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- S1 00:11 Hello and welcome to another episode of the Moxie Podcast. This is episode 42, recorded on the 26th July 2016. This is the companion web show to the Moxie sessions, an internet economy discussion group held once a month in Auckland, New Zealand. The Moxie sessions bring together a small group of business thinkers every month to discuss how New Zealand can take advantage of the internet to boost its national competitiveness. I'm Andrew Patterson with you here in Auckland. I'll introduce our guest panel shortly, but first let me tell you about our topic for this session. Evidence from the United States says that participation in the peer to peer economy is small but growing quickly. How big could this peer to peer thing get? Can it do things that have previously been the work only of government agencies or large corporates? And is there anything in this model that is perhaps unique for New Zealand?
- S1 01:07 Well, joining me to discuss this, Reinaldo Pamponet who is the founder of It's Noon, a platform started in Brazil to enable young people to generate an income from their creative skills. He has a long history of efforts to help empower young people to create their own socially responsible enterprises, products, and services. And also joining us, Oscar Ellison, the found of YourDrive, a peer to peer car rental service with cars in six centres around New Zealand. Welcome to you both. Well, Reinaldo, let's perhaps start with you. When we think of the peer to peer economy and its growth, how do you characterise it from your perspective?
- S2 01:54 I think there is one fundamental aspect regarding the peer to peer that is peer to peer intangible assets, and peer to peer tangible assets. Most of the peer to peer that is growing really fast is it stays on tangible assets like Airbnb is one of the big examples. My work is much more related to the peer to peer of intangible assets that is related to a new way of exchanging ideas, and knowledge, and content to the internet. I think the growth on one side is very fast, and the second one is growing slowly because it requires a big shift on our culture. It's a needed shift but it's slower in the one that is related to tangible assets, [and it's?] something that we have, and they [get cash for?], we can trade it more easily.
- S1 02:55 Has it surprised you how quickly peer to peer business has taken off though?
- S2 03:03 Yes, on the tangible assets, it's not a surprise. It's a very effective way to make some extra cash. And it is becoming [personalised?] because we are also entering into an era of access. The more access you give people to you property, you make extra cash and this is what is being done. Especially on platforms like Trade Me, also Airbnb and others.
- S1 03:37 Now, Oscar, you're the founded of YourDrive, and you come at this from perhaps a more traditional business approach which embraces peer to peer, but perhaps, as I said, more mainstream in its approach. How do you characterise this particular, and growing, sector of the economy?

- S3 03:57 I think Reinaldo kind of touched on something there which is the idea that the new age of not having so many tangible goods, and having a more [?] lifestyle, I guess. And that's where we're coming from where there's a whole lot of assets out there that are being under-utilized and if you can share them between people you can take a cut on that. Rather than spending a lot of money on [?] traditional businesses do, you can leverage existing assets that are sitting out there in the community and just encourage sharing of them and make money of it that way.
- S1 04:40 Who's a typical customer for YourDrive?
- S3 04:44 Our standard customer is a young, professional, urban person. So those are the people that are looking at other modes of transport, public transport, cycling, and walking to work, and they need the vehicles for short periods of time so they can rent it out when they're not using it, or they can rent a vehicle off somebody else.
- S1 05:08 And why would somebody choose to use your service and not a traditional rental car company?
- S3 05:15 I think there's a big community aspect to it. There's a lot of-- I think with all things in the peer to peer economy, there's definitely an experience aspect that-- Airbnb's latest advertising model where they're kind of saying live there rather than just visit a city, and that idea that you can stay in somebody else's house or drive somebody else's car and get to know them, and become a part of a community rather than just transacting against a faceless company. There's a big part of what's driving all these peer to peer movements is this idea that we can work together as a community to get the assets, or the knowledge, or intangible goods that we need.
- S1 06:09 Reinaldo, do you feel that this is a movement that is sustainable? Because we've seen these kind of movements come and go in the past. What is going to create sustainability in this growing sector, do you believe?
- S2 06:27 I think the sustainability it related to the very clear need of the economic situation of the world right now. I think the environment cannot afford anymore of the kind of consumption we have in the past, this is the first big trend that I think the sharing economy build. All those peer to peer starting to address the better usage of resources and this is what, I think, [?] strongly on the sustainability part of that. I think the last [?] is changing, people are circulating more, and people are having a more fluid lifestyle. The way people work today, people relate to society is not as [thick?] as it was in the past in terms of job contract, travelling is just another aspect. And people are very interested in being connected with other cultural habits. I think peer to peer experience [?] start shifting from being a hotel and being someone's house. Like, come into Auckland and dealing directly with the Kiwi lifestyle. You're learning much more than staying in a hotel. These are some of the benefits that people receive, and people are starting to define this as a company that is very critical for their relationships. I think the sustainability comes related to a quadruple bottom line, at the end. This is an economic aspect that needs to be required because people generate more cash flow and economic opportunities. Secondly, I think the environmental aspect, it's really well [fetched?] on the peer to peer economy.
- S2 08:13 I think the cultural aspect that I actually required on this quadruple bottom line is something that is very important. And the social aspect that people start correlating much more with each other, generating more social [capital?]. I think this is where the sustainability is in my--
- S3 08:39 I think there's a bit of a hunger there in today's society. The idea of sharing things when you're looking through history isn't a new one. Today, urbanisation of things, in

the computer age we're becoming a bit more disconnected with society in a lot of ways. So there's sharing economy peer to peer businesses enable you to reconnect with you neighbours, reconnect with people in new settings, have new experiences with people that were kind of part of our DNA but we've been missing out on. It's using technology to re-enable traditions that we've lost in the past.

S1 09:28

What about the scale aspect of this? Because we know it's small - it's a small part of the economy - but it is growing. How much bigger does it need to get before it really becomes-- to become long-term viable for businesses such as yourself, Oscar. I mean, obviously you're presumably getting by on what you're doing at the moment, but you'd obviously like more. How do you get more people to buy into this value proposition effectively?

S3 10:02

We're still in growth stage. Yes, definitely growing rapidly. There's a point when we do start to affect traditional markets and I guess that's something that you've seen with [?] Airbnb, these big names now have really started to affect the traditional status quo. It's interesting with peer to peer businesses because the growth also fuels the utility of the product. So, the more vehicles, the more users that we have using it, the more useful it is for everyone involved. You've really got to force these networks to get off the ground in the first place, and then the organic growth happens. And that's when it becomes a real powerful model is once you get passed that tipping point and people are using it because it's more efficient than the traditional business-consumer model. For us, we think that somewhere in the vicinity of free [?] vehicles in Auckland. We think it's a dense network that we've really provided a useful service to individuals. Like I say, with any peer to peer business, it's about really forcing that growth in the beginning to build the initial network, and that's where the utility comes from.

S1 11:25

Reinaldo, can you see this becoming mainstream in a few years time, or do you believe it's always only going to appeal to a certain segment of the market?

S2 11:37

I think, for sure going mainstream because we don't have too much options based on what I said before, because we need to keep the society moving towards the direction of evolution. We have lack of resources, we have-- we've never experience the life of connection that we have today in the world, so what we can do with the level of connection [articulating?] more is getting access to what we have. But we still-- there's a cultural change that is needed, the stronger we embrace this culture of change, the faster it's going to be because we were not taught, and we didn't learn from our schools and from our institutions to share, or to go through a win-win situations, but much more losing or winning, trying to concentrate [?] that we have on our minds that all the big signs politically, environmentally, economically in the world is showing that this model is over but it's still there. So I think the issue is how fast we can embrace this new culture, the better it's going to become for everybody because we've never had this level of connection and everybody wants to become part of the gang. And being part of the gang is giving access to what you bought and peer to peer plays a role that is very critical of the model on that behalf.

S1 13:00

What about the barriers that are preventing this. We can see issues around regulation, we've seen that with Uber, and also criticism of Uber that there's a certain arrogance in the way that they want to control the market believing that because what they are doing they have a right to effectively run over existing laws and regulations. Is that potentially giving the peer to peer economy a bad name?

S2 13:39

I think not a bad name, but I think this is a very important issue because it also addresses local economy. So we need to be careful with global platforms, trying to get

out the surplus of local economy. And I think this is an issue, that we need to be really careful with that. I think this is one of the issues that governments are really aware of that, especially local population is also reacting negatively when you start losing your surplus because you're not [?] for that surplus from local economy to a global point. You need global point because this is going to also-- for me, this is a contradiction of the model because this is going to not use the peer to peer model but it's [?] anymore. So I think that most of the conflicts on my side is related to that. It's a very important conflict, and a [?] have to have because the local economy should work more effective with the peer to peer model, not the contrary.

S1 14:42

Oscar?

S3 14:44

There's legislation as obviously already playing a huge role. You've seen Airbnb, [?] both have come up against some pretty big [any-reason?] fights overseas. It's important-- it's two-fold. You've got to have the legislation that enables this technology and that's a really difficult job for the legislators because the rules that Uber's struggling against, they were [?] in 2007 and we didn't even have an iPhone then. So the idea that legislators can keep up is something that they're going to continue to find very difficult. But there is the overarching idea behind the peer to peer economy of the democratisation of work, providing these assets where that is just inherently more efficient. So, there's a lot of established businesses that are going to struggle with the model. When they failed at a depths, it's going to cause tension. As Reinaldo was alluding to that global players in this, there's been a lot of focus recently on global taxation and the rules around that. There's a lot of big challenges to get through from a legislators point of view, so I have to sympathise with them a bit, but from our point of view as a new technology provider, it is difficult as well trying to innovate in fighting against legislation that didn't foresee the rise of these models.

S1 16:32

Reinaldo, what about the limitations, there is this, perhaps, further that peer to peer could take over everything. Aren't there limitations about what this sector of the economy can actually do based on this model?

S2 16:50

I think so, of course. I'm not in favour of a unique answer for everything. There are some centralised models that are going to work, like the work of police. How can this be [?] could help but in terms of problem solving I think there's some issues that need to be quite centralised. Because we are also-- one of the issues that I have experienced over the [?] is the [?] of the human being to deal with transparency. People are not ready yet to the level of transparency that the world require in that particular model so this is why I say that this is a big cultural shift. And we need to be careful with this kind of model, now it's going to be everything is going to be like this. So we have different worlds happening. We have a rural world, we have [?] and now we have [?] also. For each of those, there are different models. I think the big thing is trying to live based on different models. One thing is going to work better for this, the other is going to work better for this, and the other is going to work better for this. I'm not in favour of a unique answer also because we are dealing in a moment of transition. So we need to be careful with the legacy. Because trying to destroy legacies have become something that have destroyed economic and social value. So preserving some of the good legacy that we still have is very important in terms of transition. Because otherwise if we lose that, we're going to lose infrastructure, we're going to lose [?]. So this is something that we need to be careful with, the excess of too much work but we need to really understand what's going on.

S1 18:40

Oscar, what about the perhaps non-traditional areas? We know obviously Airbnb and Uber are well-cited and are both accommodation and taxi services. But what about

other areas, and perhaps areas that have been traditionally the domain of government. Where do you see opportunities, perhaps, for peer to peer to extend in to what you might consider non-traditional areas?

S3 19:07

I think it will continue to grow and take over [?] challenge everyone listening to this to have a look at their own industry and think about how it could affect their particular vertical in the future. I think there's some really interesting ideas out there. The key to it gets to a tipping point where technology can enable it at a value. So it's come up to the high value transactions. The most expensive we own is the house. So there's a good return for owners there. We're doing it in the vehicle space which is also quite a high value asset. When you look at smaller value assets, that's when you struggle to make it financially set up in a traditional peer to peer asset sharing business. There are a whole lot of changes and peer to peer work scenarios that [?] on-demand service where you kind of get people-- contract economy, I guess you call it? Where people are working for each other individually rather than in traditional company structures. You can kind of include that in the peer to peer economy. I think that is one pattern that will affect all business.

S2 20:36

One thing - just jumping in - that's important is to always try to see the pattern of network that you see in each of those models. For me, I'm a very enthusiast. I'm a big enthusiast of how the cities are being designed. So I think peer to peer as a model has a huge role via [?] to distribute power, to generate more accountability of [?] on the [cities?], taking care of the city. This is something that for me is one of the most critical elements of peer to peer that this correlates directly with paying back taxation model, reinforcing social [?] and the city's [?]. But much more than that, is trying to redefine what we can actually reach, the way we foresee democracy. Peer to peer for me is something that could be very well integrated with this new infrastructure that is trying to be built, that is trying to emerge. So I think cities has a big role, and some of the experiences that I have [have been evolved?], when it's dealing with cities it's very effective. Because the health of the city is also related to the amount of social [capital?] that is being generated. The more you open up this version and sharing accountability for the city, the more you're going to generate social [capital?].

S1 22:10

What about uniqueness or unique opportunities from a New Zealand perspective? We know both Uber and Airbnb have effectively emerged out of the US. Do you see any potential for New Zealand to pioneer something in this space that is initially going to be kicked off from here?

S2 22:31

I don't have that much experience in New Zealand. I have been working in New Zealand for one year and a half. And I think New Zealand is, as I have said to my friends, I think New Zealand-- it's a space of hope [?] because it is a space that knows how to create on peer to peer. The example of the [garage sales?] and all this stuff. I think the New Zealand culture has a certain-- it knows how to block some of the trendy things that doesn't make any sense. I think there's a consistency in this country that is still there. I think it's great. The size of this country is quite unique to emerge something. But, one of the challenges of New Zealand, for me, is trying to address more [?] network models. Because on the same model is a country that the institutions are very strong throughout the [?]. And sometimes it's good to have those institutions very strong but it's also very important to create spaces where new things can really emerge beyond traditional institutional models. I actually think that New Zealand is becoming a huge melting pot. It's a potential high growth country and it's very culturally active. It's young, so there's is a lot of elements, and I think New Zealand should - as someone that is from outside - I think New Zealand should embrace it's own potential.

- S1 24:11 Oscar--
- S2 24:11 And really trust the model about what can come from New Zealand.
- S1 24:15 Oscar, I recall reading in one of Malcolm Gladwell's books, I think it might have been Outliers, that New Zealand has a noted reputation for having one of the least respects for authority [laughter], and it strikes me that this should be fertile ground, the peer to peer economy, within New Zealand.
- S3 24:40 Yeah, there's definitely the cliché [?] mentality, isn't it? It's that idea of pushing boundaries. I think there's definitely a good ecosystem and I always describe New Zealand as sort of a petri dish testing ideas before taking them to the rest of the world. I'm not sure of any particular-- I think it's the challenges to find places where is an inefficiency in the existing market, and where the technology is at a level where you can really disrupt that. Basically, any existing system you can put a peer to peer model over the top but is the technology solution efficient enough to challenge the status quo?
- S1 25:39 All right. We'll leave it there. Thank you both for joining us. My thanks to Reinaldo Pamponet, founder of It's Noon, and Oscar Ellison, founder of YourDrive. I'm Andrew Patterson, thanks for listening to this Moxie podcast. I hope you can join us again soon.