CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

Department of Economics

Diploma Thesis Title:

New economic models : Application to Uber and Airbnb

The Sharing Economy as a new economic model

This Diploma Thesis has been written and defended at the **CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE** in **CZECH REPUBLIC** under the Double Degree Agreement between the Czech University of Life Sciences Prague, and the **GRENOBLE ECOLE DE MANAGEMENT**. In accordance with the Double Degree Agreement, this Diploma Thesis is fully recognized as part of the MSc programme study at the Czech University of Life Sciences Prague.

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Julien Sornette

Economics and Management

Thesis title

New economic models: Application to Uber and Airbnb

Objectives of thesis

The main objective of this thesis is to analyze new economic models developed by new companies of the sharing economy like Uber and Airbnb.
The aim of this thesis will be first to understand how these new companies succeeded to take such an important place in our economies in such a short time. Thus, another objective will be to analyze their business model and their financial model. It will also be analyzed how companies are now growing in other sectors, using the same model as Uber and Airbnb based on the digital and the sharing economy. But the objective will also be to analyze the many consequences of the sharing economy : it is interesting to analyze the reaction of older actors, such as traditional hotel industry, the sustainability of this model, the consequences regarding employment, and the necessary regulation of these new economic models.

Methodology

First of all, a lot of articles have been read about this topic for months, given that it is at the heart of today economic preoccupations.

Thanks to the knowledge developed during these readings, it has been easy to determine which topics should be mentioned in this thesis, and thus to elaborate a plan respecting the instructions and expectations of the faculty and of the supervisor.

In order to write this thesis, resources on the internet will be essentially used. Indeed, all these companies are start-ups, and the topic of the sharing economy is a real new topic. Moreover, the situation of these companies is evolving very quickly. That is why internet, and for example serious newspapers articles, are necessary sources in order to have updated information.

Indeed, in order to fulfill the objectives above, the required information is essentially figures showing the growth and/or the sustainability of this model. Unfortunately, these companies communicate very little about their financial statements, so it is difficult to get official detailed information regarding the financial aspect. That is why newspapers articles will be a major source of information for the writing of this thesis.

However, some books have recently been published about the business model of that kind of companies, and they can also be a good source of information during my research period.

This research period will help to find a lot of constructive information, that will then be used to write the thesis.

The first part, the literature review, will essentially consist in presenting the topic, i.e. the sharing economy, the individual sectors where it is flourishing, and the main companies which can be considered as the motor of this economy.

The second part will be the theoretical part, which will be less descriptive. In this part, the aim will be to bring an added value to the research by analyzing their business and financial model.

Then, some predictions about the future of these company and of the sharing economy will be made in the practical part, such as the case study of Lending Club, a financial company showing the the model of the sharing economy can be applied to all sectors of the economy.

Finally, in a last part, the results obtained in the previous parts will be presented.

The proposed extent of the thesis

60 pages

Keywords

sharing economy – collaborative economy – Uber – Airbnb – new economic models

Recommended information sources

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Dean

Prague on 28. 03. 2016

Declaration

I declare that I have worked on my diploma thesis titled “New economic models : Application to Uber and Airbnb” by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on March 28th, 2016.

Julien Sornette

Acknowledgement

I would like to thank Ing. Petr Procházka, Ph.D. for his advices and support during my work on this thesis.

Summary :

This thesis will deal with Uber, Airbnb, and all other major digital players of the sharing economy. Indeed, this economy has been increasingly gaining in importance for a few years. This is leading to a major shift in our current economic models, because older economic actors are now forced to change their strategy in order to compete with these new actors. This topic is really interesting given that, even if Uber and Airbnb are currently the most famous actors of the sharing economy, it is not only affecting the transportation and hotel industries : more and more traditional sectors of the economy are now faced with the competition of new companies, based on the same model as Uber and Airbnb. This is for example the case in financial or in agricultural sectors.

The aim of this thesis will be first to understand how these new companies succeeded to take such an important place in our economies in such a short time. But it will also be to analyze the many consequences of the sharing economy : it is interesting to analyze the reaction of older actors, such as traditional hotel industry, the sustainability of this model, the consequences regarding employment, and the necessary regulation of these new economic models.

Keywords : sharing economy - collaborative economy - Uber - Airbnb - new economic models

Souhren :

Tato práce se bude zabývat Uber, Airbnb, a všech dalších hlavních digitálních přehrávačů na sdílení ekonomiky. Opravdu, tato ekonomika stále více nabývá na významu po dobu několika let. To vede k zásadnímu posunu v našich současných ekonomických modelů, protože starší ekonomičtí aktéři jsou nyní nuceni změnit svou strategii, aby mohly soutěžit s těmito novými aktéry. Toto téma je opravdu zajímavé vzhledem k tomu, že i když Uber a Airbnb jsou v současné době nejslavnější herci spoluspotřebitelství, to je nejen ovlivňují dopravu a ubytování průmysl: další a další tradiční odvětví hospodářství jsou nyní potýkají

s konkurencí nové společnosti, založené na stejném modelu jako Uber a Airbnb. Tak je tomu například v případě finanční nebo v zemědělských odvětvích.

Cílem této práce bude nejprve porozumět tomu, jak tyto nové společnosti se podařilo přijmout takové významné místo v našich ekonomik v tak krátkém čase. Ale to bude také analyzovat mnoho následků spoluspotřebitelství: je zajímavé analyzovat reakci starších herců, jako jsou tradiční hotelnictví, udržitelnost tohoto modelu, důsledků, pokud jde o zaměstnanost a nezbytnou regulaci těchto nových ekonomické modely.

Content

List of graphs :

List of tables :

Introduction :

For a few years, many new and quickly successful digital companies have been created, becoming some of the most successful or most famous start-ups as of now. This is for example the case of Uber, an American company which operates the Uber smartphone app, enabling its users to submit a ride request which is then transferred to Uber voluntary drivers who use their own cars. Another recent and very successful company is Airbnb, a community platform offering accommodation rental between individuals.

Both companies have a very similar business model, but in two different sectors. That is the reason why they are often putted in the same basket. The first common aspect between those firms is of course the digital aspect and the development of easy-to-use online platforms which are really a main reason of their success. The second common aspect which is as important as the first one is their business model based on the principle of the sharing economy, also called collaborative economy. The principle of this new economy is the share of unused assets between individuals, instead of passing through traditional companies. Uber and Airbnb saw the potential of this model and now play the role of intermediary between individuals with common interests.

Both companies are growing with an extraordinary level, which shows the huge potential of this new model. Therefore, many companies based on the same model have recently been created, but in other sectors. As all these companies are very young, and given the huge success of most of them, it really seems that it is only the beginning of the golden age of the collaborative economy. Actually, Uber and the numerous companies based on Uber's model are such a success than it has now become common to speak about "uberification" of the economy.

I have chosen this topic because it is a subject which is becoming more and more relevant, and also more and more discussed all around the world. Indeed, the success of these companies is not only positive and is regularly leading to different controversies. Then, it will be very interesting to study this new model which is already changing many sectors of the economy. The most interesting aspects of this topic are of course the analyze of the reasons of the success, but also the resulting questions such as how will this economy evolve in the future.

In that way, after having thoroughgoing analyzed the principles and the main actors of the sharing economy, the aspects and reasons of this success will be analyzed in the theoretical part. But this work should not only provide theoretical aspects about the most famous companies of the collaborative economy. This is the reason why a practical part will also be developed. In this part, some predictions about the future of this model will be made. This practical part will also be devoted to the American company Lending Club, which is a peer-to-peer lending company, and which is thus a very good example of what can be called the “uberification” of all sectors of the economy.

Objectives and Methodology :

1. Objectives

The main objective of this thesis is to analyze new economic models developed by new companies of the sharing economy like Uber and Airbnb.

The aim of this thesis will be first to understand how these new companies succeeded to take such an important place in our economies in such a short time. Thus, another objective will be to analyze their business model and their financial model. It will also be analyzed how companies are now growing in other sectors, using the same model as Uber and Airbnb based on the digital and the sharing economy.

But the objective will also be to analyze the many consequences of the sharing economy : it is interesting to analyze the reaction of older actors, such as traditional hotel industry, the sustainability of this model, and the necessary regulation of these new economic models.

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First of all, a lot of articles have been read about this topic for months, given that it is at the heart of today economic preoccupations.

Thanks to the knowledge developed during these readings, it has been easy to determine which topics should be mentioned in this thesis, and thus to elaborate a plan respecting the instructions and expectations of the faculty and of the supervisor.

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Indeed, in order to fulfill the objectives above, the required information is essentially figures showing the growth and/or the sustainability of this model. Unfortunately, these companies communicate very little about their financial statements, so it is difficult to get official detailed information regarding the financial aspect. That is why newspapers articles will be a major source of information for the writing of this thesis.

However, some books have recently been published about the business model of that kind of companies, and they can also be a good source of information during my research period.

Furthermore, official websites of the companies are also good source of information about their strategy, their different offers, their story, and even for some of them like Lending Club their financial statements.

This research period will help to find a lot of constructive information that will then be used to write the thesis.

The first part, the literature review, will essentially consist in presenting the topic, i.e. the sharing economy, the individual sectors where it is flourishing, and the main companies which can be considered as the motor of this economy.

The second part will be the theoretical part, which will be less descriptive. In this part, the aim will be to bring an added value to the research by analyzing their business and financial model.

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Finally, in a last part, the results obtained in the previous parts will be presented.

III/ Literature review

Before analyzing the development of collaborative economy in much detail, it is important to clearly introduce this new sector of the economy. Thus, this literature review will precisely define this trend of sharing economy, also called collaborative economy. Indeed, it is interesting to understand the origins, the different aspects, and the financial model of this new branch of world economy.

This literature review will also introduce the main actors of this new economic model, i.e. Uber and Airbnb which can be considered as the driving force behind the development of sharing economy. It will also introduce other actors inspiring themselves of this model and which are taking part in the development of this new economic model in all sectors of the economy.

1. What is the sharing economy ?

1.1. Definition :

The sharing economy, also called collaborative economy, can be defined as a new economic model in which individuals are at the same time the supplier and the demander of goods or services, and where a company plays the role of intermediate, enabling individuals to borrow or rent some goods belonging to someone else, instead of buying it or instead of using the services offered by traditional companies. The sharing economy model is most likely to be used when the price of a particular asset is high and the asset is not fully utilized all the time.

Companies based on the sharing economy model all fulfill some common criteria, which we could then consider as defining criteria of the sharing economy.

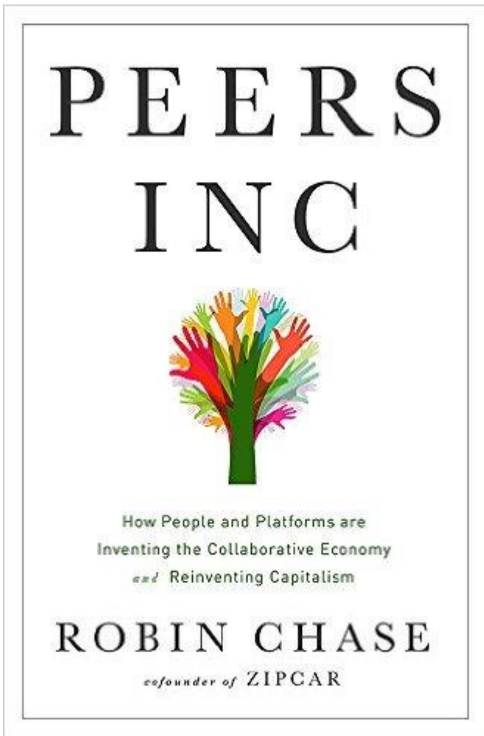
The first one is that all these companies are based on the principle that individuals could share what they do not use with other individuals. That is why it is also sometimes called peer-to-peer (P2P) model. Thus, the sharing economy enables some individuals to make money from unused assets, and other individuals to save money, given that services or goods offered by individuals are for the most part cheaper than the ones offered by specialized companies. For example, a flat owner might allow someone to rent his flat during his holidays, because he is not staying in this flat.

Another important aspect of the sharing economy is that individuals are not only sharing some of their assets with other individuals they know, but that they use a company whose role is to be the intermediate between individuals wanting to share some of their assets and individuals interesting in using these assets. The number of these companies is significantly increasing for a few years. Indeed, the development of the internet has made it easier for entrepreneurs to create online platforms putting individuals in touch with other ones. Indeed, sharing his assets with some individuals is not a new trend, it has been existing for thousands of years. The innovation in this model is then the role of digital companies as an intermediate. Most of them are providing good services, with a convenient and easy-to-use platform (website or smartphone application), with a lot of users, but also with a good customer relationship. This enables them to grow very fast, in terms of users, implantations and turnover. All these companies base their economic model on taking some commissions on each transaction between individuals.

Moreover, all these companies have to face the problem of trust. Indeed, many people are suspicious and prefer to pay for services offered by well-known companies than by individuals despite the price difference. In order to solve this problem, almost all companies of the sharing economy sector are using a review system. This system enables all individuals to evaluate the person with the one they had a deal, by grading them and writing a comment. Thanks to this system, people can see the opinions of users before borrowing or renting to someone. This is a good solution so that people using the platform can trust each other.

Finally, these companies, who propose very different services or goods, are all more or less revolutionizing their activity sector. Indeed, whatever the sector, companies were almost not used to compete with individuals sharing their goods. But thanks to huge digital platforms developed by some companies, the sharing economy is gaining more and more market shares. In some sectors like transport or tourism, these new companies are even changing the way a big part of the world population consumes : the biggest companies of the sharing economy are completely changing their market, which is a huge challenge for traditional companies, which did not expect the development of so competitive companies.

Some recent books are dealing with this new topic. One of the interesting one is Peers Inc, written by Robin Chase, the cofounder of ZipCar. In her book, the author shows how the collaborative economy is currently changing the very nature of capitalism. It shows for example how focusing on excess capacity transforms the economics of what's possible and delivers abundance to all. She introduces also her model of the sharing economy, which she calls the Peers Inc model. This model combines the best of people power with the best of companies power.



Robin Chase explains that the rise of the Internet has made it easy to find, organize, and access the individualized and the local services. Her Peers Inc model is based on two aspects :

The "INC" refers to the industrial strengths, that require significant scale and resources.

The "PEERS" refers to their strengths -- localization, specialization, customization.

More precisely, the Peers Incorporated model combines two powerful forces. On one side, there are industrial strengths, called the "Inc", which are companies, governments, and institutions that apply significant resources, talent, and money to simplify the complex, apply standards and consistency, deliver economies of scale, and create global brands. On the other side, there are individual strengths, called the "Peers", which are autonomous individuals but also small companies engaged in local, small scale, customized, and specialized efforts to create just-right unique goods and services, often tapping into their own social networks to promote and distribute them.

And according to Robin Chase, when Incs and Peers focus only on what they do best, each making what is difficult, annoying, or even not possible for the other, the resulting collaboration is successful and sometimes miraculous. Indeed, the abilities and assets of the Incs and the Peers are really complementary, and depend on each other.

Thus, Peers Inc. strengthens new emergent practices such as the sharing economy, crowdsourcing, collaborative production, and collaborative consumption. It is encouraging relationships that are more than simple peer-to-peer interaction, allowing peer-to-business, peer-to-government, and small business to big business. They share expertise, networks, data, light and energy, or whatever else that is able to create value for both sides.

1.2. What is the financial model of the companies of the sharing economy ?

All these companies are based on the principle of sharing underused assets at lower prices that common market prices. Naturally, before analyzing their financial model, a question comes to mind : how do they make money ? The number of that kind of companies is increasing, and thus, the different ways of monetization are also increasing.

Nevertheless, the most common way of monetization for all these companies is to take **commissions** on each transaction. Many companies offering rentals between individuals use commissions as their main way to make their turnover. It can be very lucrative, when the commission applies to the amount paid by the demander and to the sum received by the lender. The best example of this way of monetization is Airbnb, which is a model for many companies based on the same principle. Generally, these fees vary according to the amount requested by the lender even if on some platforms, the commission is fixed. Nevertheless, in order to apply this funding method, it is necessary to do it with products whose initial price is high enough, so that the amount of the commission does not shock the consumer.

But even if this is probably the most lucrative way of monetization, commissions are not always appropriate. For example, when the specialization of the company is sharing for free, donation or exchange, it would be very difficult to convince users of the platform to pay commissions. In this case, the **sale of advertising spaces** can be a good strategy. A good example of this financial model is the case of Carpooling, the German competitor of the carpooling European leader BlaBlaCar. BlaBlaCar uses commissions, but Carpooling differentiates itself from his main competitor by the fact that it puts into relations its users for free. In order to finance itself and to ensure that this activity continues in the long-term, this start-up launched in Munich in 2001 uses advertising revenues. The advertisements on this platform usually promote other transport companies such as Deutsche Bahn (the national German railway company) or Eurolines (the specialist of bus transportation). The company is therefore based on an advertising model : they use the huge number of their community to sell audience to advertisers. Their main activity does not bring them directly money, but the best this activity works, the most expansive there advertising spaces will be.

Another possibility, which is more and more common on internet, but not a lot in companies of the collaborative economy, is the “**freemium**” model (contraction of the words “free” and “premium”). This strategy consists in dividing the platform in two categories : free of charge functionalities, and chargeable functionalities. In most of the platforms based on a freemium model, basic functionalities are free, and for more advanced functionalities, the user has to pay. This model is very common for online newspapers or online video games, but is scarcer in the collaborative economy. Some companies still use it, such as WeRoom, the first social network dedicated to the research of shared flats and of roommates by affinity, which has recently become a freemium platform. Some services are now chargeable, like being the first as being notified of a new flat available, furniture’s rentals, hours of housework, …

In addition to these different ways of monetization, these growing start-ups also use their success to benefit from funds raisings. This is not a way of monetization, but the aim is to realize capital gains at short term. Successful start-ups can count on external funding of business-angels, capital riskers, or private funds investing in innovative companies with a high growth potential. In the sharing economy, these funds raisings are increasingly common as many companies are blooming in this sector.

2. Who are the main actors of the sharing economy ?

2.1. Uber

Uber is an American company headquartered in San Francisco, California, and founded in 2009 by Garrett Camp, Travis Kalanick and Oscar Salazar. First, the name of the company was UberCab. They provide a mobile application, which enables its users to order a taxi from their smartphone.

This idea came to the founders in 2008 when they were in Paris for an exhibition, and they realized that Paris was faced with the same problem as in San Francisco : they had many difficulties to catch a cab. That is why, when they came back to the Silicon Valley and created this system of private taxi drivers based on this simple idea : “tap a button – get a ride”.

Uber in figures :

Uber Business Model :

The most famous service proposed by Uber is the private taxi that you can order from the application on your smartphone. This system presents many advantages compared to traditional cabs, as presented in the table below.

First, in many countries, taking a taxi with Uber is much cheaper, for example in France. Indeed, traditional French cabs have to pay 100.000 € to get a taxi license, and then need to propose quite expensive prices in order to get a return on their investments. The situation is much different with Uber, given that anyone fulfilling some conditions (of age, driving license, age of the car, etc) can register on Uber to become a driver for the company. Then, Uber does not have any high investment such as traditional cabs and can provide cheaper services.

Moreover, the application Uber provides to its users some additional services which make the trip of the customer more convenient. For example, it enables the customers to have a map overview on their phone. Thanks to it and to a geo-tracking system, they can choose exactly where they want to wait the taxi, but can also see on their map where the taxi is and how long they need to wait before its arrival. This map overview also enables the customer to know where he is and to check that the driver took the shortest way to the requested destination.

In opposite to the traditional cabs where you cannot do anything if you are not satisfied with the driver, Uber offers a driver rating, which encourages drivers to do their best for their customer. In that way, you often have the choice of music you want to listen to, and some refreshments or snacks are often offered for free.

One other main difference with traditional cabs is that the customer does not need to pay directly to the driver. Indeed, the application enables you to save your credit card number. Then, after each ride, the price is automatically debited from the bank account of the customer, which enables them to save time.

All these advantages explain why Uber is gaining so many market shares in the taxi industry.

Taxi versus Uber services

Source : Freier Anne. September 14, 2015. Uber usage statistics and revenues

Different options offered by Uber :

UberX :

UberX is one of the most famous Uber's options as it is one of its low cost option with UberPool and UberPop. Actually, it is quite similar to UberPop. It enables to go from a point A to a point B without having to pay directly the driver, as your bank details are saved in the smartphone application, and for a lower price as with traditional cabs.

UberPool :

UberPOOL enables Uber's users to share their ride—and the cost—with others heading the same way. It's the cheapest way to Uber and the only option that offers a guaranteed price before the request, so you always know what you're going to pay.

UberPop :

UberPop offers a car service with a driver who is a private person, only registered with Uber. UberPop is considered as illegal by some governments like the French government which has however some difficulties to enforce the law.

The driver, contacted through the smartphone application, is not an official taxi driver, but decides to become a driver to make profit with his car or make ends meet at the end of the month. It is not carpooling because the service is paid and remunerative, while carpooling provides only a participation fee.

This service is approved by any authority, signed up for any official professional register and therefore do not pay social security contributions or taxes. The driver did not follow taxi driver training.

This individual does not have insurance for professional transport business. Without a license, without constraints, UberPOP therefore allows individuals to propose rides for lower prices than official taxis. It has about 400,000 users in France.

UberXL :

UberXL is the UberX but with bigger cars, often minivan. The targets are groups of persons with a tight budget. The ride can be for 6 persons.

Luxury options : UberBlack, UberSelect

This luxury options are showing that Uber really wants to win market shares on the cab market, and not only for individuals wanting to save money. That is why the company created **UberBlack**, the luxury version of UberX. It allows to transport its users in style. The rise is done with a new black luxury car, with black leather interior and drivers are typically well mannered, dressed sharply, professional drivers. **UberSelect** is quite similar than UberBlack but a bit less expensive, only because the car does not have to be black. All other premium requirements remain the same as with UberBlack.

The success of this way of individual transportation encouraged the company to diversify into other services, such as delivery, business travels, or even now in food delivery with **UberEats**. This service enables customers to be delivered with ordered food of partner restaurants in less than 10 minuts. This food delivery system is not innovative as it is already very common in many countries, such as in Czech Republic with DameJidlo.cz, but it could still compete these well-known website thanks to their promptness to deliver the food.

Uber financial model :

Financially speaking, Uber business model seems at first sight to be very profitable. Indeed, in opposite to traditional cabs companies, they do not own any cars and do not have any license to pay. That is why the investments are much lower than the ones for traditional companies.

Moreover, they have no salaries to pay to their drivers. Indeed, they only take a 20% commission on the price of each ride. This system encourages many individuals wanting to earn extra cash to become drivers for Uber, and contributes to the quick development of the company all over the world.

In a nutshell, Uber is a typical example of sharing economy : they transport individuals using other people driving their own cars, and take a commission on each transaction.

Expansion of Uber :

This business model is very successful for Uber, whose turnover is growing exponentially. As of September 2015, the application is available in 60 countries and 300 cities all over the world, and has been estimated to be worth $50bn. Another proof of the huge expansion of this company is that according to Forbes, Uber had gross bookings (total fares charged to app customers, before the drivers get their cut) of $3.63 billion in the first half of 2015. That's up from just $2.93 billion in all of the previous year. Then, we can say that Uber's overall ride-hailing business is strong: it likely more than doubled its bookings year over year.

In fact, Uber appears to have been growing at a rate of about 40% each consecutive quarter. From the first to the second quarter of 2015, gross bookings increased from $1.5 billion to $2.13 billion.

2.2. Airbnb

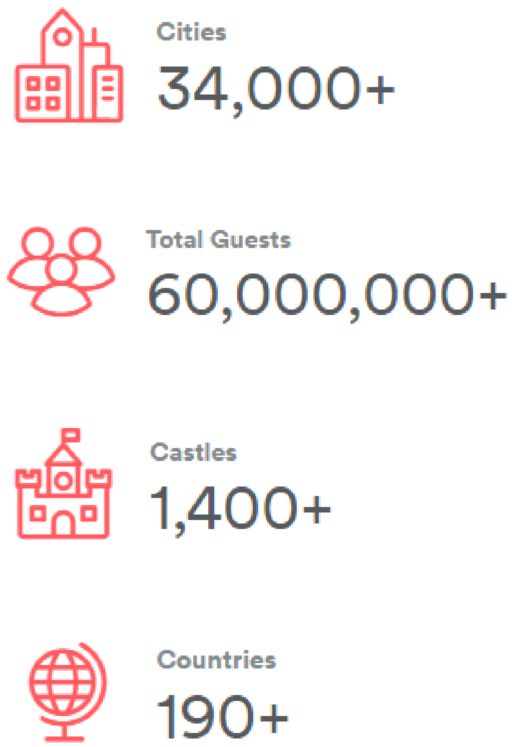
Airbnb is also an American company headquartered in San Francisco, California. It was founded in 1998 by two young American : Brian Chesky and Joe Gebbia.

The aim of this company is to enable people to rent some flats or some rooms to travelers. They are really revolutionizing the tourist industry as more and more people are using this platform during their trips. Indeed, the prices are most of the time much lower than in hostels. And more and more individuals are using this platform to earn some money with short-term rents by monetizing their extra space. This company is thus a typical example of the development of the sharing economy : the hotel industry now has to compete with a growing interests of consumers in rentals between private individuals.

The history of the foundation of the company is very interesting (see detailed history in Appendix 1). Brian Chesky and Joe Gebbia just finished their studies of design when they arrived in Los Angeles with the goal of becoming entrepreneur. And one day, when the owner of their flat decided to increase the amount of the rent, they decided to rent their sofa. Given that there was a design congress in the city, all hotels were full, and they easily found some people interested in living in their flat. Then, they decided to create a website to manage other reservations. This idea became a success as they found many travelers interested. They started to earn some money and decided to open the website to anyone interested like them in renting their flat. Nathan Blecharczyk, who was graduated from Harvard, joined them a few months later to help them for informatics issues.

One year later, in 2009, they were spotted by a famous incubator called Y Combinator. It really accelerated Airbnb's development. They received a lot of funding from business angels and from the most famous investment funds of the Valley. Since the foundation of the company, they received more than 800 billion USD. They opened offices in Paris, London, Milan, Sao Paulo, Singapore, Seoul … This young start-up is now largely globalized, with listings in 190 countries.

Airbnb into figures :



Map : Airbnb around the world

Source : Airbnb, About us

As we will see in much detail in the theoretical part, the increasing number of implantations all over the world is allowing the revenues of the company to increase very quickly.

Airbnb business model :

The business model of the company is based on the fact that it offers free listings to property owners on their platform (website or application), and that the booking and the monetary transactions can only be done on its platform (for example you cannot give your phone number before the flat is definitively booked). Airbnb uses its intermediation role to earn some money, and has two different shares of revenues. The first one is the commission from the property owners (hosts) : it is a flat 10% commission charged by Airbnb to the hosts for each booking enabled by the platform. The second one is the transaction fee from travelers (guests) : it is a charge of 3% for every confirmed booking.

One other major aspect of Airbnb’s business model is that the company is taking commissions for flats that it does not own. It means that the company does not own any property, except its offices. This is a huge advantage for this company compared to other actors of travel industry like hotels, who have to invest a lot to own the rented flat or room. In this way, Airbnb can focus its investments in communication, marketing, or promotional offers which are very important aspects for that kind of start-up. This aspect is common to all companies of the sharing economy and is a key reason of their success.

3. Other actors inspiring themselves from Uber & Airbnb

When we speak about the sharing economy, two main companies are coming to our mind : Uber and Airbnb. However, many other companies are following the same model, based on share of assets between individuals using a digital platform.

In the transportation sector, Uber is by far the main actor, but some other actors are becoming more and more important in this sector. For example, a French start-up called **BlaBlaCar** is a huge success. This company differs from Uber, even if it is more or less based on the same principle, because it is for long distance rides : it is the world's leading long distance ridesharing service, connecting drivers with empty seats to people travelling the same way. Thus, this company enables some travelers using their cars with free seats to cover their costs (of oil, tolls, and usage of the car) : they offer the possibility to some people without cars but doing the same trip to seat in the car of individuals doing the same ride. It is also a huge opportunity for individuals to save money, more specifically in France, where trains are very expensive and where bus lines are not as common as in Czech Republic.

This company was created by Frédéric Mazzella in 2006 and was first called covoiturage.fr (means ridesharing in French). In August 2008, they launched a Community web 2.0 version of Covoiturage.fr that adds a community review system, portraits, biographies. Covoiturage.fr positions itself as a combination of a travel site and a community site. By September 2008, Covoiturage.fr became the most used carpooling site in France.

In 2009, the start-up launched a Spanish version of the website called Comuto.es. Since this year, it opened a website in many other countries and is now available in the 22 following countries : France, Spain, Great Britain, Italy, Poland, Germany, Portugal, Belgium, Netherlands, Luxemburg, Russia, Ukraine, Turkey, India, Mexico, Serbia, Romania, Croatia, Hungary, Brazil, Slovakia, and Czech Republic.

BlaBlaCar now has 25 millions of members around these 22 countries, and 10 millions of users each trimester. The mobile application has been downloaded 15 million times. It has an average growth of 200% per year. Furthermore, the company evaluates that its users save 100 million of Euro each year. Like all that kind of companies, their business model is based on commissions taken on each booking.

Another French start-up is now playing a major role in the transportation sector : **Drivy**. This company is the European leader of car rental between individuals. Car owners can create a free rental listing so that their car pays its own costs. As the Drivy cars appear at all street corners, Drivy offers drivers the best alternative to buying a car: car rental at a low price, and especially cars close to their home. Like the previously mentioned companies, Drivy belongs to the collaborative economy.

This start-up was born in 2010 in Marseille, in the South of France by Dementhon. This idea came to him when he observed people sharing their car with members of their family in Marseille. He imagines then to connect car owners, especially with potential tenants through a user-friendly platform that allows to localize the car, to know the characteristics and the rental cost in a few clicks. Six years later, Drivy represents 800,000 members for a community park of 35,000 cars used regularly, and much more if we take into account the cars used occasionally. The standard profile of Drivy users is a driver who does not use a lot his car, who is around 30 years old, and who is living in an area where the demand is high. His motivation is to reduce the costs that the property of a car involves. Users of Drivy often say that it allow them to pay their insurance and the maintenance of the car.

One of the major reasons of the success of this company is that it is really user-friendly. They have for example a partnership with the insurer Allianz, and in case of accident, the customer service of the company takes over the conflict.

After his growth in France, the company is now targeting to expand in Europe. As part of this strategy, they bought their German competitor, Autonetzer, in May 2015, and opened a website in Spain two months later.

Drivy is revolutionizing the sector of car rentals. Indeed, it represents a major competition for leaders of the car rental sector such as Hertz, Europcar, or Avis. One of the main proof of the danger of this company, like of other companies offering car rentals between individuals (OuiCar, Zilok, DriveMyCar, etc…) is the evolution of the French market. Excepted in Paris, where the car rental market is essentially targeting foreign tourists, who still use traditional car rentals companies, we can observe a downward trend of car rentals prices. The average price per day for a car rental in France has decreased from 38.86 Euros in 2013 to 36.35 Euros in 2015, which represents a decrease of 6.45% in two years. As a comparison, the average price for a car rental on Drivy is of 29 Euros per day. The arrival on the market of Drivy and of other companies offering car rentals between individuals incited traditional companies to lower their prices and to create their low-cost companies in order to better compete with Drivy. For instance, the American company Hertz created Firefly, the French company Europcar created InterRent, and the other leading American company Avis created Budget.

Like all these successful companies of the collaborative economy, their business is based on commissions. They take a commission of 15% of the price of each car rental, 15% are dedicated to the insurance fees, and the rest is for the car owner. Like all these companies as well, they do not communicate about their financial statements. The CEO of the company has still argued that the company grew of 100% in 2015.

IV/ Theoretical part :

As already mentioned, the business model of the sharing economy is so successful that we more and more speak about "uberification" of the global economy. That is the reason why this theoretical part will be very interesting in order to analyze the reasons of the success of this business model. This phrase means that in many sectors of the economy, some new companies are created, often based on the sharing of unused assets between individuals. This always leads to a bigger competition, given that historical companies have to face with the entrance on the market of new aggressive actors.

The current situation with these new companies reminds the theory that Joseph Schumpeter defined as "creative destruction" in 1940. According to him, progress is made by destroying the past, which inevitably means some will lose out. This is what seems to currently happen with the new previously mentioned companies : the development of Uber is leading to huge problems for traditional cabs, the development of Airbnb is bringing many problems to the hostel industry, the development of BlaBlaCar is becoming a danger for national railway companies, etc…

This theoretical part will thus allow to better understand in what these companies are huge innovation which could lead to the death of historical companies, and why they are a very good example of Schumpeter's theory of creative destruction.

1. Financial model of these companies

1.1. Comparison of their valuation

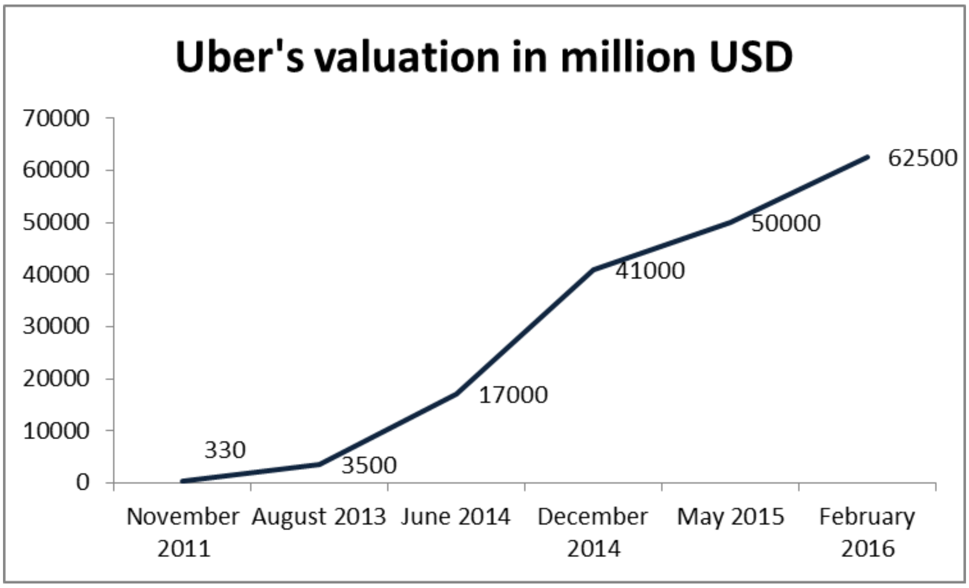
Uber, Airbnb, but also BlaBlaCar all belong to the group of "unicorns", which represents all the companies which are not listed on the Stock Exchange, but whose valuation is of more of 1 billion USD. Actually, Uber and Airbnb are even on the top of this ranking, whose top 3 is as follows :

1- Uber : 62.5 billion USD
2- Xiaomi (Chinese producer of smartphones) : 46 billion USD
3- Airbnb : 25.5 billion USD

Regarding BlaBlaCar, its valuation is evaluated at 1.1 billion USD.

For Uber like for Airbnb, their valuation is increasing very fast. They increase depending on different factors, such as net revenues, implantations of the companies around the world. These factors enable the start-ups to raise funds from private investors. After most of these funds raisings, their valuation increase. For example, in 2015, it was reported that Uber had raised $1 billion in a round of funding, a sum that valued the company at roughly 51 billion USD, instead of 41 billion USD before this raising. This valuation made the ride-summoning tech company equal to Facebook's record for a startup. Thus far, Uber has raised $7 billion from private investors for an imputed market valuation of more than $62 billion. The graph on the next page shows the astronomic growth of Uber's valuation :

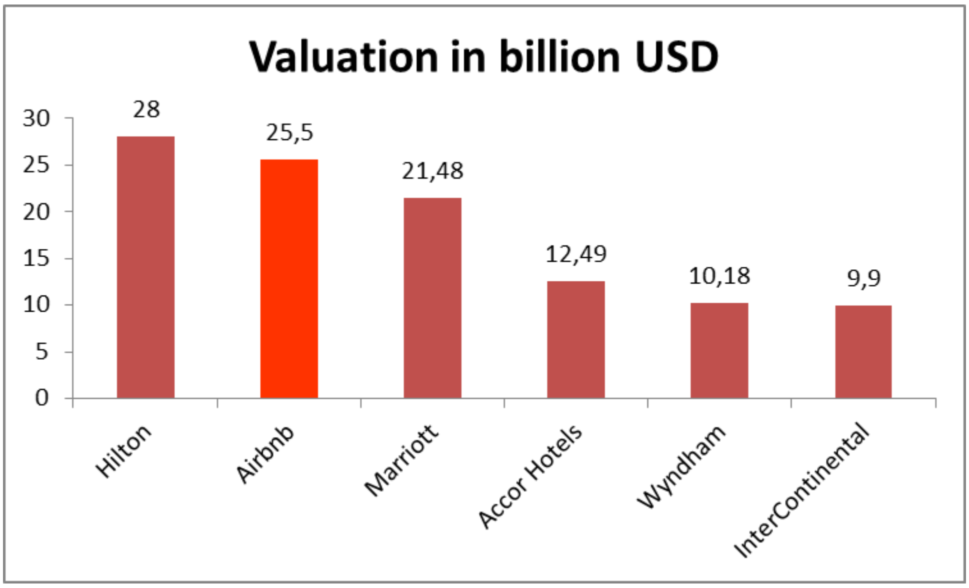
Graph 1 : Uber's valuation since 2011 (in million USD) :



Source : Gawker, 2015, Here are the internal documents that prove Uber is a money loser

The valuation of these companies is huge for so young start-ups. Moreover, if we compare these valuations with some of their competitors, these data seem to be even crazier. For example, without owning any bed nor hostel, Airbnb is valuated twice more as the famous hostelry group AccorHotels (owner amongst others of Ibis, Novotel, Sofitel, Mercure, Pullman, …) which owns 482 296 rooms around the world. The graph below shows the valuation of Airbnb in comparison to its competitors which are the big hotel groups :

Graph 2 : Current valuation of Airbnb in comparison to its competitors :



Source : L'Express, 2015, Airbnb, l'entreprise qui valait 24 milliards de dollars

1.2. Evolution of their revenues and of their profit & loss statements

Case of Uber :

Officially, no figures are circulating on Uber's profitability. According to information from Bloomberg, the company currently has annual sales of approximately $ 10 billion per year. This figure is calculated from recent data over a short period (one week or one month) and include money (about 80%) which is refunded to drivers. It has therefore to be taken with caution. According to the same information, Uber would be beneficial in about 80 US cities and the number of rides would have increased by 250% this year compared to the previous one.

Even if there is no official publication of their financial statements, some media managed to obtain detailed document. This is the case of the famous American blog Gawker. These obtained documents show that the company is financing its huge growth by taking important losses. Indeed, despite their astronomic net revenues growth, Uber has to deal with big losses, showing that this model is not yet profitable.

Below are the profit and loss statements available thanks to Gawker. This statements are available for the year 2012 (by quarter), 2013 (only the two first quarters are detailed), and for the two first quarters of 2014. The net losses calculations are in red. These data are unfortunately not available for more recent periods.

Table 1 : Leaked Uber's Profit and Loss statement

(in thousands $)	**Q1 2012**	**Q2 2012**	**Q3 2012**	**Q4 2012**
Net Revenue	1 442	2 130	4 310	8 263
COST AND EXPENSES :				
Cost of Revenue / Cost of Sales	2 291	2 494	4 178	5 702
Operating Expenses :				
Operations and Support	1 228	1 963	2 742	4 314
Sales and Marketing	88	250	237	248
R&D	553	624	797	1 786
General and Administrative	564	793	979	1 793
Quality	133	263	301	503
Total Costs and Expenses	4 857	6 387	9 234	14 346
Loss from Operations	- 3 415	- 4 257	- 4 924	-6 083
Other Income (Expense)	99	96	566	977
Net Loss	**- 3 514**	**- 4 353**	**- 5 490**	**- 7 060**

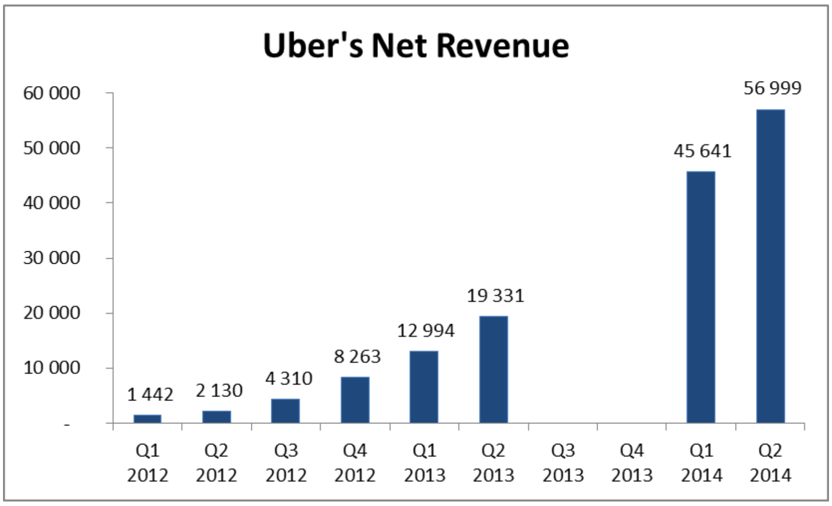
(in thousands $)	**Q1 2013**	**Q2 2013**	***2013***	**Q1 2014**	**Q2 2014**
Net Revenue	12 994	19 331	*104 405*	45 641	56 999
COST AND EXPENSES :					
Cost of Revenue / Cost of Sales	8 815	10 514	*51 869*	22 212	32 325
Operating Expenses :					
Operations and Support	5 911	8 395	*41 931*	18 091	16 710
Sales and Marketing	264	459	*34 189*	32 371	41 466
R&D	1 609	2 224	*13 457*	7 988	12 262

General and Administrative	2 048	3 323	*17 668*	15 563	59 381
Depreciation and Amortization			*1 970*	1 070	1 678
Quality	420	535			
Total Costs and Expenses	19 067	25 450	*161 084*	97 295	163 822
Loss from Operations	- 6 073	- 6 119	*- 56 679*	- 51 654	- 106 823
Other Income (Expense)	1 256	2 017	*149*	- 631	- 2 004
Net Loss	**- 7 329**	**- 8 136**	***- 56 530***	**- 52 285**	**- 108 827**

Source : Gawker, 2015, Here are the internal documents that prove Uber is a money loser

The first aspect that is striking with this Profit & Loss statement is the astronomic growth of **Uber's net revenues**. As an example, the net revenues have been multiplied by 38 between the first quarter of 2012 and the second quarter of 2014. Moreover, in 2012, the net revenues were multiplied by 2 between each semester. This growth has been slowing down in terms of percentage of growth since 2013, but the graph below shows that this growth is still accelerating in terms of absolute value : the net revenues increased of + 168K USD during the first and the second quarters of 2012, of + 3,953K USD between the two last quarters of 2012, and of +11,358K USD between the two last available quarters (first and second quarters of 2014).

Graph 3 : Evolution of Uber's net revenues between 2012 and 2014 :

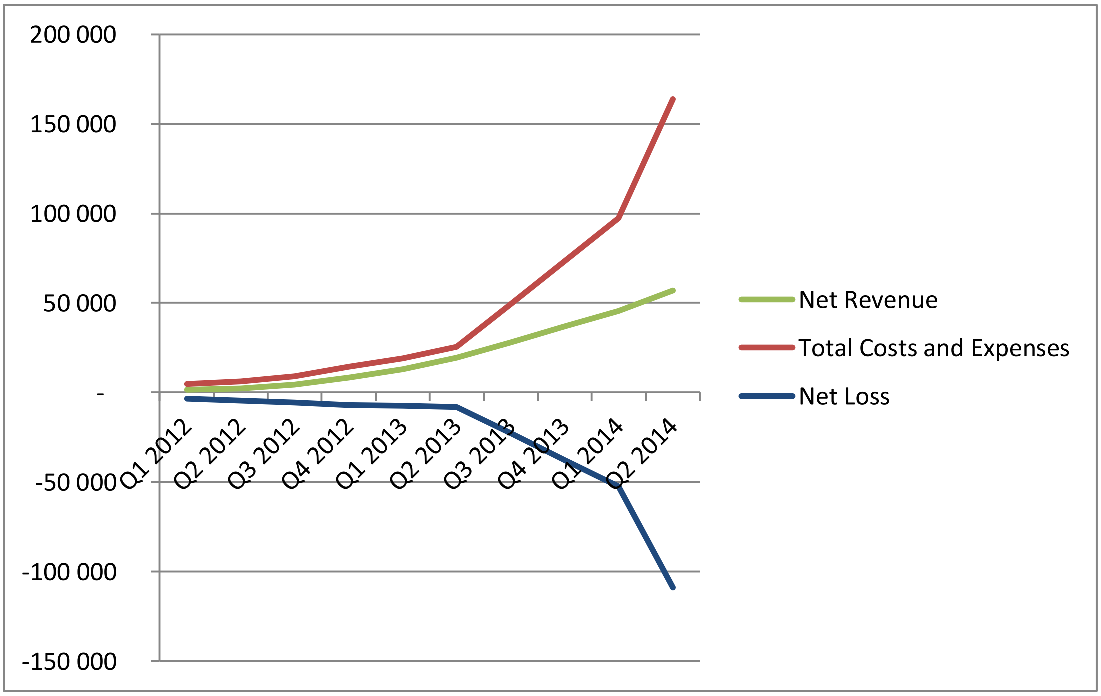


Source : Gawker, 2015, Here are the internal documents that prove Uber is a money loser

Net revenues are the revenues for the company minus any discount/rebates/fees etc. So in the case of Uber, their gross revenues are the cost of all the rides. But as explained in the literature review, they only get a percentage of the ride fares (the rest goes to the drivers). That is the reason why the net revenue figure described in Uber's official documents is probably more or less equal to 20% of all fares (Uber's fee). Then, net revenues are much lower than the amount that the company really collects. But as for all these companies collecting a lot of cash but keeping only some commissions, we consider that the turnover is the amount of the commissions they take, and not the amount of all the cash they collect. However, this business model is very good for all that kind of companies such as Uber or Airbnb, because it enables them to improve their cash flows.

Regarding the expenses, they are logically considerably increasing, given that the company is currently growing. But the situation is still quite problematic because expenses grow faster than the net revenues of the company, as we can see on the graph below.

Graph 4 : Evolution of Uber's revenues and costs (in thousands USD) :



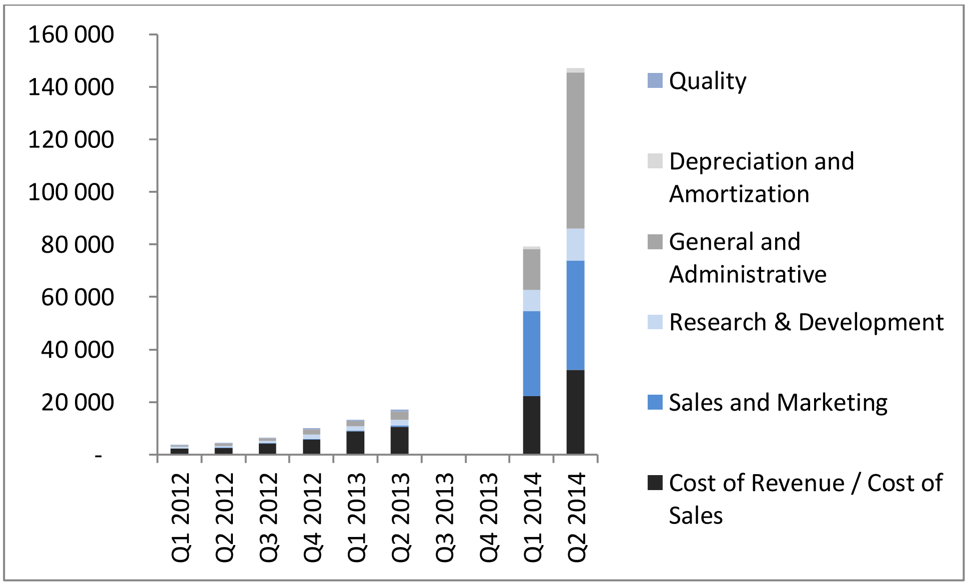
Source : Gawker, 2015, Here are the internal documents that prove Uber is a money loser

This graph shows then that even if net revenues are growing very fast, expenses are growing even faster. Then, despite a huge growth of the turnover and an astronomic valuation, the company is still quite far of being profitable. Worst, we can see on this graph that the gap between net revenues and expenses is widening.

Recently, updated data have leaked on the website *The Information*. These data confirm the huge losses that the company has to face with. Indeed, during the first semester of 2015, i.e. during January and June 2015, Uber lost 987 million USD, for a turnover of 3.6 billion USD. These losses significantly increase, as they were only of 20 million in 2012, 56 million in 2013, and of 671 million USD in 2014. It means that if Uber did not manage to reverse this trend during the second semester of 2015, losses could have been multiplied by 3 or 4 in one year.

However, when we look at the valuation of the company, it seems that this situation does not frighten the investors. It is then interesting to **analyze these expenses** in order to better understand that these expenses belong to the long-term strategy of the company.

Graph 5 : Evolution and repartition of Uber's costs (in thousands USD) :



Source : Gawker, 2015, Here are the internal documents that prove Uber is a money loser

This graph shows that the main expenses are expenses in general and administrative, and in Sales and Marketing. The expenses in Marketing are very important for such a start-up. In order to gain market shares, Uber invests massively in marketing, even if it leads currently to huge losses and avoids the company to be profitable. Whatever the losses, they consider that the priority is to become well-known by all potential users. This is quite a logic strategy for such an innovating start-up, and their astronomic growth gives good reasons to go on with this strategy, with the long-term vision that these investments should allow them in the future to have enough users to be profitable. In this way, the marketing expenses are exploding : Uber spent less than one million USD for marketing in 2012, but 34 million in 2013. Updated data leaked in *The Information* are showing that they spent 295 million USD in marketing during the first two semesters of 2015, already more than during the whole year 2014.

In a nutshell, these high expenses in Sales & Marketing express a very aggressive expansion strategy of Uber. For instance, Chief Executive Travis Kanalack said that he planned to spend 1 billion USD in India and the same amount in China in order to increase its market shares. The long-term target is that the Chinese market exceeds the American one.

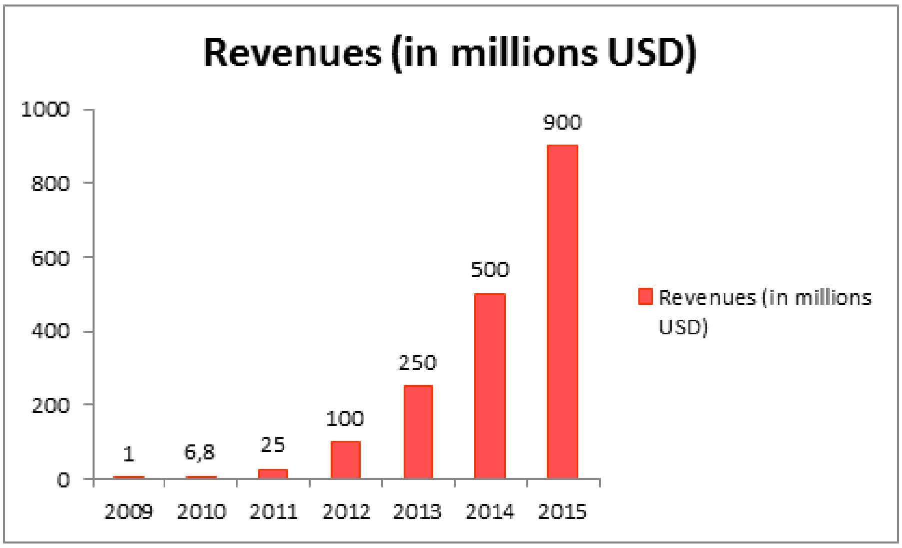
The category "General and Administrative" represents amongst others wages and represents main expenses as well. The increase in these expenses can in particular be explained by the massive hiring of high qualified engineers to develop the technical aspects of the companies. Only this hiring costed 166 million USD to the company during the first semester of 2015. One of the reasons of these investments is a huge and promising project of autonomous car. This project should allow Uber to dispense with drivers in the future and could then be a major revolution for the company : in addition to being the first company offering driverless taxi service, it would allow them to keep the whole price of the ride, instead of giving back 80% of this price to the drivers. If this project succeeds, there is no doubt that these investments in hiring these engineers will be worth it, given that Uber could multiply by 5 their gross revenues by ride.

The category "General and Administration" also includes hiring costs and wages of lawyers and lobbyists needed to fight opposition of some governments and of traditional cabs in order to gain market shares in some countries where the legislation is a bit difficult for Uber, like in Korea, Spain or France.

Case of Airbnb :

Like Uber, Airbnb's revenues are growing very fast, as we can see on the graph below. For the first year of activity, the turnover of the company was of one million USD. It has been multiplied by 100 in 4 years, and it has been multiplied by 9 between 2012 and 2015. In 2016, the revenues will easily exceed the one billion of USD. Furthermore, the company argues that the turnover should be of 10 billion USD in 2020.

Graph 6 : Airbnb's net revenues since 2009 :



Source : Fortune, 2015, Here's how Airbnb justifies its eye-popping $24 billion valuation

According to Airbnb, the half of these revenues is performed in Europe, and 30% in the United States. It means that they still can expect a huge growth on many markets.

However, it has to be noticed that like many start-ups, the company is not profitable yet. Indeed, like Uber, the current goal of the company is to develop itself, and thus it invests a lot. For example, it forecasted an operating loss of 150 million USD for the year 2015, which represents 17% of the turnover. But it expects to start being profitable at the latest in

2020. According to Douglas Quinby, an analyst with research firm Phocuswright, in order to achieve this lofty goal of being profitable with a turnover of 10 billion USD in 2020, the company will have to increase its market share on the global lodging market from 1% to 10%. But this objective seems to be realistic when we look at the current growth of the company and at the potential of this market. That is the reason why Sean Hennessey, industry consultant with Lodging Advisors LLC, says : "We are still very much in the early days of travelers being aware of and considering Airbnb for their next trip, they could achieve a sizable amount of market share as the market grows and as their mind-share grows."

1.3. Analysis of their cash flow statements

As already said before, these companies communicate very little about their financial results. For example, they do not publish financial report, and even do not officially communicate on their results, but only on their revenues. Thus, only some leaked documents enable us to know more about their financial health. In the same logic, it is not possible to find the detailed cash flow statements of Uber or Airbnb, because they do not publish it, and the priority for journalists is to find information about losses or about the turnover, not about the cash flow statement.
However, analyzing the business model of these companies enables us to guess some information about their cash management.

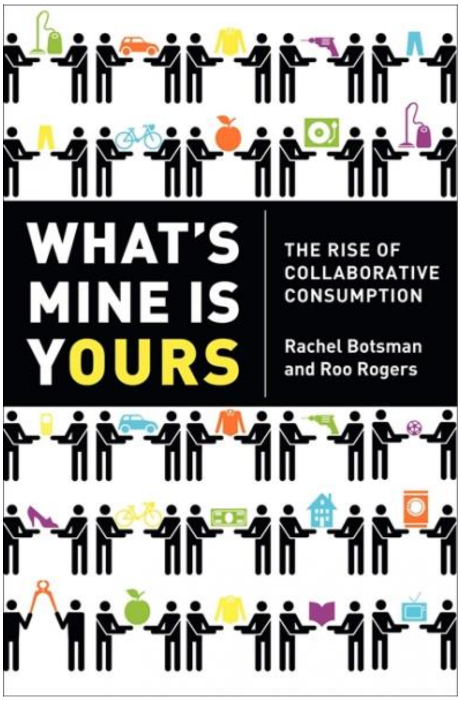
First of all, Uber like Airbnb both have a huge difference between their gross revenues and their net revenues. Indeed, gross revenues represent the total amount of bookings. But a huge part of this amount is returned to the drivers in the case of Uber or to the hosts in the case of Airbnb. And net revenues represent the amount really earned by the company, i.e. the amount of the commissions they take (20% for Uber, 12% in average for Airbnb). But this business model is very profitable in terms of cash management, because they perceive the cash, and keep it during several days or even several weeks before returning the due amount to the user. For example, Uber pays its drivers each Friday following the week for the one they are paid. It means for example that for a ride done on a Monday, the driver will receive its money 11 days after it, whereas Uber received it from the user the day of the ride. Likewise, Airbnb collects the cash the day of the booking, i.e. you have to pay when you book your room, but only gives this money back to the host the day after the arrival of the traveler. It means that the company can keep this cash during the period between the booking and the day after the arrival in the flat. This strategy is very profitable for these companies in terms of working capital requirement.

But even if this aspect helps their cash management, it is clearly not enough to ensure their needs of cash. Their investments in marketing and their losses, most specifically for Uber, are so high that they need to find another way to improve their liquidity. The most common used way of improving their liquidity is the regular raising of funds. In the case of Uber for example, this strategy allowed them at the end of June 2015 to have 4.1 billion USD of cash available, which covered the losses of 987 million USD during the first semester, and the foreseeable 1.9 billion USD losses for the whole year 2015.

2. A new economy based on trust :

3.1. Theoretical part : the new currency of the 21st century :

All these companies have many common points. As we just saw, they are all based on the success of the internet and on the sharing of unused assets, but one other major aspect is common to all these companies of the sharing economy : trust. This is the theory developed by Rachel Botsman, an author known for the theory of "collaborative consumption" with her book What's Mine is Yours: How Collaborative Consumption is Changing the Way We Live. According to her, we are at a major shift in our economies : we would start to trust people more than corporations or governments, and trust between strangers will be the new currency of the 21st century. According to her, this is the main difference between the 20th and the 21st century. The 20th century was the century of hyper consumption, based on credit, advertising and individual ownership. To the opposite, the 21st century will be the one of the collaborative consumption, based on reputation, community, and shared access to ownership. Then, we are moving from an industrial economy, based on centralized and top-down institutions, to a collaborative economy based on distributed and connected communities.



What is really interesting in Rachel Botsman's theory is that the new importance of trust requires a way to measure it. That is the reason why she introduces the "reputation capital". She defines it as "the sum value of your online and offline behaviors across communities and marketplaces". Indeed, each company of the sharing economy has a review system enabling to evaluate the behavior and the individual with the one you did the deal. These companies are gaining so much importance that reputation could become a currency that will be more powerful than our credit history in the 21st century.

We can agree with her because the comments on our profiles could maybe in the future have more value to obtain a loan than a guarantor. Whereas at the beginning, we considered internet as anonymized, dehumanized, and informational, it now enables to create trust between individuals. By the way, the “reputation capital” will allow us to have access to services, products, knowledges and markets. Even if we know the importance of the e-reputation for a brand, and even for an individual, for example when he is applying for a job, the good reputation of an individual on the internet allows him today to access to a collaborative consumption. The sellers, the renters, or the lenders will place its trust in him thanks to the recommendations viewable on his profile. On the other side, the purchaser can look at the comments posted on the profiles of its interlocutors as well. Thus, this trust is very important given the fact that it allows the transaction between both parts. Therefore, it has an almost monetary value in this collaborative system.

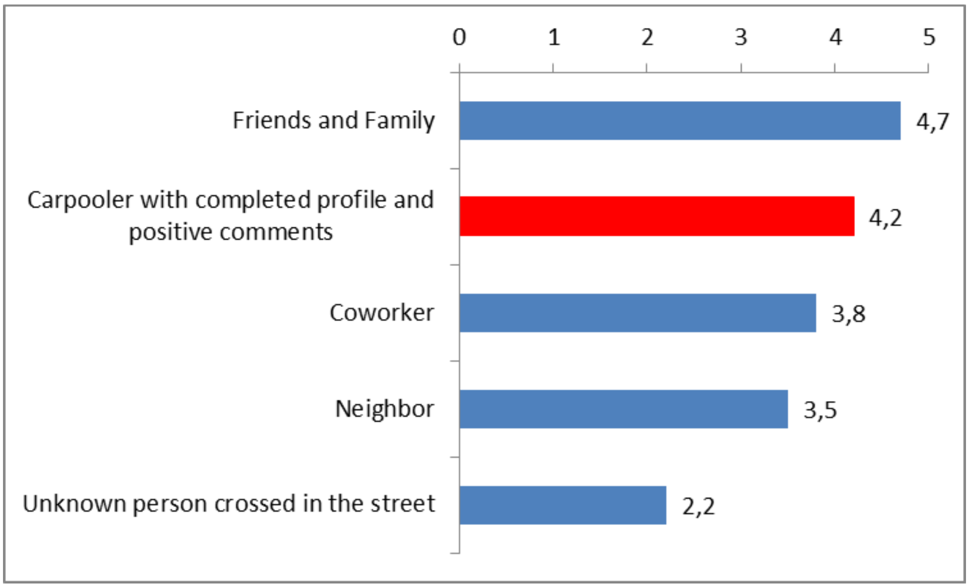
3.2. Example : the importance of the users review system, and example of BlaBlaCar

As defended by Rachel Botsman, trust is a major aspect of the collaborative economy. In order to help its users, all these companies have developed a users review system, or a grading system. Thanks to this system, after each transaction, you are incited to grade and to write a comment about your experience with your interlocutor, whatever if he is a seller, a lender, a buyer, or a borrower. And all these grades and comments can after that be read by other users interested in making a transaction with a user. The more comments you have, and the better they are, the more chances you have to find someone interested in your flat, your car, or whatever. Likewise, the better the comments of a borrower or of a buyer are, the more chances he has that the seller or lender will accept his offer.

The case of BlaBlaCar is very interesting to analyze, given that this company offers ride-sharing. Thus, trust is very important for users who are supposed to spend several hours together in the same car. The company well understood that this lack of trust can be a huge hurdle to the growth of the company, more specifically for girls who can be worried about sitting in the same car as an unknown person. That is the reason why they carried out a survey about trust among the BlaBlaCar community. In this survey, the company asked

BlaBlaCar users to give a score of trust between 1 (the less trustworthy) and 5 (the most trustworthy) for different persons. The graph below presents the results of this survey.

Graph 7 : Results about the BlaBlaCar survey about trust :



Source : BlaBlaCar official website

These results are showing the huge impact of the BlaBlaCar users review system. Indeed, the average score for a BlaBlaCar carpooler having positive comments on his completed profile is 4.2, which is a very good score : only friends or members of the family have a better score, which is very close to the maximum score of 5. But we can observe that positive comments and a completed profile have a huge impact on trust between users. For example, a carpooler fulfilling these conditions has a better score than a coworker (4.2 against 3.8), but also than a neighbor (4.2 against 3.5). Even more interesting, there is a huge gap between the score of a carpooler with positive comments and a completed profile and the score of an unknown person crossed in the street (4.2 agains 2.2). It is not a surprise to see that people trust easier a member of the BlaBlaCar community than an unknown person, but this huge gap between both scores shows how important the review system of this website is, because actually, BlaBlaCar drivers are also unknown persons.

Turning to a more detailed analysis of aspects allowing users to trust each other, this survey explains that trust among the BlaBlaCar community comes from these 3 aspects, in increasing order :

- A picture (trust score of 2.5/5)
- Certified details (trust score of 3.2/5)
- Positive comments (trust score of 3.4/5)

These more detailed results show the importance for BlaBlaCar users to, on the one hand complete their profile, and on the other hand to have positive comments. Only if they fulfill the three conditions above, the trust score is of 4.2.

Being aware of the importance of trust on its platform, the company even decided to create a fictional character called Trustman, whose superpower is to create to perfection a trust profile on all platform of sharing between individuals. Using this character, the company wants to show that any internet user with a good profile has the opportunity to access a wider range of consumption possibilities thanks to the trust placed in him by communities. This fictional character reflects the corporate values : this company managed to create one of the biggest collaborative and trust community (3 million persons in Europe), and this character is the new superhero of a new economic period. He represents the hope of a collaborative future.

V/ Practical part : Consequences and predictions for the future :

1. Reaction of competitors :

Globally, the reaction of the competitors of sharing economy companies seems to be very few efficient. Indeed, instead of trying to modernize themselves in order to better compete with these new actors, most of them are essentially asking for the help of governments in order to better regulate the sector and thus act as a brake on the development of these new competitors. However, even if governments are aware of the necessity of better regulating the collaborative economy, and more specifically the issues of employment law, they know that they cannot stop the development of this new model which might represent the future of the economy. The best example of this protesting reaction is the reaction of taxi drivers all over the world, who are regularly protesting in the street against the absence of regulation for Uber.

This leads to the following question : what is the impact of the sharing economy on the global economy ? Georgios Zervas, Assistant Professor of Marketing at Boston University Questrom School of Business and a Junior Faculty Fellow of the Hariri Institute, realized an interesting survey which partly answers to this question. According to this survey, a growth of 1% of rooms available on Airbnb in Texas leads to a decrease of 0.05% of the hotel industry quarterly net revenues. And actually, the impact of this decrease is obvious only in cheap hotels.

Airbnb also mentions a survey showing that in 2012 in New York, the company generated 470 million Euro of economic activity. Nevertheless, according to its opponents, this figure should be rectified by taking into account the accommodation over-costs for New Yorkers, because more and more flats are booked for short rental.

Therefore, several surveys show that the impact on the rest of the economy is not so bad as some companies argue.

But instead of protesting, some companies try to adapt themselves to this new competition. A very interesting example is the case of Accor Hotels, since the arrival at the head of the company of Sebastien Bazin in 2014. His point of view about it is very interesting. According to him, since the 1950's, the hotel industry only responded to market needs of comfort, hygiene, and customers security. But it did not react to the three digital waves that completely changed this industry : online agencies like Expedia or Booking, travel search engines like Kayak or Trivago, and finally the sharing economy with AirBnB. Now that he is at the head of the company, his strategy is to anticipate the fourth wave instead of staying spectator. And this strategy is a very long-term strategy : he tries to foresee what could happen in 2020 or even in 2025. According to him, the problem will not be Airbnb anymore, but another company which will invent a new service.

Sebastien Bazin thinks that the main difference between Accor Hotels and these previously mentioned websites is the customer relationship. Indeed, a company like Accor has a relationship with its customer 2, 3 or 4 times a year in average, whereas a platform like Airbnb succeeds to establish a relationship with the customer before, during and after the trip. In order to counter these companies, Accord is therefore trying to develop a platform combining the 7 steps currently occupied by the digital companies : consultation of the travel, selection, booking, aggregation with other services, stay in the hotel, sharing with other internet users, and loyalty.

In addition to the reaction of their first competitors, companies of the sharing economy must also face with the competition of new start-ups based on the same model. Indeed, companies like Uber or Airbnb definitively have the first-mover advantage, but these industries are characterized by low entry barriers. Thus, it is quite easy for some other start-ups to develop themselves by using the same model as the biggest companies of the sector. For example, Lyft, created in 2012 in San Francisco and Sidecar, also created in

San Francisco in 2011 are almost exactly based on the same model as Uber, and are also growing very quickly. In 4 years, Lyft has even become Uber's bigger competitor.

Logos of Lyft and Sidecar

2. Predictions for the future :

2.1. Financial predictions :

As we saw in the theoretical part, Airbnb and Uber are currently both facing important losses. Then, when we are speaking about financial predictions, the main question is to know how and when they could become profitable.

First of all, for all these companies based on a community of users, the question of the critical mass is very important. The critical mass represents the number of users required to make the model work and cause the auto supply of the website. It also corresponds to the change in the status of the visitor, who becomes a user or even a participant. If we take the example of Airbnb, the critical mass is reached when the number of rental listings published by individuals is enough to ensure the automatic turnover of listings. In a nutshell, the critical mass requires a high enough supply to cause and attract the demand, and thus reach equilibrium. Once this objective is reached, the platform benefits from a higher visibility and a higher credibility. Indeed, in the case of Airbnb, it is necessary to have a consistent offer with different kind of rentals (shared flat, studio, houses, castles, etc…) distributed all over the world to satisfy his customers. For a new company, the critical mass also represents the required turnover to face the operating costs.

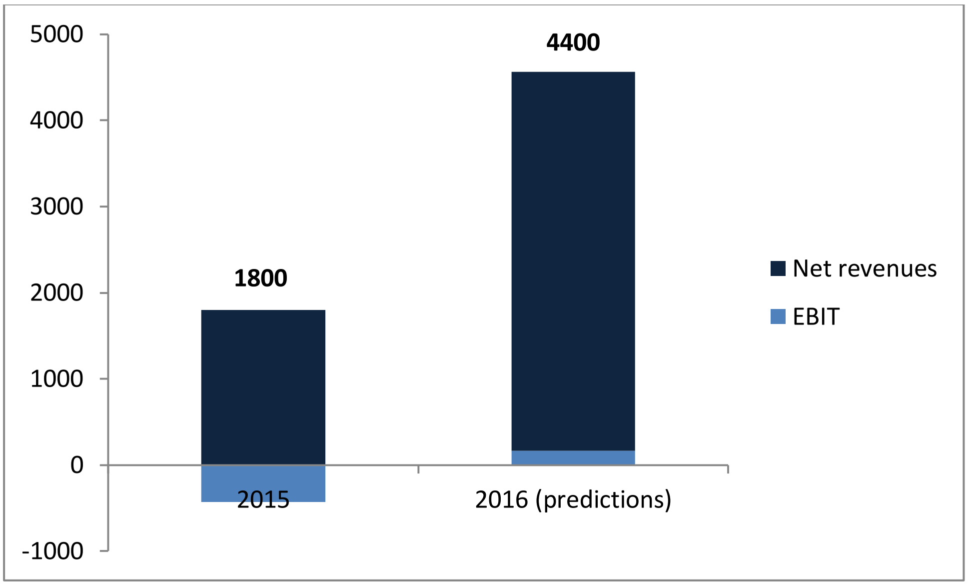
For Uber and Airbnb, we can really think that they already reached the critical mass : even if they still have losses, the reason is not that their turnover does not cover operating costs, but it is due to the strategy of investing a lot in marketing in order to gain market shares. Moreover, in many countries, they have enough users to make their platform attractive for new customers, even if Uber could still improve this aspect in some developing countries and more specifically in China where they have to face with the hard competition of the local company Didi Kuaidi. Reaching the critical mass on every market must be an objective for Uber in order to make profits from the current huge investments.

Regarding this question of profitability, the newspapers The Information published a very helpful report.

This report shows that, even if globally, the company is losing hundreds of millions of UDS each year, it starts to become profitable in some cities and in some of its major markets which are the United States, Japan, Australia, Israel, the United Kingdom and some other parts of the European Union. The report says : "Despite the losses, a person familiar with Uber's thinking says the company could be profitable overall in its developed-country markets starting this year. [...] Dozens of cities in the developed world are already said to be cash-flow positive, with more turning that way this year." Actually, Uber is already profitable in some of its top five markets (New York City, DC, San Francisco, Chicago, and Los Angeles).

The graph below shows that 2016 could therefore represent a major shift for Uber, which could start to become profitable on all its developed-country markets mentioned above.

Graph 8 : Uber's EBIT and net revenues in its developed-countries markets (in million USD) :



Source : The Information, 2016, Uber's Losses Grow, But So Do Its Profit Projections

The company could generate on this market an EBIT (Earnings Before Interest and Taxes) of 167 million USD in 2016 from net revenues of 4.4 billion USD, whereas it generated losses of 431 million USD last year from net revenues of 1.8 billion USD. On these performing markets, Uber could thus start being profitable and also increase its net revenues of 144%. These profits would of course not yet be enough to cover the huge expenses on developing markets, but it shows that the company is on the right path to reverse the current trend of increasing losses.

On longer term, the report projects that on its developed market, the company will generate 8.2 billion USD of profit in 2019, from 22.7 billion USD in net revenues. All in all, Uber would thus generate total profits of 14 billion USD during the next four years on its developed markets. These projections for 2019 suppose that the EBIT would be multiplied by 49 between 2016 and 2019 on these developed markets.

These projections on developed markets, where the company started to invest before investing in other countries, show that the strategy of the company will bear fruit : the markets in the ones they have first invested will start to be profitable. This is strengthening the idea that it is necessary for this company to first invest a lot in marketing and sales and thus to have big losses in order to gain market shares, which will later enable to make huge profit.

Regarding Airbnb, it is harder to precisely predict how their future could be in terms of financial results, given that they do not communicate about their financial situation and that no information has leaked yet about their results. Nevertheless, the company still recently communicated about the repartition of its revenues, and argued that the half of these revenues is performed in Europe, and 30% in the United States. It means that they still can expect a huge growth on many markets, and then easily increase their revenues. Actually, there is no doubt that the Asian market for example has a huge potential for the company, and this market is currently underexploited. Thus, the company still has many perspectives of growth and should soon succeed to become profitable.

Furthermore, the company argues that the turnover should be of 10 billion USD in 2020. As these revenues were of 900 million USD in 2015, it would represent a multiplication by more than 11 of revenues in only 5 years. It seems to be an optimistic objective, but when we look at the growth of the company since 2009, this objective seems to be easily achievable. Such a growth would probably enable the company to become profitable.

The question of an IPO :

Despite the losses and some recent controversies, most investors are awaiting an Uber IPO (Initial Public Offering). At the moment, the company has stayed silent about this subject, but many people believe that it will go public this year, in 2016. The market is now clearly awaiting an Uber IPO, even if the company was until now not really interested, given the fact that it has been easy for it to find private funding. An upcoming IPO for Uber would probably be huge, as the company is currently valued at 62 billion USD after 7 rounds of funds raisings since its creation. And thanks to its structure, which is a unique combination of transportation company, mobile Internet company, and real world engineering, Uber has been considered as one of the best future IPO candidates.

This is in addition to a list of varied companies which could also go public in 2016. All these companies belong to the technology sector, and Airbnb is of course also part of this list. And Airbnb's Initial Public Offering could also be one of the biggest ones given the huge valuation of this company as we previously saw.

As an information, according to Zacks report about potential tech IPOs, the other potential candidates for an IPO in the coming months are :

- Snapchat, the famous photo and video sharing app, which is valuated at about 16 billion USD
- Spotify, the worldwide leader in digital music sector
- Pinterest, a website used to create digital pin boards

Anyway, Uber and Airbnb are by far the highest valuated companies among these companies which could go public in the coming months.

Even if Uber has to face with some controversies in some markets where it has difficulties to be accepted, and even if it also has to deal with increasingly aggressive competitors like

Lyft and Sidecar, its IPO should be a huge success. Indeed, the huge valuation of the company can only be a major asset in order to attract investors. It is actually hard to bet against a company which grew so much in only 6 years.

In a nutshell, IPO is not really a priority for the moment for Uber and Airbnb given that they had no problems until now in order to raise private funds. However, there is almost no doubt that they will go public in the coming months or years. Steve Sarracino of growth equity firm Activant said that Uber could go public but that it does not mean that it should. "It doesn't seem like they have any problems securing funding and investment, and really, you want to [have an] IPO to expand your base to get more funding," he said. "I don't think the company needs that at this point." However, the investor presentation of the company suggests that it should go public in the two coming years…

When we think about the possible evolution of Uber, there are many reasons of being optimistic. First of all, the predictions in term in revenues growth are very optimistic, and there is no doubt that Uber will exploit more and more market shares in the future, and thus increase very quickly its revenues. Moreover, the company has many projects which could allow it to diversify its activities, and thus of course increasing its revenues and its profits.

2.2. Possible diversification :

There is no doubt that the company will not only remain in the business of transporting people. One of the projects which is currently being developed is to become a major actor in the transport of goods, and more specifically of food. In relation to this goal, they recently created UberEats which is a food delivery service. It is the equivalent of the Czech company DameJidlo. The principle is that they have partnerships with many restaurants and that they deliver their food to individuals interested in eating some restaurant food without having to move to the restaurant. The success of that kind of already existing companies all around the world such as DameJidlo proves that there is a huge market to exploit in this sector. The challenge for Uber will now be to become well known for this service in order to compete with other companies. UberEats now exists in 12 cities, all in the United States such as Chicago, Dallas, Washington D.C., and in Paris, France.

Regarding delivery service, Uber has a major asset, which is that they already proved their ability to be everywhere in the cities where they are implanted in a few minutes. This is very important for food delivery services given that food has to be delivered very quickly. But the business model of the company could also deliver other physical goods thanks to their drivers, and still without owning any cars !

Another opportunity is to develop a way to optimize traffic flow, for example by selling anonymized data of its users to some cities interested in the development of the concept of smart city. In an Uber statement, the company wrote "Smart Cities can benefit from smart data and we will champion municipal efforts devoted to achieving data-driven urban growth, mobility and safety for communities." The company will provide cities with information on the date, time, and location of pick-ups and drop-offs of its users, but also the distance and duration of trips. Uber will also provide cities with technical support to better analyze and use this data, the company says. They will deliver these data in quarterly reports, at least in a first instance, a fact that potentially restricts the real-time traffic management benefits of this partnership but which is necessary to avoid controversies about passenger privacy.

Moreover, the company is developing self-driving cars, which could be a huge revolution in their business model. Indeed, developing cars without drivers could allow them to keep the total amount of each ride instead of giving back 80% of the price to the driver. This could thus allow them to multiply by 5 their revenues. But it would also represent a major shift in their business model. Indeed, their business model is currently based on the fact that they do not own any car. But if they develop themselves this project, they will have to own these cars and thus to invest to buy them, or to produce them. But anyway, it would probably be a huge source of growth for the company if they succeeded to develop that kind of cars. Indeed, many companies have been working for years on this project, without success as of now. Therefore, it would not only enable them to make higher revenues with their people transportation service, but also to use their know-how to diversify themselves in the sale of this new kind of cars, or at least of the technology used for the production of that kind of cars.

More surprising, Uber is also developing a service of person transportation by other means of transport, such as helicopter. The first step in the development of this service happened in 2013 with a partnership signed with Liberty Helicopters to offer rides from New York City to East Hampton just before the Fourth of July holiday. The total price, which included a door-to-door SUV, was $3,000. The ride could be shared among five people. They continued with this strategy in Spring 2015 with a new partnership with Corporate Helicopters to bring people from San Diego to the Coachella Valley Music and Arts Festival. Like in 2013, the total price was also $3,000 but the ride could still be shared among five people. This service was also offered in 2015 to transport people to the Circuit of the Americas the day of the Formula 1 United States Grand Prix in Austin, Texas. A next phase has recently been initiated, with an important partnership between Uber and the well-known aircraft manufacturer Airbus Group SE. The first goal of this partnership was to fly people to the Sundance Film Festival in Park City, Utah through a ride of approximatively 15 minutes, available for any user of the Uber application. This program is easier accessible given that the price for a ride was $200, or $300 by night. It is a first step in Airbus strategy to implant this group in the Silicon Valley in order to stay in the cutting edge of innovation. For the time being, Uber offers this way of transportation only during special events in the United States and only a few times a year. But in the future, this partnership with Airbus could allow the company to launch services of transportation by helicopter in several cities which must regularly deal with problems of traffic flow.

Elsewhere in the world, Uber has also offered transportation options that are not using cars, such as rickshaws in India and boats in Turkey.

Therefore, Uber has a plenty of possibilities to diversify and therefore to become one of the biggest tech companies of the world. Its core service opens the doors to many business opportunities, which makes of this company one of the start-up with the highest potential. That is the reason why Steve Sarracino of growth equity firm Activant thinks that among all the multibillion-dollar tech companies which have emerged over the last ten years, "Uber is most likely to challenge Google [at] providing game-changing technology". He explains his vision by adding that "Uber has a dominant core product that will provide cash flow to invest in adjacent products and markets. Not even Facebook or Amazon will have this type of flexibility because they lack adequate cash flow."

All these possibilities of growth make analysts feeling confident about the company, even if its profit margins are still too low as of now. Its expansion does not show any sign of slowing down, and the potential for further growth in addition to its transformation into a household name strengthens the optimistic vision about this company.

2.3. Evolution of the global sharing economy market :

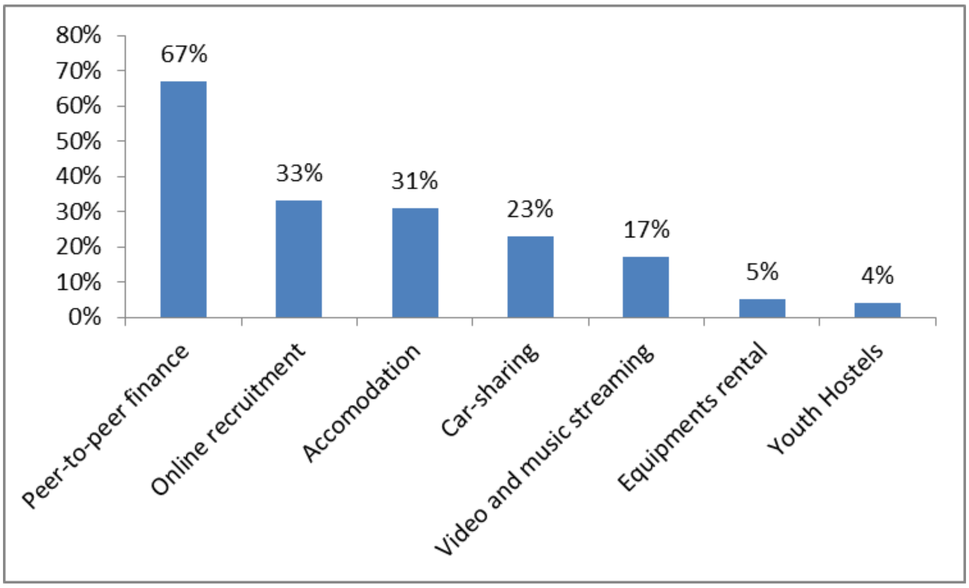
The consulting firm PwC published a report in April 2015 which enables to have a better idea of the future of the sharing economy market at the world scale. In this report called "*Consumer Intelligence Series: The Sharing Economy*", PwC writes that the sharing economy today represents 15 billion USD. It foresees an annual growth of 63% until 2025. It means that this market should reach 335 billion USD in 2025.

"The sharing economy is born from the merger of several major trends that have emerged essentially thanks to new technologies, declining resources and social developments", Olivier Sarlesse, PwC Strategy Director, explains. In order to define this evolution, the report analyzes 5 main markets of the collaborative economy :

- Peer-to-peer finance (loans between individuals)
- Online recruitment
- Accommodation
- Car-sharing
- Music and video streaming

PwC foresees that these 5 sectors will grow much faster than traditional rental sectors during the 10 coming years. According to this report, peer-to-peer finance and online recruitment should be the most dynamic sectors, probably because they are currently the less developed ones. The graph below presents the expected annual growth for the 5 previously mentioned sector, in comparison to 2 traditional competitors : equipment rental sector and youth hostels sector.

Graph 9 : Expected annual growth by sector until 2025 :



Source : PwC Report, "Consumer Intelligence Series: The Sharing Economy"

2.4. Predictions in terms of regulation

Through their huge growths, Uber and Airbnb are regularly in the center of many controversies, which could act as a brake on their development. Actually, there is no doubt that their developments are successful, but we still have to speak about a chaotic course.

Among all the challenges that Uber has to face, we can for example mention regulatory barriers, conflicts with the taxis, or drivers discontent. Regarding Airbnb, they have to deal with the reaction of their traditional competitors like major hotel groups, and with regulatory problems given that activity of individuals renting their flat can be considered as unfair trading from the perspective of hotels.

First of all, Uber like Airbnb have thus to deal with the angry of their traditional competitors. The most concerned company is Uber : every month or even every weeks, some taxis are protesting in the streets against Uber, which they consider as unfair trading. Indeed, the company only uses the cars of individuals ready to do the role of a taxi, without owning any cars, and without having to pay any taxi license. This explains that they of course can offer cheaper services than taxis, who have to make their investments profitable : they had to pay the car, and more expensive, a taxi license, which can be very expensive in some countries like in France, where the total price of a taxi license can reach €350,000.

Some of these protests are very vigorous and these numerous protests start to be taken into account by some governments. For example, in France, with the daily pressure from taxi drivers and from the government against UberPop, Uber France decided to suspend the activities of UberPop, even before the official prohibition of this service.

3. One example of the "uberification" of the global economy : the Lending Club :

3.1. Presentation of the company

Like Uber and Airbnb, Lending Club is an American company headquartered in San Francisco and created in 2006 by a French entrepreneur called Renaud Laplanche. It is a sample example of the application of Uber's and Airbnb's model to other sectors of the economy. This company is one of the most famous peer-to-peer lending companies, offering loans between individuals. It enables to anyone to borrow money without getting through a bank. That is very easy to use : anyone can go on their website and select a loan (from $1,000 to $35,000), and the interest rate varies depending on risk evaluated by the company thanks to an algorithm. This is a very good example of disintermediation and of "uberification" of all sectors of the economy. Indeed, nobody would have forecasted a few years ago that the model of Uber and Airbnb could be applied to the financial sector. Roughly speaking, Lending Club uses the model of sharing economy and technology to operate a credit marketplace at a lower rate than traditional bank loans.

Its business model is based on the fact that the disintermediation allows it to offer to borrowers lower interest rates, and to offer to investors interesting returns. In its presentation on its website, the company thus explains : "Borrowers who used a personal loan via Lending Club to consolidate debt or pay off high interest credit cards report in a survey that the interest rate on their loan was an average of 35% lower than they were paying on their outstanding debt or credit cards." Indeed, in this survey based on 12,728 borrowers of 66,493 randomly selected borrowers conducted from January 1, 2015 – January 1, 2016, borrowers who received a loan to consolidate existing debt or pay off their credit card balance argued that the interest rate on outstanding debt or credit cards was 21.90% with traditional bank programs and average interest rate on loans via Lending Club is 14.30%.

At its creation, the company only offered loans to individuals, but the platform is now also open to small and medium-size firms.

3.2. A concrete example of the "uberification" of the financial sector :

What is very interesting with Lending Club is that this American start-up is really close to revolutionize the banking industry. The market is colossal and experts are even speaking about trillion of dollars. Lending Club has invented a new way for individuals to avoid banks for their loans thanks to a basic principle : a total transparency and the possibility given to investors and borrowers to organize themselves. This is a huge difference with traditional credit companies, which are very bad in terms of transparency. Indeed, when you put your money in the bank, you have no idea of the way it is invested. With Lending Club, it is the opposite : you choose the project in the one you want to invest, being aware of the associated risk.

Lending club is also the demonstration that the internet can really change the world. Like Uber or Airbnb, this company is putting in relationship some individuals with common interests to avoid them to use traditional companies which are often less flexible and more expensive. While some years ago only, banks seemed to be hardly putted in competition, the development of Lending Club now shows that they also have to take into account the very quick development of the sharing economy. The sharing economy in the financial sector is currently not as developed as it is in the tourism or transportation industry, but Lending Club, such as other peer-to-peer lending companies, start to grow very quickly and could then become a great danger for banks in the coming years.

Largely speaking, this shows that all companies, whatever their sector, can be put in competition by new companies based on the model of the sharing economy combined with the use of digital.

3.3. Attractiveness of the company :

This company is a success because it succeeded to become more attractive than a bank, for people knowing its existence.

From the perspective of the borrower, we can mention the following advantages :

- Easy online application
- Lower rates than with banks
- Fixed monthly payments
- Flexibility
- No prepayment penalties
- No unexpected fees

In addition to all these advantages that the company likes to highlight, it also has to be mentioned that Lending Club also gives the possibility to borrowers not to depend on a bank decision which can be considered as arbitrary, but on the decision of many individuals who decide if they want to invest in your project or not.

But we can also mention several advantages from the perspective of the investors :

- Higher returns than when they put their money in the bank (by Grade A-C from 5.26% to 8.69%)
- Monthly cash flow
- Direct and easy-to-use platform
- Possibility to diversify investments in different loans

Then, financially speaking, using Lending Club instead of a traditional bank is advantageous for borrowers as well as for investors. Lending Club is able to provide more interesting interest rates than banks because it does not have the same costs and the same complexity as a traditional bank. Indeed, they have less administrative, marketing and infrastructure costs as banks do.

3.4. Financial situation of the company :

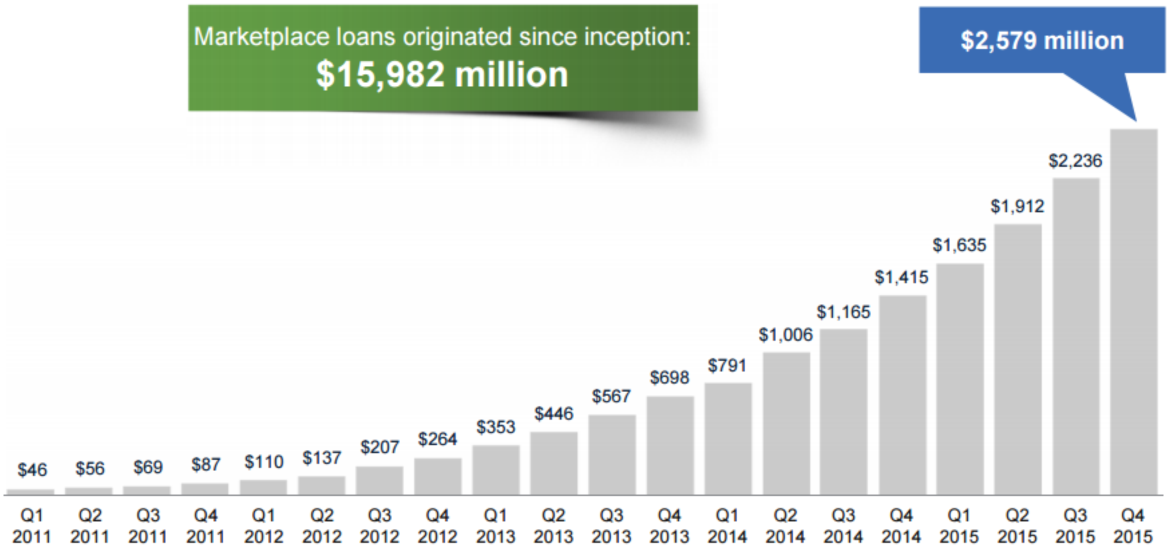
To the opposite of all previous mentioned start-ups of the sharing economy, Lending Club is publishing their financial results every quarter. The reason of this policy is of course that it is a financial company. Therefore, the money of their customers is at stake, and thus, trust is primordial. Moreover, this is a new and still quite unknown company, so publishing their results is very important. Indeed, very few people would be ready to invest or to borrow money to a company which is not able to prove their solidity. That is why anyone has easily access to their quarterly reports.

These reports show that like all the already mentioned start-ups, this company is getting more and more successful.

As they explain in their Fourth Quarter 2015 and Full Year 2015 Results report (see in Appendix 2, Appendix 3 and Appendix 4), the main reason of their success is their ability to have much lower costs than traditional banks, and thus to offer lower rates for borrowers and higher returns for investors than their competitors. According to this report, a traditional lender like a bank has operating expenses which represent between 5 and 7% of outstanding loan balance, whereas these expenses only represent 2% of outstanding loan balance for Lending Club. Turning to a more detailed analysis, they explain that “The analysis (of traditional lenders) used Q3 2015 and included Citi, Wells Fargo & Co., Capital One Financial, Discover Financial Services, Bank of America and JPMorgan”.

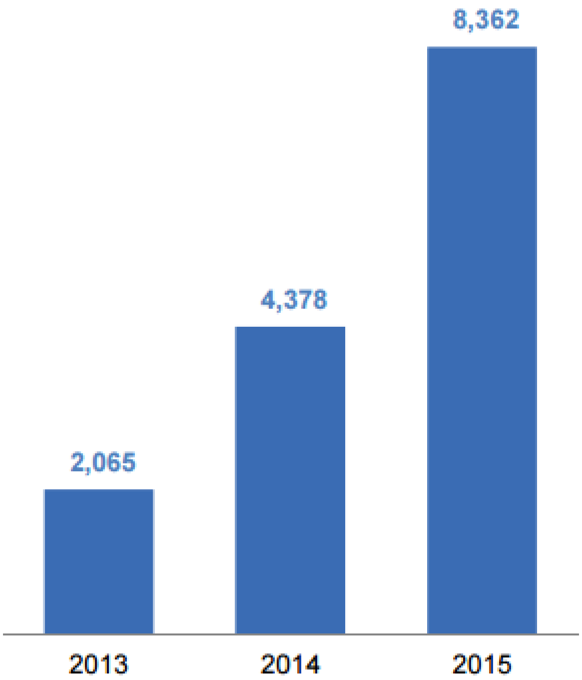
Thanks to this major asset, the company is originating more and more loans, as we can see on the both graphs below.

Graph 10 : Quarterly marketplace loan originations from 2011 to 2015 (in million USD) :



Source : Lending Club Fourth Quarter and Full Year 2015 Results

Graph 11 : Annual loan originations from 2013 to 2015 (in million USD) :

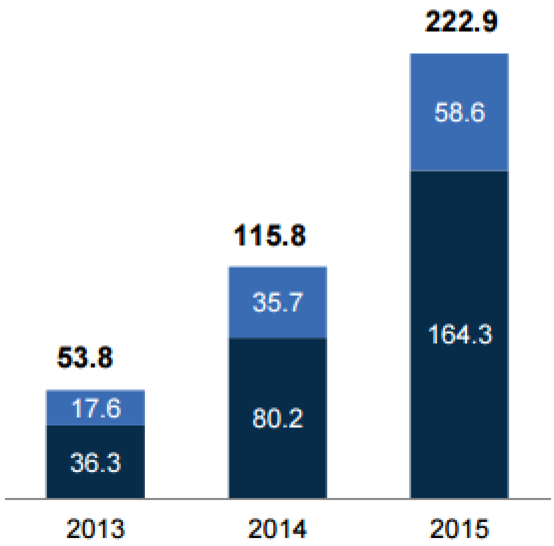


Source : Lending Club Fourth Quarter and Full Year 2015 Results

Both graph show how fast the company is growing in terms of originated loans. The Graph 10 for example shows that the amount of originated loans has been doubling every year over the last 3 years. Another example proving the quick growth of the company is that the graph 9 shows that the originated loans during the fourth quarter 2015 represent 16.1% of the total marketplace loans originated since inception, while the loans originated during the first quarter of 2011 represent only 0.2% of the total marketplace loans originated since inception.

This report also confirms the fact that the company has few expenses compared to its competitors like banks. For example, if we look at expenses that impact contribution margin, i.e. variable costs, we can see that they represent a very small part of the total amount of originations. The graph below presents the amount of annual variable costs since 2013, and the table just below shows the percentage of these expenses in total originations.

Graph 12 : Annual expenses that impact contribution margin (in millions USD)



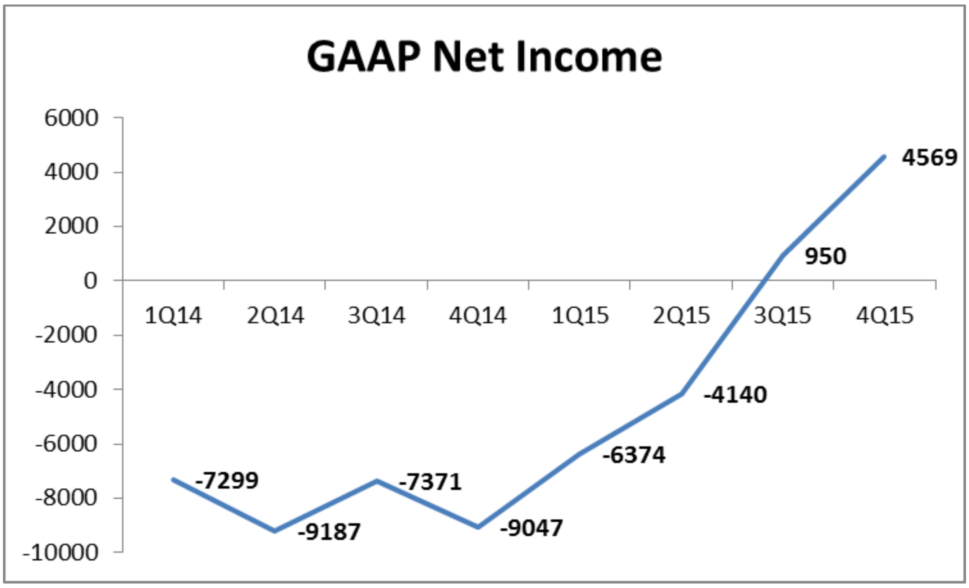
	2013	2014	2015
Sales & Marketing % of Originations	1.76%	1.83%	1.96%
Origination & Servicing % of Originations	0.85%	0.81%	0.70%
Total % of Originations	2.61%	2.65%	2.67%

Source : Lending Club Fourth Quarter and Full Year 2015 Results

On this graph, we can see that the main variable costs are sales & marketing costs, which is logic for a start-up. Indeed, on the same model as Uber or Airbnb, the company has to invest a lot in sales, marketing and communication, to become well-known, and to have a good reputation, which is very important for a financial institution. We can also see that these expenses are growing much faster than origination & servicing costs, which are still increasing in absolute value, but which are decreasing in terms of percentage of originations. To the opposite, sales & marketing costs are increasing faster and faster. They represented 67% of variable costs in 2013, and represented 73% of variable costs two years later.

In terms of net income, we can see that the situation has long been similar to the driving forces behind the collaborative economy, i.e. Uber and Airbnb : the company has long been faced with quite important losses, which is quite normal for that kind of start-ups which has to invest a lot at the beginning in order to gain market shares. However, their losses have never been so important than for Uber and they managed to redress the situation much faster than the previous mentioned companies. The in-depth analysis of all financial reports available since 2012 show that actually, the start-up is of course facing some difficulties in terms of profitability as the huge majority of these start-ups, but they already managed to be profitable in 2013 with a net income of 7,308 million USD.

Graph 13 : Lending Club GAAP Net Income (Loss) in thousands USD by quarter :



Source : Lending Club Fourth Quarter and Full Year 2015 Results

Table 2 : Lending Club GAAP Net Income (Loss) in thousands USD by year :

(in thousands USD)	**2013**	**2014**	**2015**
GAAP Net Income	7 308	- 32 894	- 4 995

Source : Lending Club Fourth Quarter and Full Year 2015 Results and Lending Club Fourth Quarter 2014 Results

The graph and the table above show that Lending Club has fewer difficulties than Uber and Airbnb to control its losses. Actually, the company was already profitable in 2013 with a net income of 7,308,000 $. Then, in 2014, the company was faced with an important turnaround, with net losses of 32,894,000 $. This can be explained by the fact that in 2014, Lending Club started to provide loans to small and medium-size businesses. In a nutshell, they changed their strategy and decided to gain market shares on a new market. This naturally involved new sales & marketing investments. By the way, the graph 11 is clearly showing the huge rise in sales & marketing expenses in 2014, as they were more than doubled in one year.

But this new strategy seems to be successful. Indeed, through the important rise in expenses, they succeeded to maintain losses at an acceptable level in 2014, and then managed to reduce the losses during the two first quarters of 2015. And since the third quarter of 2015, the company even succeeded to be profitable again.

Ratios calculation :

An interesting ratio to calculate as part of the company financial analysis is the ROE (Return on Equity) which is the amount of net income returned as a percentage of shareholders equity. The table below shows these calculations :

Table 3 : Lending Club ROE calculations :

(in thousands USD)	**2012**	**2013**	**2014**	**2015**
GAAP Net Income	- 4 240	7 308	- 32 894	- 4 995
Total Equity	52 210	68 090	973 220	1 041 860
ROE	**-8,12%**	**10,73%**	**-3,38%**	**-0,48%**

Source : Google Finance, LendingClub Corp Income Statement and Balance Sheet

The ROE calculation enables to see how much profit is generated with the money invested by shareholders. In the case of Lending Club, we can see that this ratio has always been negative except in 2013. This is of course not a sign of good financial health of the company, but is not a surprise for such a start-up with high operational expenses as we saw above. We can also notice that in 2013, the only profitable year for Lending Club, the ROE was of 10.73%, which is very positive. Indeed, that kind of ROE is in the average for a bank. But it shows that the company has a high ROE potential, given the fact that 7 years after its creation, the company already generated a ROE similar to the main world banks.

Its lower operational expenses should then help the company to have a higher ROE than its competitors in the future.

Another interesting ration to calculate is the ROA (Return on Assets). This ration enables to see how the management of the assets of the company is efficient to make profit. In a manner of speaking, it shows the profitability of the company's investments. The table below shows the ROA calculations for Lending Club :

Table 4 : Lending Club ROA calculations :

(in thousands USD)	**2012**	**2013**	**2014**	**2015**
GAAP Net Income	- 4 240	7 308	- 32 894	- 4 995
Total Assets	850 830	1 943 390	3 890 050	5 793 630
ROA	**-0,50%**	**0,38%**	**-0,85%**	**-0,09%**

Source : Google Finance, LendingClub Corp Income Statement and Balance Sheet

It is not a surprise to see that, like for the ROE, the Return on Assets is negative every year considering the negative net income except in 2013. But once more, like for the ROE, it can be noticed than before the high investments in 2014 for the arrival on the market of loans to small and medium-size companies, Lending Club managed only 7 years after its creation to have a largely acceptable ROA. Indeed, their ROA was in 2013 of 0.38%. And when we look at the evolution of the ROA since 2014, it should be easy to predict that in 2016 it will be in the same order of magnitude than in 2013. As a comparison, according to the European Central Bank, the average ROA of European banks in 2013 was of 0.30%, i.e. less than Lending Club.

These ratios calculations prove that the company has a high potential. The current high investments are currently acting as a brake on the net income growth, but the year 2013 shows that in the future, the company should easily have higher returns than its classic competitors which are banks.

VI/ Results and discussion : Can we speak about a new bubble ?

The recent funds raisings and the new valuation of Uber have surprised the market considering that the company still has negative income. As already mentioned in the theoretical part, the valuation of Uber, but also of all companies based on the same model such as Airbnb or BlaBlaCar, is clearly skyrocketing. In terms of valuation, it can now be argued that Uber is already four times bigger than Facebook at the same age. These incredible growths can prompt to ask ourselves whether they are not the proof of a new bubble…

Actually, this discussion is even more relevant for Uber, considering the huge success and valuation of the young start-up. For example, Uber's valuation is higher than Twitter (24 billion USD), LinkedIn (27 billion USD), and Yahoo! (48 billion USD). It is still largely behind Facebook (213 billion USD) and Google (357 billion USD). This is a very good performance for such a young start-up, generating net revenues of 2 billion USD, but which is still losing a lot of money.

Before answering the question of a potential new bubble, it is important to define what is considered as a bubble. A bubble can only be an excessive trend which is finally not as successful as it was expected to be. In this case, there are very few chances that the collaborative economy is a bubble. Indeed, there is no doubt that even if some companies might not succeed, this model has a huge potential, and many companies should continue to grow in the coming years by using this model.

But a bubble can also be a situation in which prices on a specific market are much higher than their actual value because investors really believe in the potential of this market and thus take excessive risks on certain assets. The trend goes on until investors realize that too much has been invested and that prices are now too high, which leads to a market slowdown and contraction. In this sense, the current situation with many companies of the collaborative economy which seem to be very high valuated could become a bubble. Indeed, in addition to Uber, other companies such as Airbnb, BlaBlaCar, but also DropBox attract investors without any problem, enabling their valuation to skyrocket months after months. This situation is quite similar to the situation at the end of the 1990's with the dot-com bubble, when the equity values in the internet sector and related fields grew very quickly. This period was marked by the founding of many new websites, as investors were sure of the potential of companies based on the internet. But the bubble collapsed between 1999 and 2001, and some companies such as pets.com completely failed. Other companies which were more solid were also faced with some difficulties, such as eBay or Amazon whose price per share decreased from 107 to 7 USD, but after that they completely recovered, being now one of the most successful internet companies.

Actually, the sharing economy bubble could collapse like the dot-com economy 15 years ago, because some companies seem to be too high valuated. But there is no doubt that the sharing economy model is probably sustainable, and that serious companies should overcome the bursting of the bubble. Despite their losses, Uber and Airbnb for example, have a huge potential market growth, and have a first-mover advantage which should allow them to continue growing even after an eventual bursting of the sharing economy bubble.

However, some recent events show that this model is currently facing some difficulties in the United States. Indeed, some warning signs have been occurring for a few months. In Summer 2015, Homejoy, a housekeeping service company, was the first one to go bankrupt, because of an unprofitable activity and the inability to attract new investors. Other firms decided to adapt their business model. For the smallest firms of the sharing economy, the aim is now to avoid to burn cash too quickly, because funds raisings become increasingly rare. The best example is the case of Instacart, a company offering to go shopping for their customers in the local supermarket. The company already received 275 million USD and has a valuation of 2 billion USD. But the current situation prompted the company to increase their prices (the delivery now has a price of 6$ instead of 4$), to lay off 12 employees and to decrease commissions given to their independent collaborators.

In a nutshell, what can be put into question is not the existence of the market, but the very quick growth of the valuation of these companies, and the ability to find a profitable business model. Arun Sundararajan, professor at Stern School of Business, thinks that "it is a crisis of growth. Technology and demand exist. The good business model now has to be found."

Conclusion :

Over the last years, the sharing economy has become a major actor in the global economy. This development has been allowed by the very fast development of companies like Uber, Airbnb, or BlaBlaCar, which are now considered as models for many other entrepreneurs. Uber and Airbnb are precursors, given that they were the firsts to offer a platform accessible to anyone enabling to connect individuals with common interests : sharing underused assets in order to avoid traditional intermediaries.

Therefore, it can be easily argued that Uber and Airbnb are the driving force behind the collaborative economy. Their growth is extraordinary and they are gaining market shares all over the world. Following their success, many other companies have been created over the last years, in many different sectors, such as peer-to-peer finance, recruitment, transportation, accommodation, etc… This situation incites experts to now speak about "uberification" of the economy, which shows the importance of this trend.

These companies are changing our ways of consumption, especially for young consumers for who using Uber, Airbnb, or co-riding companies has become completely normal. What is even more interesting is the ability of this model to apply to almost all sectors of the economy. Even if other sectors of the economy do not have equivalent to Uber or Airbnb in terms of popularity, that kind of companies have developed themselves for a few years in all sectors of the economy.

It seems to be only the beginning of this trend, and this new model probably represents a big part of tomorrow's world economy. The 20th century was the one of consumption society, and the 21st century will probably be the one of sharing economy. Indeed, the world environment is clearly favorable to the development of these new economic models : the financial crisis of 2007 and 2008 never completely ended, and many people are not always ready to invest in new assets as they were before the crisis, saving money becoming the priority. Thus, sharing economy enables some people to make money by sharing their underused assets, or to save money by using assets of individuals instead of buying new ones. Furthermore, as part of fight against global warming and environmental crisis, reducing waste has become a major stake and these new models clearly contribute to this fight. In a nutshell, these new models are clearly in the era of time and there is no doubt that there is a huge market to exploit.

This new economy is often considered as a brake to the development of capitalism : the development of that kind of collaborative companies would be an alternative to consumption society and to capitalism. Indeed, these companies often insist on the importance of sharing instead of maximizing profit. However, the following question has to be asked : under this term which might indicate the end of pursuit of profit, is it not rather a new expression of superliberalism ? In fact, these companies are yes offering a new way of consumption to their customers, but they are completely integrated in the capitalistic and liberal system, with maxi profits predicted for the biggest companies of the sector in the coming years.

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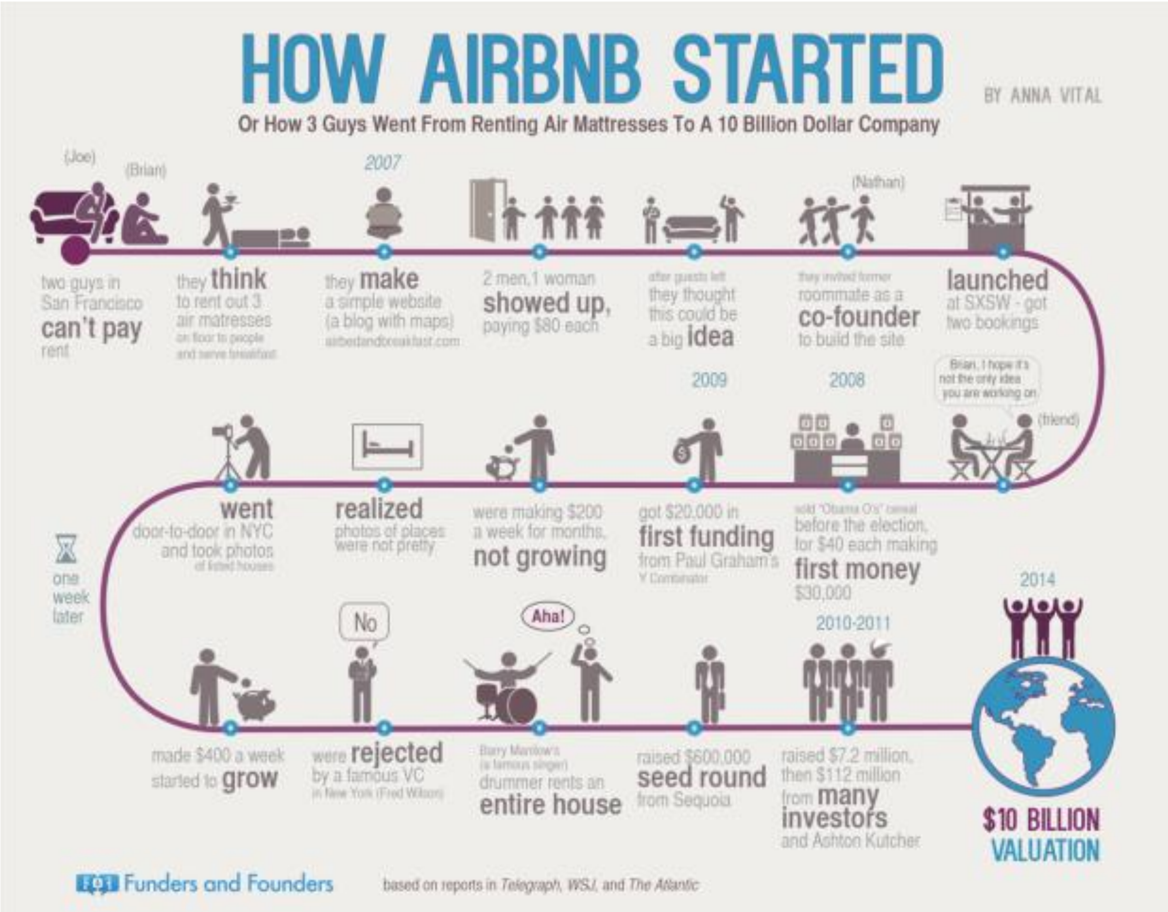
Appendixes :

Appendix 1 : Airbnb's story



Source : Ultralinx

Appendix 2 : Lending Club GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Reconciliation(1)
Operating Expenses

(in thousands, except percentages) (unaudited)	Year Ended Dec. 31, 2014	2015	Three Months Ended 1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Total Operating Revenue	**$213,412**	**$426,697**	**$ 38,702**	**$ 48,621**	**$ 56,538**	**$ 69,551**	**$ 81,045**	**$ 96,119**	**$ 115,062**	**$ 134,471**
GAAP Sales & Marketing	$ 85,652	$ 171,526	$ 20,138	$ 18,895	$ 20,584	$ 26,035	$ 34,470	$ 39,501	$ 44,018	$ 53,537
Stock-based Compensation Expense	5,476	7,250	3,360	466	787	863	1,508	1,713	2,283	1,746
Non-GAAP Sales & Marketing	**$ 80,176**	**$ 164,276**	**$ 16,778**	**$ 18,429**	**$ 19,797**	**$ 25,172**	**$ 32,962**	**$ 37,788**	**$ 41,735**	**$ 51,791**
% Total Operating Revenue	*38%*	*38%*	*43%*	*38%*	*35%*	*36%*	*41%*	*39%*	*36%*	*39%*
GAAP Origination & Servicing	$ 37,326	$ 61,335	$ 7,373	$ 8,412	$ 9,880	$ 11,661	$ 12,201	$ 14,706	$ 16,732	$ 17,696
Stock-based Compensation Expense	1,653	2,735	297	359	459	538	606	719	662	748
Non-GAAP Origination & Servicing	**$ 35,673**	**$ 58,600**	**$ 7,076**	**$ 8,053**	**$ 9,421**	**$ 11,123**	**$ 11,595**	**$ 13,987**	**$ 16,070**	**$ 16,948**
% Total Operating Revenue	*17%*	*14%*	*18%*	*17%*	*17%*	*16%*	*14%*	*15%*	*14%*	*13%*
GAAP Engineering & Product Development	$ 38,518	$ 77,062	$ 6,469	$ 8,897	$ 10,229	$ 12,923	$ 13,898	$ 18,214	$ 21,063	$ 23,887
Stock-based Compensation Expense	6,445	11,335	953	1,528	1,782	2,182	1,798	2,943	3,145	3,449
Depreciation & Amortization	5,194	13,820	791	1,088	1,447	1,868	2,744	3,261	3,808	4,007
Non-GAAP Engineering & Product Development	**$ 26,879**	**$ 51,907**	**$ 4,725**	**$ 6,281**	**$ 7,000**	**$ 8,873**	**$ 9,356**	**$ 12,010**	**$ 14,110**	**$ 16,431**
% Total Operating Revenue	*13%*	*12%*	*12%*	*13%*	*12%*	*13%*	*12%*	*12%*	*12%*	*12%*
GAAP Other G&A	$ 81,136	$ 122,182	$ 12,037	$ 20,568	$ 22,323	$ 26,208	$ 26,410	$ 28,247	$ 32,280	$ 35,245
Stock-based Compensation Expense	23,576	29,902	2,423	5,966	7,509	7,678	7,681	7,111	7,389	7,721
Depreciation	1,166	2,426	216	245	322	383	404	524	708	790
Acquisition and Related Expenses	3,113	2,367	1,141	1,378	301	293	294	403	937	733
Amortization of Intangibles	3,898	5,331	–	1,123	1,388	1,387	1,545	1,274	1,256	1,256
Non-GAAP Other G&A	**$ 49,383**	**$ 82,156**	**$ 8,257**	**$ 11,856**	**$ 12,803**	**$ 16,467**	**$ 16,486**	**$ 18,935**	**$ 21,990**	**$ 24,745**
% Total Operating Revenue	*23%*	*19%*	*21%*	*24%*	*23%*	*24%*	*20%*	*20%*	*19%*	*18%*

(1) Prior period amounts have been reclassified to conform to current presentation.

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Appendix 3 : Lending Club Adjusted EPS Reconciliation

Adjusted EPS Reconciliation

- Adjusted EPS is a non-GAAP financial measure that we calculate as net income (loss), excluding other adjustments, acquisition and related expense, amortization of intangible assets, and stock-based compensation expense.

(in thousands, except per share data) (unaudited)	Year Ended Dec. 31,		Three Months Ended							
	2014	2015	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
GAAP Net Income (Loss)	$ (32,894)	$ (4,995)	$ (7,299)	$ (9,187)	$ (7,371)	$ (9,037)	$ (6,374)	$ (4,140)	$ 950	$ 4,569
Acquisition and Related Expense	3,113	2,367	1,141	1,378	301	293	294	403	937	733
Amortization of Intangible Assets	3,898	5,331	–	1,123	1,388	1,387	1,545	1,274	1,256	1,256
Stock-based Compensation Expense	37,150	51,222	7,033	8,319	10,537	11,261	11,593	12,486	13,479	13,664
Income Tax Expense	1,390	2,833	–	640	419	331	627	389	1,233	584
Adjusted Net Income	**$ 12,657**	**$ 56,758**	**$ 875**	**$ 2,273**	**$ 5,274**	**$ 4,235**	**$ 7,685**	**$ 10,412**	**$ 17,855**	**$ 20,806**
Weighted-average GAAP Diluted Shares	75,574	374,872	55,781	57,971	59,844	127,859	371,959	372,842	401,935	402,634
Weighted-average Diluted Effect of Preferred Stock Conversion (1)	235,745	–	240,195	249,029	249,351	195,608	–	–	–	–
Weighted-average Other Dilutive Equity Awards	40,767	26,717	28,397	27,469	27,993	39,488	38,166	32,808	–	–
Non-GAAP Diluted Shares	**352,086**	**401,589**	**324,373**	**334,469**	**337,188**	**362,955**	**410,125**	**405,650**	**401,935**	**402,634**
Adjusted Net Income per Diluted Share	**$0.04**	**$0.14**	**$0.00**	**$0.01**	**$0.02**	**$0.01**	**$0.02**	**$0.03**	**$0.04**	**$0.05**

(1) Gives effect to the conversion of convertible preferred stock into common stock as though the conversion had occurred at the beginning of the period under the "if converted" method.

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Appendix 4 : Lending Club Contribution Definition and Reconciliation

Contribution Definition and Reconciliation

- Contribution is a non-GAAP financial measure that we calculate as net income (loss), excluding net interest income (expense) and other adjustments, general and administrative expense, stock-based compensation expense and income tax expense (benefit). Contribution margin is calculated by dividing contribution by total operating revenue.

	Year Ended Dec. 31,		Three Months Ended							
(in thousands, except percentages) (unaudited)	2014	2015	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Net Income (Loss)	$ (32,894)	$ (4,995)	$ (7,299)	$ (9,187)	$ (7,371)	$ (9,037)	$ (6,374)	$ (4,140)	$ 950	$ 4,569
Net Interest Expense (Income) and Other Adjustments	2,284	(3,246)	(16)	396	474	1,430	(187)	(798)	(1,214)	(1,047)
General & Administrative Expense[1]:										
Engineering & Product Development	38,518	77,062	6,469	8,897	10,229	12,923	13,898	18,214	21,063	23,887
Other G&A	81,136	122,182	12,037	20,568	22,323	26,208	26,410	28,247	32,280	35,245
Stock-based Compensation[1]:										
Sales & Marketing	5,476	7,250	3,360	466	787	863	1,508	1,713	2,283	1,746
Origination & Servicing	1,653	2,735	297	359	459	538	606	719	662	748
Income Tax Expense	1,390	2,833	-	640	419	331	627	389	1,233	584
Contribution Income[1]	**$ 97,563**	**$ 203,821**	**$ 14,848**	**$ 22,139**	**$ 27,320**	**$ 33,256**	**$ 36,488**	**$ 44,344**	**$ 57,257**	**$ 65,732**
Total Operating Revenue	$ 213,412	$ 426,697	$ 38,702	$ 48,621	$ 56,538	$ 69,551	$ 81,045	$ 96,119	$ 115,062	$ 134,471
Contribution Margin[1]	**45.7%**	**47.8%**	**38.4%**	**45.5%**	**48.3%**	**47.8%**	**45.0%**	**46.1%**	**49.8%**	**48.9%**

(1) Prior period amounts have been reclassified to conform to current presentation.

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