

THE EVOLUTION OF THE ON-DEMAND ECONOMY

BY  **peopleperhour**

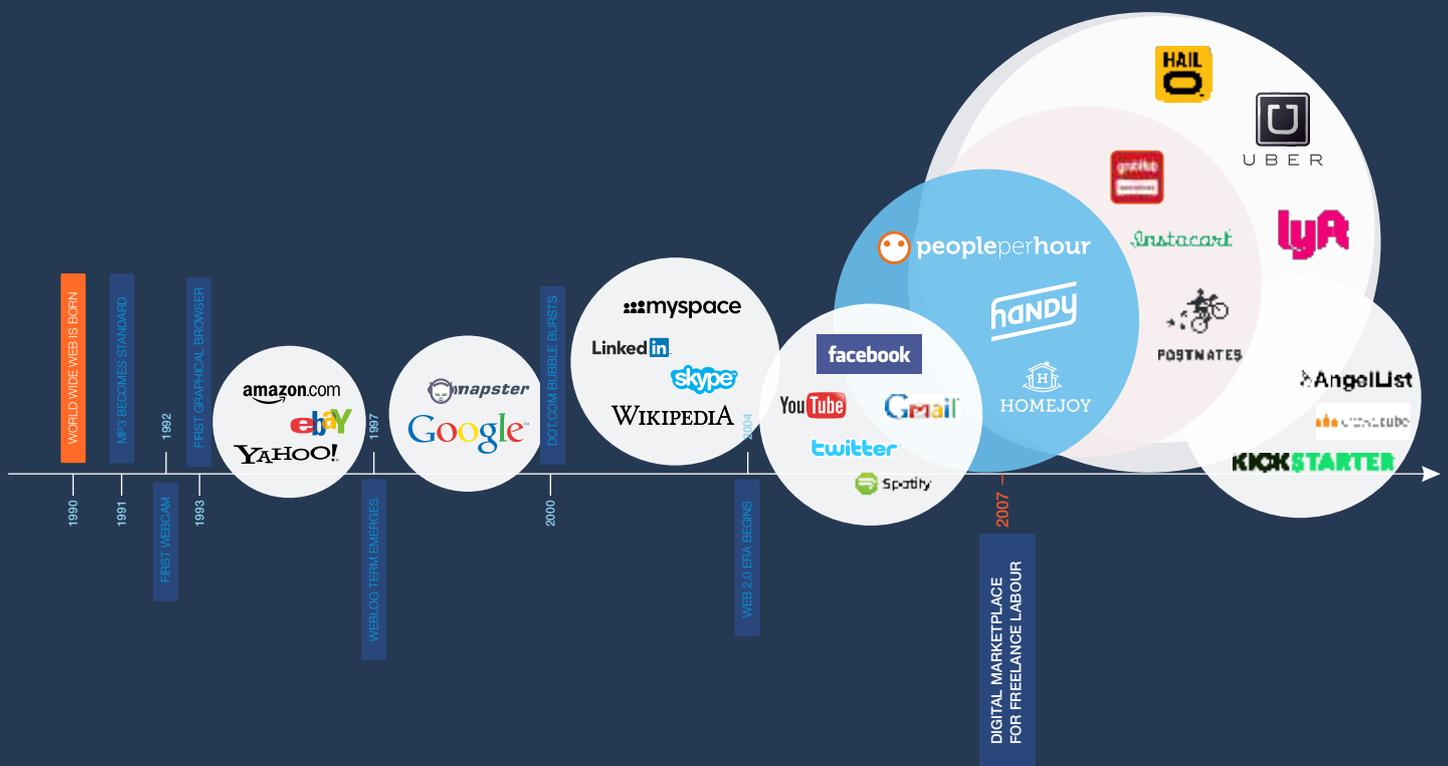
June 2015

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The On-Demand Economy is defined as the instant and pervasive access to goods and services, tailored to meet the individual's needs.

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The On-Demand Economy delivers a closed-loop experience by collapsing the value chain including, discovery, order, payment and fulfillment. –**Brian Sheng**



We predict that by 2020, **1 in 2 people will work in a freelance capacity.**

Given the closely correlated official growth amongst the self-employed segment of the labour market in both the UK and USA at 3.5% per year, and the unofficial findings of 1 in 3 Freelancers within the United States, we suspect that the major drivers underpinning this explosive growth in the next 5 years will be the burgeoning mobile industry, that will fuel new On-Demand platforms, and tertiary applications to manage this new-order of the sharing economy

We are in the midst of the third revolution within the knowledge economy, the beginning of the On-Demand Economy, and it is drastically transforming how we transact with all aspects of the marketplace. The On-Demand Economy is revolutionizing the way in which individuals manage their daily lives, and interact with the labour market, but we are only just now experiencing the very beginning, by unlocking the potential of this new order.

The On-Demand Economy will see exponential growth as a new wave of Millennials and Generation X - join the early adopters in this digital marketplace. This new paradigm shift is analogous to the advent of the Internet, where our needs and desires become instantly attainable through speed and convenience of fulfillment. Just as the Internet in the late 1990s revolutionized how we acquire knowledge, as Ray Kurzweil famously stated: "A kid in Africa has more technology at his disposal than the president of the United States did 15 years ago." These new technology driven marketplaces don't merely enable or facilitate new processes of production, delivery or organization; they are **fundamentally**, redefining industry size, scope and participation. We are only now beginning to observe how these digital marketplaces have the capacity to increase the pool of potential services providers and sellers by leveraging networked technology to change how participants engage in a specific transaction. For instance, the necessity of brick and mortar shops is in effect becoming obsolete; individuals can now setup shops and sell goods to a global customer base via marketplaces like eBay, Amazon and Etsy with minimal capital outlay.

“ Welcome to the uberification of our service economy. A dramatic increase in the number of smartphone connected consumers, simple and secure purchase flows, and location-based services are a few of the market conditions and technological innovations propelling the explosion in on-demand services.” **-Steve Schlafman**



U B E R

average time to order a car
less than 5 mins



average time to start digital tasks
less than 5 mins



average time to hire cleaner
less than 45 mins

Ubiquitous communication and lowered transaction costs give rise to new firms where, efficiency is bringing together consumers and suppliers of goods and services with highly scalable platforms. A few of the drivers contributing to the new on-demand order:

1) The availability of ubiquitous and inexpensive computing power, sophisticated applications and cloud-based services have given way to this dramatically new convenience based era of digital marketplaces

2) Social habits have changed dramatically; the immediacy of our connected-world through instantaneous communication, media and purchasing has fuelled a sense of consumer entitlement that has drastically transformed consumer-purchasing behavior. Millennial's 21-33 are the largest cohort of the on-demand workforce, and are often perceived to be more adaptable, open to change, creative and entrepreneurial over Generation X. (Mary Meeker report, 2015)

3) The ability to divide work into component parts and subcontract to specialists around the globe: we now have the ability to create greater efficiencies across all aspects of the labour market through hyper-specialist occupations

Advances in information and communication technologies have had a tremendous impact on the structure of companies; this has led to massive shifts towards organizational decomposition with companies fragmenting to smaller and smaller entities.

At the same time economies of scale and network effects are leading to organizational consolidation where the 'big' players dominate the landscape. With this, a rapidly growing on-demand freelance workforce has moved in to fill labour gaps, and new services are launching that aggregate and organize freelance labour, this is ultimately having a knock-off effect of satisfying supply and demand functions for the benefit of workers and consumers at both the local and global level.

BENEFITS OF THE ON-DEMAND ECONOMY

Whether we consider the ease of grocery deliveries such as Instacart, predictable transportation such as Uber, or a digital freelance workforce available on the fly such as PeoplePerHour, it is evident that explosive growth has been under-pinned by consumer's insatiable appetite for mindless simplicity, convenience and instantaneous fulfillment. The On-Demand Economy is ushering in a wave of benefits for both consumers and workers through mobile connectivity that is enabling tremendous leaps in marketplace transparency through real-time ratings and feedback. Increased sector-demand for services is boosting opportunities and competition for workers. Marketplaces are now capable of aggregating demand that historically was highly fragmented or difficult to reach due to global limitations. Likewise, the ability to capture customer locations and data is enabling services providers to cater to their user base via real-time therefore creating greater customization. On the labour-side of the On-Demand Economy, the ability to instantaneously match skills with needed services is dramatically transforming labour market efficiencies. Finally, service providers within this new era of immediate fulfillment are able to create their own schedules, with the freedom and flexibility to scale output up and down depending on personal preferences.

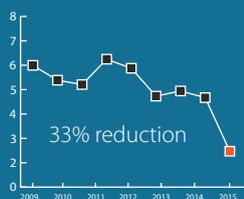
1) In a survey conducted by PeoplePerHour in May of 2015, we found that the average waste or spare capacity per day was 1.9hrs per person. The on-demand economy enables individuals to monetize this wasted time with an average uplift in earning potential of £6,297.17 per annum.

2) In the same survey, we conducted analysis around the 'lunch-time economy', where 1 hour a week per person over the course of a year, had the potential to provide uplift in average earnings of £681.20.

-Market efficiencies have accounted for a 33% reduction in the time needed to complete the average project across PeoplePerHour since 2009

AVERAGE PROJECT FULFILLMENT TIMES

Time to complete project



Marketing
3.6 days



Web/Mobile
3.3 days



Writing
3.7 days

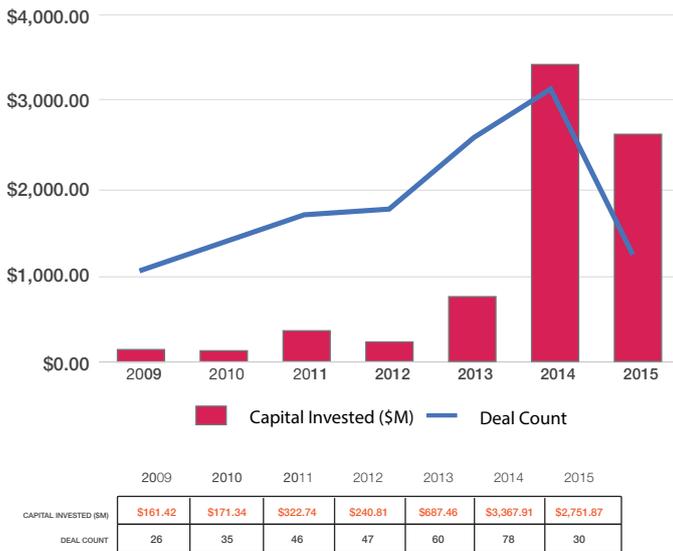


Design
3.3 days

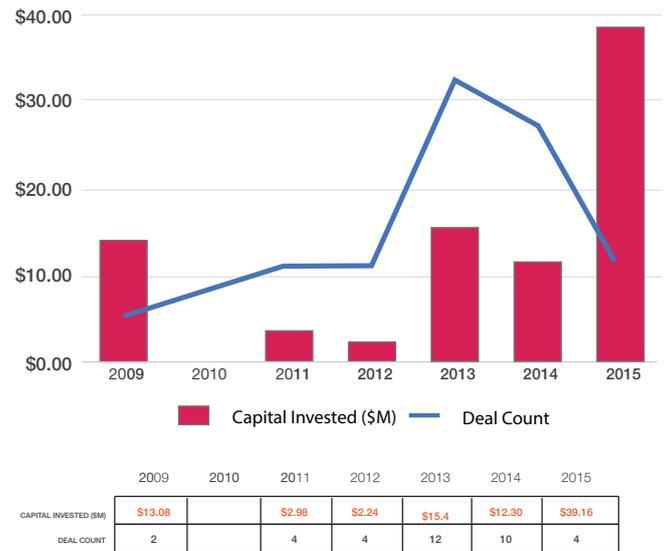
Global VC On-Demand Deal Flow by Year



U.S. VC On-Demand Deal Flow by Year



U.K. VC On-Demand Deal Flow by Year



Top Valued Deals

Company Name	Deal Date	Deal Type 2	VC Round	Price per Share	% Acquired	Deal Size (millions, USD)	Company Pre-money Valuation (millions, USD)
Uber Technologies	18 Feb 2015	Series E	7th Round	33.32	3.74%	1,600.48	41,200.00
Uber Technologies	04 Dec 2014	Series E	6th Round	133.27	2.91%	1,200.00	40,000.00
Uber Technologies	06 Jun 2014	Series D	5th Round	62.05	6.53%	1,188.24	17,011.76
Uber Technologies	23 Aug 2013	Series C	4th Round	142.54	3.63%	258.00	3,458.16
Delivery Hero	08 Jun 2015	Acq. Financing	9th Round	9th Round		110.00	2,990.00
Lyft	15 May 2015	Series E	7th Round	19.45	26.10%	680.00	1,925.11
Instacart	29 Dec 2014	Series C	5th Round	5th Round		220.00	1,780.00
Delivery Hero	06 Feb 2015		8th Round	8th Round	30%	578.35	1,349.10

Pitchbook

LABOUR TRENDS & GROWTH OF HYPER-SPECIALIZATION

Over the course of the last several years we have observed a trend where-by traditional specialist occupations have been becoming increasingly more refined and highly niche subcategories of traditional roles. This trend has been coined as the emergence of 'Hyper-Specialists', which enables firms to divide work into component parts that can then be subcontracted to hyper-specialists around the globe. This trend is enabling micro/SMEs to realize tremendous gains through improved market efficiencies, lowered transaction costs and higher quality outputs. Likewise, this rapidly growing section of Freelance labour, is enabling firms to ramp labour capacity up or down based bursts in demand at that time, or project scope. We predict that the continued refinement of hyper-specialist computer-based jobs has led to a **reduction in transaction costs by as much as 75% for micro/SMEs**, and this is just the beginning...

We predict that the next major disruptive wave in the On-Demand Economy will be for Marketplace providers to virtually link Freelancer data points. This will provide a consolidated source for ratings, reviews, qualifications, pictures and income statements. Ultimately, digital data linking will provide tremendous portability of worker reputational equity.

HIGH-GROWTH HYPER-SPECIALIZATION CATEGORIES



2007 - 2015



Marketing

7 x increase



Writing

14 x increase



Design

20 x increase



Web Development / Mobile

38 x increase



Shelley Heath

Education: Worcester University - Web Development BSc - First Class

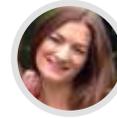
Job Description: Writer, WordPress Geek and everything in between (including being my own finance and marketing department... such is the life of a freelancer).

Average hourly rate: I advertise £15, but I very, very rarely work per hour, so this is really null and void. I much prefer to work to a fixed rate, and it seems to both suit me and my clients.

of hours worked daily: Generally speaking I'd say that my working days work out to be a 9 hour average.

An average day-to-day: Every single day is entirely different, although I try to undertake writing in the morning with web work covering the afternoons. I also used to try to start at 6AM, although being now 5 and half months pregnant my work day has had to flex as to how I'm feeling.

Take home earnings in 2014: For the financial year from April 2014 to April 2015 I earned, by my figures, £27,216.50. This compares to my goal of earning £24,000 within my first year of freelancing (as this represents an average entry level web developer salary).



Vanessa Whitaker,
founder Social Buzzing

Education: a degree in Business Management. Kings College, London

An average day-to-day: My typical day I start working on PPH at about 7.30 am - it's nice to try and clear any overnight orders before they get pushed down with new orders that come in at the start of the day! About 12pm I will then read my emails from my company. I work on PPH full time but I do have many private clients too who we assist with however they all have account managers so usually they will be the first point of contact. I tried to delegate any emails to them as much as possible! By 12.30pm I'll stop for a quick bite for lunch but usually the phone is ringing and I'll be trying to make pasta as I talk to a new client or provide an update on a current campaign!

By 1pm I am back on PPH and I will then stay working until on average 10pm at night. It's long days but that's because we are very busy with orders and requests on here. The site is growing in traffic and as a result so are our orders. I love it as we get such fantastic feedback that it's motivating. We find that after completing one order with a client we will recommend further services that we feel that they need, obviously they are in no way obligated but we like to provide our guidance and expertise to assist buyers in any area. Many emails we get are for advice and we happily respond to every body even those who haven't had an order. I feel it's my job as a top seller on PPH to also provide support and guidance.

A quick check using the PPH app before bed and then I'll be back working again at 7.30. Maybe 8 am on a Sunday :) Weekends we also are usually online - its non-stop as a freelancer! However that said being freelance is fantastic as you can manage your own hours and I do take the occasional friday afternoon off for a 3pm Pimms!

Average hourly rate and take home earnings in 2014: Our average hourly rate is very reasonable at about £18. We do often create one off costings as well for a job so that the buyer is very clear about the overall figure. If there is any additional work then that is discussed and an agreement is then met. This ensures clarity for both parties. Our ethos at Social Buzzing is to provide affordable assistance to everybody - you don't need a huge budget for social media and marketing you just need a dedicated team who can provide guidance as well as results. If you deliver a good service then the client will continue working with you. For this fiscal year we have now billed just under £200K, which we will hit by the end of June. I have set us a target of getting to a quarter of a million through PPH earnings by the end of 2015 which we are absolutely on target for.

In 2014 it is estimated, that freelance workers contributed approximately 103bn to the UK economy in collective sales, around 3.1% of total private sector turnover and 2.8% of UK GDP.

Cumulative Changes in Self-Employment & Employment from 1980 to 2015

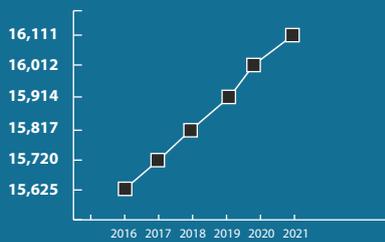


- Cumulative Change in Self Employed Since 1980
- Cumulative Change in Total Workforce Since 1980
- Cumulative Change in Non-Self Employed Since 1980

UK Labour Force: ONS, 2015

Significant growth across self-employment of approximately 3.5% for advanced economies

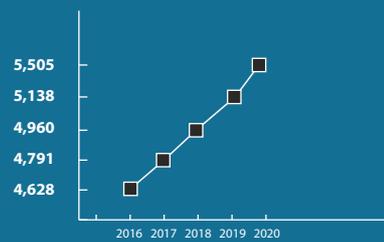
Total US Self Employed forecast to 2021



5yr @
3.2%



Total UK Self-Employed forecast to 2020



5yr @
3.5%



Data taken from official sources: ONS & US Bureau of Labour: extrapolated 5 year average

“ Smartphones will remake entire industries, at unheard-of speed



819MB
per month

The average amount of traffic per smartphone in 2014 was 819MB per month, up from 563MB per month in 2013

Global mobile data traffic will increase nearly 10X between 2014 and 2019 (CAGR of 57% between 2014 and 2019)

10X
traffic 2014-2019



45%
usage 2015

Average smartphone usage grew by 45% in 2014



1.5
devices / capital

The number of mobile-connected devices exceeded the world's population in 2014 with the per capital number of devices forecasted to reach 1.5



24.3
exabytes 2019

Mobile data traffic is forecasted to surpass 24.3 exabytes per month by 2019

Brits are now downloading more than **250 million apps** a month the app market in the UK is expected to be worth nearly **£31bn by 2025**, up from £4bn last year, according to research commissioned by **Google**.



1 in 3 of **PeoplePerHour** users engage with the platform via mobile, and this has been growing at a rate of **~17% YoY**

Source: Cisco, 2015

“A major economic windfall is underway, with some studies find that in developing countries every ten extra mobile phones per 100 people increase the rate of growth of GDP-per-person by more than one percentage point—by drawing people into the banking system.” **(The Economist, 2014)**

Monthly usage of App and Mobile Web



Men:
2013: 22hrs and 27 minutes
2014: 29hrs and 32 minutes

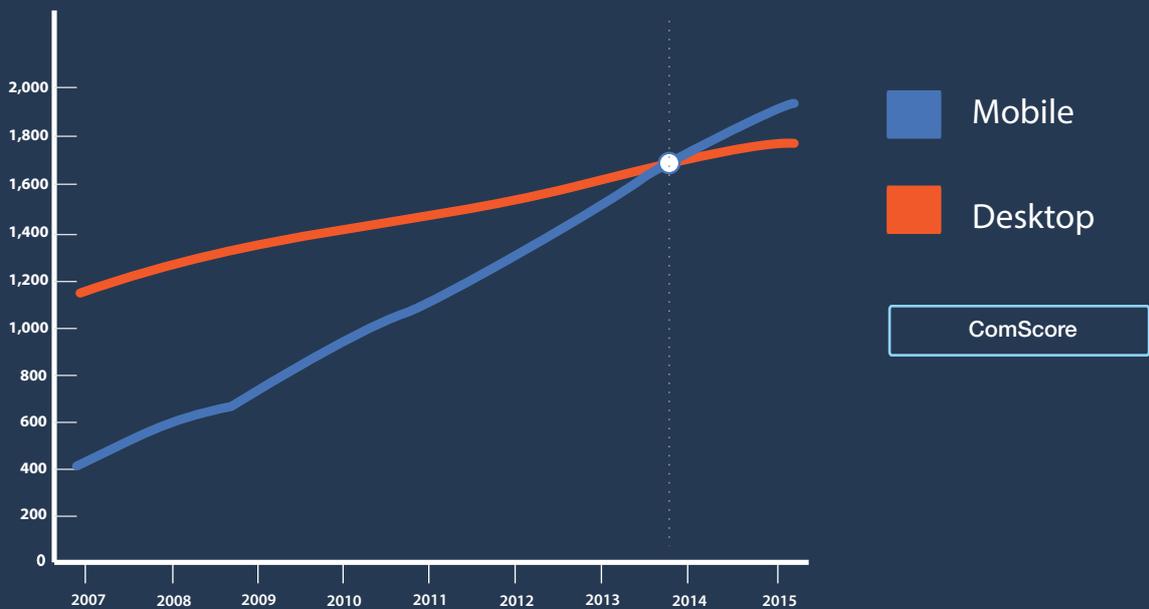
Women:
2013: 23hrs and 39 minutes
2014: 30hrs and 58 minutes



Men:
2013: 3hrs and 45minutes
2014: 4hrs and 8 minutes

Women:
2013: 3hrs and 46 minutes
2014: 4hrs and 30 minutes

Number of Global Users (Millions)



While this new-order delivers immeasurable benefits to our quality of life, there are several areas that require deeper dives to ensure that this growing freelance workforce is equipped in this new era. Areas for further consideration include: reforming banking standards to ensure that access to credit and other financial products are available to this new generation of Freelancers. PeoplePerHour commissioned a study of 734 members of its Freelance workforce in October of 2014; the study revealed that 48% felt that they would never get on the housing ladder as a result of being self-employed. A further, 41% had tried and failed to be accepted for a mortgage or other form of credit due to being self-employed. Other meaningful areas for further policy analysis include: healthcare, retirement, vacation time, and tax to name a few of the more pressing areas.



Thanks to Pitchbook for their contribution



For Press Inquiries please contact:
Head of PR Aylish Jarvie
aylish@peopleperhour.com