



# Canadian SMEs and the sharing economy

Survey results

Research and Market Intelligence at BDC  
September 2016



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# 01. Executive summary



## Section 01

### Executive summary

# Survey highlights

Half of the entrepreneurs surveyed (52%) **had heard the term “sharing economy”** before completing this survey.

- Quebec respondents are more likely to know the term (67%) than those in Ontario (50%) and the Prairies (42%).

We showed all the respondents a definition and some illustrations of the sharing economy concept. Then, we asked them if they saw the sharing economy **impacting their business model in the near future**. About half said they did (18% very much and 34% somewhat).

- Although not significant from a statistical point of view, it appears that the higher the business’s annual sales, the smaller the proportion of businesses who foresee an important impact of the sharing economy on their business model.
- Moreover, retailers who rent or both rent and sell their products are more likely to foresee an impact on their business model than those who only sell to customers (79% and 76% vs. 45% respectively).

A majority of respondents see the impact of the sharing economy on their business model as an **opportunity** (67%) or both as an opportunity and a threat (22%).

- Businesses with lower annual revenues are more likely to see it as an opportunity than those with the highest revenues (75%: up to \$249,999 and 73%: \$250, 000 to \$499,999 vs. 42%: \$5 million and over).

When we asked them to **explain** why they saw the sharing economy as an opportunity or a threat, respondents’ answers varied, mainly depending on their sector of activity.

- Most commonly, they said that they see some of the changes brought by the sharing economy positively: reviewing their business model, collaborating more with other businesses, connecting more with customers, modifying some of their current practices, etc. Respondents said they believe that such changes will help them to increase revenues and reduce costs.
- Conversely, some retailers and entrepreneurs in the accommodation sector see the new players as direct and unfair competition and claim that the lower quality of their offering has a negative impact on the industry’s standards of quality as a whole.



BDC has just published a [report on game-changing consumer trends](#), in which the rise of the sharing economy is explained and business strategies and a case study related to this trend are presented.



## Executive summary

# Survey highlights (cont.)

A majority of participants (72%) claim they **assess their business model** at least once per year to identify signals indicating it may need to be revisited.

We tested the participants' **openness to different ideas** regarding the sharing economy model. As a general rule, respondents who are familiar with the term "sharing economy" tend to show higher levels of openness than those who are not familiar with the concept. Results for each of the ideas tested are as follows:

- Collaborating with other companies to reduce costs for consumers or offer them additional value: 82% are open to the idea.
  - High-growth businesses (20%+ annual growth) tend to be more open to this idea (92%).
- Expanding the product and/or service offering in order to benefit from the sharing economy: 80% are open to the idea.
  - It appears that the higher the annual growth, the more open a company is to this idea.
  - Those who both sell and rent their products are more open to the idea than those who only rent or sell (90% vs. 76% and 75% respectively).
- Sharing tangible or intangible assets in order to monetize spare capacity: 75% are open to the idea.
  - A higher proportion of businesses with the lowest revenues (up to \$249,999) than those with the highest revenues (\$5 million and over) are open to the idea (80% vs. 64%).
  - A greater proportion of respondents in the Prairies than in Ontario are open to the idea (84% vs. 71%).
- Reassessing their retail space (asked only to retailers): 65% are open to the idea.
- Renting rather than selling products (asked only to those who sell goods): 42% have considered the idea (22% say it would not be possible to do it though).

The main **motivations to participate in the sharing economy** are diversified but—unsurprisingly—often times related to revenues. When we grouped the various motivations into larger categories, we noted the following:

- Financial reasons: 73% are motivated by such reasons.
  - Higher proportion of respondents in the Prairies than Quebec (79% vs. 64%).
- Clients' interests: a motivation for 56% of the respondents.
  - Higher proportion of respondents in Quebec than the Prairies and the Atlantic (64% vs. 48% and 40% respectively). Higher proportion among high-growth businesses vs. those with no growth at all (63% vs. 32%).
- Business continuity or survival: 46% see these reasons as a motivation.
- Social or environmental reasons: 38% are motivated by them.
  - Higher proportion among those who have heard the term "sharing economy" before vs. those who have not (45% vs. 30%).



# 02.

## Detailed results



Detailed results: literature review

# Defining the sharing economy

The most common interpretation of the sharing economy encompasses the idea of connecting owners of underused goods or service-providers with consumers through technological platforms.

- To date, there is no single definition of the “sharing economy”, which is also called “collaborative economy”, “peer production economy” or “peer-to-peer economy”.<sup>1</sup>
- The sharing economy challenges the traditional notion of **private ownership** by emphasizing the **accessibility to shared production or consumption** of goods and services.<sup>2</sup> Consumers main focus is to get a job done. Hence, instead of buying goods (and thus, becoming owners), they can “pay for temporary access-rights to a product”<sup>3</sup> necessary to undertake a task (that is, to get the job done), likely in a cheaper way. By getting a “job done” we can refer to secure temporary housing, short distance transportation, or something as simple as drilling a hole.<sup>4</sup>

Although the sharing economy’s principle is nothing new (consumers, companies and communities have been sharing and exchanging goods and services for centuries), its **technological component** has added a sense of novelty to the whole process.<sup>5</sup>

From a B2B perspective, sharing economy can be defined in two ways<sup>6</sup>:

- Activities that make it possible to lend/rent unused, idle or non-core assets owned in excess by companies.
- To invest and use the goods and services jointly with another enterprise.

The sharing economy involves connecting with customers or businesses through technology to access goods and services needed to get a job done.



Detailed results: literature review

# Impacts of the sharing economy

The rapid growth of the sharing economy and how it is changing the business landscape is undeniable.<sup>7</sup>

- The rise of the sharing economy has **changed the way** many people “commute, shop, vacation, and borrow.”<sup>8</sup>
- In addition, while underutilized assets are put to more a productive use, markets become **more competitive** as there are multiple sellers and buyers for similar goods and, transaction costs are reduced (trade, pricing and monitoring systems).<sup>9</sup>
- **Consumers** now fulfill roles and activities that were usually conducted by companies.<sup>10</sup> In fact, the role of intermediaries changes as sellers and buyers now connect via technological platforms.<sup>11</sup>

The sharing economy has transformed the way consumers and companies exchange goods and services. As a result, the business landscape is also changing.

- The sharing economy is considered by some experts as an element that can encourage the **expansion of entrepreneurship**. As this system allows for low-risk micro-entrepreneurship and serves as a test of market acceptance and interest, many individuals might use it as a first step to broader entrepreneurship.<sup>12</sup>

In financial terms, a recent report shows that in the case of five key sharing sectors—travel, car sharing, finance, staffing, and music and video streaming—there is a potential for global revenue\* to increase “from \$15 billion today to around \$335 billion by 2025.”<sup>13</sup>

\* Note: As the sharing economy keeps growing its importance in the market, much of this global revenue projected increase will likely come from a shift in consumption trends and not necessarily from net new revenue.





Detailed results: literature review

# Can businesses benefit from the sharing economy?

The sharing economy does not need be perceived as a threat by existing businesses. Here are some ways to take advantage of it:

- Cutting administrative **costs**: some businesses may consider sharing resources for tasks considered as time-consuming, like accounting or marketing.<sup>14</sup> Businesses can also benefit from certain services, like usage-based office space rentals.<sup>15</sup>
- Establishing beneficial networks that will help to stimulate ideas and develop local economies.<sup>16</sup>
- Joint-usage of resources with complementary businesses to **improve efficiency**.<sup>17</sup>
- Respond to social needs by:
  - Listening to consumers and empowering them by using and making available sharing platforms, like forums or spaces in which they can provide their feedback and opinions regarding the products or services received.
  - Helping consumers to connect and feel “a part of community larger than our individual selves, which serves a purpose far higher than simply the trading of stuff, space and talents.”<sup>18</sup>

By putting in place systems that promote sharing and **collaboration**, companies can “strive to visibly present their ‘human’ face to the community.”<sup>19</sup>

Businesses may benefit from the sharing economy to improve efficiency, cut costs or collaborate with other companies and connect with customers.



Detailed results: literature review

# Sharing economy's challenges

The fast growth of the sharing economy is outpacing the legislation currently in place. As such, there is an ongoing debate on how to adapt regulations to ensure that all market participants receive a fair treatment and are equally protected. A second challenge of the sharing economy comes from the peer-to-peer rating system, which on the one hand helps build trust between owners and consumers, but on the other hand gives customers some control over companies.

Despite the many benefits of the sharing economy, its growth has resulted in the need to ask relevant questions regarding overall and industry-specific regulations with respect to insurance, consumer safety, taxes, legal liability, etc.<sup>20</sup>

- In the **current legal system**, there is a **lack of clarity** with respect to what aspects of the sharing economy are covered or how the legislation currently in place is applied to sharing economy activities.<sup>21</sup>
- Some practices embodied in the sharing economy bring a number of **challenges** to regulators. For instance, should agents of this form of economy be submitted to the requirements of equivalent commercial practices?<sup>22</sup>

The rapid growth of the sharing economy highlights the need to revise the current legal system to ensure a fair treatment for all businesses while also protecting consumers.

- Moreover, as new kinds of services are created, the question of **liability** emerges and the development of new forms of insurance becomes a real issue.<sup>23</sup> For example, private property insurance policies differ from insurance that applies to commercial property in terms of coverage and pricing. Hence, the challenge appears when private owners offer commercial services for which they are not properly insured.

Regarding the peer-to-peer rating aspect of the sharing economy, two main elements ought to be considered:

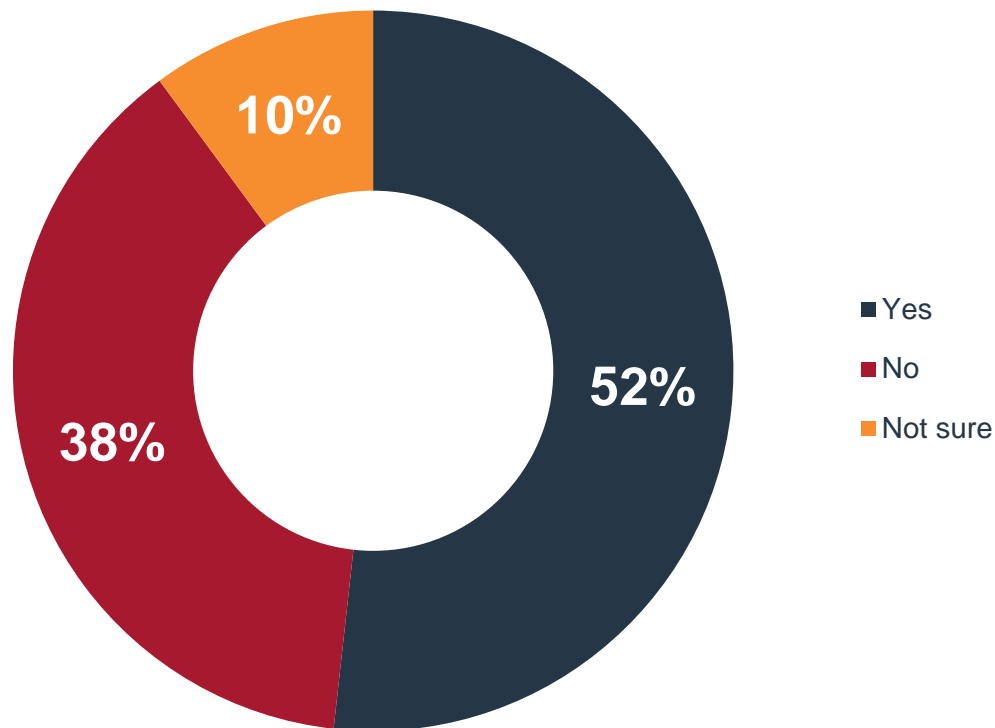
- On the one hand, ratings help to build **mutual trust** between sellers or providers and buyers, and trust is a key component of the sharing economy.<sup>24</sup>
- On the other hand, ratings are usually subjective and that means that often times, customers can have tremendous impact on the public's perceptions of the companies and their goods and service providers, for which ratings are important and part of their success.



Detailed results: survey results

# Knowledge of “sharing economy”

Have you heard the term “sharing economy” before?



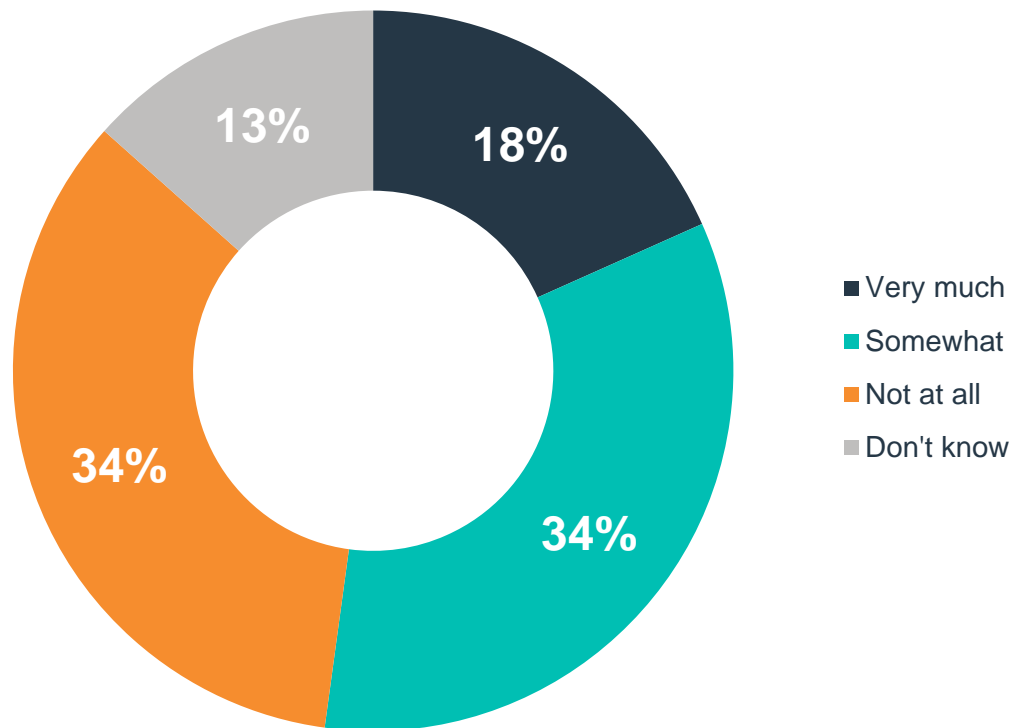
Base: All respondents (n=837).



Detailed results: survey results

# Impact on business model

Do you see the sharing economy **impacting your business model** in the near future?



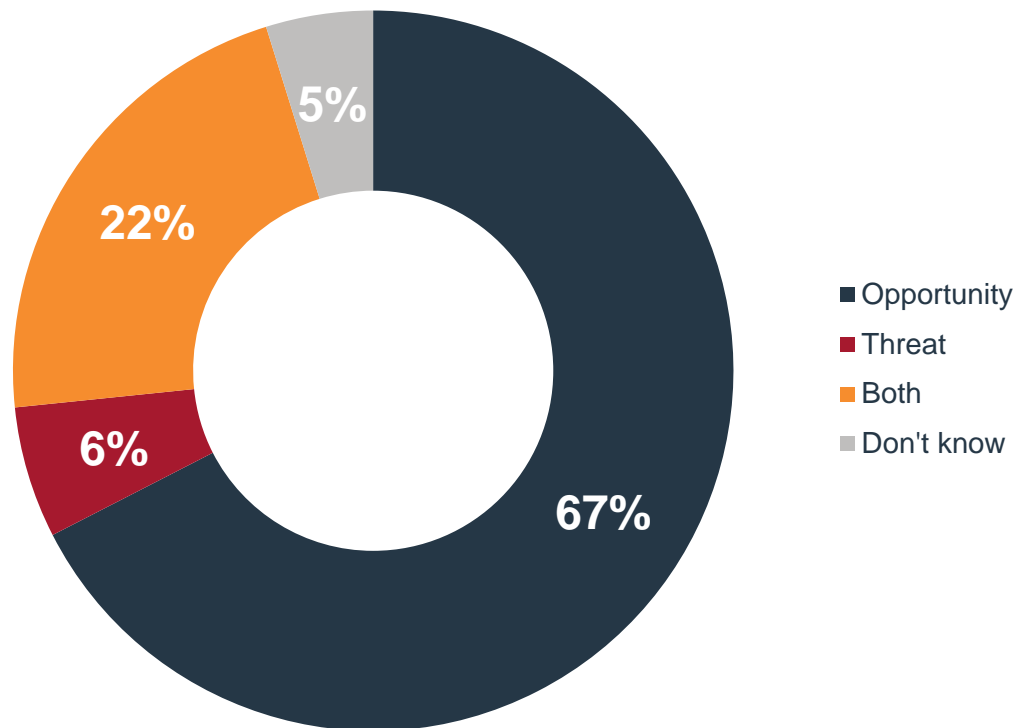
Base: All respondents (n=837).



Detailed results: survey results

# Opportunity or threat?

Do you mainly see the impact of sharing economy on your **business model** (the way you do business) as an **opportunity** or a **threat**?



Base: Respondents who said that the sharing economy will impact "somewhat" or "very much" their business model (n=426).



Detailed results: survey results

# Opportunity, threat: why?

According to respondents, the sharing economy brings changes that, depending on the type of business, can result in benefits or threats for them.

- The sharing economy represents an opportunity to revise the current business model and adapt it accordingly.
- The integration of sharing economy practices like collaboration between businesses and connecting with customers, have the potential to help businesses in reducing their operational or administrative costs, expand to other markets, increase sales, and make the companies grow.
- In some cases, the nature of the current business model allows for the adoption of practices from the sharing economy.
- In other cases, entrepreneurs participate in the sharing economy as users. Some of them mentioned that they outsource some administrative tasks while others benefit from low cost travel or accommodation services via sharing economy platforms.
  
- The sharing economy can also represent a threat for businesses.
  - In some industries, like accommodation services and retail, the companies from the sharing economy represent a direct competition. This competition is considered unfair as the sharing economy businesses are not regulated in the same way as traditional companies.
- Something considered as a danger brought by the sharing economy is that customers are willing to pay less for low quality offerings. In that same sense, businesses may outsource services of lower quality as opposed to services offered by professionals.

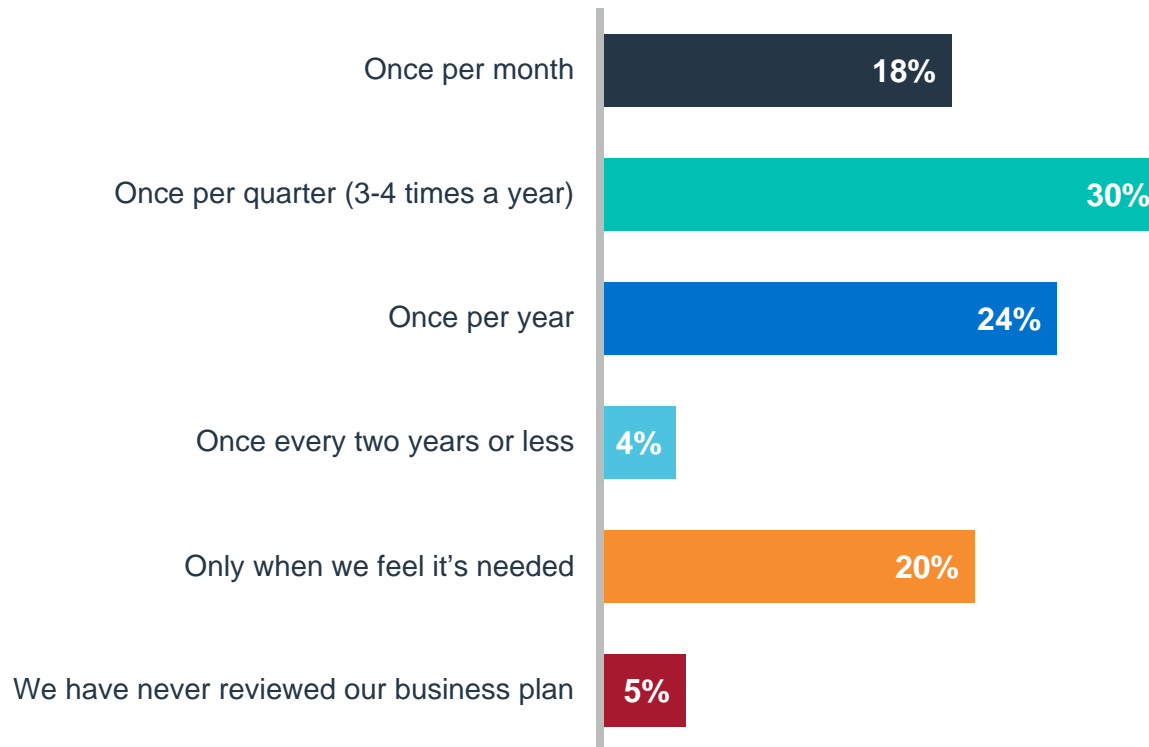
Base: Respondents who perceive the sharing economy as an opportunity, a threat or both. Please note that the results for this question are presented to illustrate respondents' views on the sharing economy. The qualitative nature of the question does not allow for generalization.



Detailed results: survey results

# Assessing one's business model

How often do you **assess your business model** to identify signals indicating it may need to be revisited?



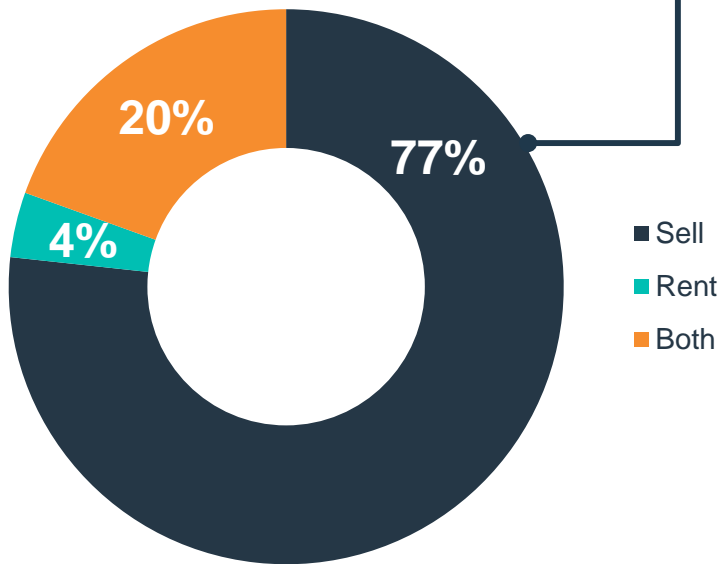
Base: All respondents (n=821). Those who answered "I don't know" were excluded from the calculation base.



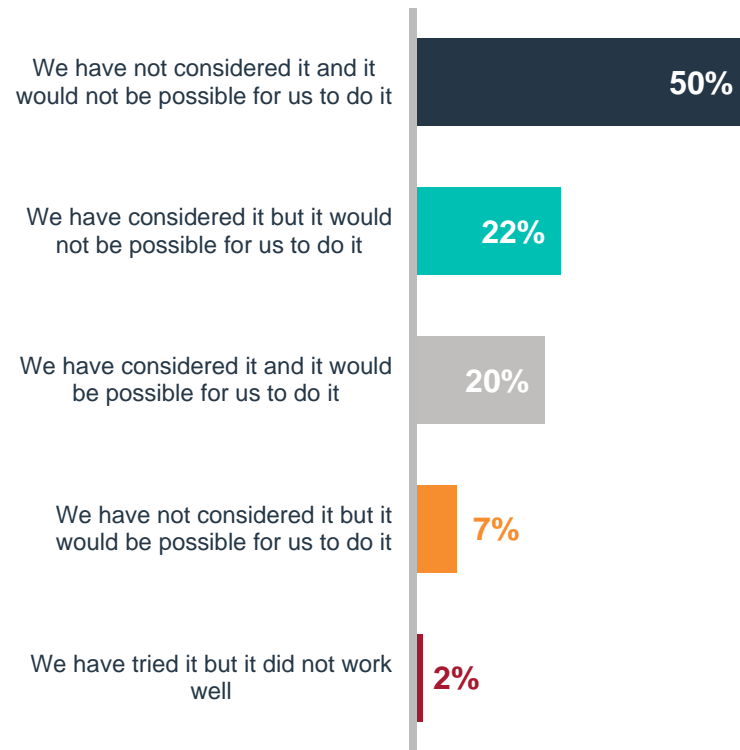
Detailed results: survey results

# Openness to renting products

Does your company mainly **sell** or **rent** its products?



Have you ever considered **renting** rather than selling at least one part of your products?



Base: Respondents who sell goods (variable part of panel profile). Those who preferred not to answer were excluded from the calculation base (n=474).

Base: Respondents who said they sell their products. Those who preferred not to answer were excluded from the calculation base (n=358).

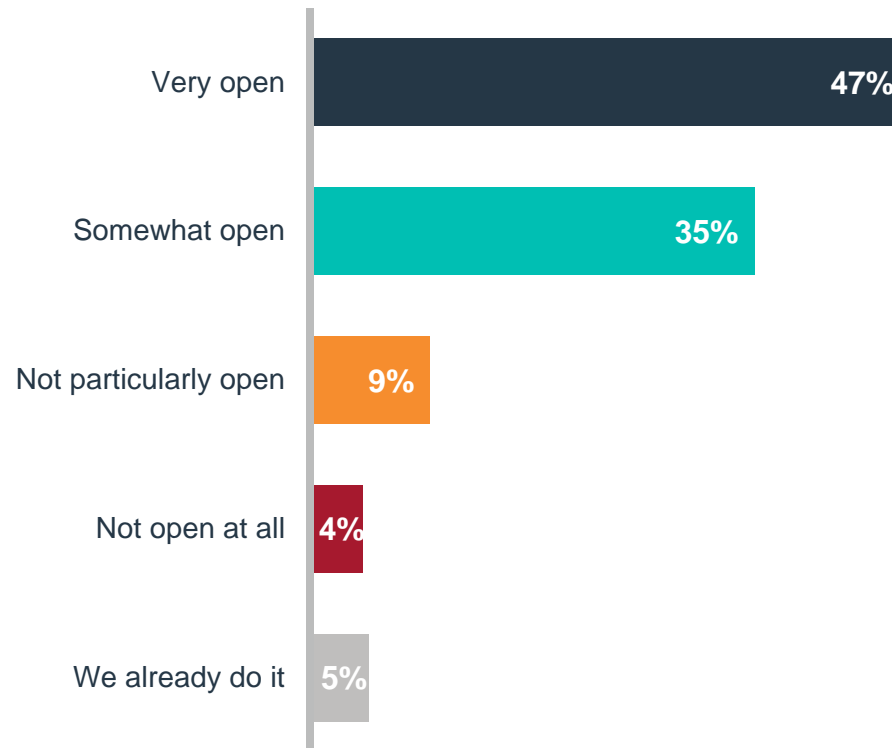




Detailed results: survey results

# Openness to collaborate

How open would you be to **collaborate** with other companies to reduce costs for consumers or offer them additional value?



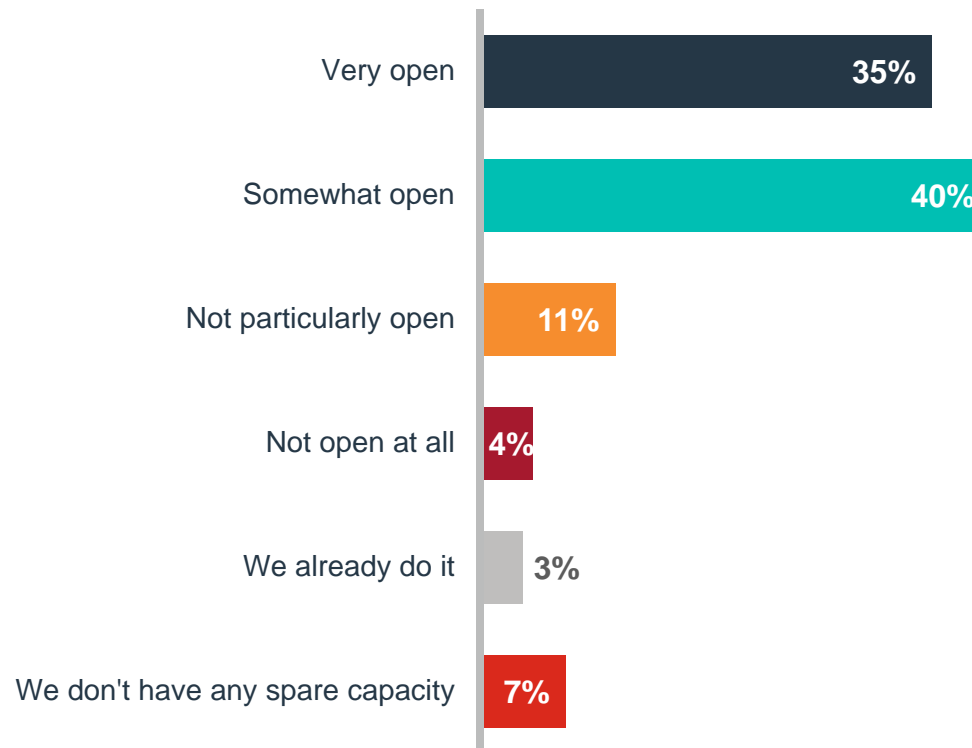
Base: All respondents. Those who preferred not to answer were excluded from the calculation base (n=828).



Detailed results: survey results

# Openness to sharing assets

How open would you be to **sharing tangible or intangible assets** (such as space, skills and digital assets) in order to monetize spare capacity?



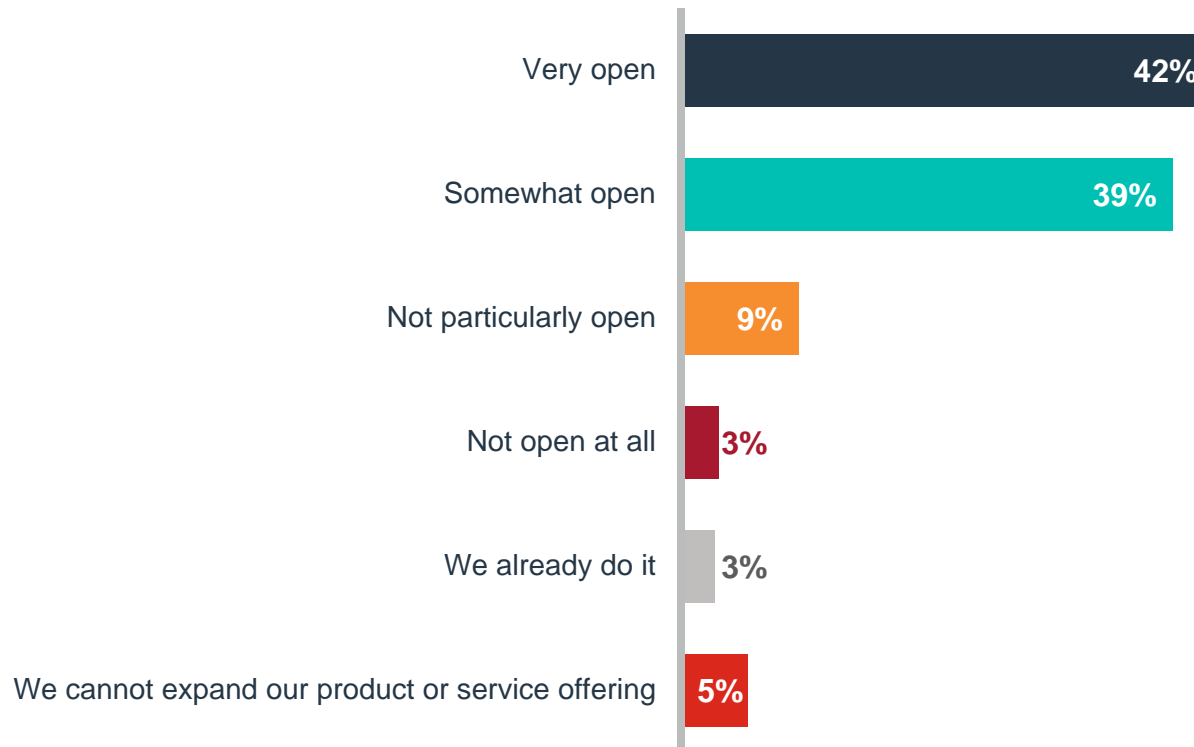
Base: All respondents. Those who preferred not to answer were excluded from the calculation base (n=830).



Detailed results: survey results

# Openness to expanding offering

How open would you be to **expanding your product and/or service offering** in order to benefit from the sharing economy?



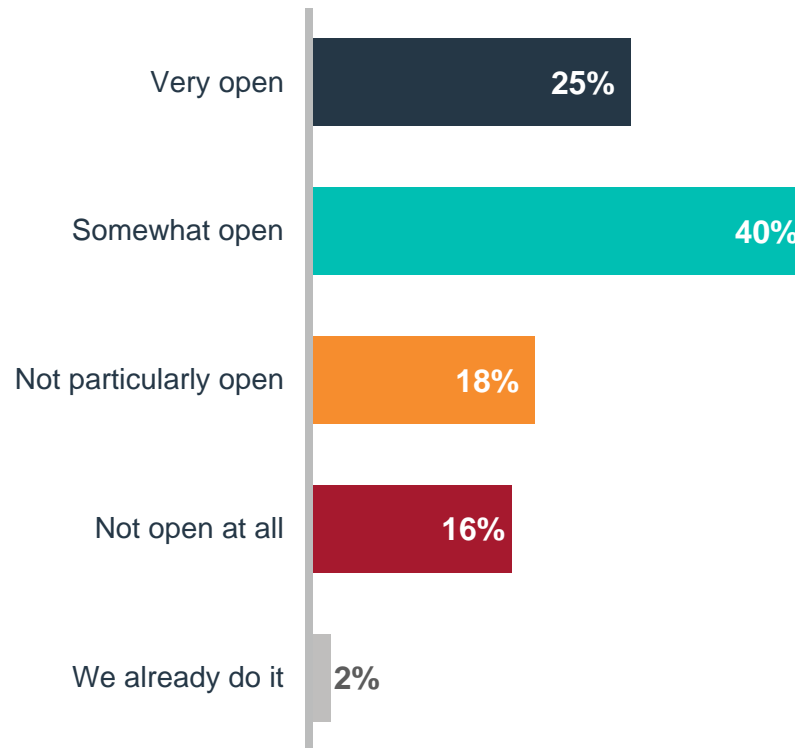
Base: All respondents. Those who preferred not to answer were excluded from the calculation base (n=830).



Detailed results: survey results

# Openness to reassess space

How open would you be to **reassessing your retail space**?  
*This could be done by lending space to another vendor in a partnership effort or embracing the pop-up movement by entering platforms like Storefront, for example.*



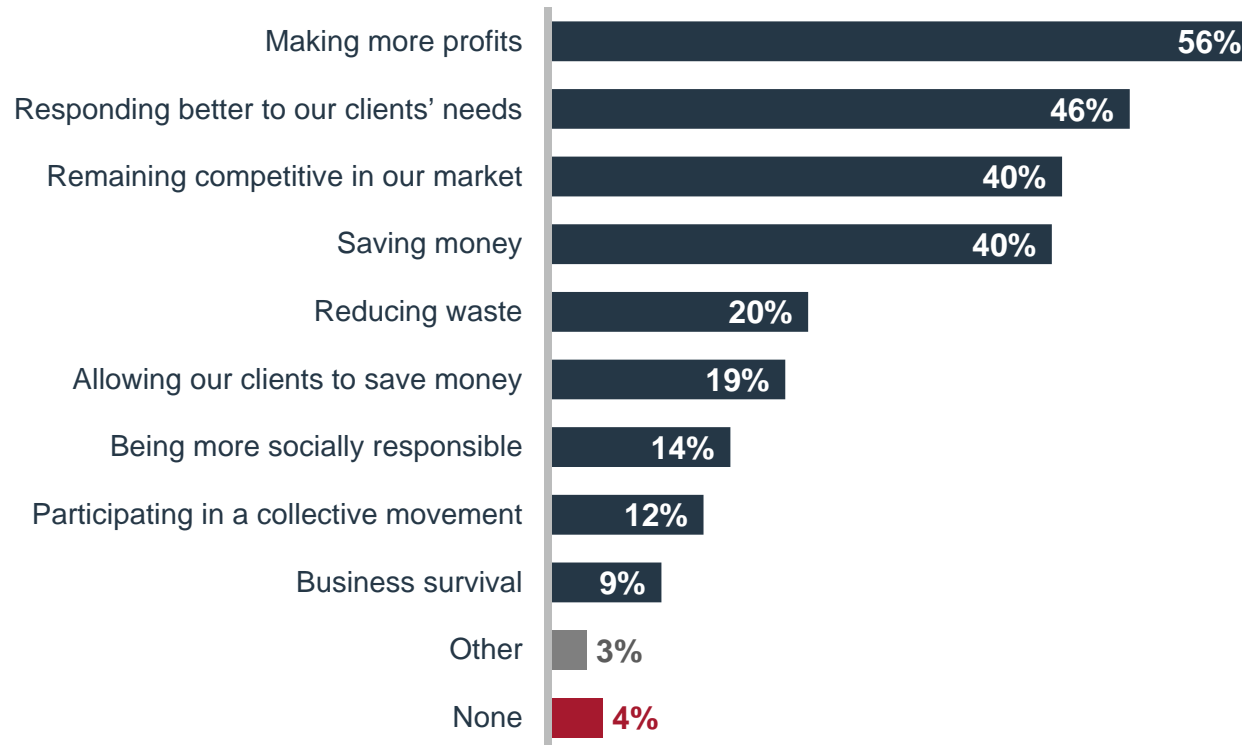
Base: Respondents from the retail industry. Those who preferred not to answer were excluded from the calculation base (n=85).



Detailed results: survey results

# Why entering the sharing economy?

What are or would be your **main motivations** to participate in the sharing economy?



Base: All respondents. Those who preferred not to answer were excluded from the calculation base (n=832). A maximum of three answers were allowed for this question.

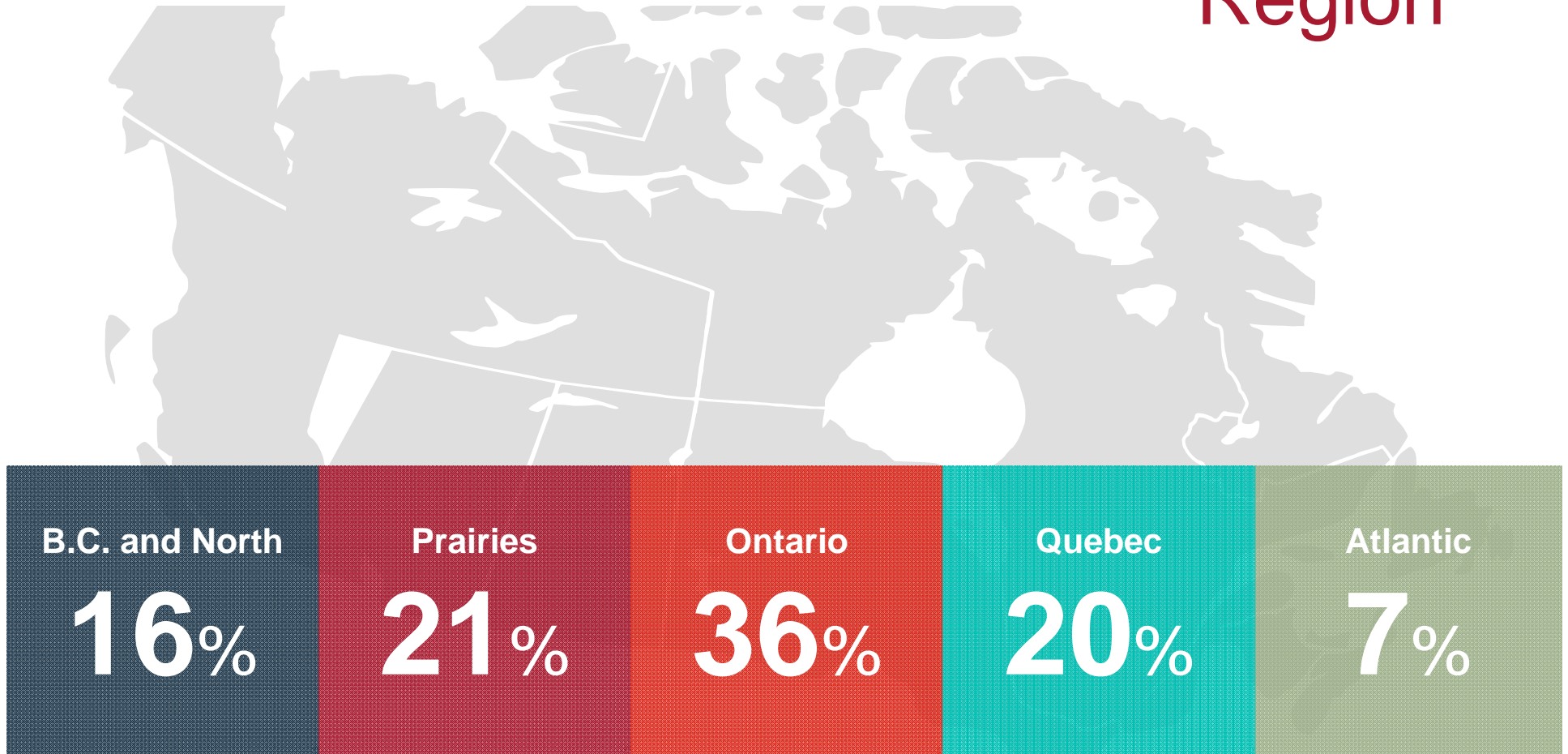
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# 03. Respondent profile



Respondent profile

Region



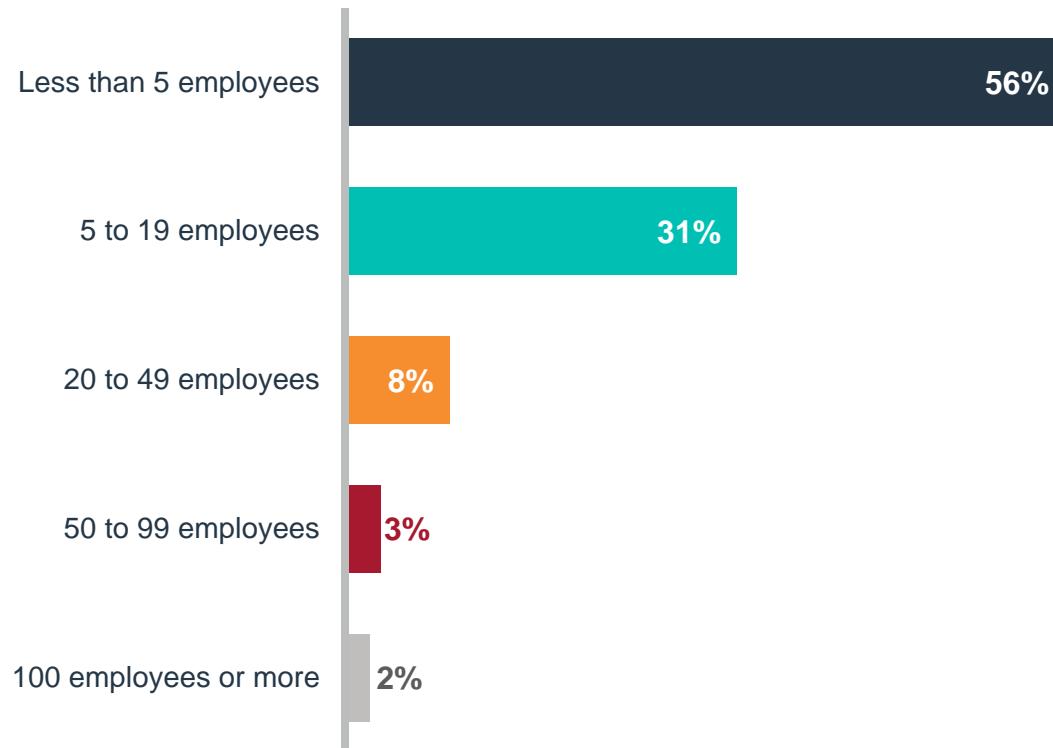
Base: All respondents (n=837).



Respondent profile

# Number of employees

How many **employees** does your company have on its payroll?



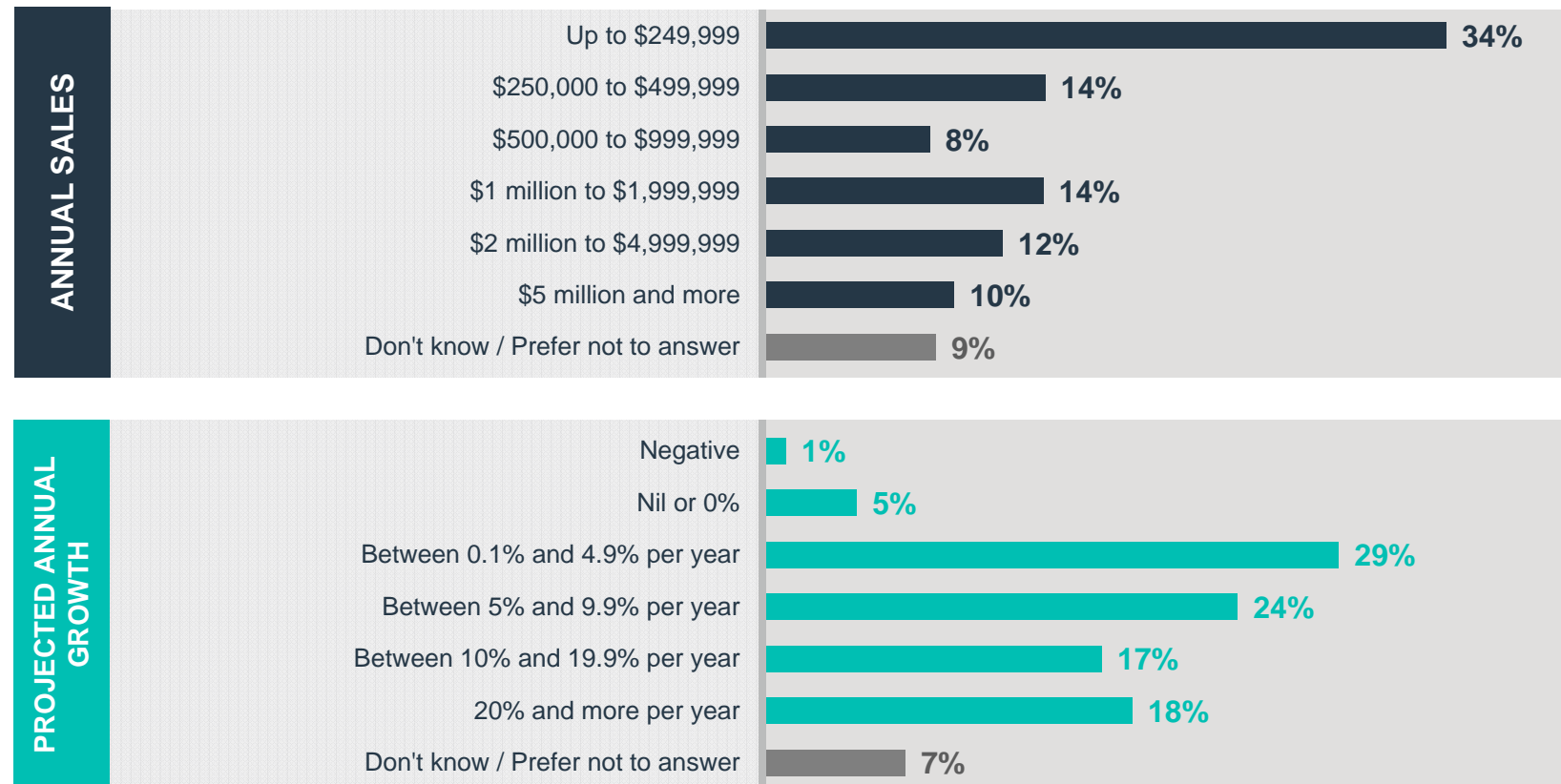
Base: All respondents (n=837).





Respondent profile

# Annual sales and projected growth



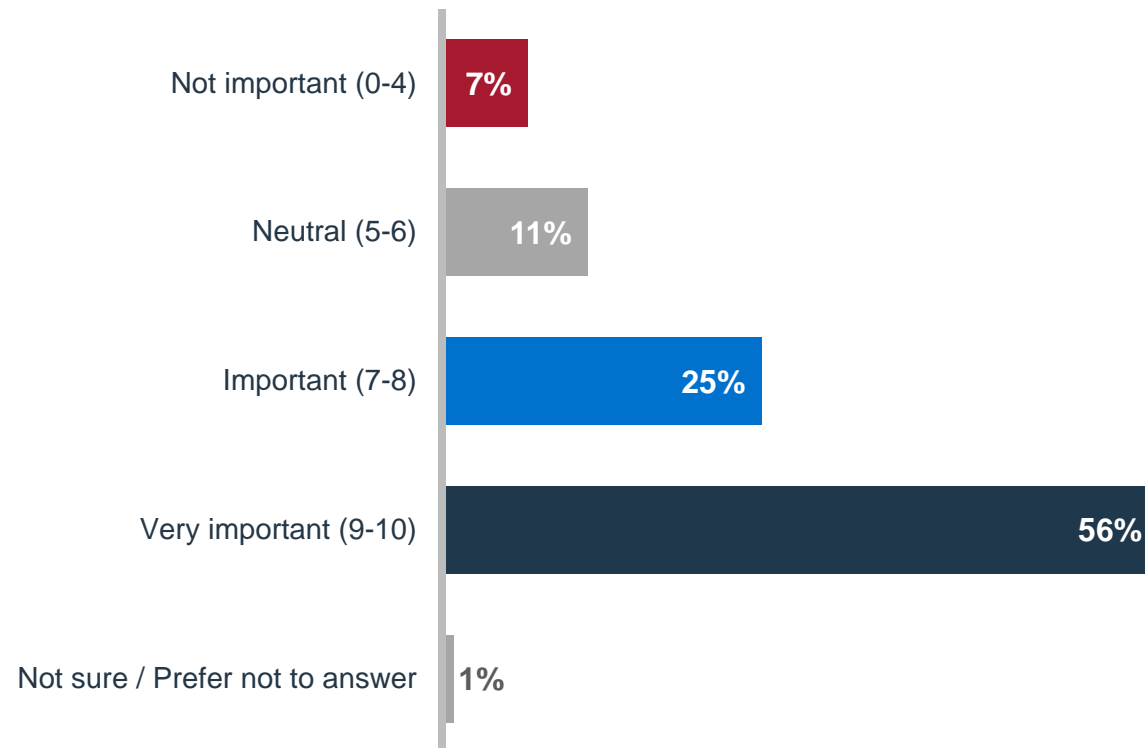
Base: All respondents (n=837).



Respondent profile

# Importance of growth

On a scale of 0 to 10, how **important** is it for your company to grow?



Base: All respondents (n=837).

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# 04.

## Context, objectives and methodology




Context, objectives and methodology

## Context and objectives

- The Research and Economic Analysis team at BDC has identified the sharing economy as a major consumer trend that may impact a great proportion of businesses in the future, whether directly or indirectly.
- The goal of this survey is to provide some insights to both business leaders and business professionals as to how entrepreneurs feel impacted by this trend, how they perceive it and how they should approach it in order to benefit from rather than being threatened by it.

## Methodology

- **Survey methodology:** Online
- **Respondent profile:** Entrepreneurs from the BDC Viewpoints Panel
- **Sample size:** 837 respondents
- **Maximum margin of error:**  $\pm 3.4$  percentage points, 19 times out of 20
- **Survey dates:** September 7 to 18, 2016
- Data processing and analysis were performed by the BDC Research and Market Intelligence team

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# 05. Appendix: end notes



## End notes

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**Thank you.**

Research and Market Intelligence

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