

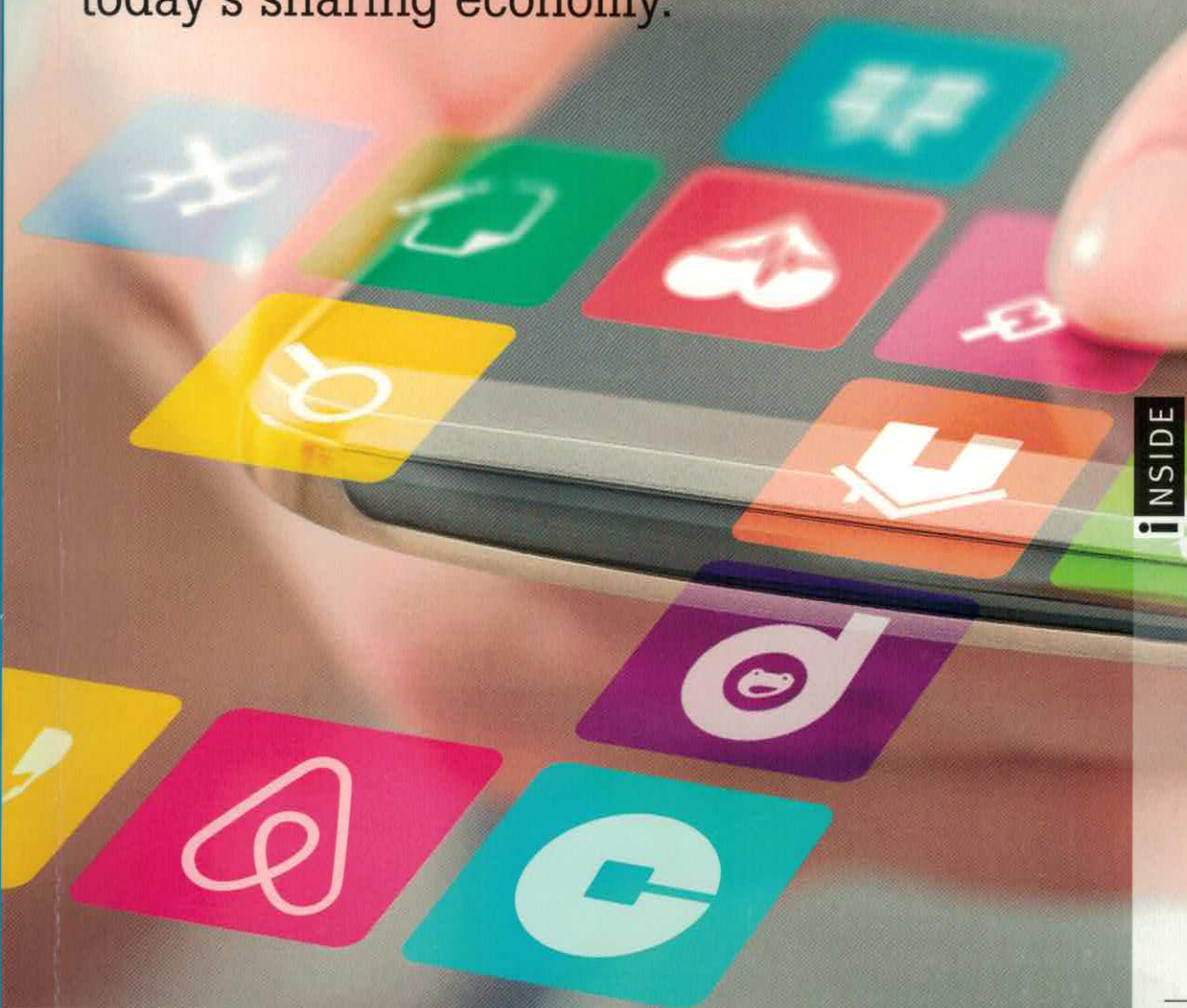
NZBusiness

The owner manager's magazine

+ Management
MAGAZINE

YOURS TO SHARE

What you need to know about
today's sharing economy.



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BY GLENN BAKER

It's hard to avoid the sharing economy, because it's growing so fast.

Sometimes referred to as peer-to-peer (P2P) because it eliminates the 'middle man' – businesses operating in the sharing economy connect buyers and sellers directly via online (generally mobile friendly) platforms.

The sharing economy has reinvented the way people consume goods and services – cutting into the profits of traditional businesses. These platform-based brands are built on the concept of creating shared value; creating new ways to monetise under-utilised assets – perhaps a spare room, a car park or camper van – as well as skills and time.

Just consider how rapidly Uber and Airbnb, the two heavyweights, have become established both locally and internationally. A couple of years ago, people knew little about Airbnb – now it seems every other person is either letting out a room, or knows somebody who is.

Airbnb turned its first profit last year, but is valued at more than \$30 billion. Since its launch in 2008, its hosts have welcomed more than 180 million guest arrivals at Airbnb listings worldwide.

Recently it has targeted the corporate business market, with the announcement that it has partnered with Flight Centre Travel Group's (FCTG) corporate division.

Other platforms operating here include Bookabach (launched in 2000 and now owned by Expedia) Harmony (P2P lending), Parkable (parking spaces), Look After Me (hosted accommodation), MyCarYourRental – and we're really just scratching the surface.

Grant Linton, GM of Reckon Accountant Group, believes we'll see exponential growth in the sharing economy as entrepreneurs find new opportunities to connect consumers on a technology platform that enables the sharing of assets.

"This is a highly efficient model that can be applied widely. For example, we're seeing clear trends around renting over buying, pay as you go and having more flexibility," he says. "For those who want to own assets, they can benefit by developing an income stream from an asset that may otherwise be sitting idle and unutilised."

Linton believes it takes some time for people to trust a new business model – but once they have a positive experience using it they quickly embrace it.

"When online shopping began 15 years ago many people thought it wouldn't take off because consumers would want

to touch and try on products. There were also issues to overcome around security, delivery fees and returns.

"But once people try it for the first time and it works well, and they experience the benefits, they're hooked."

He says understandably there is a natural tendency for traditional businesses to want a 'level playing field' in terms of regulation and compliance costs. "But while some regulation should protect the consumer and contribute towards some costs, often new rules need to be designed to fit this new model – [which generally consists of] very small micro businesses and peer-to-peer services rather than large companies."

ADVICE FOR NEW 'SHARERS'

It can be argued that the barrier to entry into this fast expanding sector is low. Linton says, while that's a good thing, it also means seeking sound advice early on can save time and money later on.

He recommends sitting down with your accountant – preferably one with experience in this field, because there are many issues to consider outside of accounting and 'doing the books'.

"Things such as income must be declared, and tax paid. Remember, it's very easy for IRD, and anybody else for that matter, to see what services a company is offering online. And the IRD are cracking down on undeclared income."

His advice is to establish a top quality structure for tax minimisation and managing your tax efficiently. "If you don't, this can lead to significant future costs like personal assets being caught in the GST regime and attracting 15 percent GST cost on sale."

To ensure records are maintained for compliance and that your operation is time efficient, he recommends setting up cloud accounting software to record all transactions, including invoices, receipts and payments. "It's a low cost way of staying in control of your finances and important records."

Setting up a separate bank account for the new company is key too," Linton says. "Link it to the accounting software to eliminate manual data entry and provide real-time visibility of how the business is tracking."

As for preparing for the unexpected, Linton cautions people to carefully consider insurance. Using personal assets for income-generating activities is likely to have implications for your insurance policies, he says.

NO EXPERIENCE NECESSARY



Barb Pyne had little previous business experience, but that didn't stop her and husband Sandy setting up their 'studio' Airbnb. With a downstairs rumpus area surplus to requirements and an address handy to a popular Auckland beach and just ten minutes from the CBD – it was a choice of either renting the studio long-term to create extra cashflow, or setting up an Airbnb.

Barb had heard a lot about Airbnb, and after attending a seminar on the concept decided it was a 'no brainer'.

Besides, when they have no guests, they could still utilise the space themselves.

Sandy is a self-employed builder, so renovating the downstairs space was a breeze. The kitchenette and bathroom were upgraded, and extra furniture added (some from TradeMe), including a Queen-size Tiltaway bed. All for just \$8000.

"The most challenging aspect was wondering if anyone would stay and what their feedback would be," recalls Barb.

Her fears were ungrounded. In 2016 they generated, and paid tax on, \$16,000. And there were plenty of gaps between guests – which is what they wanted.

"We're 'Superhosts' and receive great feedback," she says. "We often push back on anyone wanting more than four weeks though, as it's good to have breaks."

The couple plan to stick with Airbnb, as they have had "only great experiences" so far and are avid supporters of the concept.

When they travel overseas, they prefer to stay with Airbnb as well.

With their business Barb likes the fact that they control who stays and who doesn't. "I've turned a few people away – either because we wanted that break, or something in their profile didn't fit.

"I love that it makes us money, is easy to manage, and we have only had great guests.

"I also like the fact that we don't have to ask for payment – that's all done through the website and paid into our account after the first night's stay."

Barb's advice for others contemplating an Airbnb business is to "totally do it if you don't mind strangers in or near your house, and cleaning up after their stay."

She says the extra money has helped with day-to-day costs and helped support their travels – but also admits that there is pressure to generate good feedback – as any negative comments on the site can turn away business.



"Also, invest in getting your systems and processes set up and streamlined right from the start. This will enable you to scale the business up effectively when volumes grow."

Ratings and customer feedback is paramount, he adds. Make your website as appealing as possible.

"This is where you're compared to your competitors and the point from which customers choose whether to stay at your house or buy your product."



"For those who want to own assets, they can benefit by developing an income stream from an asset that may otherwise be sitting idle and unutilised."

– Grant Linton.

WHO ARE THE DISRUPTORS?

High profile brands such as Uber and Airbnb might have dominated headlines on the sharing economy – but other asset-based platforms have also emerged that, combined, have the potential to change this country's business landscape.

Some have been around longer than others. Julia Charity, a former plant molecular biologist, launched her hosted accommodation platform Look After Me just prior to the 2011 Rugby World Cup. She had never heard of Airbnb back then and describes the growth of her business as "modest, yet consistent."

She's proud of the 'homestay for grown-ups' concept and the more than 8,500 guest nights already clocked up.

The platform has a track record for helping provide accommodation for events around New Zealand where commercial accommodation doesn't meet demand, such as Womad in New Plymouth, Wearable Arts in Wellington, the Ellerslie Flower Show in Christchurch and Fieldays at Mystery Creek.

Another example of its usefulness is the 120,000 tickets sold to Dunedin's three Ed Sheeran concerts in March 2018. "Look After Me provides a way to 'share' some of the incoming revenue with Dunedin homeowners because commercial accommodation is already fully booked," explains Charity.

There's a community aspect to the platform too – around 30 percent of Look After Me hosts donate a percentage of their fees to local charities.

Charity predicts New Zealand's sharing economy will peak in five to ten years. Driving that growth are global trends where P2P consumerism is growing at almost 200 percent per year, she says.

"I think this collaborative 'revolution' will be very significant in New Zealand and is likely to reinvent the way we think about ownership in ways we can't yet even imagine.

"Because it is a growing and emerging market, there is plenty of scope for bespoke New Zealand owned operations."

HAVE PARK, WILL PAY

Generating income from private parking spaces close to public events is nothing new in New Zealand – but the way Parkable is setting up micro-car-parking businesses is a whole new modern twist, and in keeping with the 'sharing' trend.

Warwick Beauchamp came up with the idea two years ago after receiving a \$65 parking fine while dining in the Auckland suburb of Kingsland.

He teamed up with Toby Littin and Brody Nelson to create a "community parking solution" where private space can be shared, instead of relying on scarce public parking or the uncertainty of finding a park at your destination.

But the app didn't happen overnight. "It took three months to reach the prototype stage for Parkable. Since then, we've been making continuous improvements," says Beauchamp. "So depending on how you view it, the app took three months, or over two years, to develop."

Growth has been exponential and Beauchamp says Parkable is now the market leader in this space. "We now have tens of thousands of users and thousands of parking bays listed."

Prices vary, but he says hosts can earn around \$360 per month in the CBD, \$260 per month on the city fringe, or \$100-\$200 close to a shopping area.

Beauchamp says hosts don't have to do anything once their space is listed. "They're creating income from an asset they've always had but were not fully utilising, and there is minimal management on their part."

He agrees the sharing economy in New Zealand is still in its infancy. "As people gain more comfort and confidence with an 'access not ownership' mindset we



Photo: Edith Leigh Photography

GETTING YOUR P2P PLATFORM ESTABLISHED

Look After Me's Julia Charity shares some advice on launching into the shared economy.

- Validate both of your marketplaces and ask customers to pay for what you offer.
- Have a clear understanding of which market segment you serve. "It took us a while to learn that Look After Me is best suited to baby boomers, event goers and business people."
- Don't underestimate the importance of the technology as not all technology partners are created equal. "We learned this the hard way. The first company that built Look After Me charged \$20,000 for a site that we had to walk away from."
- Find quality inventory (owners of the commodity your platform is offering: e.g. cars, parking, space) and then nurture and build a relationship with them. "Language and tone is important here and it's taken a lot of testing and measuring to find what works and what doesn't."
- Related to this is mapping and understanding the online customer journey and creating a flow of quality leads. "Expect to spend at least a few years on that."
- Keep an eye on the cash, and the dash. "Learn how to track and measure your KPIs – especially cashflow in the early days."
- Pick your team carefully. Skills are important, but so is passion and drive for the business vision.
- Get a mentor. It's amazing what you can't 'see' until someone shows you.





believe the sharing economy will continue to develop exponentially.

"This is being evidenced with solid growth of new sharing economy platforms such as YourDrive (vehicle sharing), SHAREaCAMPER (motorhome sharing) and our subsidiary Campable (shared space for motorhome tourists)."

However, he says there're still barriers to be addressed, particularly around legislation and regulation.

"Tax legislation could be refreshed in regard to earnings from the sharing economy. In the UK individual taxpayers are given a tax break on shared economy earnings."

Council regulations and bylaws prohibiting or restricting growth of shared economy platforms also need addressing, he believes. He's mostly concerned about regional inconsistencies in the application of rates hikes, and the complex resource consent requirements in order to participate in some shared economy platforms.

Beauchamp has some great stories of hosts making the most of their Parkable spaces.

"As people gain more comfort and confidence with an 'access not ownership' mindset we believe the sharing economy will continue to develop exponentially."

— Warwick Beauchamp.

"Last summer, one host, who runs a dance school in Ponsonby, listed her space while on holiday. She was surprised to learn that the money generated paid for her family's entire holiday!"

A Freemans Bay host rents his driveway to commuters during the week, with all proceeds going into his son's education fund. "He's also teaching his son about business – appointing him to operate the 'driveway business' by keeping it clean and the trees trimmed."

Hosts can also utilise their spaces to increase their charitable donations, says Beauchamp. "All without impacting their profitability."



RENTAL CARS TOO

Henrik Stovring has been an entrepreneur since leaving school in his homeland Denmark. He ran a traditional car rental company there for 15 years and witnessed the quick popularity of new sharing platforms such as Airbnb and co-working sites like Elance (now Upwork).

Then when P2P car rental arrived in Denmark five years ago, he realised it was better to join the competition rather than try and beat them.

After gaining as much insight as he could, he decided to exercise his knowledge of the rental car industry and give the sharing concept a go in New Zealand. MyCarYourRental is the result.

Despite a crowdfunding campaign falling short of expectations, Stovring is pleased with how his platform is progressing, and he's actively pursuing other partnerships.

"We've obtained about three times the number of cars signed up to the site compared to our budgets and we are still growing at a quicker rate than expected.

"The number of rentals is definitely increasing, although it's not at the same pace as the sign up of car owners," he says.

The main barrier to growth is the price factor. "As a true P2P platform we allow users to make their own decisions when it comes to their listings, and car owners tend to think their cars are worth more than the market price," explains Stovring, "leaving P2P platforms like MyCarYourRental more expensive than traditional car rental.

"The initial way to change a renter's pattern when selecting a rental car is often by price and this can be difficult if the cars listed are overpriced.

"As a P2P platform provider it is our main job to match the two sides of the marketplace; in this case car owners and renters. It's something that we're getting better at over time.

Stovring's advice for P2P start-ups is to ask, never assume. "I assumed that some things would work with P2P when starting up and I've learned that this is high risk. Just because I think something's a good idea doesn't mean everyone else will.

"But now that we have a core user's base for MyCarYourRental, it's much easier to go out and ask if an idea is great or not, in order to get it validated quickly." **NZB**

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