



RISK & INNOVATION

How The "I-Want-It-Now" Consumer Is Fueling The On-Demand Economy

OVERVIEW

Not since the invention of the typewriter has the tap of a finger been given so much power to drive change. Today, it's the smartphone – thanks to apps offering immediate goods and services at a swipe of the finger in what has become known as the on-demand economy.

Also referred to as the "Gig" or "Sharing Economy," this new model has already disrupted a wide variety of business sectors – from the supply of services such as transport and accommodation, to B2B supply chains, where staffing models and digital infrastructure are being completely rethought.

So what is driving this growth? A technology-empowered customer. "People are looking for an improved customer experience," states Randy Nornes, Executive Vice President, Aon Risk Solutions. "Customer expectations are driving these changes and transforming nearly every industry."

Thanks to the high-tech, high-speed service of the communication and entertainment markets, consumers want everything at the exact moment they first thought about it. By providing services at the moment of need, these emerging on-demand platforms combine swift delivery with cost efficiency.

"What people pay for, and how they pay for it, is changing," says Eric Boyum, National Practice Leader, Technology & Innovations, Aon.

It will be up to companies to innovate continuously to fulfill on customer expectations in this new landscape.

In part three of our series on the on-demand economy, we look at the industries the model is disrupting and the trends driving it.

IN DEPTH

Among the most prominent industries being disrupted by the on-demand model is transport – where firms such as Uber and Lyft have transformed how we get around. Getting a cab used to involve either hailing one in the street or calling a local service – now you simply tap on your phone and wait for your cab to arrive. The model has also changed the possibilities for renting a car, with firms such as Hiyacar offering individual car owners the chance to rent out their cars when they aren't using them.

Enabling people to earn additional income from their car or home has become a trademark of the on-demand economy. In the real-estate sector, homeowners are now able to earn supplemental income by essentially entering the hospitality industry. Using a service such as Airbnb, anyone is able to market and rent all or part of their home on a nightly basis.

In turn, the insurance industry is getting better at adapting to suit these changing needs. "The question for everyone in the on-demand economy is: how do I pay for it only when I actually use it?" says Nornes. "If I'm driving for a couple of hours a day delivering packages, do I really want to buy an annual insurance policy? That wouldn't make sense, it would be an unattractive overhead." The answer might lie in just-in-time insurance products.

Drivers, for example, using on-demand platforms may work for more than one company, or only work as cab or delivery drivers part time. To accommodate this working structure, insurers have introduced episodic policies which can be switched on and off as needed – giving coverage to the drivers only when they are engaged in commercial activity and removing the overhead of an annual policy.

“On-demand workers – like the thousands of rideshare drivers across the U.S. – are a growing, vital part of our economy and have very unique coverage needs. We’ve been collaborating with our clients and leading insurers to break new ground with innovative and affordable coverage models that best serve these workers,” says Nornes. Similarly, part-time hoteliers can obtain insurance coverage only on the nights they have guests.

A Trend For Just-In-Time

Just-in-time delivery – a term first coined to describe a manufacturing process where parts usually kept in stock are instead delivered to a factory just-in-time to be fed directly into the production line – is another core trait of the on-demand model. As immediate communication, information, shopping and entertainment via smartphone has become something we take for granted, obtaining services when we need them has gone beyond an expectation to the norm.

For some businesses, the just-in-time mentality is not only part of their product, but part of their staffing model. A manufacturing firm looking to identify a supply chain issue and build a strategy to tackle it, can now easily find a highly experienced and specialized consultant to solve the problem on a project basis.

These skilled people are often exactly the kind who choose to become on-demand workers – and have found just-in-time staffing to be mutually beneficial, welcoming its flexibility. “Work is no longer a place, it’s something you do wherever you choose to do it,” says Nornes.

On-demand talent charges a premium for being available (and paid) only as and when needed. Meanwhile, the client avoids adding to headcount or hiring a consultancy firm. Furthermore, the granulation of skills in the on-demand marketplace allows firms to find specialists for exactly the problem they are looking to solve, while only paying for their expertise temporarily.

Just In Case – Reasons For Caution In A New Risk Landscape

Transforming established business structures also creates a new risk landscape to navigate. “This new way of business is changing the relationship between employee or independent worker and the organization that ‘employs’ them,” says Nornes. “It’s opening up opportunities, but it’s also creating new challenges. For example: how do I get benefits or insurance if I’m not working for a company?” These matters have now become the personal responsibility of the individual worker.

Designing a business to run wholly on a just-in-time basis also creates operational risks. If on-demand staff are integral to delivering your product, what will happen if they are not available when you need them?

Similarly, the people representing your company are the face of your brand. So if your business relies on delivering its product through on-demand workers, how do you ensure they are bringing your brand values to the service they provide? And where does the fault lie in instances of customer dissatisfaction or an outright failure to deliver the service paid for? This question is particularly pertinent when employee engagement is so hard to gauge in an on-demand business, and corporate culture difficult to implement.

As could be expected of a model that has brought impressive innovations, the disruption caused by these new on-demand platforms is fundamental to nearly every aspect of business. “When you think about the issues and things that we need to solve to make the on-demand economy work for businesses, workers and even the general consumer – we’re going to need to solve these challenges for almost everybody,” says Boyum. “What this ‘new economy’ has brought is a mindshift – and it’s going to change the way every business works.”

TALKING POINTS



“The gig economy must... be seen as part of a broader picture of the spread of a just-in-time workforce... there appears to be an exponential growth in the numbers of people patching together a livelihood from multiple sources, paid by the task... These developments have profound implications for public policy.” – Ursula Huws, Professor of Labour and Globalisation, University of Hertfordshire Business School



“Just-in-time scheduling is brutal for employees. Employees in the retail sector complain that they cannot plan their lives. It becomes impossible to arrange child care when one doesn’t know what hours one will be working... workers often want to take second jobs or enroll in training programs but cannot do so because of their constantly shifting and unpredictable hours.” – Katherine V.W. Stone, Professor, UCLA School of Law, and author of From Widgets to Digits: Employment Regulation for the Changing Workplace

FURTHER READING

- The Next Big Things In On-Demand – University of Melbourne, April 18, 2017
- Why ‘Gig Health’ Matters – Financial Times, May 25, 2017
- Freelancing Just Got A Little Less Horrible – BuzzFeed News, May 15, 2017
- Is The Gig Economy Working? – The New Yorker, May 15, 2017
- Six-Figure Earners Are A Growing Share Of U.S. ‘Gig’ Workforce – Bloomberg, June 13, 2017

