

By Paul Belleflamme, 17 March 2019

## PROSEco: a 'sparkling' research project (2)

PROSEco is an acronym for '*Platform Regulation and Operations in the Sharing Economy*'. It is a research project that will keep the two editors of this blog busy over the next five years, along with six other colleagues from UCLouvain and UNamur and a team of doctoral and post-doctoral researchers. In the [first post](#) of this series, we described the context and the motivation behind this project. Here, we give a bird's eye view of the relevant literature in economics, law and operations (the three disciplines that will inform this interdisciplinary project). In the [next post](#), we will be more specific about our research question.



### The state of the art: an overview

Although the sharing economy emerged recently, scholars in economics, law and operations—the three disciplines that underpin this project—have already produced a body of research on the topic, building upon existing work that analyses related issues. We give here a brief overview of existing research.

From an **economic** point of view, SEPs are seen as a special instance of so-called 'two-sided platforms', as they facilitate the interaction between two distinct groups of users (i.e., two 'sides'), namely service providers and consumers. The main vector of value creation for such platforms is the active management of the network effects that exist among the users of the different groups.<sup>1</sup> Typically, each group exerts positive 'cross-group' network effects on the other: the more service providers join the platform, the better off the consumers (as they gain access to a wider array of services); the reverse is true as well, as the presence of more consumers on the platform raises the service providers' expected benefits. Economists have studied SEPs at three levels: their inner workings (How do they choose their price and non-price strategies?), their micro-environment (How do they compete, among them or with non-platform rivals?), and their macro-environment (How do they impact labor relations, the environment, urban planning?).<sup>2</sup> Previous studies have investigated the important diversity of business models adopted by SEPs and stressed the very

different societal impacts that they are likely to have.<sup>3</sup>

In **legal** scholarship, two types of questions have to date attracted most attention: (i) How do existing rules—most of which were not initially designed with platforms in mind—apply to platforms? (ii) Is there a need for specific rules? SEPs raise indeed the twin legal issues of under and overregulation: traditional laws do not always cope with the large, global, and profit-driven companies, which tend to escape regulation (e.g., tax, or labor rules); in contrast, small and local community platforms often struggle to meet the legal requirements imposed on professional operators. The operations of SEPs are also intertwined with the exploitation of data, which raises important issues regarding competition law (e.g., is there a specific type of dominance related to data collection?),<sup>4</sup> consumer law (e.g., consumer protection relies largely on information disclosures about how data is processed; privacy protection relies on new requirements for data processing and management), and labor law (e.g., the control of more autonomous workers is largely left to reviews and reputation assessments and other algorithmic tools).<sup>5</sup>

Finally, from the perspective of **operations**, SEPs are examined for the contrasted impact they have in terms of sales and operations planning (S&OP), which is one of the most critical activities that firms undertake in order to match supply and demand efficiently over the planning horizon. On the one hand, SEPs offer new avenues to increase the adaptability of the supply chain by providing a large and flexible source of capacity. Yet, on the other hand, SEPs also imply a loss of control on this capacity, on its availability and on its price. The impacts, opportunities and risks of SEPs on the S&OP process and on the supply chain have been scarcely studied, if at all.<sup>6</sup> However, scholars have started to apply a number of new research avenues to the sharing economy.

Although a good deal of the existing literature is mono-disciplinary, scholars from different disciplines increasingly join forces to shed a better light on the sharing economy. For instance, economists and lawyers combine their expertise to frame appropriate regulations; so do scholars in economics and operations to improve the management of SEPs.<sup>7</sup> Our intention with this research project is to exploit further the cross-fertilisation between the three disciplines.

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<sup>1</sup> For a recent survey, see [Belleflamme and Peitz \(2018\)](#).

<sup>2</sup> For an introduction to these issues, see [Federal Trade Commission \(2016\)](#) and the references therein.

<sup>3</sup> See, e.g., the conclusions of the [City4coEN](#) project conducted at UCLouvain. See also [Martin et al. \(2015\)](#) or [Martin \(2016\)](#).

<sup>4</sup> See [Ezrachi and Stucke \(2016\)](#).

<sup>5</sup> For a treatment of these issues, see [Graef \(2016\)](#), [Ducato \(2018\)](#) and [Ducato and Strowel \(2018\)](#).

<sup>6</sup> See [Victorino et al. \(2018\)](#).

<sup>7</sup> See, e.g., [Strowel and Vergote \(2016\)](#), and [Jiang and Tian \(2016\)](#).

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