

ND Venture Capital: Gig & Creator Economy Industry Thesis

Executive Summary

The gig economy is a rapidly growing industry where freelance professionals work on a temporary or project basis, providing flexibility for workers and cost efficiencies for consumers. The global gig economy market is estimated to be worth \$455 billion, per [Velocity Global](#), with double-digit subvertical CAGRs. The industry is evolving in conjunction with the growth of remote work. Successful players in the space include Uber, Lyft, TaskRabbit, Fiverr, Upwork, and Postmates.

1. Market Dynamics

Overview

The gig economy, also known as the creator economy, is a growing trend of independent workers who offer their skills and services on a temporary or project basis. This includes freelancers, gig workers, influencers, and creators who use social media and online platforms to monetize their content and build their personal brand. Major players in the space include companies like Uber and Airbnb, while startups such as Fiverr and Upwork are disrupting the traditional employment model.

Market Segments

Ridesharing: The ridesharing submarket is dominated by a few key players, including Uber, Lyft, and Beijing-based Didi Chuxing. These companies have significant brand recognition and large user bases, which can make it difficult for new entrants to gain traction. Niche players, like local startup [Desi](#), that target specific geographic regions or customer segments can still find opportunities in the market. Despite Uber and Lyft's disruption of the legacy taxi industry, these companies still face the threat of substitution by increased car ownership and public transportation access. While these options may not offer the same level of convenience and flexibility as ridesharing, they can still compete on factors such as price and availability. However, there are still opportunities for niche players that focus on specific regions or customer segments.

Food Delivery: The food delivery submarket is highly competitive, with many players vying for market share, including DoorDash, Grubhub, and Uber Eats. These companies compete on factors such as delivery speed, pricing, and restaurant partnerships, as well as their ability to offer a seamless customer experience. They face indirect competition from fine dining and other “non-delivery” restaurants and meal kit delivery services.

Freelance Marketplaces: To better connect freelancers and gig workers with jobs, online “marketplaces” have been established. There are a large number of these online platforms featuring different kinds of work, including industry-specific tasks, traditional “odd jobs,” software development, and content creation. Some popular ones are [Upwork](#), [Freelancer.com](#), [Fiverr](#), [Guru](#), and [TaskRabbit](#). These platforms compete on factors such as pricing, quality of freelancers, user experience, and the ability to offer additional services such as project management or

dispute resolution. These marketplaces depend on the adoption of alternative employee bases for growth. Risks for this space include a labor force and employer market that continues to favor traditional employment methods for its stability, benefits, and reliability.

Vacation Rentals: The vacation rentals submarket is dominated by [Airbnb](#), which has significant brand recognition and a large user base. The company exited with an IPO in 2020 [at a \\$47 billion valuation](#). However, there are still opportunities for niche players that focus on specific regions or property types, such as [Vrbo](#) or [OneFineStay](#). Vrbo (HomeAway) was acquired by Expedia Group in 2015 [for \\$3.9 billion](#). These companies face competition from hotels, motels, and other types of short-term accommodations.

Market Size

A survey conducted by Gallup in 2021 found that in the United States, 36% of workers reported that they had participated in the gig economy in some capacity in the past year, up from 29% in 2019, while a [report](#) by the McKinsey Global Institute in 2021 estimated that the gig economy could grow by 15 to 25 percent by 2025, depending on the region, and could generate up to \$2.7 trillion in annual gross volume globally by that time. The size of the US gig economy is difficult to estimate precisely, but some estimates suggest that it could be worth over \$1 trillion. As the gig economy continues to grow and evolve, it is likely to become an increasingly important part of the US labor market. Given the recent surge in private contracting and remote work post-covid, the gig economy is expanding at high rates. Some of the biggest sectors within the gig economy include:

1. Ridesharing: The global ride sharing market was valued at \$85.8 billion in 2021 and is projected to reach a market size of \$185.1 billion by 2026, growing at a CAGR of 16.6%, per [MarketsandMarkets](#).
2. Food Delivery: The global food delivery market size was valued at \$221.65 billion in 2022 and is projected to grow at a CAGR of 10.3% until 2030, per [Grand View Research](#).
3. Freelance Marketplaces: The global freelance marketplace platform market size was valued at \$4.43 billion in 2022 and is projected to reach \$12.01 billion by 2028, per [TechJury](#).

Industry Personas

Cam Customer

- Cam Customers are value-conscious buyers who prioritize savings over quality and customization, willing to compromise for a lower price. They may choose to hire gig workers for tasks such as house cleaning or yard work.

Owen Outsourcer

- Owen Outsourcers use gig economy resources to get things done quickly and efficiently. Owen is usually a busy working professional or business owner who has little free time. They may choose to hire gig workers for tasks such as grocery delivery, meal prep, or home organization.

Frank Firm

- Frank Firms act as middlemen by offering platforms connecting gig workers to customers, typically for a small fee. Examples include ridesharing, tutoring, website-building, and human resources services.

Randy Regulator

- Randy Regulators are tasked with the balancing act of weighing the temporary nature of gig economy jobs with employee rights when determining laws and regulations surrounding these roles. Regulators are motivated by constituent demands as well as lobbying.

5 Types of Gig Economy Workers:

1. Henry Hustler
 - a. Henry Hustlers are looking to earn extra money and are often working a traditional job as well. Driven by financial security and job flexibility, they make about \$7,600 per year from their current gig, which contributes to 19% of their total income.
2. Sarah Substituter
 - a. Sarah Substituters use gig work to supplement income while looking for traditional employment. They frequently take on multiple gigs and earn \$9,400 on average, with their current gig contributing to 22% of their total income.
3. Frances Freelancer
 - a. Frances Freelancers are the most diverse and satisfied group of gig workers, seeking opportunities to gain experience and learn new skills. As part-time freelancing millennials, their current gig generates about 26% of their total income, and they earn \$9,700 on average.
4. Bob the Builder
 - a. Bob the Builders use gigs to supplement or expand their existing business. They enjoy being their own boss and avoid working under a supervisor. Their current gig makes up about 30% of their total income, and they earn \$12,300 on average each year.
5. Pam Passionist
 - a. Pam Passionists pursue gig work as a means of fulfilling their passion, including content creation. They value flexibility, work fewer hours, and earn the most per hour of all gig workers (as they include influencers and creators). Their current gig generates 25% of their total income, and they earn \$9,000 on average each year.

As the world adjusts to post-pandemic life, companies have experimented with new workforce strategies as society considers what the “future of work” might look like. According to Peter Miscovich, managing director at JLL Consulting, [the gig economy](#) figures to play a large role in this emerging dynamic: it could account for half of the workforce by 2030. A few key trends are driving this development.

2. Industry Headwinds

Increasing Regulation

The growth of the gig economy has led many policymakers and organizations to call for greater regulation of the space. Different from traditional employment, gig workers are often classified as [independent contractors](#) when hired by a large company. Concerns about support for gig workers' safety, mental wellness, and the use of fair employment practices have abounded as companies employ a higher percentage of gig workers as part of their employee bases. In response to these concerns, the Labor Department and President Biden came up with a [proposal](#) in late 2022 to lower the rigor of the employee classification test, which may classify millions of janitors, construction workers and rideshare drivers as employees rather than independent contractors. This protects the workers in the gig economy as companies are required to provide certain benefits and protections to employees but not to contractors, such as paying a minimum wage, overtime, a portion of a worker's Social Security taxes and contributions to unemployment insurance. This proposal is only the beginning of governmental efforts to regulate the gig economy, and we expect more government involvement in the coming decade.

Competition & Consolidation

As the gig and creator economy continues to grow there is inherent consolidation that will occur. Larger platforms will acquire smaller platforms as they grow in size and are able to leverage their influence in the space. This is a headwind as it is against the spirit of the gig economy, where individuals are encouraged to stay independent. Furthermore, the terms and service of larger companies may impede on growth in the industry. Fewer platforms having a larger presence reduces the bargaining power of the gig worker, meaning that they will have lower wages and lower quality of work. Furthermore, the limited platforms will compete between each other, which can result in price wars and worse working conditions for gig workers.

Technological Disruption

Evolving technology can always serve as a disruptive force to an industry. With the influx on artificial intelligence and other automation tools, the services provided in the gig economy may find itself to be not as useful as it once was. A company that is able to automate a given task the best, will win significant market share. Furthermore, improvements in technology could lead to alternative business models which can outperform older business models, rendering them obsolete. Lastly, evolving technology can lead to altered consumer preferences which can change the market that a business would need to target significantly

3. Industry Tailwinds

Rapid Technological Advancement

Rapid advances in technology are providing gig workers with the tools to perform tasks more efficiently than past "traditional" full-time workers. Advancement in collaborative tools, automation, and data collective

software, companies such as Uber, Lyft, Airbnb, Fiverr, and Upwork can better connect freelance workers with customers. Advances in data collection methods and software are enabling gig platforms to better match workers with customers based on their skills, availability, and location. This helps to streamline the matching process and ensure that workers are able to find work quickly and efficiently. Further, these applications allow customers to easily book services, track their progress, and provide feedback, while also enabling workers to manage their schedules, communicate with customers, and receive payment.

Corporate Contribution

Some corporations are beginning to use gig workers as a way to supplement their traditional workforce, particularly in departments with less demand for year-round employees, such as customer service and logistics. For example, Walmart utilizes freelancers to assist with its content design, marketing, and tech support in its brick-and-mortar locations. There is a growing marketplace of freelancers with specialized skills, as workers value the extra income and flexibility of the role. In turn, large corporations will continue to take advantage of the lower costs, higher flexibility, and increased specialization provided by the gig workforce.

Growth of Influencer Marketing

Influencer marketing has become a powerful tool for brands to reach their target audiences. Influencers are individuals who have built a large following on social media platforms and are seen as authorities in their respective niches—by partnering with influencers, brands can tap into their followers' trust and credibility, and leverage their reach to promote their products or services. This has created a new market for influencer marketing, and many brands are now investing heavily in this area. [Data Bridge Market Research](#) noted that the influencer marketing platform market was valued at USD 7.36 billion in 2021 and is expected to reach the value of USD 69.92 billion by 2029.

4. Investable Opportunities

Currently, the best use cases for the [gig economy](#) have been within ride-sharing, online contracting, and home services. However, the gig economy has the capacity to widen its applications to many more fields such as healthcare and transportation.

Automation

As technology continues to develop and advance, it is likely that more gig employment will become automated. With the rapid growth of robotics and artificial intelligence, there are a number of potential areas where automation could significantly disrupt the gig economy. One area that is already seeing some automation is the delivery of goods and services, as companies like Amazon and Domino's Pizza have experimented with using drones and robots to make deliveries. In the future, automation could have a significant impact in the ride-sharing sector, as many companies are already investing heavily in this technology.

Services

Services to help gig workers may become more necessary as the number of these employees rises. [Blockchain technology](#) might be used to build decentralized marketplaces for gig employment, giving employees more control over their pay and working circumstances. Platforms may develop, for instance, to assist gig workers with managing their finances, locating inexpensive healthcare, or gaining access to chances for training and education. [New social safety nets](#) that offer security for gig workers without access to regular employment benefits may be necessary as the gig economy expands. This may entail new laws that are specifically designed to meet the demands of gig workers in the areas of healthcare, retirement planning, and unemployment insurance. Traditional financing options, including bank loans, might not be available to gig workers who lack a steady source of income or a history of regular employment. This might encourage the development of alternative finance techniques like peer-to-peer lending.

The need for [technological solutions](#) that enable organizations to manage gig workers more efficiently may increase as they depend more and more on these individuals. Platforms that assist organizations in finding and hiring gig workers, tracking their hours and performance, and managing payments and invoicing are just a [few examples](#). There may be a rising need for adaptable [workplace solutions](#) that support this kind of work as more individuals choose to work from home or as independent contractors. This can include co-working areas or shared offices that provide variable renting terms or short-term contracts. The gig economy significantly relies on [technology](#), from mobile apps that let employees manage their schedules and check their earnings to internet platforms that link gig workers with clients. Technology firms may have chances as the [gig economy](#) expands to create new tools and solutions that make it easier for gig workers and enterprises to operate more effectively.

Home Healthcare Services

[Healthcare](#) is one sector that may have some crossover with the gig economy. For instance, gig workers who provide home healthcare services may profit from new technological advancements that facilitate scheduling and patient communication. Additionally, innovative healthcare delivery models that are adapted to the needs of gig workers who lack access to standard healthcare insurance may be advantageous. One of the most well-known sectors of the gig economy that crosses over with the transportation sector is the ride-sharing sector. There may be chances for ride-sharing companies to work with traditional transportation businesses, like taxi or public transit providers, in order to develop more effective and sustainable transportation solutions as they continue to grow and adapt.

Other Resources and Links

[Porter's Five Forces Framework and SWOT Analysis](#)

[Gig Economy Precedent Transactions](#)