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Abstract

The sharing economy, epitomized by platforms such as Airbnb and Uber, has experienced remarkable growth over the past 15 years. However, this seemingly boundless expansion is now encountering visible boundaries as regulatory frameworks evolve to address its impacts. Additionally, the competitive environment is becoming increasingly challenging, with significant pushback from local citizens in some sectors. For instance, Barcelona's public protests and subsequent announcement of a total ban on short-term rentals from the end of 2028 or the new U.S. Department of Labour regulations classifying Uber drivers as employees exemplify this shift in the competitive environment. As a result, the landscape of the sharing economy could be poised for significant change. This perspective article examines these changes, exploring future scenarios and strategic adaptations necessary for the sharing economy to navigate this new regulatory landscape and evolving market environment to sustain its performance.

Keywords Sharing economy; boundary conditions; regulatory frameworks; competitive dynamics

1. Introduction

The sharing economy has experienced remarkable growth over the past decade and a half, fundamentally transforming multiple industries by enabling peer-to-peer exchanges of goods and services via digital platforms (Gerwe & Silva, 2020). This expansion was driven by several factors: technological innovations, such as the proliferation of smartphones and the development of user-friendly apps; changes in consumer behaviour and socio-economic norms favouring access over ownership; an asset-light that leveraged existing individual resources (Schneckenberg, Velamuri & Comberg, 2019); and, importantly, the absence of regulatory frameworks specifically designed to govern this new business model (Frenken & Schor, 2019). Companies like Airbnb, Uber, Lyft, Ola, and TaskRabbit quickly became household names all over the world (Alatawi, Alomar & Balakrishnan, 2024). As of 2024, Airbnb boasts over 7.7 million listings worldwide, offering unique lodging experiences across more than 100,000 cities[1]. Uber has revolutionized urban transportation, facilitating over 9 billion rides in 2023 across 70 countries[2]. Lyft provides millions of rides each year in the United States and Canada, while TaskRabbit connects users with freelancers for various tasks globally. Additionally, Ola, a major player in developing countries like India, facilitates millions of rides annually, showcasing the global reach and impact of the sharing economy. This immense scale underscores the sharing economy's significant impact on global commerce and our daily life (Belezas & Daniel, 2023).

This rapid expansion, for a while, seemed almost limitless. Sharing economy companies were growing so fast that it appeared as though this expansion would continue indefinitely. However, now, more than a decade since its inception, the sharing economy appears to be reaching its boundaries. More specifically, regulatory frameworks are finally evolving to catch up with these platforms. For instance, Barcelona recently announced a total ban on short-term rentals from the end of 2028, showing how local regulations are tightening to address the impacts on housing markets and community life. Similarly, in the United States, the Department of Labour's new regulations reclassify many gig workers, including Uber drivers, as employees, reflecting the growing constraints on these platforms' business models. Moreover, there is a significant pushback from local citizens, making the overall

[1] https://news.airbnb.com/about-us/

[2] https://www.statista.com/topics/4826/uber-technologies/

context more challenging than in the past 15 years. In the mobility sector, multiple cities, such as Paris, Toronto, London, and Brussels, restricted or banned the use of shared e-scooters. These developments indicate a significant shift as the sharing economy enters a new phase where the external environment and the regulatory frameworks are evolving to address and possibly limit the impacts of this disruptive business model (Belezas & Daniel, 2023; Seiler, Siebert & Yang, 2024; Uber Newsroom, 2024;).

What does the evolution of the regulatory frameworks and the external environment mean for the future of the sharing economy? With the era of unbridled expansion seemingly over, how will these platforms navigate the challenges ahead and sustain their growth in a more regulated landscape? This perspective article examines these boundary conditions, exploring future scenarios and strategic adaptations necessary for the sharing economy to navigate this new regulatory reality and sustain its performance. By analysing the current challenges and potential paths forward, this article aims to provide insights into how sharing economy platforms can adapt and thrive amidst increasing regulatory scrutiny and evolving market dynamics.

2. Evolution of the Sharing Economy

The rise of the sharing economy can be traced back to the global financial crisis of 2008, which spurred a shift towards more cost-effective and resource-efficient modes of consumption (Belk, 2014). Several key factors contributed to its rapid expansion. Technological advancements, such as the proliferation of smartphones, GPS, and the development of user-friendly digital platforms, played a crucial role. Additionally, socio-economic shifts, including growing social acceptance of sharing and the economic rationale behind it, further fuelled this growth. Airbnb, for example, founded in 2008, capitalized on this shift, offering affordable and unique lodging options. The platform's growth was meteoric, demonstrating the high demand for flexible, peer-to-peer services (Sundararajan, 2016).

A significant enabler of the rapid expansion of the sharing platforms was the asset-light business model used by most of them (Einav, Farronato & Levin, 2016). By foregoing ownership of the underlying assets (real estate in accommodation sharing or vehicles in car sharing, for example) and instead leveraging assets in private ownerships (flats, vacation properties, cars), sharing platforms were able to tap and monetize a massive pool of assets on the supply side. For example, Airbnb does not own the properties listed on its platform; it connects property owners with potential renters, allowing them to generate income from their homes and vacation properties. Similarly, Uber and Ola does not own the vehicles used for rides; they connect drivers with passengers and enable the transaction between them. This model significantly lowered operating costs and allowed for a vast supply pool, as anyone with an available asset or skill could participate, thereby exponentially increasing the platform's offerings. This approach not only reduced capital expenditure but also scaled supply to meet demand more flexibly (Frenken & Schor, 2019).

Another critical factor in the meteoric rise of the sharing economy was the regulatory “grey zone” in which it initially operated (Guttentag, 2015). Indeed, during its initial years, the sharing economy faced minimal regulatory oversight, enabling platforms to grow unencumbered. The existing legal frameworks tailored to traditional asset-heavy business models were not designed to fully regulate the new asset-light, digital platform mediated businesses (Marano, Tallman and Teegen, 2017). Regulatory opacity provided a fertile ground where these sharing businesses could grow rapidly without facing the immediate constraints of traditional industries. For instance, ride-sharing companies like Uber operated outside traditional taxi regulations, and home-sharing platforms like Airbnb often bypassed zoning laws and hotel regulations. This allowed these companies to scale quickly and establish a strong market presence before comprehensive regulations could be developed and enforced (Gerwe & Silva, 2020).

Such regulatory lag is not uncommon; historically, innovations often outpace the development of appropriate regulatory frameworks. For instance, when automobiles were first introduced in the early 20th century, they shared roads with horse-drawn carriages in a largely unregulated environment. It took several decades for comprehensive traffic laws and infrastructure to be established, providing a structured environment for automotive growth (Berger et al., 2018). Similarly, platforms like Airbnb disrupted traditional accommodation services, making previously inaccessible locations tourist friendly and the popular tourist spots more affordable. Lack of initial regulation allowed for rapid growth, as regulators needed time to understand and address the implications of these new business models. However, this rapid expansion also led to unintended consequences, such as increased housing prices in popular tourist destinations and conflicts with local housing markets (Gerwe & Silva, 2020).

From its inception, the sharing economy received mixed reception. On one hand, users of sharing services —travellers, passengers, and other services' consumers—were largely positive towards it (Schor, 2016). This enthusiastic adoption was the main driver behind the rapid growth of the sharing economy; customers loved the services and demonstrated their support through frequent bookings and usage. On the other hand, there was significant pushback from incumbents such as hotels and taxi drivers who felt threatened by the new competition (Marano, Tallman & Teegen, 2017; Zervas et al., 2017). Additionally, resistance also came from some suppliers of services, like Uber drivers, who faced issues related to working conditions and compensation (Cameron and Lahman, 2022).

Now, the sharing economy has reached a point where many local communities are also starting to actively push back. Initially, these companies brought additional demand to local communities—Airbnb users, for instance, spent money at local pubs, bars, and restaurants. However, in some particularly popular cities, they also led to a reduction in the pool of long-term rentals, created noise, and disrupted the quality of life for locals. This has resulted in protests from local communities, highlighting the complex and evolving impact of the sharing economy on urban environments (Nie, Zheng and Sarkar, 2022).

3. Reaching Boundary Conditions

As the sharing economy matures, it appears to be reaching its boundaries in several significant ways: societal pushback, tighter regulations, and changes in the status of gig workers. These developments highlight the complex and evolving challenges that sharing economy platforms face. Local communities are increasingly pushing back against the sharing economy. Initially, platforms like Airbnb brought additional demand to local communities, with users spending money at local pubs, bars, and restaurants. However, in particularly popular cities, the proliferation of short-term rentals has led to a reduction in the pool of long-term rentals, created noise, and disrupted the quality of life for locals. This has resulted in protests and backlash from residents, who expect the local authorities to control the influx of tourists and preserve local housing for residents, reflecting a broader trend of cities seeking to reclaim residential areas from the tourism industry (Colomb & Novy, 2017; Gurran & Phibbs, 2017).

Regulatory frameworks are radically evolving to address the impacts of the sharing economy, leading to tighter restrictions on operations and, in some cases, to outright bans of the sharing economy activities. Cities worldwide, from New York to Barcelona, have implemented or are planning to implement strict regulations to curb the negative impacts of short-term rentals on local housing markets and the urban environment (Gurran & Phibbs, 2017). For instance, in New York City, regulations now limit the rental of entire homes for fewer than 30 days unless the owner is present, a move designed to curb the loss of housing stock to the short-term rental market (Li, Kim & Srinivasan, 2022). This has already led to a significant reduction in available Airbnb listings, which in turn has driven up hotel prices. In Barcelona, a law was passed in June 2024 completely banning Airbnb operations in the city from 2028. Similarly, in the mobility sector, the use of shared e-scooters and bicycles is being banned or severely restricted in various locations due to safety and urban clutter concerns. For example, Paris has banned rental e-scooters following safety concerns and public dissatisfaction (Spacing Toronto, 2024). In San Diego, new rules limit the number of e-scooter operators and introduce stricter parking regulations (CustomerThink, 2024). As of 2024, Uber still faces severe restrictions or bans in many countries, especially across Europe[3].

The status of gig workers, another crucial component of the sharing economy, is also undergoing significant changes. The classification of gig workers as independent contractors rather than employees has sparked substantial debate and legal challenges. This classification affects workers' access to benefits and protections, leading to calls for regulatory reforms to better safeguard gig workers' rights (Rogers, 2016). In the United States, the Department of Labor's new regulations aim to reclassify many gig workers, including Uber drivers, as employees. This change would require companies to provide benefits such as health insurance, paid leave, and unemployment insurance, significantly increasing operational costs (Hinchberger, 2024).

4. Potential Future Scenarios

[3] https://www.marketingscoop.com/consumer/where-is-uber-banned/

As the sharing economy matures, it encounters significant boundary conditions. Local community opposition, tighter regulatory frameworks on local and national levels, and changes in the status of gig workers are creating a more challenging environment for these platforms. These developments necessitate strategic adaptations to ensure sustainable growth and coexistence with local communities and traditional industries.

The future of the sharing economy could unfold in several ways. One scenario is continued growth, albeit at a slower pace, as platforms adapt to the more challenging regulatory context and external environment. Alternatively, the market could stabilize, with fewer new entrants, limited growth and, consequently, more mergers and acquisitions. Regulations are likely to evolve further, becoming more nuanced and tailored to local contexts. This regulatory evolution could foster a more sustainable sharing economy, balancing innovation with community needs and environmental impact. For instance, cities might implement flexible regulations that allow part-time rentals while preventing the conversion of entire residential buildings into short-term rental properties. In fact, some cities have already adopted more flexible approaches towards the sharing economy operators. Amsterdam, for instance, has implemented a system of registration and taxation for short-term rentals, allowing the city to benefit from tourism revenue while mitigating negative impacts on the housing market (Nieuwland & van Melik, 2020).

The integration of sharing economy principles with traditional business models represents another potential future. Hybrid models that combine elements of peer-to-peer sharing with professional management could emerge, offering the best of both worlds. For example, Airbnb has already begun partnering with property developers to create Airbnb-friendly buildings, which offer residents the option to rent out their units part-time while ensuring compliance with local regulations.

Another potential future scenario involves the adaptation of sharing economy platforms to address emerging societal needs. For example, the rise of remote work and digital nomadism has increased demand for long-term stays and co-living arrangements. Platforms like Airbnb are well-positioned to capitalize on this trend by expanding their offerings to include more flexible and long-term rental options. Additionally, the sharing economy could see increased integration with smart city initiatives. As urban areas become more connected and data-driven, there are opportunities to leverage technology to optimize the use of shared resources. For instance, real-time data on housing availability and traffic patterns could help cities manage the impact of short-term rentals and ride-sharing services more effectively.

Addressing the environmental impact of the sharing economy is essential for its sustainable growth. Ride-sharing and home-sharing can contribute to both positive and negative environmental outcomes. For instance, ride-sharing platforms like Uber and Lyft can reduce the number of vehicles on the road, potentially lowering emissions. However, they can also increase overall traffic congestion and emissions if they replace more sustainable transportation methods like public transit or cycling. Home-sharing platforms can encourage more efficient use of space and resources, but they can also lead to higher energy consumption in residential areas due to increased tourist activity. Promoting electric vehicles in ride-sharing fleets and implementing energy-efficient standards in rental properties could help mitigate some of these environmental challenges.

To navigate these challenges and foster a more sustainable sharing economy, several policy recommendations can be considered. Governments should aim to create balanced regulations that protect local communities and workers without stifling innovation. This could include flexible rental regulations, worker protections, and environmental standards tailored to local contexts. Engaging stakeholders, including local communities, businesses, and policymakers, in the regulatory process can help ensure that the needs and concerns of all parties are addressed. Collaborative governance models can lead to more effective and widely accepted regulatory frameworks. Incentivizing sustainable practices, such as the use of electric vehicles in ride-sharing and energy-efficient upgrades in rental properties, can help mitigate the environmental impact of the sharing economy. Policies that provide tax breaks or subsidies for sustainable practices could be particularly effective. Leveraging data, AI and technology to monitor and manage the impact of sharing economy activities can lead to more informed and effective policies. Real-time data on traffic patterns, housing availability, and energy consumption can help cities optimize the use of shared resources and mitigate negative impacts. Ensuring that gig workers have access to benefits and protections similar to those of traditional employees is crucial. This could include health insurance, paid leave, and retirement benefits. Policies that support the reclassification of gig workers or create hybrid worker statuses can help achieve this goal.

5. Potential Strategic Responses

Major players in the sharing economy are already adapting to these boundary conditions. Airbnb, for example, has introduced new pricing tools and increased transparency to address affordability concerns. The platform is also expanding into new markets and services, such as long-term rentals and experiences, to diversify its offerings and reduce dependency on short-term stays. Innovations and adaptations are crucial for maintaining competitiveness in a regulated environment. Collaborations with local governments and communities can help platforms navigate regulatory landscapes while fostering goodwill and ensuring sustainable growth. By addressing the concerns of local residents and policymakers, sharing economy platforms can build more resilient and socially responsible business models.

For instance, Uber has responded to regulatory pressures by investing in electric and autonomous vehicles, aligning with broader environmental goals and reducing the regulatory burden associated with emissions and traffic congestion[4]. Similarly, platforms like TaskRabbit are exploring ways to provide better protections and benefits for gig workers, recognizing the need to support their workforce in a more sustainable manner. Strategic partnerships also play a key role in the future of the sharing economy. For example, Airbnb's collaboration with property developers to create Airbnb-friendly buildings not only expands its market reach but also addresses regulatory challenges by ensuring compliance with local housing laws. These partnerships demonstrate the potential for innovative solutions that benefit both platforms and communities.

AI can play a transformative role in helping the sharing economy companies better coexist with and contribute to local economies and societies while minimizing negative consequences. AI can enhance operational efficiency and optimize resource utilization, leading to more sustainable practices. For instance, AI algorithms can predict demand patterns, enabling more efficient allocation of resources like vehicles in ride-sharing services, thereby reducing idle time and emissions. AI can also be used to optimize pricing strategies dynamically, balancing demand and supply to prevent overuse of resources and reduce congestion in popular areas (Chen et al., 2022).

Moreover, AI-driven analytics can provide deeper insights into consumer behaviour and preferences, allowing companies to tailor their services more effectively to meet the needs of local communities (Suraña-Sánchez & Aramendia-Muneta, 2024). This can help in designing offerings that are more aligned with local norms and expectations, fostering better

[4] https://www.uber.com/us/en/autonomous/#

community relations. AI can also facilitate better compliance with local regulations by automating monitoring and reporting processes, ensuring that sharing economy platforms adhere to legal requirements without extensive manual oversight. In terms of environmental impact, AI can aid in developing smarter energy management systems for shared accommodations, optimizing energy use based on occupancy patterns and reducing waste. AI-powered platforms can also promote sustainable transportation options by integrating electric vehicles and encouraging the use of eco-friendly routes.

6. Conclusion

As the sharing economy reaches its boundary conditions, it faces critical challenges that will shape its future. The initial regulatory void that allowed for rapid growth is closing, necessitating adaptations and strategic responses from major players. While the sharing economy has brought significant benefits, including increased economic efficiency and democratized access to services, it must now navigate a more complex landscape of regulations and community concerns. The future of the sharing economy lies in finding a balance between innovation and regulation, ensuring that it can continue to provide value without undermining local communities. By evolving in response to these boundary conditions, adopting sustainable practices and leveraging AI, the sharing economy can remain a dynamic and transformative force in the global economy.

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