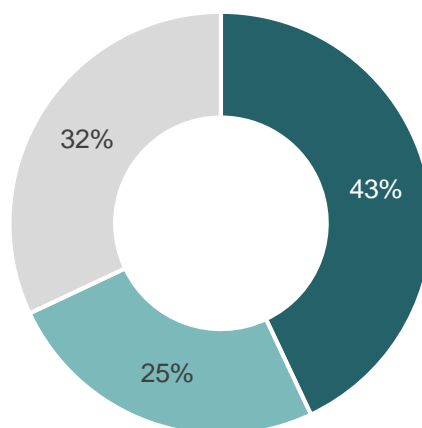
- Trust issue: fear of staying at a stranger's
- Lack of hotel services
- Possible dissatisfaction with cleaning

Distribution of lodging provided on sharing platforms¹



■ Apartment ■ Private room ■ Common room

Main destinations in Russia



■ St Petersburg ■ Moscow ■ Other



¹ Li I., Pastushin A. For the first time Airbnb disclosed volume of lodging rentals in Russia // RBC, 8 July 2017

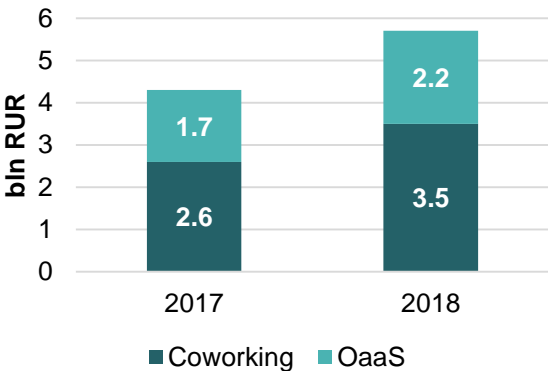
2.2. Office sharing

With respect to commercial real estate, collaborative consumption approaches are embodied in mainly two models: coworking and office as a service (OaaS). In coworking individual workers and companies use common spaces and pay for individual work stations and services (cleaning, communications, etc.). In OaaS facilities, a firm rents one or several rooms and acquires access to common office spaces and administrative support. These two models are frequently combined in a single business center.

Today Moscow lags behind European and North American cities in per capita availability of coworking by two-three times. In other Russian cities the coworking market either does not exist or is at a very initial stage.

Another model of joint use of commercial real estate involves several small companies teaming up in a pool to find a relatively big office. Likewise, a tenant who rents an entire office may sub-rent extra space or rent it during hours when the office is not needed via an online marketplace. These models can be found on the OfficeSharing and Place for Work platforms, for example.

Shared office market dynamic
2017-2018



Users of OaaS:

- Startups
- Small and medium-sized businesses
- Project teams

Coworking users:

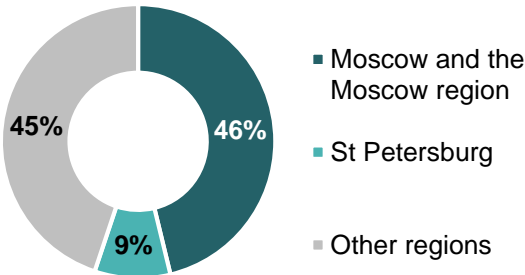
- Freelancers
- Remote employees
- Creative professionals

Monthly coworking charge in Moscow:



15,000 RUR
average monthly rate for a desk

Number of coworking spaces by region as of end of Q3 2018:¹



Key OaaS players:



Key coworking networks:



¹ According to Kovorkingi.ru

3. Crowdfunding

Estimates of the Russian crowdfunding market vary up to 11 billion rubles (Central Bank data for 2017¹). Most of that sum, however, is comprised of high-risk investment, made exclusively from financial interest and involving acquisition of securities (for example, stock) of the company that is raising funds.

In this research, crowdfunding is defined more narrowly – as collecting donations on specialized platforms, where users expect only a copy of product being developed and/or a souvenir. In some campaigns users do not receive any reward whatsoever.

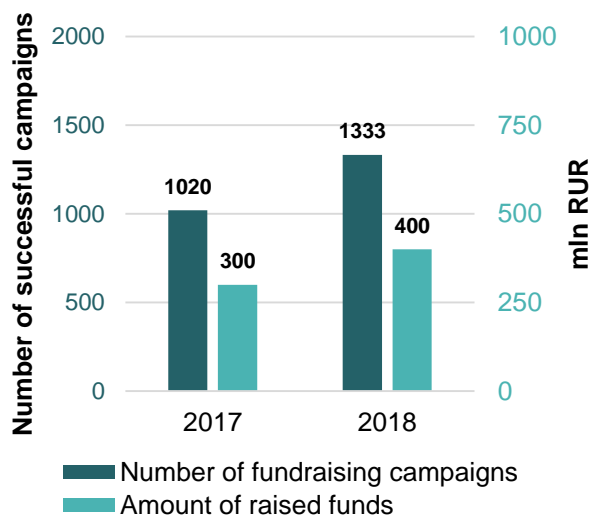
According to global statistics, most projects raising money through crowdfunding fall in the category of game development and designer or tech startups. However, in Russia, crowdfunding platforms are mostly used for projects in the social sphere and the arts (especially the film and music industries).

The monetization model of major platforms envisages a commission on collected funds (about 5-10%, excluding payment systems' commissions). If donations do not reach a certain target or, in some cases, 50% of the target, pledges are returned to the funders.

The legal status of crowdfunding is currently not defined in Russia. The bill "On alternative ways of raising investment" is designed to address this issue.

The bill envisages a ceiling amount of money that an unqualified investor may invest per year, and a limit on the amount one can raise in a year. Both values would be determined by Central Bank by-laws.

**Crowdfunding market dynamic
2017-2018**



The expected value of the former limit (for pledges) is 50,000 rubles a year, which seems reasonable compared to the average pledge (1,600 RUR). At the same time, the purported level of the latter (for campaign budgets) – 500,000 RUR – is questionable. It exceeds the average budget of a successful campaign in Russia (300,000 RUR) by just 65%. Introduction of such a limit for campaign budgets may pose a risk of excessive restriction of fundraisers' potential. A low annual limit for crowdfunding does not correspond with the bill's purpose – empowerment of entrepreneurship.

Key platforms:



planeta.ru

BOOMSTARTER

KICKSTARTER




¹ Alexeevskikh A. Crowdfunding market grows 83% // Izvestia, 28 March 2018


Average values:

 **1,600 RUR**
average pledge


 **300,000 RUR**
average successful campaign

 **1 out of 3 campaigns**
reaches its target

User portrait:

 55% are women
18-30 years old
Average income
Motivation: participation in a socially important project


Main areas for fundraising:

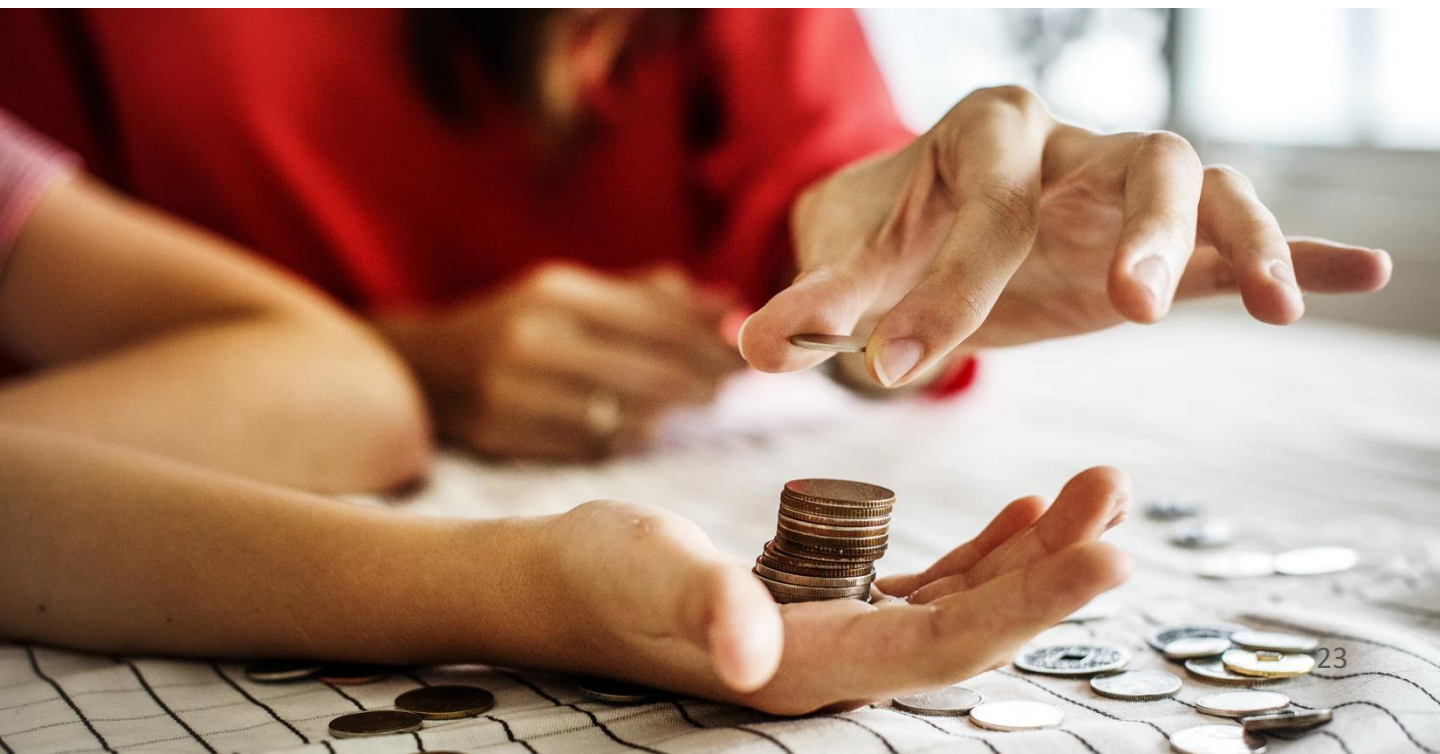
 Social (community) projects

 Charity

 Music

 Filmmaking

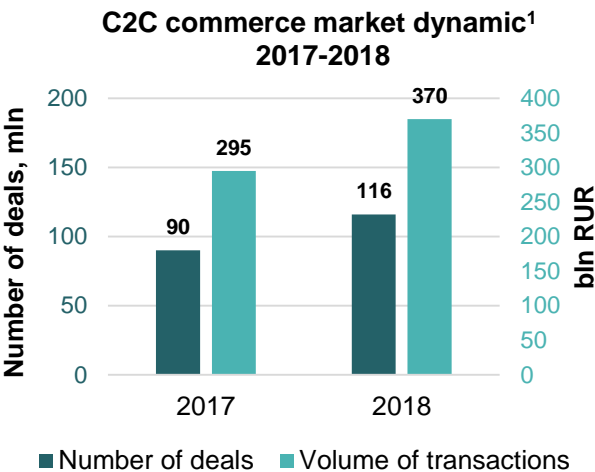
 Literature and journalism



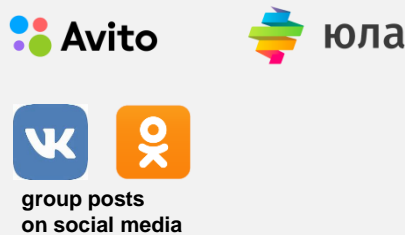
4. C2C sales

In Russia, every year approximately 8 mln people become sellers and 10 mln people become buyers on C2C platforms.¹ About 10% of buyers account for almost 50% of sales. Just 18% of sellers sell goods on C2C platforms regularly.

C2C commerce platforms in Russia usually make money on additional services, mainly paid promotion of listings, in lieu of charging commissions on all deals.



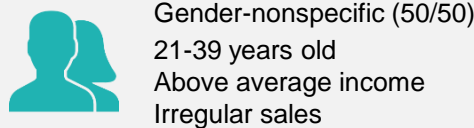
Key platforms:



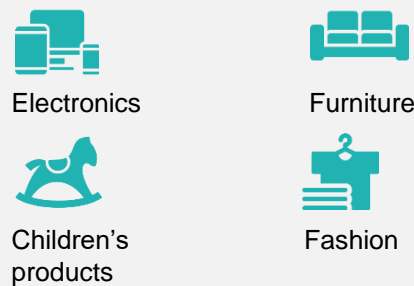
₽ **3,200 RUR**
average check

62% of sold lots are **used goods**.
This is followed by new goods that did not fit the initial buyers (23%).

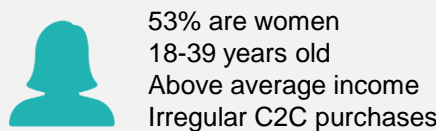
Seller portrait:



Main categories:



Buyer portrait:

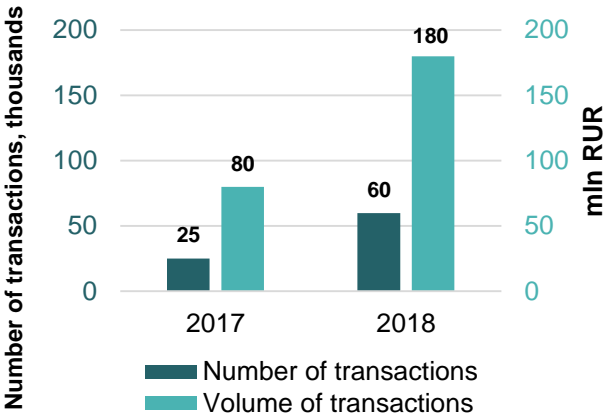


 ¹ C2C on the Russian internet, Avito, Data Insight, 2017 г.

5. Item rentals

In Russia, development of the P2P item rentals market is so far at an initial stage. Whereas in C2C commerce mass products dominate, on P2P rental platforms premium and niche goods are more likely to enjoy high demand: among electronics – virtual reality headsets and high-end gaming systems; among apparel – cocktail dresses; as well as expensive sports equipment and camera lenses. Such sharing services cooperate not only with individual lessors but also with conventional rental firms.

P2P item rentals market dynamic
2017-2018

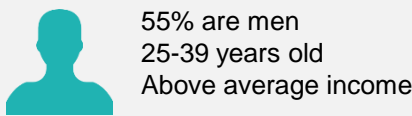


Key platforms:

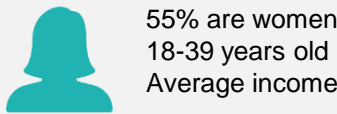


₽ 3,000 RUR
average check

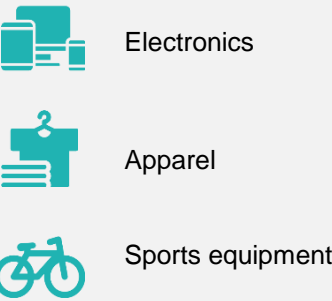
Lessor portrait:



Lessee portrait:



Main product categories of consumer goods (C2C, B2C):





Why people choose P2P item rentals

- Opportunity to save when it is expected that the item will be used rarely
- Opportunity to use an item here and now instead of saving up for purchase
- In order to test an item before purchase



What discourages people from borrowing and lending goods

- Low awareness of such services
- Owners fear that lessees will damage their goods
- Lessees themselves fear damaging the property of others



6. P2P services

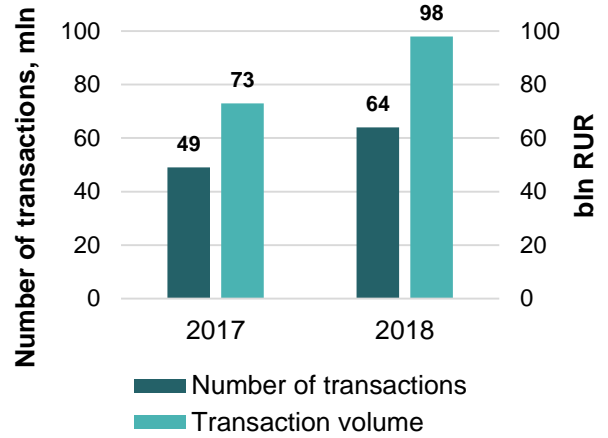
One of the sharing economy’s manifestations is the gig economy – a labor market characterized by broad adoption of temporary and/or part-time employment.

Estimates of the number of self-employed citizens in Russia varies between 13 and 20 million people. However, only a minority of them use sharing platforms. According to the Federal Tax Service, the number of self-employed workers using online freelance marketplaces to find orders is about 2.5 mln people,¹ and for about half of them, online orders are not their primary income.

Flexible opportunities to make some extra money, enabled by the internet, reduce factual unemployment and are especially useful to students and parents of small children.

Freelance marketplaces are usually monetized by offering premium options for listings or commissions on transactions.

P2P services market dynamic
2017-2018

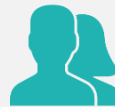


Service provider portrait:



55% are men
18-39 years old
Below average income

Client portrait:



Gender-nonspecific (50/50)
25-44 years old
Above average income

Key platforms:



¹ Alexandrov I. *How freelance changes labor market, what gig economy is and what self-employed Russians lack* // Vedomosti, 10 September 2018

Principle service categories:



Beauty and health



Education



Computer support



Services for pets



Cleaning



Why people choose self-employed service providers

- Opportunity to save
- Provision of service at a convenient time
- Transparent provider rating system (based on customer reviews)



What discourages people from engaging a peer worker

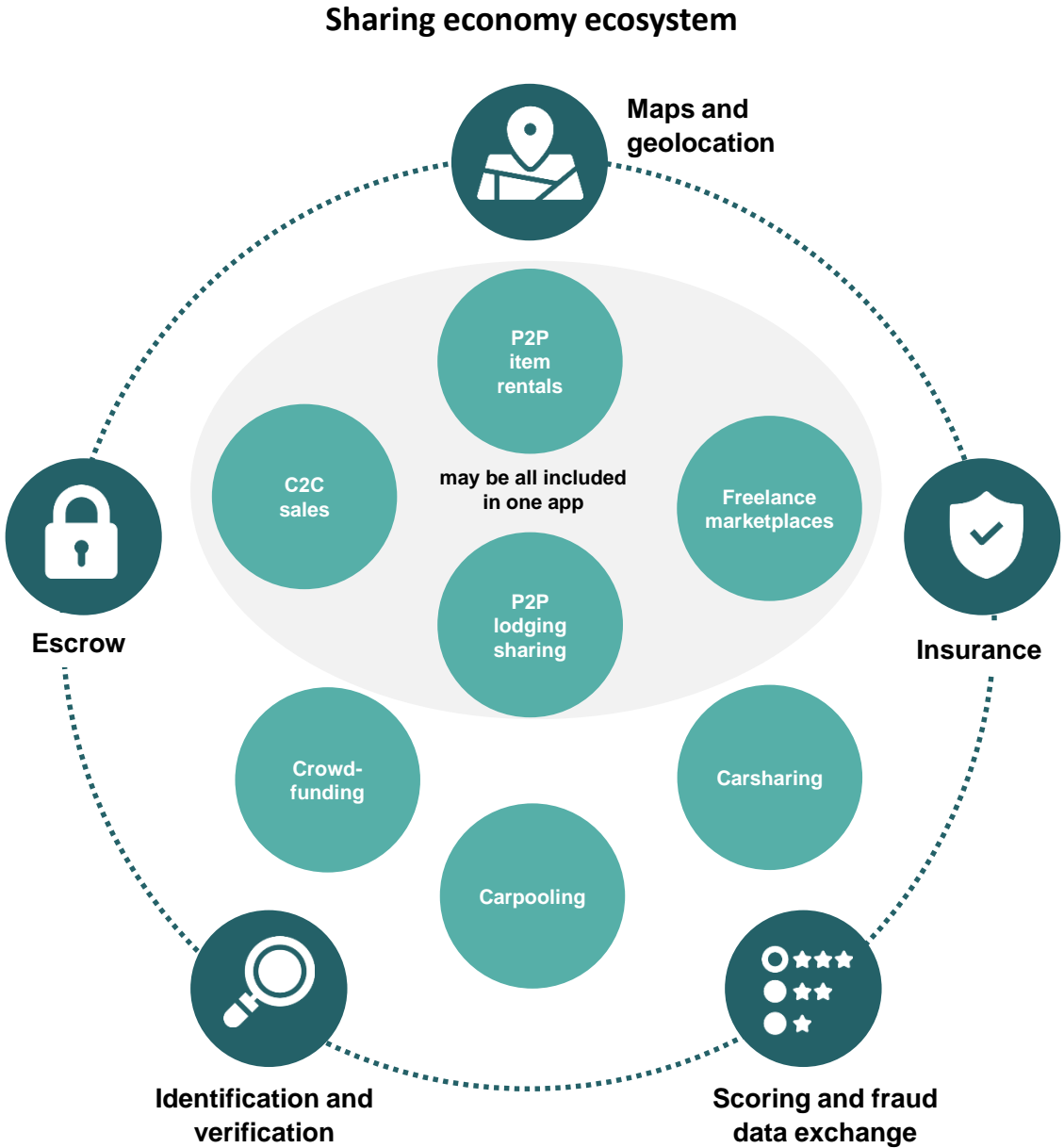
- Low awareness of marketplaces
- Fear of inadequate qualifications of the service provider
- Fear of inadequate accountability for the results (risk of having services rendered improperly or past the deadline)



SHARING ECOSYSTEM: KEY ELEMENTS

Online maps and geolocation services are an essential condition for the existence and development of the sharing economy. Precise and up-to-date maps are intrinsic to carsharing. Thanks to geolocation, users can easily find a vacant vehicle, and the built-in navigation app helps find an optimal route. Geolocation platforms such as the one based on Yandex.Maps solve both consumer and business problems. They make it possible to offer services (delivery errands, rentals, etc.) that are truly mobile and convenient.

Trust between parties in a deal is another crucial aspect of collaborative consumption advancement. Sharing transactions are usually made remotely between strangers. This is why tools for screening users and providing financial guarantees are especially relevant to sharing communities.





Geolocation, one of cornerstones of the digital economy in general, is especially relevant in the sharing economy. Without accurate geolocation, sharing of means of conveyance without fixed starting and ending points of each ride (the free-floating model) would be impossible. Routing algorithms allow carsharing operators to evaluate the current traffic situation and manage their fleets accordingly – from regulating price rates to rearranging cars within a city. Mass segments within C2C commerce and P2P services tend to be hyperlocal. Long-distance ridesharing is also developing towards inclusion of the last mile in the route (“door-to-door” rides).

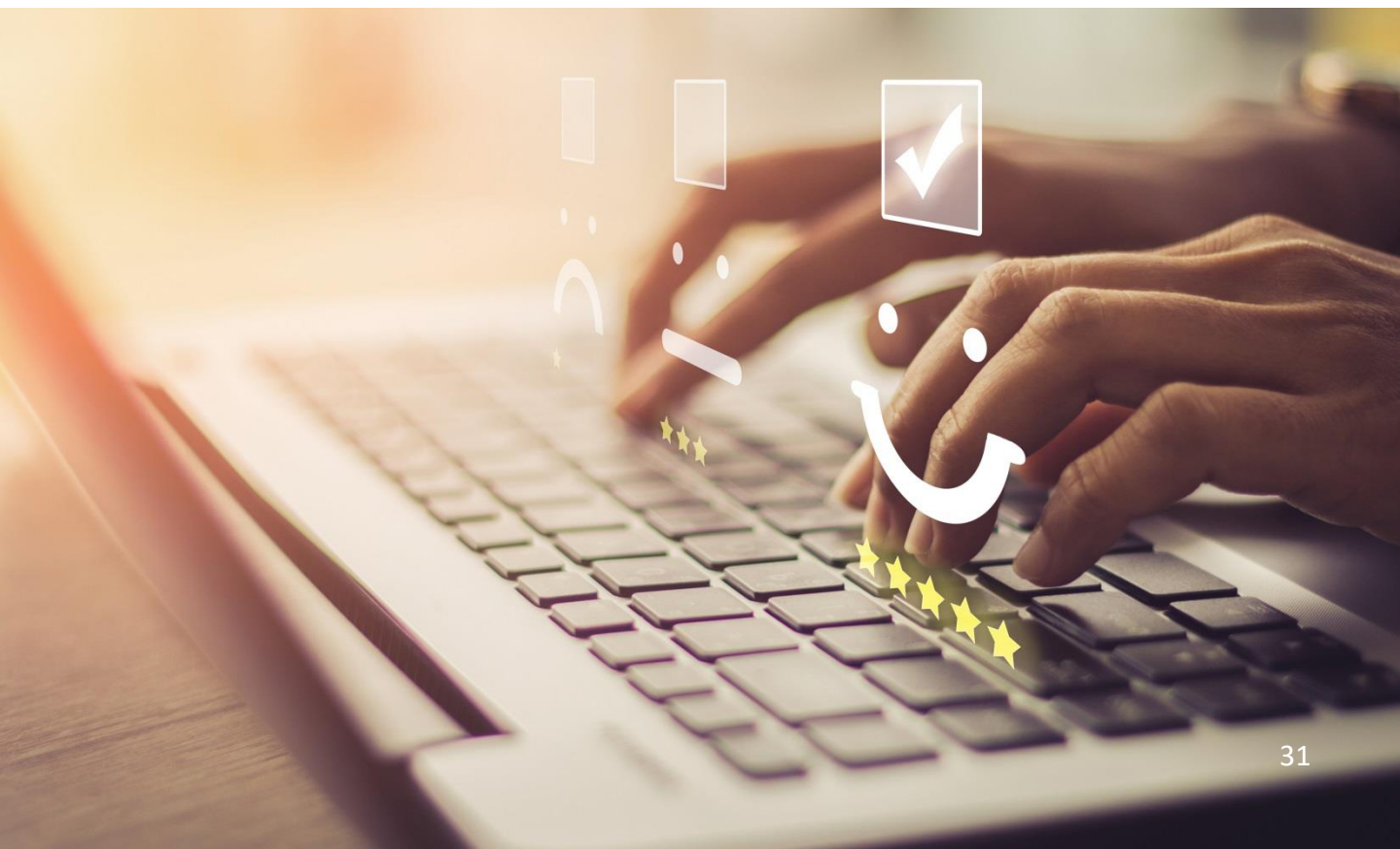
Escrow is a scheme for depositing payment on the platform until the client confirms receipt of goods or services. In case of dispute, an arbiter decides the outcome, transferring the deposit to the bona fide party. Many marketplaces have their own escrow services. There are also independent escrow providers such as SafeCrow. When the parties’ risks are limited by the cost of the deal, escrow provides sufficient protection of the rights of both client and supplier.

Insurance becomes relevant when potential damage to either party can exceed the amount of payment. For example, if as a result of poorly executed work, the client sustains damage, a returned payment will not necessarily be adequate compensation. Damage to rented property, for instance to a 30,000 ruble bike leased for 1,500 rubles, is also possible. Despite the fact that demand for insurance products comes from such a fast-growing market as the sharing economy, insurance companies are reluctant to satisfy it. This is why P2P platforms sometimes offer financial guarantees to their members on their own.

Identification and verification. Setting up a user-friendly and at the same time reliable identification system is a serious challenge to sharing services, as their platforms need to garner a mass audience (because usually the users themselves generate supply and demand). Remote online identification, along with verification of ID and other documents and data, is the optimal solution in this situation. There are already solutions on the Russian market that provide such tools (for example, solutions from the Russian firm IDX). Development and extension of e-government platforms (inter alia, with biometric parameters), which enable verification of users, could also pose interest to sharing operators. In October 2018, Moscow's Department of Information Technologies announced the launch of the login.mos.ru authentication service, which has about 9 mln users. This service is available for sharing platforms, among others.

Scoring and data exchange. Even when other means of "trust building" are not available, online platforms manage to reach a stable condition thanks to the institute of online reputation (reviews). Creation of a cross-platform tool for monitoring reputation and blocking fraudsters could strengthen that institute. Today sharing companies already exchange information about fraudsters and abusers, but usually only within their industry (e.g. among carsharing operators). Meanwhile, in China a universal social rating is being tested, which is affected by all of a user's transactions.

Creation of the integrated rating of sharing users in Russia would allow companies to minimize risks and boost the trust level for their users. In such a system, users should be provided with bonuses in exchange for consent to provide their personal data, for example, in the form of discounts on platforms' charges or priority in ranking.



DEVELOPMENT TRENDS IN THE SHARING ECONOMY



Emergence of additional services on sharing platforms

Sharing operators are integrating additional services (delivery, secure payments, item quality checking) more and more actively. Operators set up such additional options themselves or engage third-party companies.



Expansion to B2B

Global corporations are adopting the sharing model in their businesses. B2B sharing – including office sharing, sharing of construction equipment and materials (for instance, waste from one industry might be included in the supply chain of another) – is increasingly popular in western countries. Sharing companies expect to see continuation of this trend in Russia.



Mergers and acquisitions (M&A) of players within industries

Experience shows that in a sharing industry that has reached a certain level of development, two or three leading players operate, taking over rivals or forcing them out of the market.



Emergence of superstructures

New types of apps integrate existing sharing and traditional services into a single system (a system of systems). For example, Whim, a Finnish app, plans routes that combine traditional public transit, taxis and various kinds of sharing solutions. The Yandex.Transport app is evolving in a similar direction.



Emergence of sharing cities

Collaborative consumption principles have been implemented comprehensively in a number of cities in Europe, Asia, North America and Australia. They are transforming urban economies in key spheres – transport (carsharing, ridesharing, bikesharing), food-sharing, housing (encouragement of co-living on the municipal level) and the labor market (common work places). Moscow is also on this track, primarily in transport. Russia's capital is fostering carsharing, bikesharing and other new urban mobility solutions.

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