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The attractiveness of the on-demand economy for investors

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## Abstract

This research studied the attractiveness of the on-demand economy for investors. The literature review revealed a disruptive characteristic and uncovered uncertainties within this new phenomenon. The practical part highlighted the great growth potential offered by the disruptive aspect thanks to a further development within new sectors and consumers. However, the uncertainties mainly related to the development of the regulatory framework decreased the attractiveness and affected the investment decision. Indeed, this study revealed that the attractiveness of the on-demand economy will depend on the personal belief of the investors regarding the future changes that will be operated by the legislator.

**Keywords:** On-demand economy, business angel, venture capitalist, disruption.

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# I. Introduction

The following research intends to analyse the attractiveness of the on-demand economy from an investor's point of view. The purpose of this study is to analyse the investor's perception and understand the general aspects that make the on-demand economy attractive. The importance of this subject has grown since the on-demand economy has begun to disrupt several industries, such as hospitality and transportation. Two well-known companies of this emerging economy model are Airbnb and Uber. However, this new business model is also creating a debate around the need of a specific legislation to frame this new phenomenon, which could harm its attractiveness in the end.

As the on-demand economy is a recent subject, relatively little literature exists around this topic. Moreover, the perspective of investors is frequently neglected despite the fact that current growth rates may attract important investments. In this study, we interviewed three investors and an entrepreneur in order to understand their point of view and completed it with reports issued by several entities.

The structure of the paper will be as follows: firstly, it starts with a literature review highlighting the main characteristics of the on-demand economy, business angels and venture capitalists. Then, the two research questions will be developed based on the previous section. Afterwards, the methodology used in this study will be explained and there will be a brief description of the data used. In the following chapter the results will be discussed and interpreted. And finally, the conclusion will be drawn and the limits and further research topics will be identified.

## II. Literature review

### 2.1 The on-demand economy

The attention given to the sharing economy comes from the fact that the number of businesses that are using this concept is booming (Belk, 2014b). With the increase of consideration, comes a proliferation of different names describing the same phenomenon. Indeed, “sharing economy”, the “on-demand economy”, the “Uber-economy”, the “gig-economy” and several other terms are employed to identify similar practices. The abundant variety of names given to the same phenomenon reflects the confusion around this concept (Maselli, Lenaerts, & Beblavy, 2016). As a consequence, the sharing economy has to face different definitions. The first is used in a broad sense and can be defined as:

*A human activity that seeks to generate public value and is based on new forms of work organization. It is based on a more horizontal organization, with sharing of goods, spaces and tools (usage rather than ownership), the organization of citizens' 'networks' or communities and, generally, intermediation by internet platforms. (David, Chalon, & Yin, 2016, p.135)*

The other definitions are more restrictive and are based on two main factors: firstly, it uses a digital platform (mobile application or internet website) and secondly, it is based on a temporary access. (Belk, 2014b; Cockayne, 2016; Frenken, Meelen, Arets, & van de Glind, 2015; Richardson, 2015; Stephany, 2015). However, in the literature, there is an agreement on these two factors, some authors (Frenken et al., 2015; Stephany, 2015) believe that the sharing economy includes only the temporary access to underutilised assets while other authors (Belk, 2014b; Cockayne, 2016; Richardson, 2015) take into account goods and services.

All the confusion surrounded the definition of the “Sharing economy” and the numerous terms used has been defined as « Semantic Confusion» by Belk (2014a) and he believes that the term sharing is used in an all-inclusive manner. He goes even further by defining as Pseudo-sharing «a business relationship masquerading as communal sharing» (Belk, 2014a, p.11). However, he points out that it can

be valuable to everyone but highlighted that the concept of sharing economy is not anymore about sharing (Belk, 2014a). Bardhi and Eckhardt (2012) shared the same idea and believe that the access consumption can be different from sharing since it is not always pro-social or altruistic.

For this reason, we preferred using the term on-demand economy. In the media, the definition of on-demand economy is similar to the restrictive definition of the sharing economy. It refers to «the economic activity created by technology companies that fulfil consumer demand via the immediate provisioning of goods and services» (Hubbard, 2016, para. 2). However, we will base our definition of the “on-demand economy” on the work of Frenken et al. (2015), which considers it as a platform that connects consumers to provide services to each other. Furthermore, we will use “users” instead of “consumers” since theoretically the client and the provider are interchangeable (Richardson, 2015). And as Maselli et al. (2016), we will also include in this definition the sharing economy as defined by Frenken et al. (2015) where only the underutilised assets are considered otherwise the definition will be too restrictive. So the on-demand economy can be defined as an Internet platform (website or application) which connects users in order to provide services to each other or to give temporary access to underutilised assets.

The companies using a business model based on the on-demand economy are able to make the services and goods more accessible thanks to the digital platforms (Bell & Colby, 2016). Indeed, these companies enable providers to offer their goods or services to a wider range of consumers (Farronato & Levin, 2015) as it decrease the costs to reach potential users (Richardson, 2015). The costs are also reduced for the company itself compared to traditional companies and so there is a low need for investments (Smith, 2016). The companies have a “capex light” structure. Their transaction costs are near to zero, the only expenses they have will be related to the office, the application, and IT platform and to ensure a safe payment system (Neumann, 2015). The low level of cost is due to their ability to capture value from assets or services that they do not own or provide (Smith, 2016). One of the advantages is that they maintain almost no inventory, if they have any (Smith, A., 2016). It also means that they do not employ the service providers (Sheiber, 2014). As a consequence, the service providers are independent contractors who are

only paid for each service they provide. (Taylor, 2016). Furthermore, the “on-demand economy” enables a more efficient use of the assets since it can be easily shared (Frenken et al., 2015). This can impact well-established industries since consumers will make fewer purchases as a result (Boesler, 2013). Regarding the services, the same ascertainment can be made. It will allow a more optimal use of the workforce where the companies can easily outsource work and employ only freelancers when it is needed. (Sheiber, 2014).

The proliferation of companies using this business model highlights the changes operating in the society in general. Firstly, the growth of the “on-demand economy” can be perceived as a trend announcing a shift of the consumption model (Saussier, 2015) where people would prefer to have temporary access to goods rather than owning them (Bardhi & Eckhardt, 2012). The consumer identity will be defined by what he can access and not anymore what he owns (Belk, 2014b) which was the normative ideal (Saussier, 2015). Secondly, it takes place in an after-crisis context where young people distrust institutions and large corporations (Bond, 2015; David et al., 2016) and prefer to trust people (Stein, 2015).

This new business model will have to face some threats and uncertainties about his further development. First of all, a successful on-demand business needs more than just applying a smart business model to different sectors (Kessler, 2016). Some businesses are founded without a value proposition or a sustainable cost advantage. They just hope that they will reach enough users in order find a better business model afterwards (Sachdey & Wessel, 2015). Furthermore, the regulatory authorities are struggling to define a clear regulatory and policy structure for this new business model (Smith, A, 2016). Historically, the legal norms were based on ownership (Abele, Feubli, & Iacangelo, 2015) with clear boundaries between our possessions and others with the property rights. This regulated the responsibilities and freedom towards the objects (Bardhi & Eckhardt, 2012). However, the on-demand economy is not based on the concept of ownership but rather on a temporary access, which opens a new regulation territory (Abele et al., 2015).

Besides the regulations based on proprietorship, the on-demand economy also puts some pressure on the existing labour regulation (Smith, A., 2016). The traditional employment model with a clear distinction between self-employed and employees do not answer the specific characteristics of the on-demand workers. This confusion can be highlighted by the opposite decisions taken by different American courts where some declared the Uber workers as independent contractors and others as employees (Maselli et al., 2016). This unregulated space regarding the employment regulation can be exploited by the on-demand platforms (Richardson, 2015). It allows them to avoid classic employment benefits as health and disability insurances or to purchase the necessary equipment and it protects them when problems arise during a transaction (Boeseler, 2013).

Otherwise, there are also two other main critics given to the on-demand companies. Firstly, they gain an unfair competitive advantage compared to existing businesses through avoiding tax regimes, local restrictions and licensing requirements (Farronato & Levin, 2015). And secondly, the lack of information and control over the supplier can potentially be a problem even if often a rating system is put in place (Abele et al., 2015).

All of these specific characteristics and lack of regulation about the on-demand economy arise certain questions about the future impact of this new business model on the whole society since little is known about the further development of this new phenomenon. A positive impact on the environment can be expected thanks to the more efficient use of assets, nevertheless it will be difficult to forecast the real influence of this business model. In addition, the economic and social impact of this phenomenon will be difficult to predict since it will depend on the institutional changes that will take place and further technological development (Frenken, 2017).

Currently the on-demand economy is growing quickly and attracts an increasing number of users. It doesn't attract only early adopters now, but also mainstream users who have an interest in this new economy, and this business model is also used in more and more industries. Between 2014 and 2016, it has expanded from 76 companies in 6 industries to 280 companies in 16 different industries, although it is

still in his early stage of adoption (Bell & Colby, 2016). And there is still a huge growth potential since they are unknown by a significant part of the population. In 2016, platforms like Uber and Airbnb were only used by respectively 15% and 11% of the American population. Moreover, approximately 30% of the Americans had never heard about ride-hailing apps and the home sharing platforms were only known by the half of the Americans (Smith, A., 2016). PwC (2015) quantified these growth potentials, and for them, the sharing economy was worth \$15 billion dollars in 2015 and could reach a value of \$335 billion in 2025. This is mainly thanks to the five following sectors: finance, music and video streaming, car sharing, travel and staffing. Even if it does not completely correspond to our definition of the on-demand economy, it shows the great upside potential for these new business models.

Another further development possibility for young companies in the on-demand economy will be through investments from and/or partnerships with major corporations. Indeed, this new business model is challenging several industries and the main firms realize that they will have to embrace it, and that it will become too important to miss (Bell & Colby, 2016) so they will have to adapt in order to meet the changes operating in the society to survive (Bond, 2015).

## **2.2 Investors**

As the on-demand economy is still in an early stage of adoption (Bell & Colby, 2016) and has to face several uncertainties as seen previously, we will focus on two types of investors, business angels and venture capitalists, which invest in high-risk companies with great returns potential (Maier, Sandner, & Geibel, 2016) since they are the most likely to give us relevant information on why investors are attracted by the on-demand economy.

### **2.2.1 Business Angels**

A business angel can be defined as

*A high net worth individual, acting alone or in a formal or informal syndicate, who invests his or her own money directly in an unquoted business in which there is no family connection and who, after making the*

*investment, generally takes an active involvement in the business, for example, as an advisor or member of the board of directors.* (Mason & Harrison, 2008, p. 309)

This definition can be completed by adding that this type of investor participates principally in young companies at seed or start-up stage in the form of equity or convertible debt (Dibrova, 2015), they invest in start-ups operating in sectors where they have relevant experience and in which they are interested (Maier et al., 2016) and they often had a previous experience as a successful entrepreneur or in the business world (Bilau & Sarkar, 2016). The amount invested by these investors varies on average between 25 000 and 50 000€. However, it is not a fixed range, and the investment can be lower or higher (Dibrova, 2015). The post-investment attitude from the business angel varies, depending on the companies, entrepreneur and investor characteristics. Nevertheless, they bring two main contributions to the firm. First, they help entrepreneurs by sharing their experience or giving strategic advice. And second, they provide the company with a professional network, which helps them to get access to important resources (Söderblom, Samuelsson, & Mårtensson, 2016). Furthermore, when some additional financial resources are needed, the business angel can play a crucial role in order to facilitate further financing (Sørheim, 2005). The active involvement that they take in the company can also be perceived as a way to mitigate the risks that they have to face. Indeed, the investors are confronted by two main risks, relationship risk and performance risk. The first one concerns the entrepreneur who can act in his own interest and will not anymore take into account the best interest of the business angel. Monitoring activities can mitigate this risk. And the second one concerns external factors or operational obstacles, which can affect the development of the company. Here for the investors will provide value-adding activities such as providing expertise, know-how, a network and by transferring social capital to the enterprise (Söderblom et al., 2016).

The business angels are the category of investors who invest the most in early stage ventures and they mainly focus on four different sectors: ITC, Biotech, applications and manufacturing (Dibrova, 2015). As they invest in young companies, they have to face a lot of uncertainty for which they want to be compensated with a high return on investments (Dibrova, 2015). Even if the high return is one of the main

reasons for the business angels to invest, often the willingness to take part in an entrepreneurial adventure is the most important motivation for them (Rédis, Cerhoux, Demerens, & Paré, 2015). And on the contrary to portfolio theory, the risk is not defined as the variance of the return but rather as the probability of failure for the company, which means that the investor will lose all his investments (Jeffrey, Lévesque, & Maxwell, 2016)

### **2.2.2 Venture Capitalists**

Venture capitalists (VCs) are intermediaries who raise capital from institutions and wealthy individuals in order to invest it in firms with high growth potential (Panda & Dash, 2016). The companies in which VCs invest are at several development levels (Dhochak & Sharma, 2016) and they could benefit from several financing rounds with the same venture capitalist firm (Sahlman, 1990). The investments are mainly made as a purchase of convertible preferred stock (Kaplan & Strömberg, 2003). And the VCs expect to exit from the companies in a middle-long term, most preferably thanks to a merger, an acquisition or an IPO (Tyebjee & Bruno, 1984), with a rate of return between 30 and 60% per year (Sahlman, 1990).

The VCs expect from the entrepreneurs that they run their businesses profitably and that they consult them for each important decision but they do not want to be involved in the daily operations of the firm (De Clercq, Fried, Lehtonen, & Sapienza, 2006). As the business angels, venture capitalists do not only provide financial support to the companies they fund. As a matter of fact, they also provide human capital, like a representative on the board of directors or give strategic advice, and a network, as for example connecting the company with different players in the market or with credit facilitators (Alexy, Block, Sandner, & Ter Wal, 2012; Faber, Castaldi, & Muskens, 2016; Tyebjee & Bruno, 1984).

This type of investor is looking for investments that reach a high level of profit in a reasonable amount of time (De Clercq et al., 2006). Therefore, they have an intensive screening process before they decide to invest in any company (Dhochak & Sharma, 2016). They mainly focus on five different aspects: the attractiveness of the market, the product differentiation, the management team, the resistance to environment threats and the liquidity of the project (Tyebjee & Bruno, 1984). Regarding the team, it will

be critical that they have relevant experience in developing a start-up as well as in the industry where they will operate (De Clercq et al., 2006).

The VCs have to face agency risks, which occur when the entrepreneur acts opportunistically, and follow his own interest rather than the one of the investors (Panda & Dash, 2016). This attitude of the entrepreneur is possible since there is an information asymmetry between the entrepreneur and the shareholders (Gompers, 1995). In order to mitigate this risk, the VCs take different steps to control the actions of the entrepreneur. Firstly, they draw strict contracts addressing the main issues such as the valuation, control rights, compensation and exits and including several covenants (Kaplan & Strömberg, 2004). The covenants will contain a limitation to the management salaries, equity dilution or capital expenditure and establish under which conditions the VCs can take over the board's control, force a change in the management team or sell the company (Tyebjee & Bruno, 1984). Another way to decrease the risk is to invest in the ventures through different financing rounds. Staged financing will give to the VCs the ability to abandon a venture if the company do not perform as expect and did not reach some milestones (Sahlman, 1990). Finally, after the investment, investors are actively involved in the company. They provide advice where they act as consultants and require from the entrepreneur frequent reports to monitor the performance of the firm (Sapienza & Gupta 1994).

### III. Research Questions Based on Literature Review

The first research question will be: « are investors attracted by the potential disruptive aspect of the on-demand economy? » The disruptive aspect of the on-demand economy comes from two aspects (Bell & Colby, 2016). On the one hand, it can take advantage of the change in the consumption model. Indeed, as explained previously, a transformation is operating in the society where there is a shift from owned-based to an access-based consumption (Belk, 2014b). On the other hand, their new business model is challenging industry incumbents since they are able to capture value from assets and services that they do not own nor provide (Smith, 2016). The on-demand economy, as mentioned previously, is quickly growing and can expect to further develop through an attraction of new users (Bell & Colby, 2016) and a development in new industries since all the business categories could be affected by the on-demand economy (Smith, 2016). And as investors are looking to invest in companies with high growth potential (Panda & Dash, 2016), this new phenomenon could be attractive for them.

The second research question will be: «Are the great potential returns expected from these companies high enough to cover the uncertainties? » Indeed, in order for an investor to fund a company, he has to perceive that the expected return is high enough to cover the risks that he takes. Business angels and venture capitalists are ready to take a great deal of risks but they want to have high growth potential and expect high returns (Maier et al., 2016). For this kind of investors, the risks can be explained by the probability of failure of the company (Jeffrey et al., 2016). So the unpredictability of the real impact that the on-demand economy will have on the society due to the uncertainty of the reaction of the regulators to this phenomenon (Frenken, 2017) can play a major role in the increase of the risks. Indeed, though regulation regarding on-demand economy will increase the costs structure of these firms as for example, it could oblige them to enter in a normal employee/ employer relation (Farronato & Levin, 2015). This increase in costs will reduce their cost advantage, which will raise their probability of failure.

## IV. Methodology and data information

### 4.1 Methodology

In order to be able to answer those two research questions, we conducted four interviews in total with one business angel, two venture capitalist and private equity investors and one entrepreneur. The interviews allowed us to collect in-depth information regarding the on-demand economy based on the opinion and experience of the interviewees. This kind of data collection seems the most appropriate in order to collect potential conflicting information between the interviewees since it gives the opportunity to react directly and gather more information about the conflict (Harrell & Bradley, 2009). The interviews were semi-structured in order to guarantee that all the important topics were covered and that we had some control over the discussion to ensure a consistent data collection. However, the conversational aspect of the interview allowed us to go deeply into the subject and to understand it completely (Harrell & Bradley, 2009). Afterwards, the data was analysed from a qualitative perspective where a particular interest in some topics was emphasised rather than the frequencies in order to highlight trends, new and unexpected facts or global indications (Aktouf, 1987).

In order to underpin the information collected during the interviews, we used a second source of information being reports issued by consultancy firms, well-established companies, a not-for-profit organisation, the European Union and an independent agency of the United States government. It allowed us to go in detail and to confirm or reject the data collected during the interviews.

### 4.2 Data Information

Regarding the interviews, the first one was conducted with the CFO of an investment company focusing on marketing related businesses, which include digital transformation consulting, branding, market research but also e-commerce. They invest mostly in mature companies. However they also take part in some young technology-focused firms. Further in this research, we will mention him as interviewee 1. The second interview took place with a business angels having an investment scope on SaaS, especially Fintech and invested in two on-demand economy start-ups. He will be further referenced as interviewee

2. Afterwards, we discussed with a software specialist working for a company providing services related to systems and software. He also works on entrepreneurial projects related to the on-demand economy and he will be mentioned as interviewee 3. Finally, the last interview was conducted with a Principal of an investment company with experience in venture capital and private equity and focusing on connected consumer, smart industries, healthcare and sustainable cities. She will be referenced as interviewee 4.

Concerning the reports, five different documents about the sharing economy were analysed. Each of these documents had a definition of the share economy similar to the definition given for the on-demand economy in the beginning of the research. The papers were issued by the Insurance Institute of Canada, the Federal Trade Commission, DHL customer Solution & Innovation, EY and the European Union. However, even if the last one was issued by the EU, it does not represent their opinion and was written by Dervojeda, Verzijl, Nategaal, Lengton, Monfardini and Frideres from PwC. Similarly, the documents issued by the Insurance Institute of Canada and DHL customer Solution & Innovation were written by Kovacs and Gesing respectively.

## V. Discussion of Findings

Throughout this section, the results of the interviews and the findings based on the reports will be discussed in order to answer the research questions. It is important to highlight that the answers are mostly personal beliefs of the investors and the report writers, which means that the answer can be subjective and that different answers are possible.

### **5.1 Are investors attracted by the potential disruptive aspect of the on-demand economy?**

First of all, it is important to highlight that none of the interviewees doubts about the fact that the on-demand economy is disruptive. As a matter of fact, all of them heavily insisted on the fact that it was highly disruptive even if they all gave different explanations. For interviewee 1, this new phenomenon was going to change the world and found his origins in the lack of incentives to invest in assets since nowadays the utilisation rate of assets is lower compared to similar economic cycles. Interviewee 2, mentioned that the on-demand economy was a real new economic model and that there were no signs that it will not continue to grow. Interviewee 3 said that the disruptive aspect came from the convenience that it creates for consumers. And finally, interviewee 4 mentioned the asset light structure of these companies and their impact on the markets.

The opinion expressed in the reports are similar. They confirmed the disruptive aspect of the on-demand economy since it challenges incumbents in different sectors and gave as explanation that they are able to compete with traditional companies by offering alternative services forcing the incumbents to think about a new business model (EY, 2015; Federal Trade Commission, 2016; Gesing, 2017; Kovacs, 2017).

With all these confirmations that the on-demand economy is disruptive and with nobody refuting it, we can affirm that the on-demand economy is disruptive. The examples of Airbnb and Uber were often cited by the interviewees and reports to illustrate this aspect of the on-demand economy and their high valuation highlighted the great opportunities for this new business model. In the beginning of 2017, they were valued at \$31 and \$69 billion respectively (Abboud, 2017; Lunden, 2017). Overall, they were able

to raise \$3.4 billion in 10 rounds and \$8.81 billion in 14 rounds of equity funding. Furthermore, it is interesting to notice the evaluation from the first to last round in order to emphasize the increasing interest of the investors. Indeed, Uber was able to raise \$200 000, \$1.25M or \$11M during the first rounds where it raised \$3.5B during the last funding stage. There was a similar increase in Airbnb who raised amounts like \$20 000, \$600 000 or \$7.2M during the first rounds and who raised approximately half a billion dollars in 2017. (Crunchbase, 2017)

However, even if they are the best-known examples, there are several other companies reaching the billion dollar valuations. Several of these companies are ride-hailing or home-sharing platforms such as Didi Chuxing (\$50B), Lyft (\$7.5B), Ola Cabs (\$3.5B), Grabtaxi (\$3B) and Tujia (\$1B) (Chen, 2017; Kharpal, 2017; Newcomer, 2017; Schechner, 2015; Yourstory, 2017). Other sectors are also represented as Peer to Peer lending with Lending Club (approximately \$5.6B), food delivery with Instacart (\$3.4B) and BlablaCar (\$1.5B) for the ride-sharing (Bloomberg, 2017; Huet, 2017; Ycharts, 2017). Smaller companies offer also numerous services and goods such as for example meal preparation, delivery of goods and their storage, project funding, insurances, labour hire, space and parking availability, clothes and tools sharing, healthcare services. (Federal Trade Commission 2016; Kovacs, 2017). Although, this new business model is well-known to disrupt industries performing in a business-to-consumer context, it entered already the Business to Business environment in sectors like the Agricultural and Construction industry where it offers equipment sharing platforms (Gesing, 2017). All these start-ups operating in different industries highlight the growth potential and ability to adapt the business model to different industries. All the interviewees confirmed that the on-demand economy could adapt to a broad range of industries. Interviewee 2 even confirmed that he is sure that a new Uber or Airbnb will appear in another industry. However, interviewee 3 and 4 mitigate their answers by noticing that some industries with for example complex production processes will be preserved and that the on-demand economy will mainly be related to services and platforms. In the reports, Dervojeda et al. (2013) and Gesing (2017) consider that these business model can be applied to all industries. Furthermore, the interest of the Insurance Institute of

Canada and DHL in the on-demand economy proves that there is a potential to disrupt industries that are not heavily affected for the moment. However, EY (2015) mentioned that the growth will be driven by an expansion into specialised services.

The disruptive aspect of the on-demand economy is not only related to the new business model. The disruptive aspect is also linked to the shift of the consumer behaviour. All the interviewees agreed that the on-demand economy increases the convenience of customers and believe that there will be a further development of the access-based consumption. However, interviewee 4 highlighted that changes always go slow even if in some communities it will go faster. Furthermore, interviewee 2 demonstrated a personal conviction that there is a real aspiration towards this new consumption model and highlighted that the millennials are really convinced by access-based consumption and that even certain persons from the baby boomer generation made the shift from an own-based to access-based consumption which demonstrated, in his opinion, the convenient aspect of the on-demand economy. Regarding the reports, they also confirmed the shift from a preference for ownership to temporary access of goods and services and mentioned as well the convenience as a factor which increases the preference of sharing over owning (Kovacs, 2017). Furthermore, the fact that the millennials are more attracted by the on-demand economy was confirmed by several reports (Dervojeda, 2013; Gesing, 2017; Kovacs; 2017) and Dervojeda et al. (2013) highlighted that the older have a lack of skills regarding new technologies in order to participate in the on-demand economy. Overall, we can conclude that the shift is a reality. However, it has to be mitigated since the change is more evident among the young part of the population. It means that the transformation in the consumption model offers a great growth perspective on the long term when the younger generation will become older and that the new generations will all be used to the new technology.

As expected from the literature review, the on-demand economy is disruptive and offers real growth potential. Both aspects of the disruption create new opportunities to expand to new sectors or consumers. As interviewee 1 said, investors invest in something that offers future growth opportunities, and the on-demand economy through his disruptive aspect will offer it to the investors. However, it is

difficult to quantify the future evolution of the new phenomenon. Indeed, none of the interviewees could give some figures to forecast the growth. Interviewee 1 mentioned that companies like Uber and Airbnb are highly valued due to all the possibilities that they offer without exactly knowing how they would proceed and Interviewee 2 declared that he believes that the growth of the on-demand economy will continue thanks to new ways that we have not figured out for the moment. Interviewee 3 stated that the development will go really fast but that in the next 5 to 10 years no drastic change has to be expected and that we will have to wait 30 to 40 years to see everyone embracing the new way of consumption. And finally interviewee 4 was more sceptical since the regulation could harm the new business model. However she recognises the great potential for these companies.

The opinions of the reports are similar to the one expressed by the interviewees. Kovacs (2017) confirmed that the on-demand economy will continue to grow rapidly and highlighted that only relatively few experts were assessing the current size and the expansion over the next decade. Only EY (2015) and Dervojeda (2013) forecasted a growth rate, 139.4% per annum between 2012 and 2016 in India and 25% per annum respectively. Furthermore, the experts predict that well-established industries will look similar in ten years compared to today (Kovacs, 2017) which confirms the idea of interviewee 3. However, Uber and Airbnb proved that a disruption can take place in less than ten years, so some drastic changes can be expected in some specific sectors. And EY (2015), like interviewee 4, highlighted that the success of the new phenomena will depend on the regulatory framework.

Regarding the interviews and reports we can deduce that the difficulty to forecast the growth of the on-demand economy comes from the lack of clarity regarding the future development. Indeed there are uncertainties about the regulation and future expansion methods. However, Kovacs (2017) figured out the three different ways the evaluation will take. Firstly, the current services offered by the on-demand economy will reach a broader public by developing it in new demographic and geographic groups. Secondly, current companies will increase their services in the same sector thanks to a vertical or horizontal expansion and thirdly, new on-demand services will appear.

In summary, the on-demand economy offers a great growth potential to investors even though it is impossible to predict an exact growth rate due to high uncertainties.

## **5.2 Are the great potential returns expected from these companies high enough to cover the uncertainties?**

Regarding the uncertainties, the major one is the regulatory framework that the legislator will adopt. To assess it, it will be necessary to understand the purpose of the regulator and evaluate all the different possibilities the regulator have. In addition, it will also be interesting to analyse the reaction of incumbent towards the on-demand economy.

Most of the interviewees agreed that the well-established companies will try to resist as long as they can to this new trend and mostly by taking the on-demand economy companies to court. However, in the long-run, these companies will have to adapt and as interviewee 2 mentioned one of the ways to adapt will be to co-operate with these new companies. There are already examples of incumbents which invested in on-demand economy companies. For example, Caterpillar is one of the main investors in Yard Club, a sharing platform for construction equipment, General Motors has purchased a stake in Lyft, one of Uber's main competitors and Hyatt invested in OneFineStay, a home-sharing platform (Gesing, 2017; Federal Trade Commission, 2016). Thus, the incumbents can be considered in the short-run as a threat and will probably harm the on-demand economy. However, in the long-run they will probably turn into an opportunity to further develop the on-demand economy.

Currently, there is a debate around the need of regulation for the on-demand economy. As mentioned in the literature review, it operates in a dead zone since it blurs the existing regulation with a new type of employment between the personal and professional activity. As a consequence, the current regulation does not cover the activities performed which enable them to avoid safety, employment and other typical fees paid by the traditional operators. Even further, as the suppliers using the platforms are often individuals using their personal property, they are maybe unaware of the specific tax legislation which results in tax evasion, considered as illegal. (EY, 2015; Dervojeda, 2013; Kovacs, 2017)

Interviewee 2 said, there are two main objectives for the legislator, tax collection and the protection of the consumer in order to find the right balance for the greater good. Federal Trade Commission (2016) highlighted that the regulator had to find the right equilibrium between consumer protection, public safety and other governmental objectives and the right incentives for innovation. Kovacs (2017) added that the legislator also had to take care of the public services, fair competition and ensure the tax collection.

Concerning the debate, there are mainly two opposite opinions. The first opinion, which is mainly defended by the representatives of incumbents, argue that the same set of regulations should apply to the on-demand economy and the traditional companies in order to guaranty consumer and public protection. In their opinion, both of them are providing similar services and the on-demand economy should not benefit from unfair competition only because they offer an innovation. However, the current legislation was designed for the well-established companies and applying it to new business models could serve to protect them without actual benefits for consumers since it will harm the competition and the consumer welfare (Federal Trade Commission, 2016). Additionally, the platform representatives argue that they do not have to comply with the classic regulation since they are not traditional companies (Kovacs, 2017).

Concerning the second opinion, even if there is an agreement on the need for a specific regulation, the opinions differ in how far the new regulation should go. There are defenders of the least restrictive regulation possible by avoiding unnecessary regulation that could harm the innovation. In their opinion, the regulator should choose the least restrictive regulation in order to achieve their goals and will have to take into account some features of the platforms such as the review of the consumers which protect them and therefore reduce the need for regulation. This light regulation will allow the on-demand economy to continue to grow. Furthermore, there are also defenders of a neutral regulation. In this case, the regulation will differ between the traditional and the on-demand economy as long as the regulation achieves the same goals (Federal Trade Commission, 2016).

Overall a clear legal framework will be beneficial for all participants. Indeed, regulation will clarify the current situation of the on-demand economy and achieving safety and tax rules, will develop the confidence of consumers (EY, 2015; Kovacs, 2017).

Regarding the opinion and the hesitations of some of the interviewees concerning the future evolution of the regulation, we realise the difficulty to predict the way the legislator will take. Indeed, interviewee 1 and 3 were convinced that the regulation will adapt in favour of the on-demand economy. Both of them highlighted the convenience for the consumer and that the legislator had to adapt to the consumer's desires. Furthermore, Interviewee 1 mentioned that it will be unwise not to embark to the trends of the future since it decreases the competitiveness of the industry and interviewee 3 mentioned that as the business model of the on-demand economy and traditional ones are completely different, the regulations should be different for both. Interviewee 2 defended the idea that a legal framework for the on-demand economy was necessary for the greater good and that it could not continue to take advantage of the dead zone. However, he also explained that a prohibition will not be possible since it is against what the consumer wants. And finally, interviewee 4 had a different perspective since in her opinion, the regulator will not change the rules only for the benefits of the consumers and highlighted that the incumbents still have high influence on the legislator.

The difficulty in predicting the direction the legislator will take comes from the fact that everyone has his opinion and personal conviction about what is needed for the society. In this case, the four interviewees have contradictory beliefs and they covered the three possible ways the legislator could take. Besides this problem, the prediction has to face another problem, the timing. As interviewee 2 and Kovacs (2017) mentioned, the changes in regulation are slow and it will be difficult to predict when they will occur.

Finally, when we ask the interviewees if they consider that the growth might potentially outweigh the uncertainties, it is interesting to realise that the interviewee 1 and 3 strongly agreed that the potential is greater than the risks where interview 2 and 4 were hesitating and are not sure at all that the growth could cover the risks. It has to be highlighted that interviewee 1 and 3 also expected from the legislator to adapt

in the advantage of the on-demand economy where interviewee 2 and 4 were thought that the legislator would be less favourable to the on-demand economy.

Overall, it seems difficult to predict exactly the direction the legislator will adopt regarding the regulation since there are many different opinions opposed to each other. It adds considerable uncertainty to the further development of the on-demand economy since it could harm it as it was the case with several European courts which judged UberPOP as illegal. However, even with this extra uncertainty some investors will find the on-demand economy attractive and will judge that there is enough growth potential to overcome the uncertainties. These investors will probably expect that the future legal framework will be propitious to the further development of the on-demand economy whereas other investors would be more reluctant to invest in this new phenomenon and have a more pessimistic opinion about the future regulation.

## VI. Conclusion, Limitations and Further Research

The on-demand economy is a recent phenomenon and is still in an early-stage of development. However, there is a growing interest from several stakeholders such as traditional firms, regulators, consumers but also investors. Therefore it is interesting to take the perspective of an investor to analyse this phenomenon and understand what could make it attractive or not. A great growth potential and a disruptive aspect is recognised for the on-demand economy. Although, high uncertainties are linked to this new business model, mainly concerning the evolution of the regulation.

The disruptive aspect is refuted by nobody. All the interviewee and reports agreed on this point. It offers to the on-demand economy great growth potential since it could adapt and disrupt new industries. There is a general agreement that it could adapt to a really broad range of industries, for some, the disruption could even take place to all the existing business models. However, the disruption is not only linked to the industries it could change but also to the shift of consumption model. The change of the consumer's behaviour is a reality but is more evident among the younger part of the population. It offers future growth opportunities to the on-demand economy since the millennials will get older and that the new generations will be raised with the new consumption model. So, as investors are looking for growth potential, the disruptive aspect will be attractive to them. Unfortunately, it is difficult to quantify the further development since there are too many uncertainties.

The future legal uncertainties decrease the attractiveness for investors since the regulations could harm the further development of the on-demand economy. Indeed, as for the moment the on-demand economy operates in a blur, it avoids certain fees paid by the traditional companies. This situation should evolve in the future and the regulator should put in place a clear legal structure. There are three main directions, the legislator could take: Apply the same regulation in place for the traditional companies to the on-demand economy, create a different regulation for the on-demand economy and the incumbents as long as they achieve the same goals and put in place a light regulation in order to avoid harming the new

business model. However, it is difficult to predict which direction the legislator will go since everyone has a different opinion. Therefore, it is interesting to highlight that the personal convictions of the investors regarding the future legal framework play an important role in order to assess if the high potential returns outweigh the uncertainties. Indeed, when the investors believe that there will be a favourable regulation, they expect returns to be high enough to compensate for the risks whereas in the opposite situation, the investors will not especially perceive high enough returns to cover the uncertainties.

Further research could be conducted around the on-demand economy from an investor's point of view. Firstly, it could be interesting to analyse and compare the perspectives of investors who invested in the on-demand economy with the opinion of investors who refused and study the differences based on their geographical localisation. Secondly, when more information and data will be available, it could be wise to compute the financial impacts of the different legal scenarios. Thirdly, as companies like Uber and Airbnb achieved high valuations quickly, it will be interesting to analyse the impact of the right timing on the investments but also study the risks of speculative bubbles. Furthermore, from a general perspective, additional research on the on-demand economy could be done such as a macroeconomic analysis of the impact of the new phenomenon, especially on the labour market or the competition.

To conclude, it is important to highlight that the sample of interviewees was too small to be significant and that another sample of four interviewees could have led to different results. Furthermore, the objective of this research was to have a first general impression on the investor's perception regarding the on-demand economy. Therefore, several key aspects of the new business model were not analysed and could play a significant role in the attractiveness of the on-demand economy for investors.

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## VIII. Appendices

### **Interview 1 transcription**

Ben: Before starting the questions on the on-demand economy, I was wondering if you could explain me a bite what kinds of investments your company is involved in, at which stage, which sector.

Interviewee 1: We are a marketing investment company, we invest in companies that are related somehow to marketing from digital transformation consulting to branding to market researcher but we also invested in e-commerce specialists on various forces actually, basically e-commerce shop, next generation web shop where you can directly shop in magazines, so we have deeply invested in on-demand , e-commerce.

Ben: So it is a really broad company, a really broad area in which you invest actually

Interviewee 1: Yes

Ben: In which stage do you invest? Is it earlier stages or already developed, mature companies?

Interviewee 1: It is really different, we have some pure technology companies but most of the time we invest in more mature, cash-generating project companies.

Ben: I was wondering if you take an active role when you invest in a company.

Interviewee 1: Yes always, we are active in coaching, guiding and also controlling and stable relation

Ben: OK thank you, so now, my thesis, I separated in two parts, the first part I want to know actually if the on-demand economy is attractive for investors where I defined the on-demand economy as internet platforms that connect users in order to provide services to each other or to give temporary access to underutilised assets. During my research I found some information

and some articles that are really saying that the on-demand economy is like really disruptive and I was wondering if you thought the same or if you had a different opinion.

Interviewee 1: No no no, it is really disruptive without any doubt, in the definition it is about underutilised assets so we are talking about Airbnb disruptive world and the Uber disruptive world. And yes, it is very much more disruptive. It is extremely far and I am not sur you realise that if you look at economic cycles and then you would realise that during economic cycles in boom phases like what we have at the moment, really healthy economy. Typically in the past, we had an asset utilisation of 80 to 85%. Nowadays, it is not the case, we have a utilisation of 70 75% and even the money is extremely cheap so the central bank makes the money really cheap and the point is that the investors have no incentive to invest in assets because the assets are already underutilised and that is also in part a function of the Airbnb disruptive world and the uber-disruptive world, at least in part. And so on-demand economy is going to be really disruptive. It is also going to be extremely flexible. And that means that the structures will go through an overall. We talk about industry 3.0, with 3D printing, extreme customisation. And so further, yes really, really disruptive.

Ben: And so do you think I could impact all the industries or just some specific industries like the transport and the vacation or do you think it can impact really globally everything.

Interviewee 1: I think it is going very very broad. Even in banks and insurances there are more and more specialised players. There are insurances that ensure growth, there are insurance that ensures on your actual behaviour, so data patents analysis and in banking as well, there is pure online bank, pure brokers. The mixture between book-keeping program and costumer relation platform and banking programs is going to be developed so basically you will have so you will have one software to do your bank transfers, to do your customer contact details and the book keeping. So I really expect it broad and really disruptive.

Ben: I understand that you think that it is going to be really disruptive, but how do you think the consumer is going to react and how will it really impact the consumption. Because, when I was doing some research I found that historically, the consumption is based on ownership, where now thanks to this kind of companies it is more based on access where when we just need a service, we just take the services, when we just need the car, we just rent the car and do you think it will change the whole consumption model or the society as well?

Interviewee 1: Well the consumer is always convenience focus is emotional and want extreme customisation. Yes, the consumer dictate in what direction the industry is going to develop and so on-demand, the impulsive economy is you buy something now and you want it this afternoon delivered or you want to eat something and in twenty minutes the food is there, you know that is the consumer wants. Consumers want extreme individual choses, extremely customised, and extremely convenience and this means the logistics sector is going to grow, the delivery sector is really much going to grow. Amazon and the shopping area is also going to grow and the live shop of amazon as well which really mean the logistics and the supply chain is really going to change, dramatically, specifically delivery and everything that make the delivery necessary is really going to change

Ben: And if broadly, I could ask you if you could quantify or think how is the growth potential of the on-demand economy. Would you say they are infinite or some limits?

Interviewee 1: It is difficult to quantify but in general everything that is now where you do not need an actual shopping area is qualified for the on-demand e-commerce economy. I think where you really enjoy the shopping experience that can survive. The usual shop that you have today for more than 10 years will really have to focus on something that the consumers cannot find online. So plenty of shops that we have today will not survive. The same with low-end fashion is not going to survive. Book shops, not going to survive. Basically it is really disruptive

for how cities are going to look. You know, very very special restaurants, cafes, gift shops and so forth that will still have a chance but nothing that you can basically shop online.

Ben: More specific questions to the cost structure, so I saw that there is a really low-cost structure since they can extract value from a service or an asset that they don't provide neither own. How do you think, well establish companies will react to these new companies with this advantage on the cost structure.

Interviewee 1: they will try to take legal actions but at the end of the day they will have to do the job. The thing you see with uber, they are suited everywhere but everyone that take uber is happier than with the regular taxis, so at the end of the day, the consumer is going to decide what happened. For example, we are now dealing with a food retail. The food retail is going to dramatically change. Why? Because everything that is not emotional is going to go through e-commerce. Your toilet paper, your milk, your cheese, all of that you do not really enjoy shopping. And so it is going through an online subscription. So you will get your monthly, weekly package. You know, how traditional shops are going to react to it. Hopefully by adapting to this new trend, but you will see there is an over capacity for supermarkets. So there are too many supermarkets for 10 years down the road. Hopefully, adjustment of the logistic said. So more will be on the road, that is what is think is going to happen. Otherwise it is difficult to quantify but I can very easily imagine that online shops will represent 20% or even more than that. You need to do some research on the exact amount. But if you compare for example amazon pantry is cheaper than colruyt and delivered for free.

Ben: In the beginning you were speaking about that the companies are going to suit all these on-demand companies.

Interviewee 1: I was speaking about amazon pantry, check amazon.com and check out pantry, what they do is deliver house hold goods and food and the no emotional stuff, so not fresh, not

cool but they water, milk, they do toilet paper shampoo and stuff like that. So something where the logistic side is not too demanding and they deliver it for free. When you are amazon prime, it is cheaper than in a supermarket even in a discount supermarket.

Ben: In the beginning, if I am right, the companies are going to react by suing these companies.

Interviewee 1: What you see with Uber for example. The established companies are suing uber because they say what uber is doing is illegal. And this is what we are going to see elsewhere, companies are going to do everything to survive. And so that is what is going to happen. But at the end of the day, the consumer decide.

Ben: And so how do you think the regulators are going to react to this? They are going to make some small changes or are they going to make really change everything to adapt to the consumer demand?

Interviewee 1: I think the consumer wins at the end of the day. I would be really unwise, not to embark on the trends of the future. You are in class and you as some new business that have really figured out how to do future e-commerce business and on-demand and it will be really unwise for the regulator to forbid it because it would mean that at the end of the day, the companies would be less competitive in the future industry. Of course these things can always happen, here and there, but I think that the regulator will do what the people want because at the end of the day the regulator is regulated by politicians want and politicians will embark on what voters want and consumers want.

Ben: So you are sure that consumers are going to embrace this movement of on-demand economy?

Interviewee 1: Yes I think so, because the on-demand economy is exactly what is the more convenient for the consumer.

Ben: Here I had a more practical question, I was just wondering how an investor, would like to consider, uncertainties like the regulation, you think that the well-established companies are going to suit all these companies and you think that regulator is going in favour of the on-demand economy. But there are still some uncertainties. And how as investors are you reacting to this kind of uncertainty and especially in this context where most of the information that we have is new, the business model is new, the way of engaging with the consumer is new and so how can you assess these uncertainties.

Interviewee 1: Well first of all, investors invest in something that offers future growth opportunities. The on-demand economy and his business offer that. You see that in the valuation of Amazon in the valuation of Uber, you see it in the valuation of Airbnb. The investors love it because, they even love that so many things are possible without having totally figure it out how they are going to do it. The valuation for example of Amazon say that the investors believe that Amazon will be the biggest shop in the world, in everything. That is something that investors really much love. Amazon doesn't really have too many problems to be suited as much as Airbnb and Uber have. But you can see that investors are providing these companies enough cash to win lawsuits and to the company to pay the lawyer. The way to manage the risk of litigation is to provide the company enough to survive the lawsuit. It is something more common in the US than it is in Europe. In Europe, many investors will say that there is a change of litigation. So I am not sure to invest. It is something that you see more in Europe than in America. In America you would say: we need to provide the company so many cash that it can scale rapidly and become really really large in a short period of time and then they have enough cash to survive any type of lawsuits and so you can see this model been applied very much at Uber and very much at Airbnb.

Ben: So to conclude, for you, the high potential returns are high enough to cover all the uncertainties?

Interviewee 1: Yes absolutely.

## **Interview 2 transcription**

Ben: J'ai commencé par regarder sur votre site et en fait une question qui m'est venue directement était de savoir si vous étiez plus ventures capitalistes ou plus une association de business angels et que vous faisiez chacun vos investissements séparément.

Interviewee 2: Oui c'est la deuxième option. C'est-à-dire qu'on est 4 BA. On est des associés historiques dans des boîtes que nous on a lancées dans le passé. Par exemple Thierry est le cofondateur d'Ogone et nous on a pris une participation dans Tusk qui a été fondé par Jean-Guillaume. On a un passé historique d'associés puis on a décidé de prendre un bureau ensemble et c'est un peu une association de fait et on regarde les dossiers ensemble donc on a un bid flow qu'on partage et on investit parfois ensemble, parfois séparément, parfois on crée une SPV, une special purpose vehicle. C'est vraiment sur une base adoc. Mais c'est vraiment du angel investments early stage.

Ben : Comme ça cela éclaircit déjà un peu mon point de vue. Et je me demandais, j'ai vu que vous preniez toujours un rôle de coach dans les entreprises dans lesquelles vous investissez. Cela se limite à coach ou vous avez un peu plus de responsabilités envers les entreprises ?

Interviewee 2: Non cela se limite à un accompagnement des fondateurs ou du management. Mais on n'a fait de ?? rôle opérationnel.

Ben : Cela éclaircit mieux le contexte dans lequel vous travaillez. Maintenant, si cela vous va, j'aimerais bien passer sur l'on-demand economy. Pour mon mémoire j'ai défini l'on-demand economy comme les plateformes internet qui mettent en contact les usagés ou bien pour se donner des services l'un à l'autre ou bien pour se donner un accès temporaire a des « underutilised assets ». Donc typiquement les entreprises que j'essaye de ciblé avec cette

définition c'est Uber, Airbnb, mais aussi des entreprises comme Listminute ou c'est vraiment que du service et/ou ils ne mettent qu'en contact pour qu'ils s'offrent des services l'un à l'autre. Et donc en faisant un peu mes recherches je me suis rendu compte qu'il y en a pas mal qui disent que les on-demand economy va être disruptif et je me demandais si de votre point de vue, l'on-demand economy aura un si grand impact que certains articles le disent ou que ça sera quand même moindre que l'engouement qu'il y a actuellement.

Interviewee 2 : Comme je vous disais, je ne vais pas vous donner un avis d'experts, mais un avis de monsieur tout le monde. Je fais le constat comme vous, vous aviez cité Uber et Airbnb et il y en a encore plein d'autres. Mais on peut quand même constater que ce sont des entreprises qui ont une croissance très forte dans lequel il y a une vraie croyance dans le potentiel donc il y a des investisseurs qui connaissent bien le domaine qui ont mis des valorisations quand même de dingue si on pense à Uber et Airbnb c'est pas mal non plus et si on regarde point de vue d'échange, on regarde Airbnb c'est quand même une entreprise dans laquelle il a des choses qui se passent donc oui je pense que c'est un vrai nouveau modèle économique, je ne pense pas que c'est un modèle économique qui va, je ne vois aucun signe qu'il ne va pas continuer à se développer. Maintenant, je suis certain, qu'il y a encore plein de domaines qui vont apparaître, qu'il y a encore plein de domaines qui n'ont pas encore été exploités. J'aimerais bien investir dans le prochain Uber, mais on ne me l'a pas présenté et je ne pense pas qu'on va me le présenter. Voilà ce que j'en pense, mais c'est une opinion très prudente et très mesurée.

Ben : Mais donc, vous aussi avez l'impression que ce modèle économique pourrait s'adapter à d'autres industries ou vous pensez.

Interviewee 2 : Je suis personnellement convaincu de la capacité d'imagination des entrepreneurs et donc oui, je pense qu'on est loin d'avoir tout vu et donc si on me pose la question est-ce qu'il y aura un nouveau Uber, un nouveau Airbnb oui bien sûr, je ne peux pas imaginer que le monde s'est arrêté en l'an 2017 et qu'il ne va plus y avoir d'entreprises aussi

importantes dans les années qui viennent. Ce serait contraire à mon esprit d'ex-entrepreneur d'imaginer qu'on a tout inventé et que c'est fait. Il y a des gens, je ne sais plus à quelle époque qui disait que le finance a tout inventé et c'est fini on a fait le tour. Je pense que c'était avant la physique quantique et, etc. Non non, il ne faut jamais dire ça et on a encore beaucoup de potentiel surtout dans le domaine de l'economy, on-demand.

Ben : Par rapport aux entreprises, donc les grandes entreprises qui sont bien établies pour l'instant comment pensez-vous qu'elles vont réagir par rapport à ces nouvelles entreprises. Celles qui se basent sur un modèle de on-demand economy. Et comment pensez-vous justement que ces grandes entreprises vont réagir.

Interviewee 2 : Premièrement, les grandes entreprises ont un grand problème parce qu'elles ont leurs héritages à gérer. C'est un problème parce que cela ne leur permet pas d'être flexible en plus elles ont un management qu'elles ont, elles ont le conseil d'administration, leurs actionnaires et ces gens sont en général pas les gens les plus habiles donc c'est vraiment compliqué pour eux. Et probablement ce qu'elles vont essayer de faire c'est d'essayer de résister autant qu'elles peuvent sur le plan réglementaire donc on le voit avec les taxis et hôtels qui essayent de prendre des initiatives qui tuent l'initiative qui les dérangent puis ensuite, il n'y a rien à faire, ce sont quand même des tendances assez fortes, donc elles vont devoir s'adapter. Essayer de trouver un modèle pour faire copain copain avec le consommateur, on voit le taxi qui essaye d'adopter des attitudes un peu différentes dans la manière de faire du commerce, mettre des notes par exemple. Essaye de moderniser un peu leurs systèmes, mais c'est vraiment très compliqué pour eux peut-être qu'ils vont aller plus loin et essayer de créer des spin-off qui vont proposer la même chose qui vont s'autoconcurrencer et aux lieux d'être complément victime, on va essayer de surfer sur la vague et on verra bien lequel des deux gagnera. Ou bien on va essayer par après de réintégrer la spin-off dans la boîte parce qu'on sait bien que les grosses boîtes ont du mal à innover et donc adopter un mode startup quand on a 10 000

personnes et un milliard de chiffre d'affaires c'est compliqué. Donc voilà comment elles réagissent, mais je ne sais pas moi, il n'y a pas des masses d'exemples, je vois Accor qui essaye de faire des trucs, je ne sais pas très bien, il y a les taxis, oui, mais c'est compliqué, c'est compliqué pour elle et bien sûr ça dépend à quel point la croissance est impactée. Au départ les groupes hôteliers n'ont pas pris Airbnb au sérieux et c'est devenu quand même quelque chose qui ne leur prend pas mal de business. Je ne sais pas dans quelle mesure cela les embête vraiment. Mais je crois qu'elles ont vraiment du mal et je ne suis pas sûr qu'elles soient en mesure de faire face pour être honnête.

Ben : Donc vous pourriez vous imaginez que pas mal de grandes sociétés justement s'écroulent face à ces jeunes entreprises qui proposent quelque chose d'assez nouveau ?

Interviewee 2 : Je ne sais pas, il faut voir comment se scinde le marché, leur offre devra se déplacer, ils ont sûrement des clients qui ne sont plus des clients et probablement qu'ils ne les récupéreront jamais et d'un autre côté, ils ont toujours une gamme de clients qui est toujours client de leurs services pour des raisons que je ne connais pas, parce qu'elles ont peur, parce qu'elles n'ont pas de smartphone, parce que le digital leur fait peur. Mais c'est un business qui va devoir se mettre en question parce que leurs clients vont mourir un jour. Si vous parlez du moins terme, non je ne pense pas qu'il va y avoir de cataclysmes, mais je pense qu'à long terme, il y a vraiment des questions à se poser et elles vont devoir se réorienter. Je pense qu'il y a beaucoup de métiers qui ont dû être réinventés sur le long terme. L'être humain est adaptatif et les grandes entreprises peuvent se réadapter et on voit par exemple que ces grosses boîtes se font reprendre par d'autres grosses boîtes et on peut s'imaginer que Airbnb reprenne le groupe Accor ou Hilton et en fasse un autre truc ou que Hilton devient un client de Airbnb. Donc, disparaître peut-être pas, mais est-ce qu'elles vont devoir se réinventer, certainement. Mais disparaître non, je ne pense, pas, je ne suis pas sûr.

Ben : Donc elles devront plutôt s'adapter ?

Interviewee 2 : Oui

Ben : Là tout à l'heure vous parliez aussi des consommateurs, et donc vous disiez que certaines personnes restaient encore fidèles à ses grandes entreprises. Et justement, j'ai lu des articles où ils disaient justement que notre société est en train de changer d'un monde où on est propriétaire dans nos affaires à une consommation d'accès. Donc on va utiliser seulement les objets dont on a besoin. Vous pensez justement que ce nouveau modèle économique va pousser la société vers la consommation d'accès ?

Interviewee 2 : Oui oui, ça je suis convaincu, je suis convaincu qu'il y a une vraie aspiration pour ça, en une génération. Moi à 18 ans et un jour, je roulais en voiture. Et à 18 ans j'avais mon permis et mes filles s'en fichent complètement, elles utilisent plein de moyens de partage et même pour ceux qui passent le permis la possession de la voiture n'est plus vraiment importante. Mais même le fait d'avoir un permis est compatible avec les fautes de partager parce qu'on pourrait très bien avoir un permis, mais pas de voiture. Je vois que mes amis qui ont des enfants, ce n'est pas un truc important alors que pour nous c'était très important de l'avoir. Par exemple le permis n'est plus indispensable parce qu'il y a plus de moyens. Il y a par exemple Blablacar, il y a aussi plus de transport en commun donc ça aide beaucoup. Même moi, moi j'ai 55 ans, je suis d'une autre génération. Moi j'ai une voiture, ma femme a viré sa voiture donc on a une voiture qui est un break parce qu'il n'y a rien à faire on doit parfois se déplacer et on a besoin d'espace. Sinon moi à Bruxelles, je me balade à vélo, ou je prends un zipcar ou je prends le métro ou je prends une voiture partagée. C'est beaucoup plus pratique et on est plus libre que quand on a une voiture qu'il faut garer, qu'il faut gérer. Je pense vraiment que c'est une tendance forte et je pense qu'on n'a pas envie d'avoir une file à la patte et on comprend que c'est plus efficace de partager que de posséder. Cela permet d'avoir accès à plus de choses en fait. Pour moi, c'est une conviction personnelle, donc je suis biaisé. Il faut bien noter que je suis biaisé.

Ben : Ça va

Interviewee 2 : Maintenant le constat qu'en fait, c'est qu'effectivement, je pense qu'aujourd'hui, la génération des 20 30, les jeunes adultes, j'ai l'impression qu'ils sont assez convaincus de ce mode de consommation et même dans ma génération, mes amis utilisent ce mode de consommation parce qu'ils trouvent cela plus pratique. Donc si des gens qui ont été habitués à posséder switchent aussi facilement de modèle, c'est que c'est un modèle qui doit vraiment apporter beaucoup d'avantages.

Ben : C'est intéressant d'avoir point de vue ( ??) avec votre expérience. Maintenant un peu global ( ??) et pour résumer un peu tout ce qu'on a dit avant. Je me demandais ce que vous pensez à propos du potentiel de croissance du on-demand economy. Est-ce qu'il est vraiment illimité ou est-ce qu'à un moment ça va s'arrêter brusquement où est-ce que ça sera moins fort? Une idée générale.

Interviewee 2 : Je ne pense pas que ça va s'arrêter brusquement, je pense que la croissance va continuer. Je pense qu'il y a des gisements de croissance qui n'ont pas encore été découverts, je pense qu'actuellement cela va continuer à s'étoffer et continuer à croître, je suis positif, je ne peux pas estimer un taux de croissance, mais cela va être supérieur à la croissance globale.

Ben : D'accord donc cela va encore continuer à grandir. En fait, j'ai divisé mon mémoire en deux parties, la première partie c'était de voir si le on-demand economy était vraiment disruptif et la deuxième partie serait plus pour se focaliser sur les risques et voir si « expected return » sont assez élevés pour compenser ses risques. Et donc là s'est vraiment plus à votre côté d'investisseurs que je fais vraiment appel et c'est donc pour essayer de comprendre comment quelque chose est complètement nouveau, ou il n'y a pas vraiment d'antécédent comme quand Uber est arrivé, sur lesquels on peut se baser. Comment un investisseur peut essayer de réagir

aux incertitudes auxquelles il devra faire face alors qu'il n'y a pas vraiment d'antécédent sur lequel se baser.

Interviewee 2 : Ça s'est un peu le problème de tous les investissements à risque, les business angels se retrouvent en général à un moment où il y a à peine une vente, ou il faut commencer à investir, c'est compliqué c'est un problème général ou se trouve tous les angels donc il n'est pas lié particulièrement à ce que vous dites, c'est n'est pas lié à l'économie on-demand. C'est lié à un nouveau projet proposé par un entrepreneur donc oui c'est compliqué et cela se base sur une sorte d'intuition qu'on essaye d'étoiler sur des facteurs tangibles tangible, mais qui ne va pas grand-chose ?? comme qui sont la qualité du fondateur, la perception du besoin auquel répond le produit et la perception du marché potentiel voilà trois facteurs sur lesquels on se base. Mais quand on n'a pas de data point, on ne sait pas le juger. Donc c'est en fait vraiment du jeu de fléchettes. La manière dont les investisseurs font en général, c'est qu'ils mettent des petits tickets dans pleins de projets différents et puis, ils attendent de voir ce qui se passe. Donc c'est en mettant des petits tickets par-ci 1000Euro par là qu'ils se donnent le droit de voir ce qui va pousser. Ils sèment plein de petites graines et quand ils voient que quelque chose marche, c'est là qu'ils mettent plus de sous. Donc c'est comme ça que ça se passe. Je ne pense pas que dans le cas de l'on-demand ça se passe différemment, mais chacun a son avis. Nous on a 2 investissements dans ce domaine-là. Les deux, on regarde les gars qu'il y a dernière ??, on regarde s'ils sont sérieux ou pas qu'est-ce qu'ils ont comme background, on regarde ce qu'ils font, mais c'est difficile, on pense ensemble, on fait un brainstorming, mais voilà il y en a un qui ont l'air de marcher, l'autre cela marche moins bien, trouver des investisseurs pour un tour suivant c'est compliqué, mais disant en tout cas que dès qu'on investit, ça, c'est une règle générale, cela ne s'applique pas qu'à l'on-demand, c'est de tout de suite réunir des informations, avoir des données qui permettent d'extrapoler. Voilà au lieu de faire une régression linéaire avec deux points qui se trouvent tout à fait à la base de votre graphe et de l'abscisse des ordonnées.

Vous voyez bien que votre droite peut aller n'importe où. Il faut essayer de réunir le plus de points possibles et que les points soient le plus distants l'un de l'autre pour que l'on puisse tracer une droite qui l'une dans l'autre va être le plus précis possible et cela est la complexité. Et dans n'importe quel projet, il faut essayer d'aller le plus rapidement possible vers le marché, se confronter au marché, avoir un chiffre d'affaires, mais si ce n'est pas beaucoup et comme ça on peut voir si des gens sont prêts à payer pour votre produit, mais je ne crois qu'il n'y a personne qui va aller mettre sur la bonne mine de quelqu'un ou sur une idée des montants débiles. Je ne sais pas si je réponds à votre question, mais en tout cas je pense que...

Ben : Cela me donne un point de vue général de comment les BA font, mais cela me permet aussi de voir que finalement, pour le on-demand economy, vous suivez les mêmes étapes que pour n'importe quel autre cas qu'on vous présente donc c'est intéressant de voir ça aussi.

Interviewee 2 : Moi, personnellement, oui. La seule difficulté c'est que dans mon cas il y a certains domaines que je connais mieux que d'autres et donc voilà si c'est dans un domaine que je connais, ça me permet d'avoir une idée un peu plus claire du besoin du marché donc je vais tâtonner, mais donc au lieu d'être dans le noir complet cela sera plutôt la pénombre. Et si c'est dans un domaine que je ne connais pas, cela sera vraiment du Lotto. Les gens qui vous disent qu'ils sont capables de... Je n'y crois pas du tout c'est du baratin.

Ben : Au moins c'est assez clair comme avis. Quand je faisais mes recherches, ce qui m'a paru comme incertitude, la plus grande incertitude, c'est de savoir comment le législateur allait réagir. Et donc je me demandais comment la législation allait s'adapter par rapport au on-demand economy et ce qu'ils vont prendre comme décision.

Interviewee 2 : Oui, bon dans le on-demand economy, il y a quand même un point important, tous acteurs économiques doivent contribuer à l'effort commun. Il faut payer des impôts sinon il n'y a pas de route, pas d'infrastructure, là on est d'accord donc le législateur, lui... Donc il y

a un premier point, la protection du consommateur parce que si on laisse les acteurs seuls sans encadrement c'est la jungle. Donc il y a deux aspects importants, il y en a peut-être d'autres, mais en tout cas il y en a deux qui sont vraiment fondamentaux pour moi dans ce genre de modèle économique. Et donc les législateurs son rôle c'est celui-là, c'est-à-dire qu'il doit s'assurer que l'équilibre reste favorable pour le bien commun et donc il doit légiférer. Légiférer ne veut pas dire interdire, mais juste encadrer. Alors la question est que quand les acteurs jouent les règles du jeu, le modèle économique est viable, ça, c'est une bonne question. Je pense qu'il devient moins attractif que quand c'est la loi du Far West. Si effectivement n'importe qui prend sa bagnole et va faire le taxi et ne paye pas de taxe, pas de mise en circulation, pas d'impôt qu'il ne doit pas faire vérifier sa voiture, pas de contrôle technique. Effectivement, ça sera moins facile, mais ça sera l'économie au noir alors. Et l'économie au noire ce n'est pas bon. À ce moment-là votre minerval à l'université ne va plus vous coûter 850 euro, il vous coûtera 30 fois, 40 fois plus et vous ne serez pas contents et vous aurez raison de ne pas être content. Mais il faut faire attention. Quand on met en place toutes les règles le bien commun et que le modèle est encore viable, ça je ne sais pas. Après vous parlez de le règlementer, pas de l'interdire. Je parle simplement de mettre en place des règles. Après tout le monde peut continuer à travailler, on paye ses impôts et Uber peut continuer, Airbnb et, etc. L'autre chose qui est dépendant de ça, c'est que d'un autre côté ça peut avoir un effet positif en dehors du fait que c'est plus accessible, que c'est moins cher, meilleure qualité de service parce qu'on a un bouton d'évaluation aussi qu'on n'a pas forcément, et il faut aussi se rendre compte que ça peut aussi avoir un effet qui compense un peu les autres, cela peut peut-être diminuer les niveaux d'imposition parce qu'on augmente la caisse et peut-être que c'est pour ça qu'on a de la croissance. Et globalement on a un chiffre d'affaires à la taxation qui est plus grand donc ça peut faire que globalement il y ait moins de charges d'impôt. Donc il faut un peu mettre tout l'un dans l'autre. Mais oui, c'est clair que les comportements de cowboy, vont probablement

réguler et règlementer et ça, je trouve que c'est tout à fait normal. Mais il y aura aussi sûrement des effets positifs pour tout le monde donc je ne crois pas du tout qu'il y ait une interdiction des pouvoirs publics, je pense qu'ils n'en ont pas la possibilité, ce n'est pas la volonté de la population.

Ben : D'accord, et est-ce que vous pensez que les législateurs vont juste adapter un peu le modèle législatif actuel ou est-ce qu'il y aura vraiment dans les années à venir des changements législatifs assez importants pour justement correspondre plus à ce nouveau modèle économique ?

Interviewee 2 : C'est compliqué, on n'a pas un pouvoir politique qui a l'habitude de travailler sur le long terme donc prendre les choses à bras-le-corps et changer les choses en profondeur, je ne suis pas sûr que ce soit quelque chose qu'on fasse, mais je ne sais pas. En tout cas, là on voit notre ministre de Croo qui fait quelques ajustements, mais qui pour moi sont quelques ajustements à la marge, mais je pense qu'au niveau digital, il y a des choses fondamentales qui se posent, pas forcément liées à l'on-demand economy mais est-ce que par exemple c'est normal que les boîtes ne payent pas leurs impôts là où elles font leurs business, je pense à Google, c'est complètement aberrant. C'est vraiment le produit d'un lobby qui n'a aucun sens économique. Donc il y a vraiment quelque chose de profond. Donc est-ce qu'on peut aller dire qu'on va imposer quelqu'un qui transforme son appartement en Airbnb, comme on taxe un hôtelier, d'un autre côté on ne va pas taxer Amazon qui vend en Belgique, je ne sais pas, je pense qu'il faut avoir une vision globale et je pense qu'il faut l'avoir du point de vue européen parce que du point de vue d'un pays, il y a vraiment peu de possibilités de se battre contre des groupes qui sont 3 fois plus riches qu'eux. Donc je pense que c'est une vision européenne qu'il faut. Maintenant je pense qu'on a un petit espoir que les choses qui évoluent, il y a de nouveaux gouvernements qui se mettent en place. Maintenant est-ce qu'eux vont s'entendre ? Je ne sais pas.

Ben : Maintenant j'ai une question globale pour conclure cette partie-ci. De votre point de vue, vous pensez que les revenus potentiels de l'on-demand economy sont assez élevés pour couvrir toutes ses incertitudes

Interviewee 2 : Je ne suis pas convaincu. C'est tout le problème que je vous disais. Le gros problème c'est que l'on-demand economy est un modèle qui a été développé en faveur de la plate-forme et en faveur des actionnaires de la plate-forme. Pas dans l'intérêt des intervenants. N' imaginez donc pas qu'Uber ou Airbnb ont été créés dans l'idée de faire un monde meilleur. C'est dans le but d'enrichir, les fondateurs et les actionnaires. Donc c'est ça le problème. Donc ça va plus loin qu'un débat de 5 minutes. Ce sont des employés qui sont hyper précaires ou vous avez une objectivation de l'individu. Donc ce n'est plus un individu, c'est un objet. Dans le sens d'objectivation et subjectivation, là où on reconnaît la personne, on reconnaît un élément et on est dans une fragmentation. On a un module élémentaire qui devient facilement interchangeable et qui se pilote avec une application et donc ces éléments deviennent des éléments de travail et qui deviennent très très simples à manipuler et où il n'y a plus de friction, vous n'avez plus aucun frein à votre modèle. Mais là-dedans, il ne faut pas oublier qu'on a un être humain avec une famille et avec les souhaits d'acquérir une maison, de contracter un contrat hypothécaire, souhaite avoir une vision de stabilité dans la vision de son futur, mais c'est un point élémentaire dans une machine et ça n'entre pas du tout dans la machine de faire son bien. Pour moi, c'est ça le problème de ce genre de système. Uber, l'archétype de ces choses-là. Alors vous avez d'autres choses qui sont moins violentes comme Airbnb ou Blablacar ou finalement les gens font des petits revenus complémentaires, ici à gauche et à droite. Ce sont des cas différents, mais il faut quand même rester vigilant et ne pas être trop naïf. Le modèle dont vous parlez dans lequel vous voyez une plate-forme avec un modèle d'investissement, des investisseurs, c'est un modèle d'enrichissement des actionnaires. Mais ceci dit, il y a des modèles collaboratifs. Quand on parle d'Airbnb et tout ça, on parle de collaboration. Alors que

t'as Uber qui dit qu'on met en contact des individus avec une voiture et un gars qui veut utiliser une voiture et donc on va les mettre en relation. Donc il y a des modes collaboratifs qui visent qu'à enrichir leur actionnaire. Donc voilà, il faut peut-être aussi regarder ceux-là, moi je comprends que votre mémoire se positionne plutôt du point de vue de l'investisseur que de l'employée. Donc eux ne s'intéressent pas à l'employé, mais si par exemple vous avez vu le film 'Demain', vous avez des modèles collaboratifs qui pourraient concurrencer Uber Airbnb, mais d'une manière moins capitalistique.

### **Interview 3 transcription**

Ben: My subject is about the attractiveness of the on-demand economy for investors. So in my thesis, I want firstly to understand if the on-demand economy is really going to be as disruptive as everyone is saying and in the literature most of the people believe in it and the second part will be to assess a little bit the risks and to see how the legislator will regulate the on-demand economy and for my thesis, I defined the on-demand economy as an internet platform that connects users to give temporary access to underutilised assets and services. I contacted you as well, to maybe have more the opinion of a software company and as you are helping clients in the industries, to have a little bit their point of view and see what you think about the on-demand economy.

Interviewee 3: about myself, I am working at [...], but I am an entrepreneur as well, I created a projected based on the on-demand economy but for the moment we are still at a seed stage and we are doing some research right now to have some figures and be sure that it will be big enough to lunch it. Beside it, [...] have as well a venture capital firm which invest in start-ups but it is a different company. So with me you will have the point of view of a software expert but also the point of view of an entrepreneur.

Ben: I don't know if it is OK for you if we start now the questions.

Interviewee 3: yes but I should finish at 10:30

Ben: normally it should not be a problem. The longest interview I had for the moment was 40 min.

Interviewee 3: OK perfect, but who did you interview already? If the names are disclosed.

Ben: actually, there are two Belgians that I interviewed. One CFO of a venture capitalist fund and one Business angel.

Interviewee 3: OK OK

Ben: As I said, I have two parts, the first part is to know if the on-demand economy is going to be disruptive and so I wanted to start with a really general question. Do you think it is really going to be disruptive?

Interviewee 3: I think that it is already disruptive when we look at Uber and Airbnb they disrupted already their sectors. For example, I do not use any more taxis but only Uber, because it is more convenient. Or for example, when is it the last time that you went to a hotel?

Ben: Hostels?

Interviewee 3: No, Hostels are not part of the on-demand economy. For example, I never go anymore to hotels I always use Airbnb even if I have to travel for the company.

Ben: So even for business travels?

Interviewee 3: Yes, it is way more convenient, the location is closer and closer to where I have to be and the price is way cheaper. Or even when we look at a friend of mine that lives in Berlin and that is three or four years younger than me, he never uses his car. I still have my own car and when I am in Portugal, I use it all the time to do go to the grocery or any were where I have to go. But if you look at my friend, he even doesn't have a car, he just rent a car for 1 or 2 hours

and use it for where he has to go and that is it. He use is app, I do not remember the name of the app but he just check on his phone where is the closed car available and then he just rent it for what he needs it. And that is what is going to happen, I think the on-demand economy is going to grow.

Ben: And do you think it could impact all the industries or would be staying with the some that we know right now?

Interviewee 3: I think it growth a lot and reach more and more industries and it will not only stay in the transport and lodging industry. But, for me, it will not impact all the industries. There are some industries that will not be affected by the on-demand economy. I think for example the automotive industry or all the big industries where we need big investments will not be affected.

Ben: So you think that it is already disruptive and that it is going to impact most of the industries? And you do you think that well-established companies will react to this?

Interviewee 3: So I don't know if you know but there are three different layers of the type of companies, the start-ups, then you have the normal companies and then the giant companies. And the normal company receives pressure from both sides, from the start-ups and the big companies. And so they have to adapt or they will die. The start-ups, they do not care about the normal companies and they just want to launch their product and services and so when they propose new business models, the normal companies have to adapt but at the same time they receive pressure from the giant companies like Amazon, google or Apple who launch new products and are really innovative as well.

Ben: But then do you consider Hilton or the big hotel chains also as giants?

Interviewee 3: No they are not giants, they do not have the right mind-set to be a giant.

Ben: But how would you define the giants then?

Interviewee 3: Giants are all these big tech companies that invent new things, like for example the impact that Apple had on the technology.

Ben: OK I see better what you mean. And when I was preparing the literature part I saw that they were speaking about a change in the consumption model, going from an own-based consumption to access-based consumption and do you think these apps or internet platforms are taking advantage or are they pushing actually the transformation.

Interviewee 3: They are pushing the transformation towards an access-based consumption. They make it easy for everyone to have access to what they need. You just need your smartphone to order what you need. It doesn't matter anymore where you are since you have access to everything you need just through our phone. I think that in 20-30 years everyone will have an access-based consumption. And only use anymore this kind of consumption.

Ben: One question to conclude this part, how do you think the on-demand economy is going to grow?

Interviewee 3: Really fast, there is a saying that each year the power of the technology double. For example, my iPhone today is way stronger than my first computer was. And I think that if we mix this evolution in the technology with the services that we can provide, it will grow really really fast.

Ben: So you could really expect in the next couple of years that will have a great impact

Interviewee 3: in 5 to 10 years, yes. When you see people now, these companies make it easier for everyone. For example, I only take uber because it allows me to choose my driver, and I can check everything about him. When I choose on the app the driver that is coming to pick me up I have all the information what is different if you compare it a normal taxi, when you call for a

taxi they just send the first taxi that is available. And I trust much more an Uber driver than I trust a taxi driver. We can even rate afterwards the driver what I really appreciate and the payment system is so much easier. And I think this kind of apps will make everything easier. And even in Africa it is also happening, a project on which we worked was to develop an app where people could use their phone to get access to micro loans, they just arrive with their phone and they get a loan of 10 EUR and they pay it back in a week. So they have just enough to buy seeds and to plant them and so sell it afterwards.

Ben: Oh yes it is really interesting, I didn't know that it reaches Africa already. It is interesting to see. But regarding the behaviour of the consumer. If I am right, everyone is going to embrace it in the next 5 to 10 years?

Interviewee 3: No, it does not think that everyone is going to embrace it in the next 5 to 10 years. I think that the people younger than 40 years will probably embrace it but older people will maybe or maybe not. For example, if we look at my parents, they will not embrace it because for them it will be too difficult and I think if we look at older people in general, they are not specially digital and for them it will not really be easy for them to for example rent a car through an app or use their phone to order everything because they don't have the habit of the digital in general. So I think that we will need 30 40 years for that everyone uses the on-demand economy, there should be really a generation swift.

Ben: OK now I get it, but how do you think the regulators are going to react to this? Because now we can see for example with Uber that the regulators are taking all different position. Some forbid it, some say there is no problem. And how do you think in general there are going to be the chances in the regulation.

Interviewee 3: The legislation, I don't know, it will break the business model down. And I do not think that it is what the consumer wants and I think that the legislator should go in the

direction that the consumer wants and that he has to adapt to what consumers want. And the on-demand economy is going to become a reality since it is the most convenient and it is what the consumer wants. I think that in 30 40 years, everyone will always use this app, we just need to wait for one generation and then everyone will use it. But I don't know if he is going to do it fast or not.

Ben: For example, in the situation the legislator take negative legislation, for example is continuing to impose Uber as taxi drivers. How do you think the on-demand economy is going to react?

Interviewee 3: I don't know, I think that we should see if it is a crime or an offence. For example, selling drugs is a crime and it's completely, so they should go to jail and cannot continue with it. But for example if it's an offence, it will depend on whether for example, if they only get a fine, they will probably continue and just pay their fine

Ben: For example the situation of Uber, it is not a crime but it is not completely legal either. They are playing with the regulation. How could they adapt if they say right now, you have to pay the same chargers as a taxi company?

Interviewee 3: Why should they pay the same as the taxi company? It is not the same business model as a taxi company. It is two different worlds in some sectors but in some sectors it is similar but so in some sectors you cannot compare the on-demand companies and the traditional because they are too different.

Ben: I think that we did almost everything. Maybe on the general question to conclude the second part. Do you think that the potential returns that investors could have with this company are worth the uncertainty they have?

Interviewee 3: I think that the investors should invest.

## **Interview 4 transcription**

Ben: I am quickly presenting my thesis. So the purpose of my thesis is to see the attractiveness of the on-demand economy for the investors where I describe the on-demand economy as all the internet platforms that put in contact users to give temporary access to underutilised assets and services. Then I split it in two parts, first is to see if the on-demand economy is really disruptive and second part is to assess the risks. The first question that I have for you is a really open question, just to see how you think. So do you think the on-demand economy is really disruptive?

Interviewee 4: It is clear it is quite disruptive, particularly if you see how asset light they are and how they impact the market. So to me it is really disruptive.

Ben: And do you think, for the moment we see Uber and Airbnb that impact their respective industries. But do you think it could impact all the industries or it will stay limited

Interviewee 4: I think, I am not sur it will go over all the industries but it is more services related. I think if you have a product and a complex production process, it will be different. I think it is mainly, service-related and platform-related.

Ben: And how do you think that well-established companies will react to this evolution

Interviewee 4: It is difficult to predict this, I see that sometimes they are, some of them still have a big power and low and regulation are still in favour of them and they want to hold on, to that. On the other hand, I think that some realise that they have to evolve as well and try to follow as well the whole disruption as well. So more to adapt and digitalise themselves. It will be both. Of course the well-established companies have an all different business model and cost structure and so on. So it is not that is to adapt. It is a difficult problem. It sometimes like what you see in the software industry, if you develop something with all the available new technic

and you compare it with something that was developed 10 15 years ago. It is clear that you have all different kinds of tools, more big incumbents, they are not always able to adapt that easily. So it is difficult to say for me but probably some will adapt and others won't and will stick to what they have which I still believe there is a market for as well.

Ben: So you don't think that it will impact all the companies directly, that some companies will still have their own market and that the on-demand economy another market if I understood it well?

Interviewee 4: Yes, yes, at least it is still the case today. The question is how fast the market adoption will go and today I still see the established companies having a place. I think it will remain part in the future. I don't see new start-up funding on the old economy, new start-ups will be disruptive but well-established companies, I am sur some of them will survive and will remain on the market

Ben: And when I was preparing the literature review for my thesis, I often saw that we are in a society where the consumption model is changing. We are coming from an own-based consumption to access-based consumption. And how do you think that this on-demand economy start-ups are impacting this switch of consumption model? Are they pushing the consumption model or are they taking advantage of this model?

Interviewee 4: I think, they take advantage of all new technology that is available and the way that you can have a platform now, and bring the demand and offer together it is something they take advantage of and I am sure that market will adapt is the convenience for the consumer who will adapt quite easily but changes always go slow and certainly in some communities it will go faster. But it is difficult to predict anything about that. I think, yeah.

Ben: There will be a change in the consumption model?

Interviewee 4: Yes absolutely. But it is mainly also because those companies make use of new technology available today. And everyone has access, and you can have a platform. Those kinds of things are available today which was not before

Ben: OK, interesting. So a really general question again but more to conclude this part but what do you think about the growth potential of the on-demand economy.

Interviewee 4: It is difficult to say. If I see, in general there is a big growth potential, on the other hand, there are some constraints and they are not in the driving sit to change those regulations and all kind of law. The question is how fast will that change and sometimes I see that this well-established companies, in certain sectors, still have a lot of power and if certain thing in the market does not change, it prevents the on-demand companies to grow and I think that all the Uber cases is a good example of where in some countries and in some capitals, you can easily allow them and for example in Brussels, they are allowed and they are not allowed, it is a big struggle for them but there is still enough potential for them.

Ben: But how do you think then that the regulators are going to react?

Interviewee 4: It is a difficult one. I don't know how regulators are going to react. What drive them really, sometimes, what is really important to them? Is it putting people at work, is it, what is the main driver for the regulator and that is difficult. I am sur they will not change regulation of the benefits of the consumer but they will also look at the need of the well-established companies. And they won't just change the rules, knowing that it may kill a lot of current labour at well-established companies. I am not in a good place to predict how they would react but if I see what happen, then they are slow in their reaction and it is clear that the well-established companies still have a big power to influence in a way.

Ben: If for example, the regulation will stay really hard for the on-demand economy, how do you think those companies could react to this unfavourable legislation?

Interviewee 4: You mean the on-demand economy companies?

Ben: Yes

Interviewee 4: They are global so they can go to a place where there is less constraints. It is difficult to say, or they can start a dual model where they respect the regulation but I am not sure that they are willing to, but sometimes they will have to. Airbnb is more an example they were in the beginning there was not regulation. People had to pay when they had some income. You see it adapt but it adapts slowly, I mean they will be able to assimilate these changes and regulations and adapt themselves towards that. But the easiest thing is to go to places where there are hurdles but I guess they will manage these changes.

Ben: So for you as an investor, do you think that the actual growth potential and the high returns are high enough to cover all these uncertainties regarding the legislation?

Interviewee 4: It is a very difficult one, and we are quite conservative towards that. The thing is, not sure about the figures, that these companies make a lot of turnover but they also have a lot of costs and very often the next step is a next round so the question is how much do they need to raise and at what valuation and who will earn money. I am sure that some of the investors, if you invest at the right moment and you sell at the right moment, you will make money but the question is when. It is still quite unpredictable. And it is crazy when you see this big valuation, we, here at least in Belgium are not used to that, we are quite conservative and there for not investing in this kind of company. I am sure there is a potential. Is the potential big enough compared to the uncertainty. For some funds, it is a risk that they are willing to take and you want to invest in the companies of the future. The question is innovation. Is it something easy to copy, and in what stage you are? I mean, very often these on-demand economies or companies are more in a win and take all model. For example, if Uber is big enough there will not be a number two and same for Airbnb. So if you are lucky to invest in the right one and you

create value, I think you can have good returns. It is really difficult to say. It is also a question of timing, in some moment of time you see that the regulation becomes really difficult and you say that people start switching to other solutions. It is very hard to say, maybe something better comes along, maybe regulation remains heavy, very hard to say, I am sure come will earn money. But the question is when you step in, at an early stage, the potential is still big and the valuation is not that high. But then you probably need a lot of money to become the number one, so it is really difficult as an investor to predict that. I think it will maybe be interesting to talk to investors that invest in one of those companies. So far, we did not, but it may be interesting to talk to them. And I think Airbnb and Uber are quite focused on this stage. The whole concept of home delivery of food, it is more difficult, questioning the whole thing of home delivery, see more companies struggle so, the question is what is really the basic assets that they have, is it just the platform, is it really smart software behind, it is what really makes the difference, I am sure worldwide it is hard to predict.

Ben: Because, I actually I tried to contact most of the VCs in Belgium and nobody invested for the moment in the on-demand economy.

Interviewee 4: No no, indeed, it is mainly because the companies are not Belgian either, do you have an example of Belgian on-demand companies

Ben: I know it because it is a friend, it is a kind of company, on the same system as blabla car. It is blablacar for events

Interviewee 4: Yes, Blablacar is a French company which is, we looked at it as well, but the timing we looked at it, it was already, still at an early stage but already with are very high valuation expectation and then when you make the calculation of how much value it needs to increase before you get descend return to taking into account all the risks, the mathematics are

difficult and that is why we never invested, and indeed the examples are more in the US. You should maybe try to reach some investors there no

Ben: Indeed, it would be interesting to see who invested in Blablacar.

Interviewee 4: They should be possibilities to contact them

Ben: Thank you for the idea, I have one last question but more for curiosity. As an investor when you have to face something like uber, Airbnb or blablacar, which is based on a business model that never existed before and where actually you do not have figures, how can you try to assess all the possibilities and the valuation for those companies

Interviewee 4: It is difficult, there is no magic role for that. It is typically, business model that we never saw before or that we don't understand are for sure big risks, would they work or wouldn't they work and then we try to find maybe similar business models in other business, but there are certain moments in time, you need to believe in the management, in the team and in the market potential. I mean, the business model, is just one of the elements even if here it is quite important. But it is a difficult one, you try to speak to experts, you try to assess the easiness to copy something, because sometimes, business model is quite easy to copy. And do they have good access to the market, you look at all the other elements and you see if the other elements are strong enough and if they can outwait the effect of disruptive model which can be a big risk. So it is a kind of balance where especially the team and the access to market and assets related are really important as well.

Ben: So actually the technique doesn't change that much between a really disruptive business model and a more classic model?

Interviewee 4: No, I think in a way the elements where we look at are the same and then we assess the business model and the potential but, of course, here it is difficult to assess. But for sure it is difficult because today we are used to certain business models and it is an important

one but the team and the access to market and the way the companies are going to adapt are necessary.

Ben: Thank you very much for your time and all your answers.