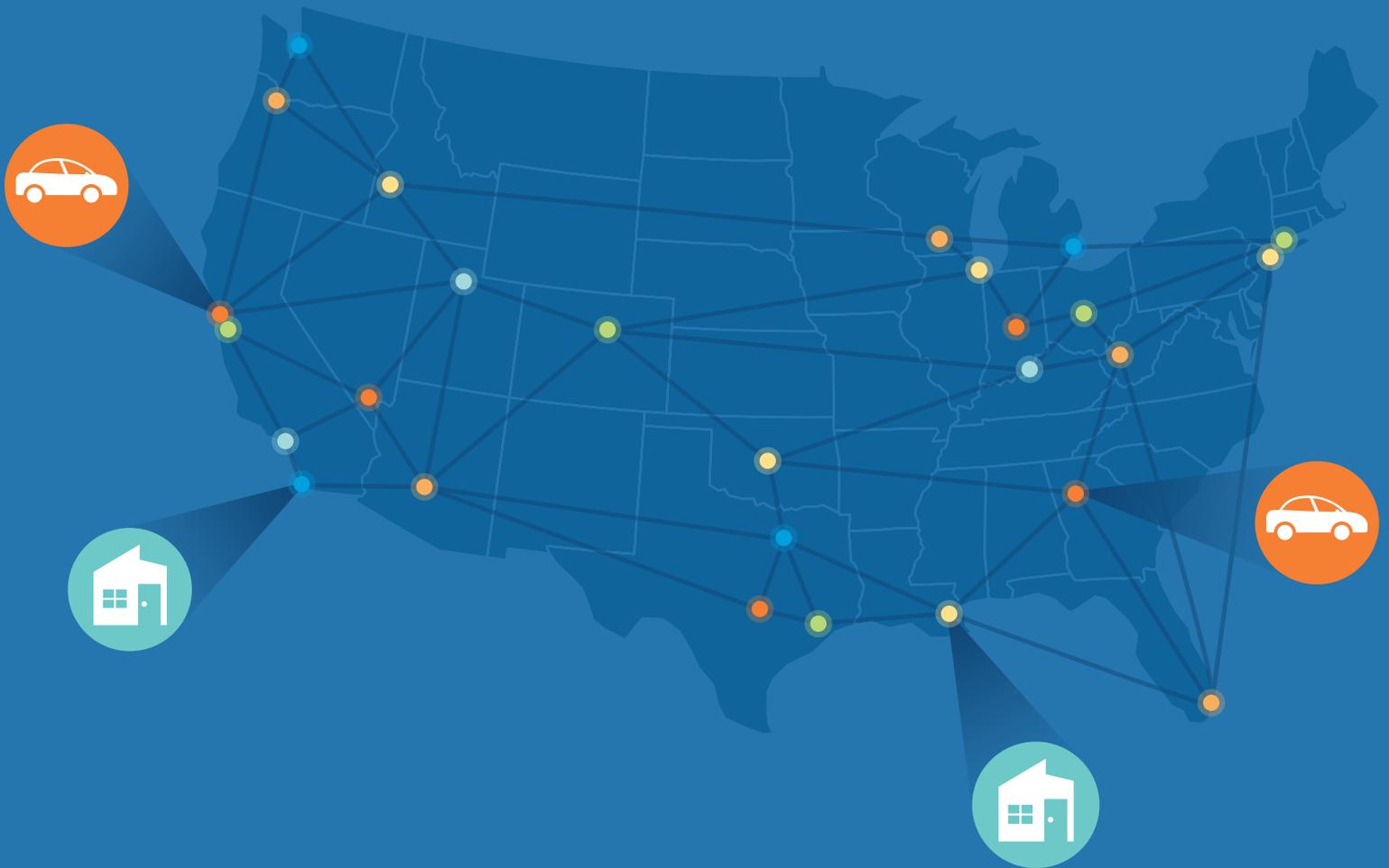


The Online Platform Economy in 27 Metro Areas

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.

The JPMorgan Chase Institute is harnessing the scale and scope of one of the world's leading firms to explain the global economy as it truly exists. Its mission is to help decision-makers—policymakers, businesses, and nonprofit leaders—appreciate the scale, granularity, diversity, and interconnectedness of the global economic system and use better facts, timely data, and thoughtful analysis to make smarter decisions to advance global prosperity. Drawing on JPMorgan Chase's unique proprietary data, expertise, and market access, the Institute develops analyses and insights on the inner workings of the global economy, frames critical problems, and convenes stakeholders and leading thinkers.

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

Acknowledgments

We thank Tanya Sonthalia for superb research assistance and for her thoughtful contributions to this work. We thank Marvin Ward, Christopher Wheat, and Kerry Zhang for thoughtful comments throughout the research and preparation of this report. We would also like to acknowledge the invaluable comments and advice of academic and policy experts, including Katharine Abraham, Ted Egan, Evan White, and Annette Bernhardt, as well as members of the Aspen Institute Future of Work Initiative and each of the participants at the JPMorgan Chase Institute/Aspen Institute Roundtable on the Online Platform Economy.

This effort would not have been possible without the critical support of our partners from the JPMorgan Chase Consumer & Community Bank and Corporate Technology teams of data experts, including Samuel Assefa, Connie Chen, Anoop Deshpande, Senthilkumar Gurusamy, Ram Mohanraj, Stella Ng, and Ashwin Sangtani, as well as JPMorgan Chase Institute team members including Elizabeth Ellis, Alyssa Flaschner, Courtney Hacker, Caitlin Legacki, Sruthi Rao, Maggie Tarasovitch, Preeti Vaidya, and Chenxi Yu.

Finally, we would like to acknowledge Jamie Dimon, CEO of JPMorgan Chase & Co., for his vision and leadership in establishing the Institute and enabling the ongoing research agenda. Along with support from across the Firm—notably from Peter Scher, Max Neukirchen, Joyce Chang, Patrik Ringstroem, Lori Beer, and Judy Miller—the Institute has had the resources and support to pioneer a new approach to contribute to global economic analysis and insight.

Contact

For more information about the JPMorgan Chase Institute or this report, please see our website www.jpmorganchaseinstitute.com or e-mail institute@jpmchase.com.

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).

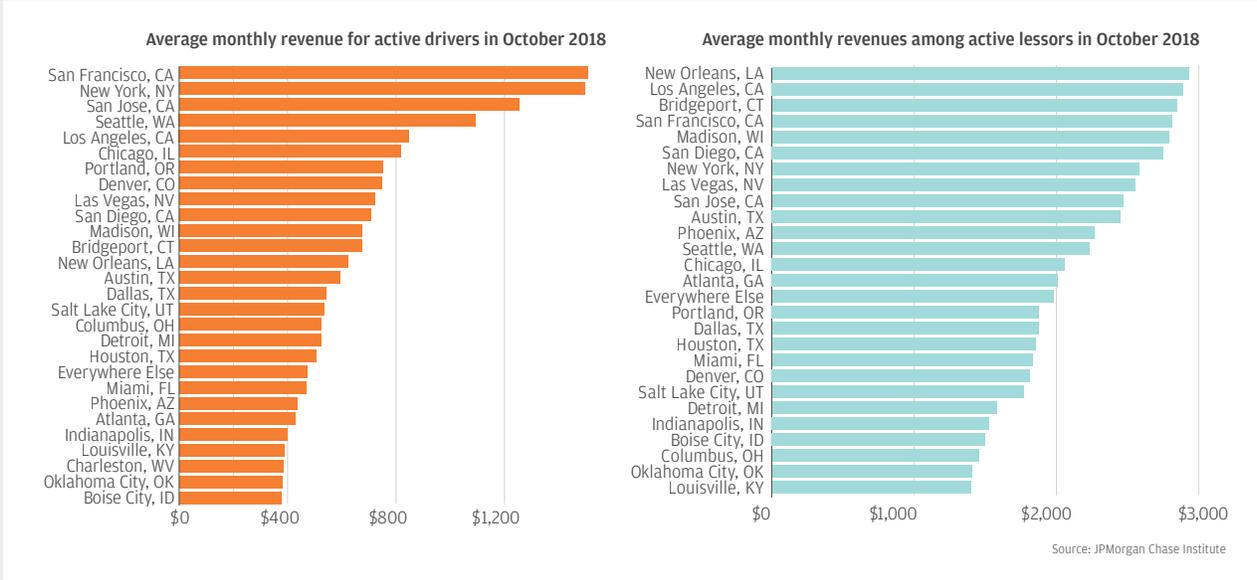
Our findings imply that there is still room for supply side growth in both sectors. However, they have implications for would-be full time drivers. More generally, they raise important questions about policy options to improve income prospects of current and potential participants in the Online Platform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

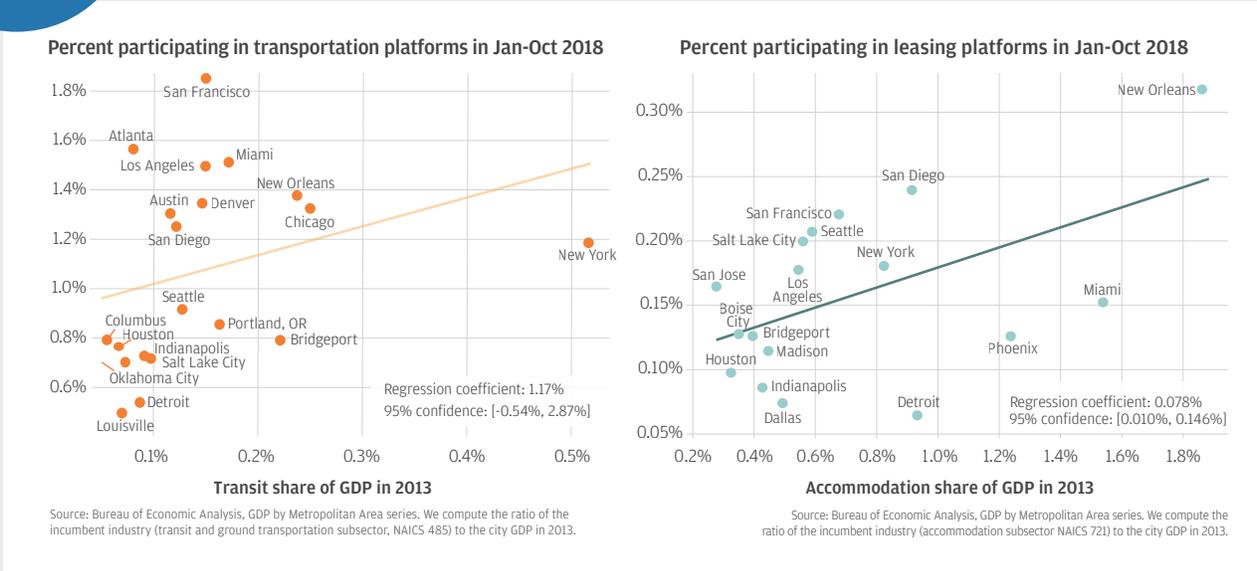
Finding One

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

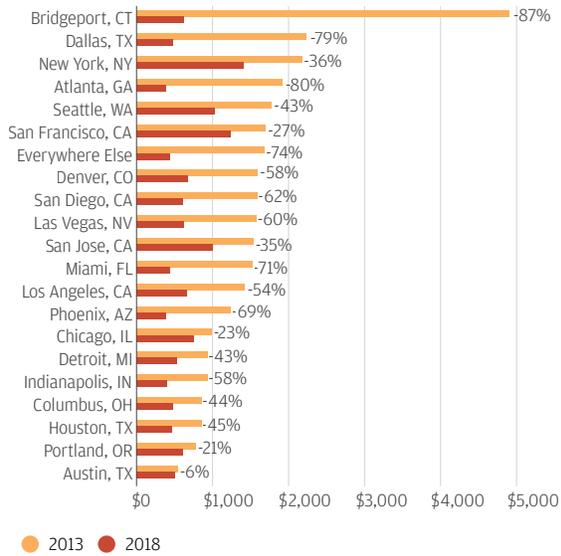
Metropolitan areas with larger incumbent industries as the Online Platform Economy emerged ended up with higher participation and higher average revenues in the corresponding platform sectors.



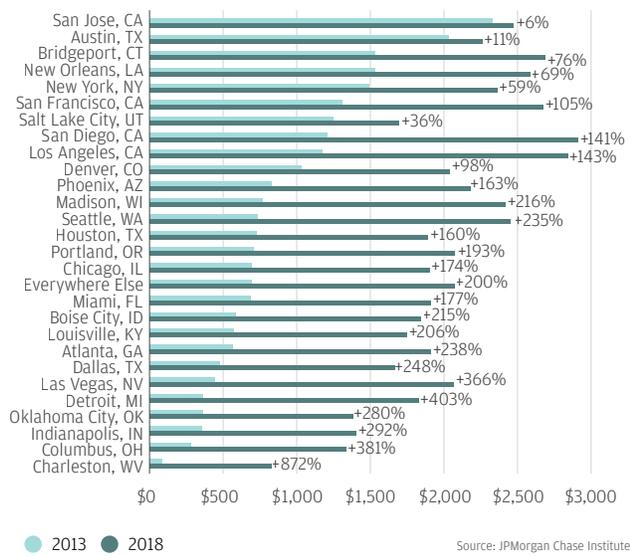
Finding Three

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

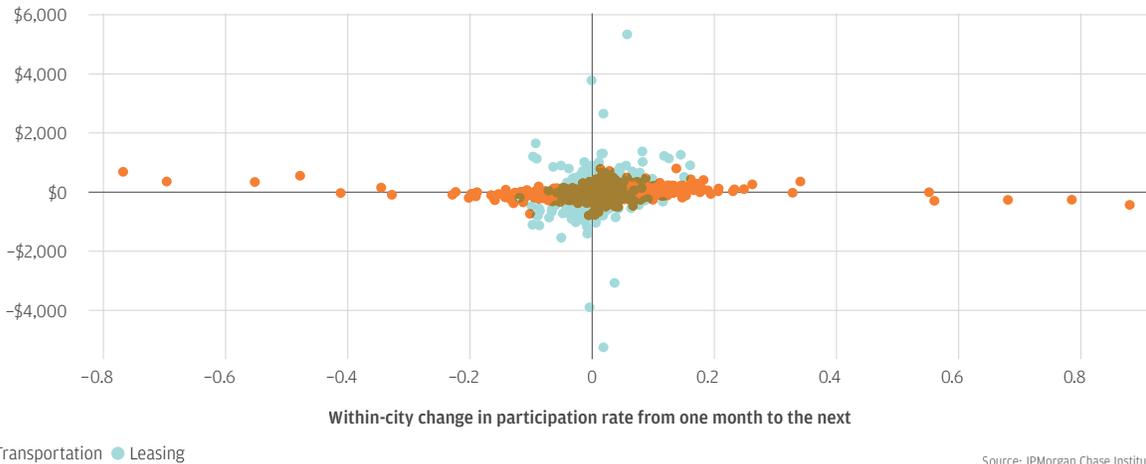


Source: JPMorgan Chase Institute

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.

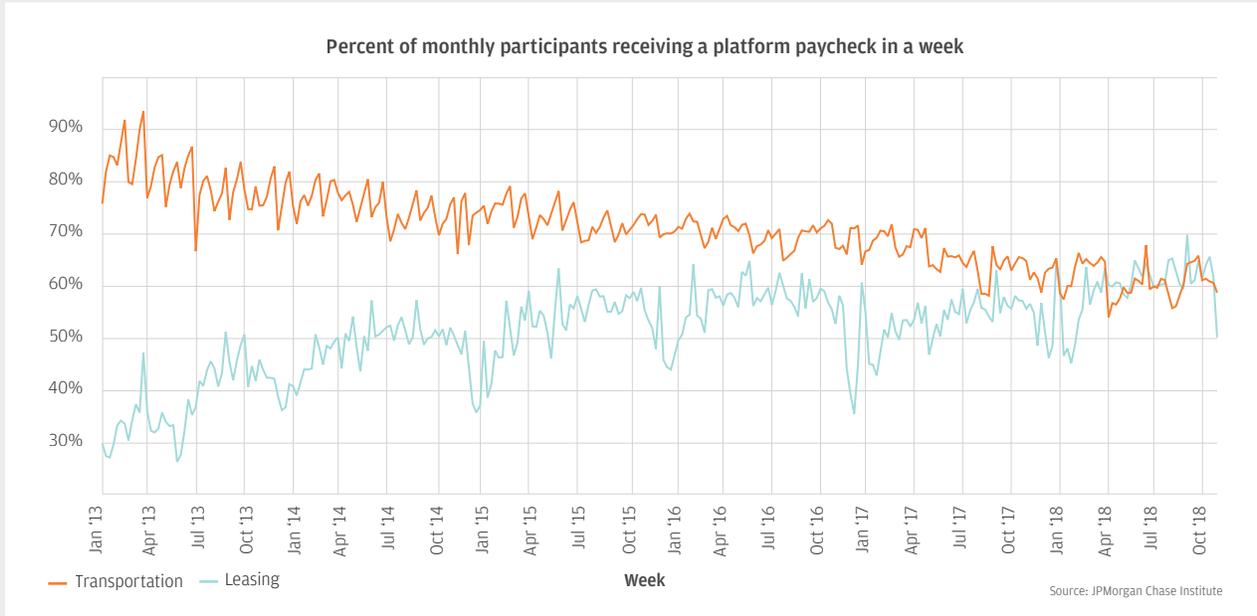
Within-city change in average revenues from one month to the next



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

Farrell, Diana, Fiona Greig, and Amar Hamoudi. "The Online Platform Economy in 27 Metro Areas: The experience of drivers and lessors" JPMorgan Chase Institute, 2019.

This material is a product of JPMorgan Chase Institute and is provided to you solely for general information purposes. Unless otherwise specifically stated, any views or opinions expressed herein are solely those of the authors listed and may differ from the views and opinions expressed by J.P. Morgan Securities LLC (JPMS) Research Department or other departments or divisions of JPMorgan Chase & Co. or its affiliates. This material is not a product of the Research Department of JPMS. Information has been obtained from sources believed to be reliable, but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. The data relied on for this report are based on past transactions and may not be indicative of future results. The opinion herein should not be construed as an individual recommendation for any particular client and is not intended as recommendations of particular securities, financial instruments, or strategies for a particular client. This material does not constitute a solicitation or offer in any jurisdiction where such a solicitation is unlawful.

©2019 JPMorgan Chase & Co. All rights reserved. This publication or any portion hereof may not be reprinted, sold, or redistributed without the written consent of J.P. Morgan. www.jpmorganchaseinstitute.com