
MAKING SENSE OF THE UK COLLABORATIVE ECONOMY

EXECUTIVE SUMMARY

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A fairer, greener alternative to capitalism, or capitalism's newest, most efficient form? A new way of organising the economy, or a phenomenon as old as humanity itself? A technology that frees us from the power of monopolies and big corporations, or a destroyer of steady jobs and consumer rights?

The collaborative economy is going through a period of growth and experimentation, with new models being tried out and successful ones growing. Across the UK, a growing community of individuals and organisations is exploring and embracing these kinds of activities. Some have seen it as the beginning of a wider change in the economy. They have called it a range of things: the sharing economy, collaborative consumption, the mesh, and the access economy. At its heart is the idea of collaborating in new ways to consume and to produce, so for the purposes of this report, we are describing the phenomenon as the collaborative economy.

In order to gauge where the collaborative economy is headed, we need to start by getting a better grasp of its current state. Nesta has partnered with Collaborative Lab¹ to undertake a programme of research into the collaborative economy.

This report is the first in a series of publications, which we hope will offer a more detailed view of the collaborative economy in the UK and, to a lesser extent, in Europe. In the coming months, Nesta plans to publish additional research and explore opportunities for practical action surrounding the collaborative economy.

What is the collaborative economy?

The collaborative economy involves using internet technologies to connect distributed groups of people to make better use of goods, skills and other useful things. It allows people to communicate and share information, making it possible to generate trust and meaningful interactions. Finally, many activities within the collaborative economy seek to foster a spirit of openness and inclusivity. This leaves us with five defining traits of the collaborative economy:

1. Enabled by internet technologies.
2. Connecting distributed networks of people and/or assets.
3. Making use of the idling capacity of tangible and intangible assets.
4. Encouraging meaningful interactions and trust.
5. Embracing openness, inclusivity and the commons.

Some or all of these traits characterise organisations that make up the collaborative economy. In addition, it is possible to categorise the collaborative economy into four pillars of activity, depending on their purpose. These are:

Pillar 1 Collaborative consumption²

Gaining access to goods or services through bartering, renting, lending, trading, leasing, exchanging, reselling and swapping. This includes redistribution markets (e.g., Furniture Re-use Network), product service systems (e.g., Zipcar), and collaborative lifestyles (e.g., Grub Club).

Pillar 2 Collaborative production

Groups or networks of individuals collaborating to design, produce, or distribute goods. This includes collaborative design (e.g., Quirky), collaborative making (e.g., OpenStreetMap) and collaborative distribution (e.g., Nimber).

Pillar 3 Collaborative learning

Learning experiences that are open to anyone and where people share resources and knowledge to learn together. This includes open courses and courseware (e.g., FutureLearn), skillsharing (e.g., Skilio), and crowdsourced knowledge (e.g., Wikipedia).

Pillar 4 Collaborative finance

Funding, lending and investment services offered outside of traditional financial institutions. This includes crowdfunding (e.g., Crowdfunder; Space Hive), peer-to-peer lending (e.g., Zopa), complementary currencies (e.g., ECHO - Economy of Hours) and collaborative insurance (e.g., Bought By Many).

Who is operating in the collaborative economy?

From internationally focused, for-profit companies to local, community-based organisations, the collaborative economy is growing in size and diversity. Along with new startups and initiatives, traditional businesses and institutions are also increasingly interested in the market opportunities offered by the collaborative economy.

Nesta set out to survey organisations and businesses operating in Europe who identified as part of the collaborative economy. Whilst in no way representative, the responses nevertheless offered an interesting view of the increasing breadth and depth of organisations operating in the collaborative economy:

- **They are young** – 89 per cent of responding organisations were established in the period since 2000, and indeed some 64 per cent were founded since 2010.
- **They are diverse** – Respondents were found to operate within sectors across the four pillars of the collaborative economy – consumption, finance, learning and production (see Figure 1).
- **They operate on a variety of scales** – 50 per cent of respondents indicated that their operations were international. For the remainder, the geographical focus of their operations was national (23 per cent), regional (10 per cent), and local (17 per cent).
- **They are ambitious** – From empowering individuals to boosting local economies, the goals of respondents were wide-ranging. This suggests that organisations in the collaborative economy are ambitious about what they want to achieve within, and for, society – whilst 18 per cent of the respondents still seek to make a profit (see Figure 2).

Figure 1: Sectors of operation (multiple answers possible) n = 120

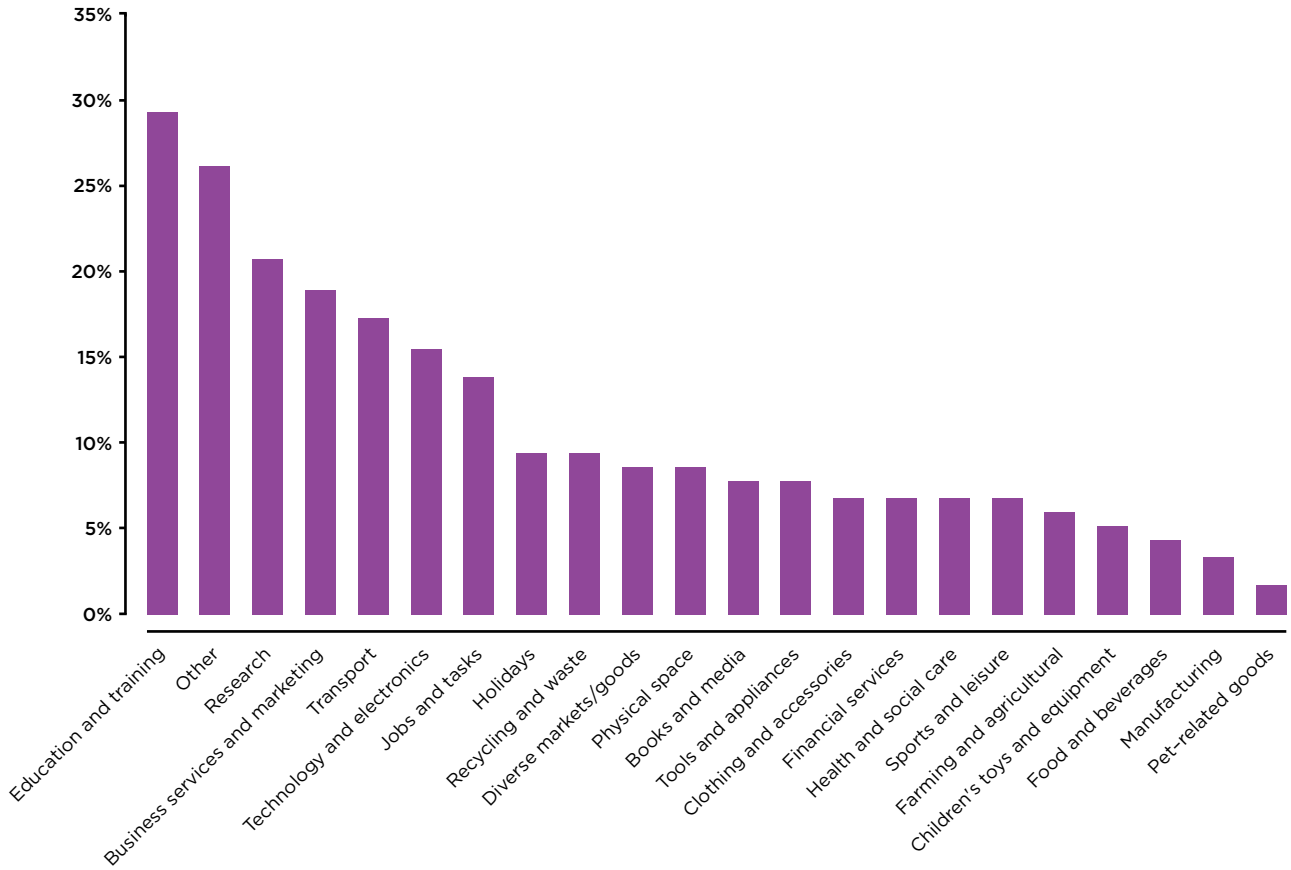
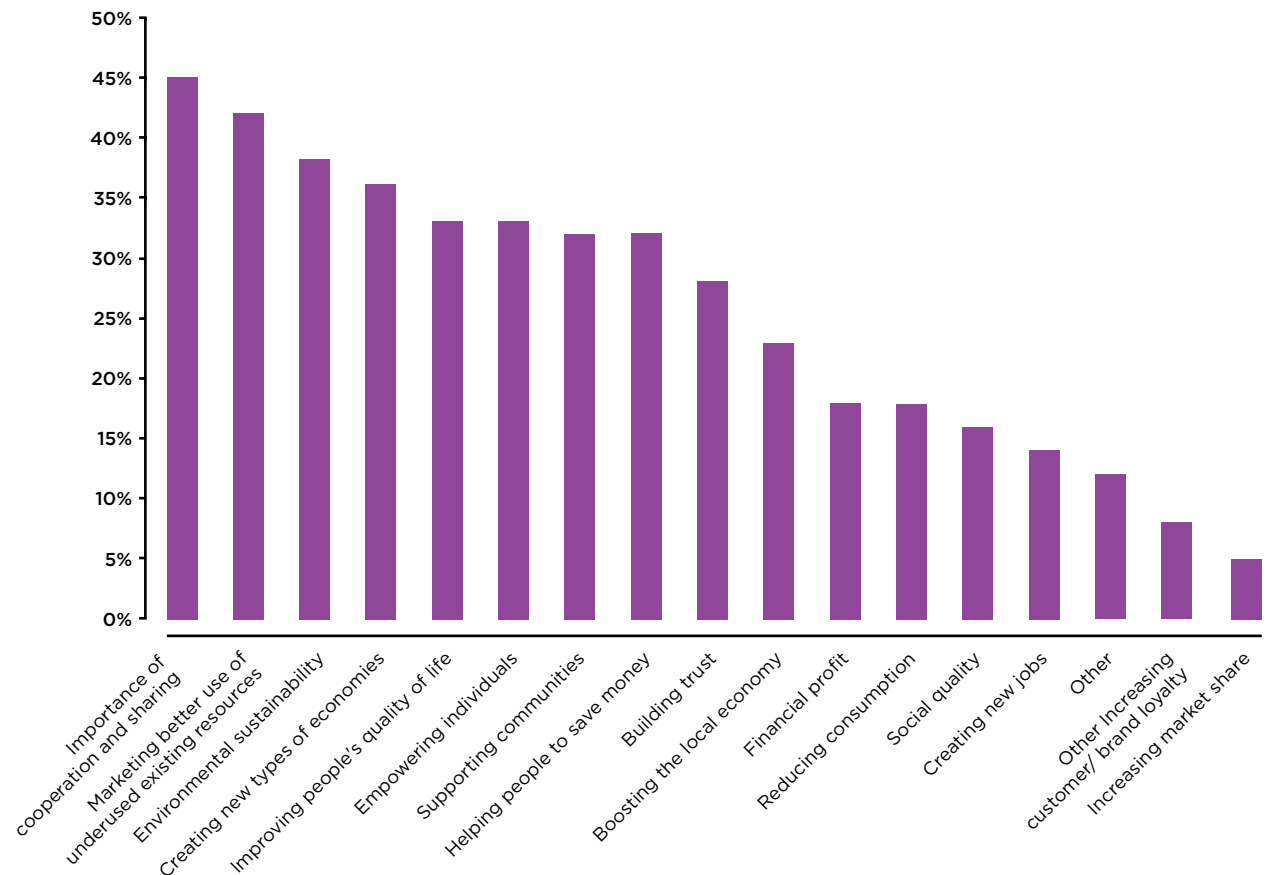


Figure 2: Goals of organisations (multiple answers possible) n.=120



Who is participating in the collaborative economy?

Relatively little is known about how (and whether) the UK population participates in the collaborative economy.

Nesta commissioned TNS Global to survey a nationally representative sample of 2,000 UK adults about their participation in collaborative activities. Given the breadth of the collaborative economy, we chose to focus on a selection of sectors within collaborative consumption.³ Together, they represent some of the best known activities within the collaborative economy – from home rental platforms like Airbnb to ridesharing schemes like Lyft, to free reuse and recycling communities like Freegle.

Nearly two-thirds of the UK population have participated in collaborative activities in the last year, with and without the help of internet technologies. If we equate participation in internet-enabled collaborative activities as being part of the collaborative economy, we find **25 per cent of the UK population took part in the collaborative economy in the last year**. Participation ranged considerably across different sectors – from 10 per cent of people using internet technologies to access and offer media (such as books and DVDs), to 1 per cent for odd jobs and tasks.

We also found that certain groups were more (or less) likely to participate in the collaborative economy. People in full or part-time employment, managerial, professional and administrative workers, and people with children were all significantly more likely to use internet technologies than others. Meanwhile, people over 65, ethnic minority groups, those without internet access, and people in semi-skilled and unskilled employment, pensioners, or unemployed with state benefits, were significantly less likely to use internet technologies to participate in collaborative activities than other groups. People who had participated in collaborative activities involving financial transactions – such as renting, leasing, or buying used goods – were more likely to use internet technologies. Equally, people were more likely to participate in internet-enabled collaborative activities with those they didn't know.

So why do some people use collaborative platforms when others don't? To explore this question we ran a small online focus group with individuals from across the UK. We found most of the participants were hesitant to try new collaborative models without clearly understanding their benefits beforehand. While our focus group was cautiously positive about the collaborative economy, many questioned how relevant it was to their lives.

Concerns about potential safety and privacy risks, as well as limited trust in strangers may be holding people back from participating in the collaborative economy. However, peer-review and self-regulation tools offered by many platforms are helping to address some of these concerns.

'Internet-enabled' Collaborative activities in the UK

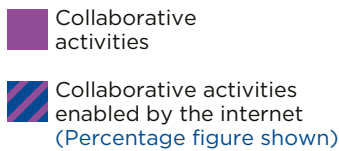
The internet is opening up new opportunities to connect and new ways to collaborate. Below we look at which UK adults are using websites and mobile apps to participate in collaborative activities.



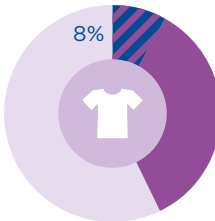
In the last year **25%** of people have used the internet to take part in collaborative activities

Sector breakdown

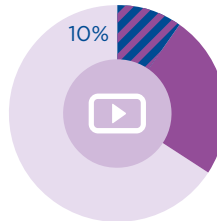
Percentage of population taking part in:



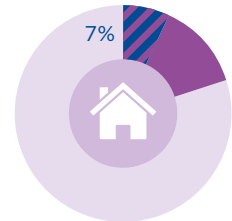
Clothes and accessories



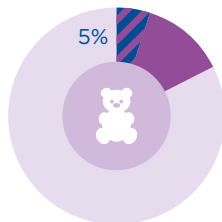
Media



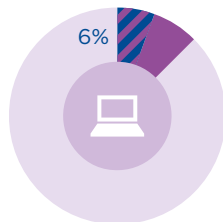
Household goods



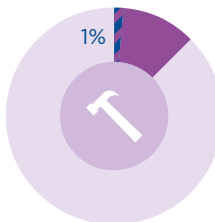
Children's equipment and toys



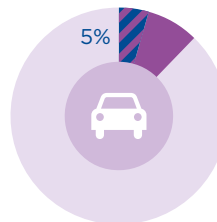
Tech and electronics



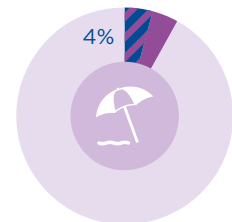
Odd jobs



Transport

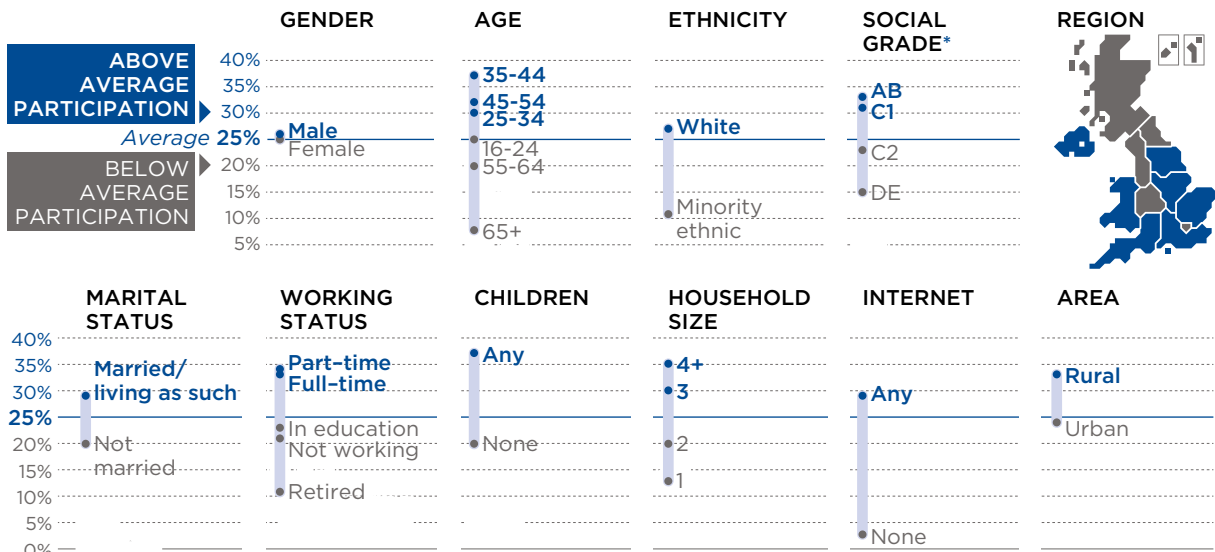


Holidays



How levels of participation in internet-enabled collaborative activities vary across society

Percentage of population using the internet to take part in collaborative activities compared to the average figure of 25 per cent



* Social Grade is a classification system based on occupation created by the National Readership Survey. The classification are: A - Higher managerial, administrative and professional; B - Intermediate managerial, administrative and professional; C1 - Supervisory, clerical and junior managerial, administrative and professional; C2 - Skilled manual workers; D - Semi-skilled and unskilled manual workers; E - State pensioners, casual and lowest grade workers.

Supporting and managing the collaborative economy

The collaborative economy raises issues for policymakers and regulators. Across the four pillars of the collaborative economy, we consistently find policy and/or regulatory challenges surrounding **taxation, insurance, land use and planning, types of legal form, licensing and certification, and government operations.**

These challenges are the responsibility of specific levels of government. To realise effective responses, policy and regulation discussions will have to occur at (and between) different levels of government. Unfortunately, multi-lateral and coordinated efforts can be incredibly difficult and slow. However, peer review and self-regulation could complement this process for certain platforms and activities.

But how can policymakers and regulators begin to unpick these challenges to identify appropriate responses?

Some specific elements of the collaborative economy – particularly collaborative finance – have already yielded proactive responses from regulators. While specific, proactive policies directed towards the collaborative economy remain rare, we have begun to see attempts by governments and regulators to better understand and address it. Some of the prevailing supportive approaches taken to date include:

1. **Reviewing and updating policies and regulations to acknowledge the collaborative economy**, as seen with short-term rentals and accommodation.
2. **Contracting and partnering between governments and companies to provide services**, as seen with ridesharing and carsharing.
3. **Encouraging the collaborative economy holistically**, as seen through ‘Shareable City’ or ‘Sharing City’ schemes.

Next Steps

In many ways, the holy grail of the collaborative economy is helping the economy, the environment and society simultaneously by unlocking the value of idle assets while also rebuilding social capital.

Nesta plans to work with other organisations to provide finance and support for promising experiments and continue to share research and market intelligence to cultivate better evidence and insight that is of use to a wide set of policymakers and practitioners. This approach will balance enthusiasm and support with reflection and, where necessary, critique.

Ultimately, we hope these efforts will contribute to the development of an equitable, sustainable and efficient collaborative economy in the UK.

Read the full report at:

www.nesta.org.uk/publications/making-sense-uk-collaborative-economy



Endnotes

1. Collaborative Lab is an innovation consultancy that works with startups, global brands and public services to deliver solutions based on the ideas of collaborative consumption.
2. The first of these pillars draws on Botsman and Rogers' book (2010) 'What's mine is yours: How collaborative consumption is changing the way we live.'
3. Sectors included: clothes and accessories, media, household goods, children's equipment and toys, tech and electronics, odd jobs and tasks, transport, and holidays.

About Collaborative Lab

Collaborative Lab is a globally-recognised subject matter expert on the collaborative economy and how it will transform the way we live, work, bank, and consume, advising senior leaders in business and government on the latest ideas, theories and research to understand the opportunities and implications the rapidly growing collaborative economy presents.

Our purpose is to help leaders unlock the environmental, social and economic wealth of assets in transformative ways that create greater efficiency, empowerment and access.

Nesta...

About Nesta

Nesta is an innovation charity with a mission to help people and organisations bring great ideas to life.

We are dedicated to supporting ideas that can help improve all our lives, with activities ranging from early-stage investment to in-depth research and practical programmes.

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