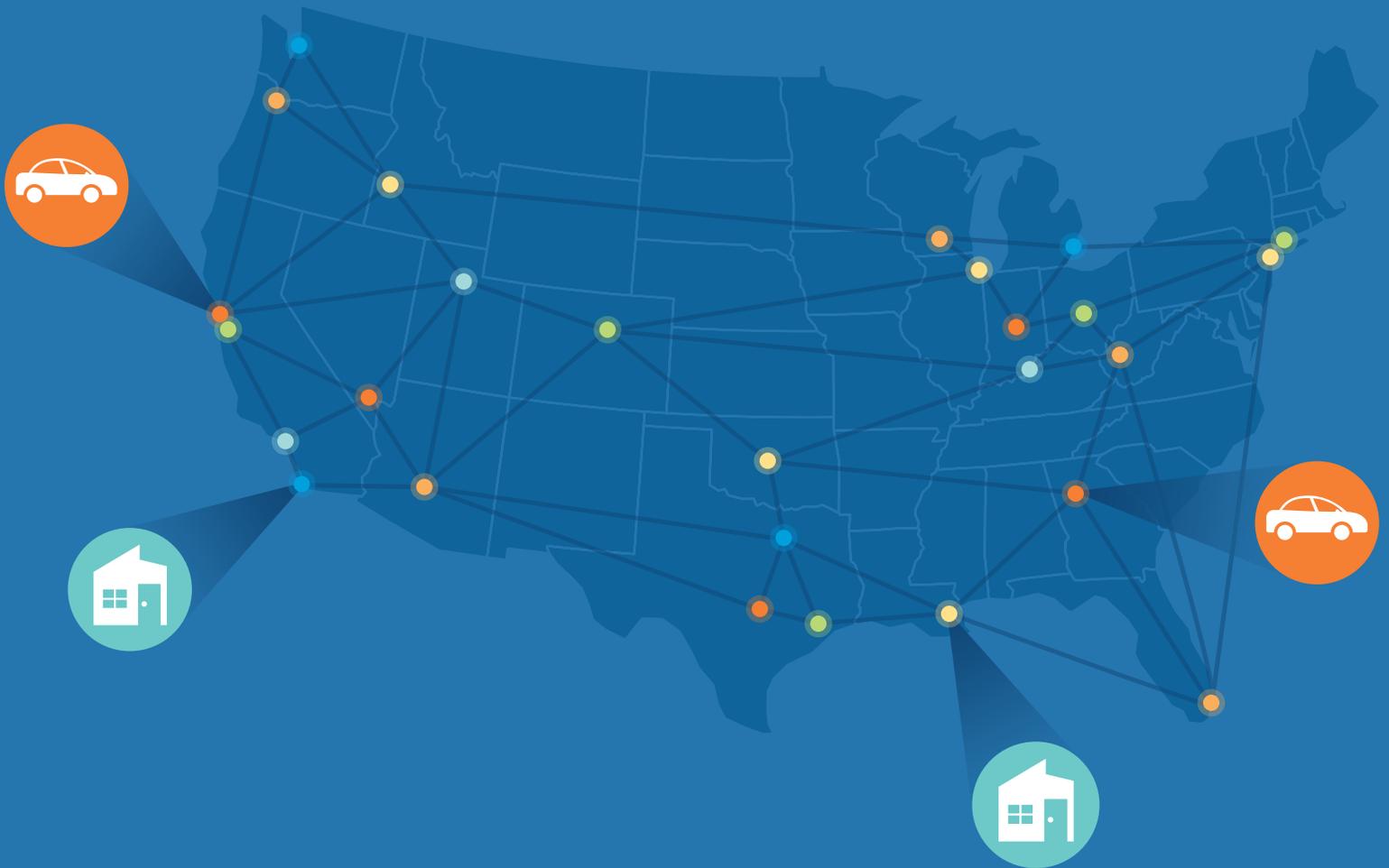


The Online Platform Economy in 27 Metro Areas

The experience of drivers and lessors

Executive Summary



About the Institute

The global economy has never been more complex, more interconnected, or faster moving. Yet economists, businesses, nonprofit leaders, and policymakers have lacked access to real-time data and the analytic tools to provide a comprehensive perspective. The results—made painfully clear by the Global Financial Crisis and its aftermath—have been unrealized potential, inequitable growth, and preventable market failures.

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The JPMorgan Chase Institute is a global think tank dedicated to delivering data-rich analyses and expert insights for the public good.

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Contact

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Executive Summary

A significant and growing fraction of families generate income through the Online Platform Economy. In recent JPMorgan Chase Institute research, we leveraged administrative banking records to track supply-side participation and revenues in the Online Platform Economy, and observed strong secular trends in two sectors between 2013 and 2018:

- Participation on transportation platforms—measured as the fraction of our sample generating income through a transportation platform in any given month—increased by a factor of 20, while average monthly revenues declined by half.
- Participation on leasing platforms tripled while average monthly revenues doubled.

We also reported large differences in participation rates across metropolitan areas.

In this follow-up research, we use geographic and temporal variation to explore these dynamics in more detail in order to get a better understanding of the viability of the transportation and leasing sectors of the Online Platform Economy as a potential source of income for participant families. We explore variation in characteristics of the Online Platform Economy over five years across 27 metropolitan areas in order to answer four questions (see box at right).

In answering these questions, we focus on transportation and leasing sectors of the Online Platform Economy, as they are most influenced by local supply and demand conditions, compared with non-transport work and selling (the other two sectors on which we have previously reported).

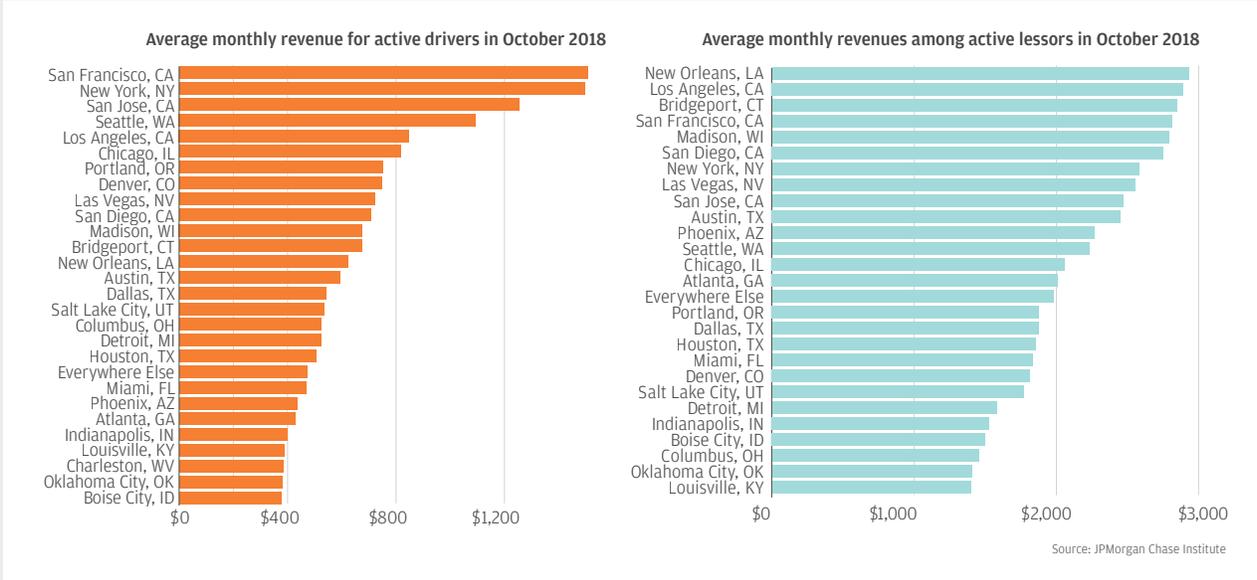
Our findings imply that there is still room for supply side growth in both sectors. However, they have implications for would-be full time drivers. More generally, they raise important questions about policy options to improve income prospects of current and potential participants in the Online Platform Economy.

Research Questions

- Given the geographic variation in platform participation, how do revenues vary across metro areas?
- What are local correlates of platform participation and revenues, which may point to factors accounting for the cross-area variation we see?
- What do the sample-wide secular trends in participation and revenues say about local metropolitan area trends—do they reflect changes in just a few metro areas, or do they tell a story that is consistent across metro areas?
- How do revenue prospects and participation rates interact—for example, did the increase in participation in the transportation sector create the decline in average monthly driver revenues?

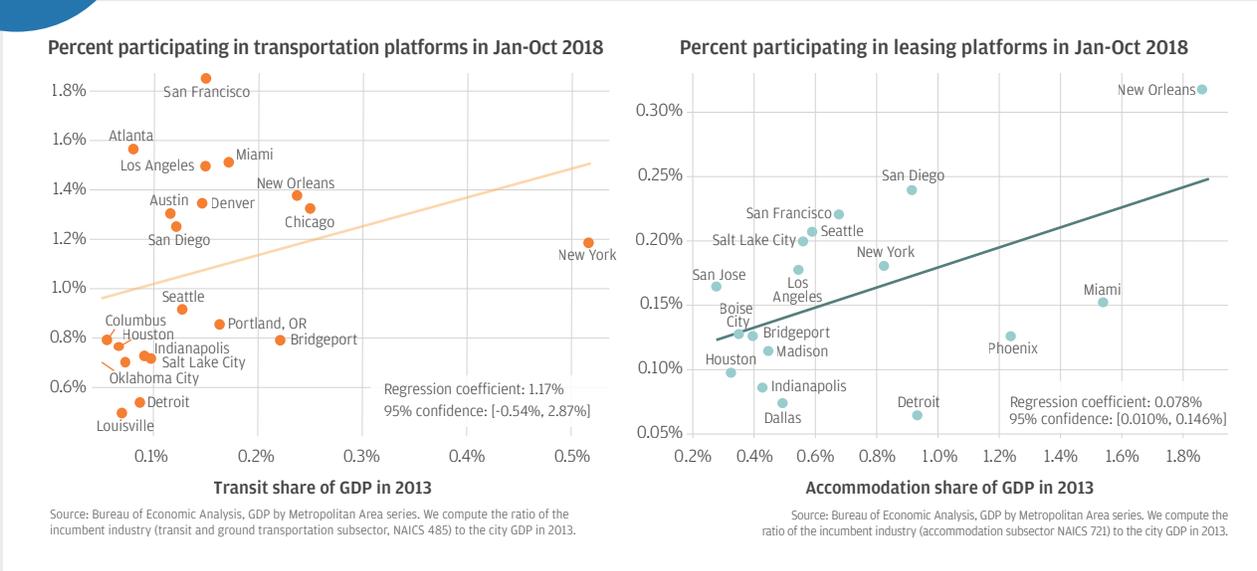
Finding One

There is significant variation across metropolitan areas in terms of participation rates, average monthly revenues, and levels of engagement in the leasing and transportation sectors of the Online Platform Economy. Participation and revenues are positively correlated but there are telling exceptions to that pattern.



Finding Two

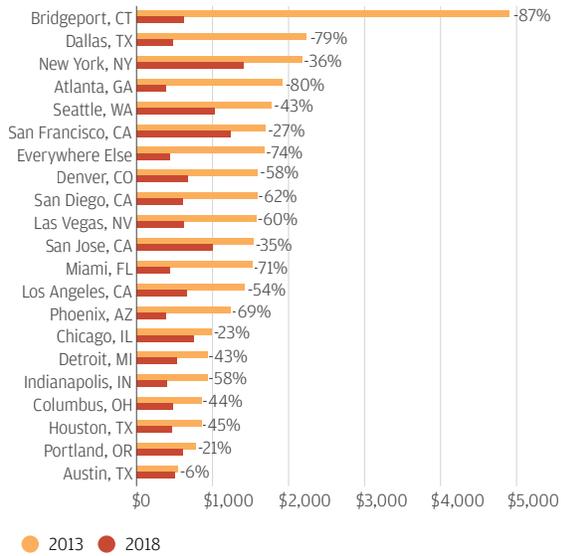
Metropolitan areas with larger incumbent industries as the Online Platform Economy emerged ended up with higher participation and higher average revenues in the corresponding platform sectors.



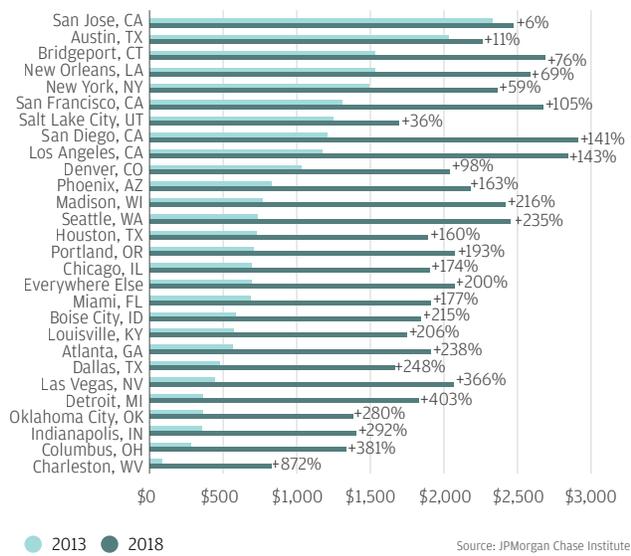
Finding Three

In almost every metro area, average monthly revenue declined for drivers and rose for lessors between 2013 and 2018, fully accounting for the secular trends in driver and lessor revenues, even as participation shares shifted across metro areas.

Change in average monthly revenues on transportation platforms from Jan-Oct 2013 to Jan-Oct 2018



Change in average monthly revenues on leasing platforms from Jan-Oct 2013 to Jan-Oct 2018



Source: JPMorgan Chase Institute

Finding Four

In both sectors but especially in transportation, participation tends to increase more in the months and places where average revenues are increasing more.

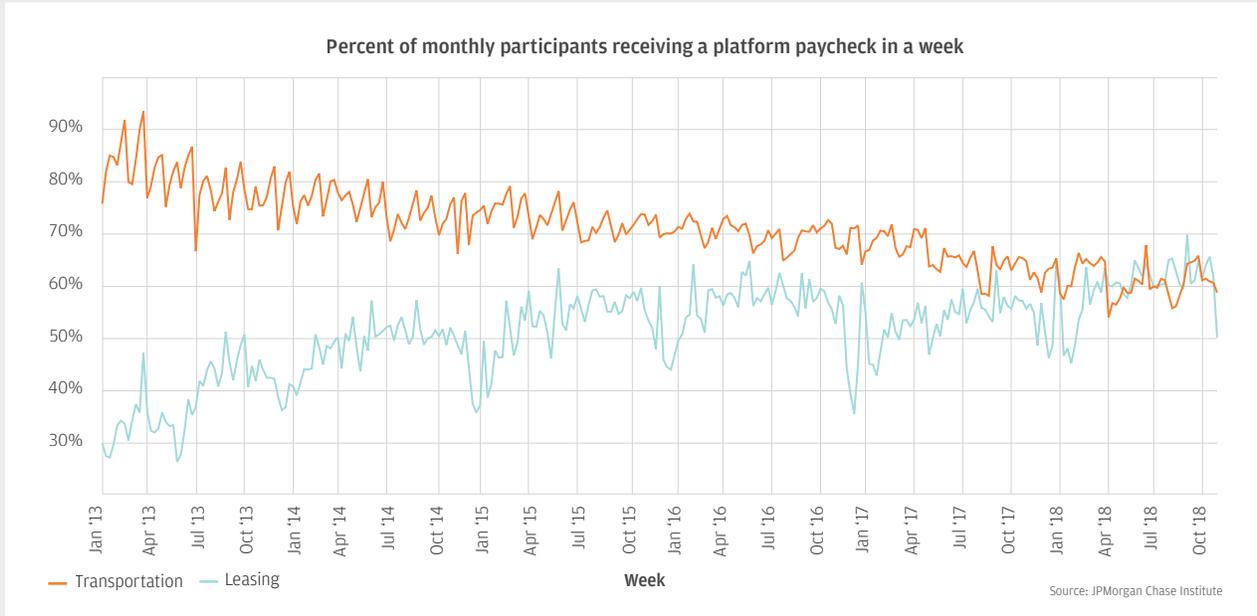
Within-city change in average revenues from one month to the next



Source: JPMorgan Chase Institute

Finding Five

At least 45 percent—and likely more—of the decline in average monthly driver revenues was accounted for by drivers participating more occasionally within the month. In the leasing sector, more frequent participation accounted for more than half of the rise in revenues.



Conclusion

Since 2013, the transportation and leasing sectors of the Online Platform Economy have grown significantly in terms of supply-side participation rates and total revenues paid to suppliers. Our results suggest that there is still room for supply-side growth in both the transportation and leasing sectors of the Online Platform Economy. Furthermore, our results raise questions about the potential effectiveness of policies to cap participation in an effort to improve revenue prospects for participants in the Online Platform Economy. As occasional engagement becomes more common in the transportation sector, important policy questions arise around what should be or can be done for would-be full-time drivers. In metro areas with large potential markets for transportation and leasing services, these sectors of the Online Platform Economy are robust alternatives for families looking to generate income, though the opportunities they present are almost certainly changing as the Online Platform Economy matures.

Suggested Citation

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