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Survival of the shared economy in Covid times



Can start-ups weather the tough market conditions? They have to be creative and adapt to the changes

“There are no permanent jobs. Why should I lock myself into permanent assets, which will be expensive to maintain...and I probably won’t even use for their entire lifecycle?” This was an alarming and pertinent question that loomed large in a consumption-driven ecosystem before we became cognisant of the term ‘Collaborative Consumption’.

The term describes the practices and attitudes of cash-strapped millennials or Gen Z individuals who are looking to rent and leverage their assets, rather than to own them, to propel growth. The ‘Shared Economy’, as it is popularly known, helps aspirational individuals avoid unnecessary cash-burn by collaborating with people who want to share their resources.

We never guessed a decade ago that the concept of sharing and caring would become so mainstream as to possibly have an entire economy running around it. In a country like India, where 65 per cent of the population is below 35 years of age, this concept has gained popularity with the speed of a bushfire.

Nowadays, there are hundreds of start-ups working around the world to help connect people in need to people who provide, creating an economic moat for all the parties involved. Be it goods or services, like Airbnb and Taskrabbit, or even expertise-providers, like Udemy, such collaborative consumption has bridged the gap between what consumers want and what they can afford, by maximising the revenue generation of the providers.

Covid-induced challenges

Suddenly, due to the impact of the pandemic, the whole service industry has taken a hit, with an invisible entity shaking the foundations of businesses. Companies which were planning to launch IPOs and tread the path to profitability have now been pushed to maintain growth as their dream fades.

This questions the growth sustainability of these economies. By law of nature, anything that grows aggressively tends to fall with the same intensity in no time. So this is the time when companies should learn to grow gradually with a stable and planned structure, rather than exponentially with the aim of a huge market share. Since there lies huge uncertainty in this coronavirus-caused financial crisis, the predicted V-shaped recovery is now moulding towards a U-shaped one, with huge financial losses and potentially a much longer time till revival.

Businesses like OYO, Airbnb, Uber, Ola and co-working spaces, that are leveraging Industry 4.0 techniques to disrupt the market, will face tougher challenges while recuperating from persisting economic and geopolitical tensions. This virus has created a kind of mental stress in people regarding health, safety and social distancing, which directly contrast the business models of these shared economies.

For a long time after the un-lockdown, people will be more conscious and hesitant in using these services, which will further exacerbate the risks to well-being. At such times of market failure comes the role of the government, to design policies like waiving taxes for the travel and tourism industry and promoting domestic travel by various campaigns.

Change in business models

The hospitality sector, including OYO, Airbnb and other aggregators, will have to put health and sanitisation at the top of their pressing positioning priorities. Airbnb can switch to monthly rental stays instead of daily leasing of apartments due to the change in consumption patterns of consumers and plunging tourism.

With the help of artificial intelligence, these sectors can enable fewer human interactions and switch to self-service mode, to comply with the social distancing norms.

Since mass travel will take a long time to pick up, transport businesses like Ola and Uber can promote single rides and provide drivers with personal protection equipment to bring down risks and address the fear among the masses. They can also look at the self-driving market and rent out automobiles on an hourly basis.

Co-working spaces can broaden their dividers and ask people for their past medical records before allowing them to share spaces. They can even position themselves as safe and cost-

effective places to work in and lend space to the companies that steadily ran out of capital during this time.

These measures will certainly lower the risk and help the businesses adapt and overcome unanticipated setbacks.

Opportunity in crisis

A marketer's life was never this tough and interesting! Now is the time when these start-up giants will have to bolster themselves by reinventing their models based on key processes and resources. Although it is the worst time for a business, it's the best time to market digitally, as more people are now forced to use smartphones and technology for information and survival.

Innovation is the dire need, keeping health and sanitisation as priorities when carrying out jobs for their customers. Rather than going for fancy pricing and discounting rates, creating value instead of bloating capital structures, a marketing mix with the right set of personalisation and performance strategies, and the campaigns to market them are required in such challenging and difficult times.

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The article can be read online [here](#).