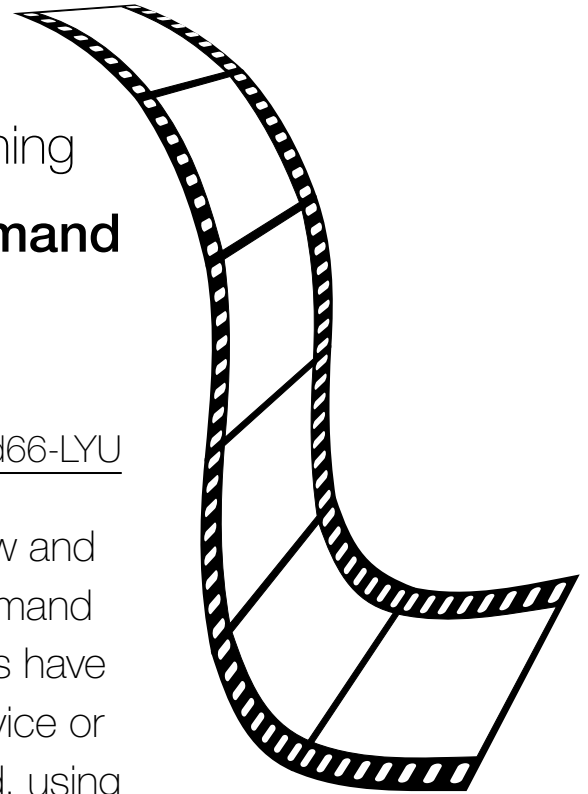




video case



chapter 1 The Revolution Is Just Beginning

case 1.2 **The Growth of the On-Demand Economy**

watch the video at

<https://www.youtube.com/watch?v=2ZBfd66-LYU>

summary

As Uber and Airbnb continue to grow and showcase the strength of the on-demand economy, a slew of other companies have emerged offering practically any service or product you can think of on demand, using only an app. In this video, the co-founder of BloomThat, an on-demand flower delivery service, discusses his experience in this fast-changing new area of e-commerce. L: 6:14.

case

The growth of the on-demand economy is one of the most disruptive trends in e-commerce today. Ride service Uber and a slew of other companies providing similar on-demand, app-based services have risen to prominence in recent years and many more of these companies are on the way. Room rental service Airbnb is perhaps the best known

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example of these companies apart from Uber. Others include Lyft, a competitor to Uber in on-demand transportation, Instacart, a grocery shopping service, Washio, a laundry service, and GreenPal, a lawn mowing service. There are companies offering on-demand services for medical marijuana delivery, dog walking, alcohol delivery, veterinarian visits, and many others. In this video, Matthew Schwab, co-founder of BloomThat, an on-demand flower delivery service, describes his views on the on-demand economy and how his business fits in.

Since 2010, these and similar firms have garnered over \$26 billion in venture capital funding, and that number is only going to increase as smartphone users become more comfortable with using these types of services. Starting an on-demand service platform requires very little overhead—once these companies develop their app platforms, freelancers provide nearly all of the legwork. In general, these services focus on under-utilized assets, including cars, spare rooms, and the spare time of contract workers, and create efficiencies based on making use of these assets.

Many critics of these services worry that as the on-demand economy grows and more work becomes freelance and temporary, more secure, full-time jobs will shift to part-time, poorly paid jobs with no benefits. As stated in this video, 3.2 million people performed labor involved in on-demand delivery services in 2015, and that number is expected to more than double to 7.6 million by 2020. Also, many of these services, including Uber and Airbnb, have raised major regulatory issues that are still ongoing. Existing taxi services believe Uber needs to obey the rules and regulations put in place to govern the taxi industry, and landlords believe that Airbnb should be scrutinized more closely as well.

On-demand e-commerce is a subgenre of local e-commerce, which is focused on engaging consumers at their current geographic location. For the time being, many of these companies have struggled to find profitability, even Uber and Airbnb. But each of these companies is hoping to develop sufficient size and scale that they will become profitable over time. Uber and Airbnb are also hoping that the expenditures they incur on legal fees and changing regulations will at some point decrease significantly, allowing the natural profitability of their business model to take over.

Many of the companies springing up in the on-demand economy are likely to die out if the problem they are “solving” simply isn’t important enough to consumers. In Schwab’s opinion, many more people would send flowers if it were easier to do. If he’s right, BloomThat has a bright future.

continued

video case questions

1. Why did BloomThat opt to partner with existing delivery services like UPS rather than use local deliverers or florists?
2. Compared to other on-demand companies, what type of regulatory hurdles does BloomThat face?
3. What level of delivery speed is most important to BloomThat customers, according to Schwab?