

The Multiplier Effect of Broadband and the Income of American Households



In its annual financial analysis, “10 Ways Being Online Saves You Money,” the Internet Innovation Alliance (IIA) found that the average American household can now save more than \$12,000 every year on household spending by utilizing high-speed internet as a tool.¹ But not only can you *save* money using broadband, you can also make money using broadband. This year IIA expanded its analysis and examined how internet connectivity enables you to participate in the sharing economy – also known as the gig economy – to generate income. The research data and simple calculations below show that the return on investment (ROI) in mobile and home broadband connectivity is significant for gig economy workers.

The sharing economy is “an economic system in which assets or services are shared between private individuals, either free or for a fee, typically by means of the internet.”² Thanks to the ever-wider deployment of high-speed broadband, particularly wireless broadband, the gig economy has been seeing explosive growth...and it’s not slowing down. Intuit and Emergent Research estimate that the number of on-demand workers in the U.S. will nearly double by 2021.³ That means 9.2 million Americans are expected to work in the gig economy in the next four years, compared to 3.8 million in 2016.

Today, the gig economy involves obtaining, giving or sharing access to goods and services in categories ranging from transportation to housing. It’s primarily comprised of short-term contracts or freelance work, rather than permanent jobs. Of note, this labor market now includes about a third of U.S. workers. Earlier this year, Intuit (the owner of TurboTax) CEO Brad Smith revealed that the “gig economy...is now estimated to be about 34% of the workforce and expected to be 43% by the year 2020.”⁴ In fact, the 4.8 million gig workers in 2017 outnumber the total combined number of employees in the information and IT sectors this year (4.7 million, per the Bureau of Labor Statistics).⁵

The group of Be-Your-Own-Boss Americans making money by utilizing internet connectivity also extends beyond traditional gig economy workers like Uber’s drivers and TaskRabbit’s Taskers. Sellers in online marketplaces like Etsy and entertainers on platforms like YouTube are also adding cash to their stash thanks to broadband and the doors it unlocks.

One of the most eye-opening things about today’s environment is that sectors of the economy that didn’t even exist a decade ago are now booming. The chart below puts the gig economy’s rapid evolution into perspective:

COMPANY	YEAR FOUNDED
Airbnb	2008
TaskRabbit	2008
Getaround	2009
Uber	2009
Fiverr	2010
Lyft	2012
Handy	2012
Favor	2013
DoorDash	2013
Snapdocs	2013

¹ Internet Innovation Alliance. (2017, December 11). “10 Ways Being Online Saves You Money.” <https://internetinnovation.org/special-reports/savings/>

² Oxford Dictionaries. “Definition of Sharing Economy in English.” https://en.oxforddictionaries.com/definition/sharing_economy.

³ Recode. (2017, May 25). “The Gig Economy Workforce Will Double in Four Years.” <https://www.recode.net/2017/5/25/15690106/gig-on-demand-economy-workers-doubling-uber>.

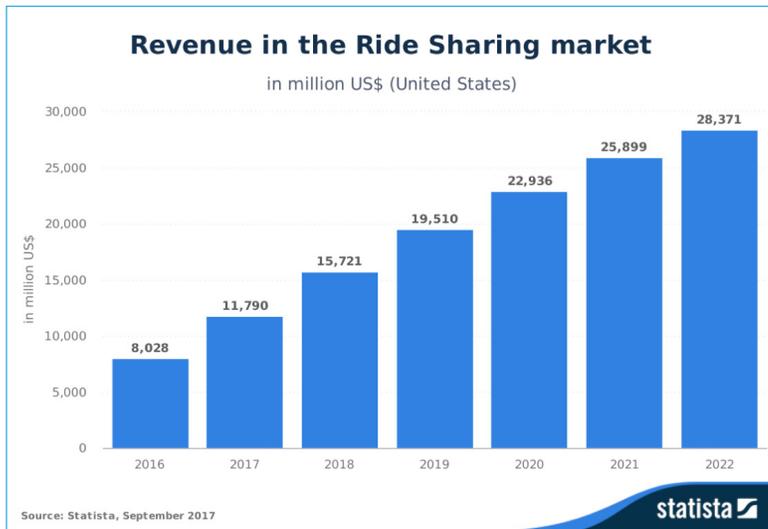
⁴ CNN Money. (2017, May 24). “Intuit: Gig economy is 34% of US workforce.” <http://money.cnn.com/2017/05/24/news/economy/gig-economy-intuit/index.html>.

⁵ United States Department of Labor Bureau of Labor Statistics. “About the Information sector.” <https://www.bls.gov/iag/tgs/iag51.htm#about>.



Consider ridesharing. When Uber started app testing in San Francisco in 2010, it was a zero-dollar industry. Today, it's a multi-billion-dollar industry. Statista sheds light on how ridesharing is impacting the United States, specifically: ⁶

- Revenue in the Ridesharing segment amounts to US \$11,790M in 2017.
- Revenue is expected to show an annual growth rate (CAGR 2017-2022) of 19.2%, resulting in a market volume of US \$28,371M in 2022.
- User penetration is at 13.9% in 2017 and is expected to hit 21.6% in 2022.



More and more Americans are relying on high-speed internet access as an indispensable tool for generating both principal and supplemental income. Today, mobile apps are often the gateway to grabbing gigs, and without access to money-making opportunities in real-time via wireless broadband, people wouldn't be able to effectively participate in the gig economy.

For discussion, we've separated digital earning platforms into four categories:

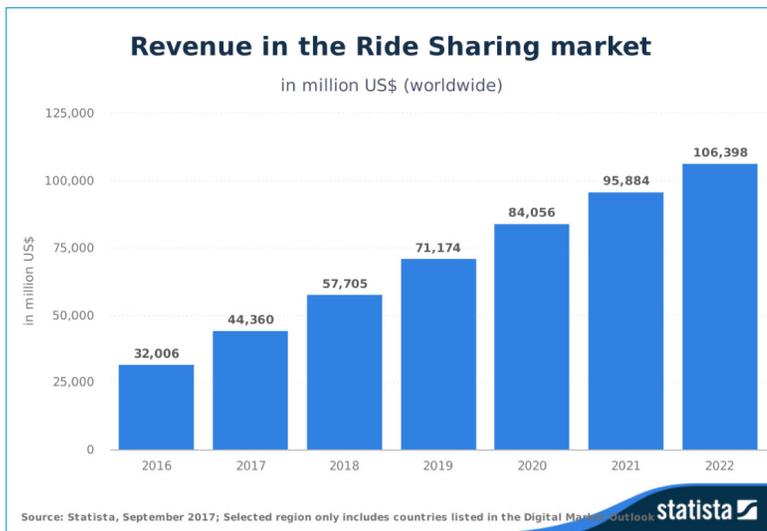
1. Sharing assets
2. Selling products
3. Selling services
4. Sharing content

1. Sharing Assets

The sharing economy has evolved into a dominant force. From ridesharing to rentals, platforms that make more efficient use of labor and capital resources are disrupting various industries. Uber, Lyft and Sidecar are just three of many competitors that have emerged to snag a piece of the nearly \$12 billion per year ridesharing pie in the U.S. That number climbs to over \$44 billion worldwide, according to Statista.⁷

⁶Statista. "Ride Sharing: United States." <https://www.statista.com/outlook/368/109/ride-sharing/united-states>.

⁷Statista. "Ride Sharing: Worldwide." <https://www.statista.com/outlook/368/100/ride-sharing/worldwide>.



As for short-term room and apartment rentals, Airbnb enables hosts to collect a significant chunk of change. Per a study by technology-enabled lender Earnest, a quarter of Airbnb hosts (26%) earn \$1,000 per month or more. Three out of five (60%) make between \$100 and \$999 per month.⁸ And Americans' receptivity to the idea of looking for lodging from a private individual versus with a hotel is growing. eMarketer estimates that there are 36.8 million adults using Airbnb in the United States in 2017 – 16.9% of adult internet users – and that number will grow to 60.8 million – 26.7% of adult internet users – within four years.⁹ Shared workspace companies, such as WeWork, are also gaining traction. CB Insights predicts that WeWork will see 88 percent growth in revenue in 2017 over the previous year.¹⁰

One major advantage of the sharing economy is the flexibility that it provides gig workers. Sydnee Caldwell, co-author of the National Bureau of Economic Research study, "Uber vs. Taxi: A Driver's Eye View," recently revealed that drivers really dislike being locked into up-front lease contracts.¹¹ In fact, many left money on the table by turning down more rigid taxi contracts in favor of driving for Uber, which offers more independence.

2. Selling Products

In November 2016, Pew Research reported that nearly one-in-five Americans (18%) had earned money in the last year by selling something online.¹² While eBay was once the dominant online marketplace for buying and selling, there has been significant merchant migration to Amazon over the last five years. Earlier this year, Tamebay estimated that third-party Amazon sellers – from multimillion dollar retailers to mom-and-pop – pull in around \$115,000 annually, on average.¹³

Etsy, a peer-to-peer e-commerce website focused on handmade and vintage items, is another household name that is making a major impact on household budgets. According to 2015 numbers released by the company, 86% of the 1.7 million people who sell goods on Etsy are women, typically sole proprietors working alone out of their homes.¹⁴ About one-third of Etsy sellers depend on their creative business as their sole occupation, while 65% started their Etsy shop to supplement income. On average, an Etsy seller's business contributes 15% to her total household income.

In addition to these major players in the space, other websites for selling include names like Bonanza, Poshmark and GearTrade. Back in 2015, fashion-focused Tradesy CEO Tracy DiNunzio told USA Today that the average seller on the site brings in about \$1,000 each year, while one of the top sellers stacks close to \$1 million.¹⁵ No matter the niche, there's likely a site for new and used items to be sold.

⁸ Earnest. (2017, June 13). "How Much Are People Making From the Sharing Economy?" <https://www.earnest.com/blog/sharing-economy-income-data/>.

⁹ eMarketer. (2017, July 5). "US Adult Airbnb Users and Penetration, 2016-2021 (millions and % of adult internet users)." <http://www.emarketer.com/Chart/US-Adult-Airbnb-Users-Penetration-2016-2021-millions-of-adult-internet-users/209548>.

¹⁰ CB Insights. (2017, August 2). "Room To Grow: Why WeWork's \$20B Valuation Isn't Crazy." <https://www.cbinsights.com/research/wework-valuation-analysis/>.

¹¹ U.S. News. (2017, October 19). "The Upside of Uber." <https://www.usnews.com/opinion/thomas-jefferson-street/articles/2017-10-19/a-study-of-uber-vs-taxis-shows-the-ride-sharing-apps-upside-for-drivers>.

¹² Pew Research Center. (2016, November 17). "Gig Work, Online Selling and Home Sharing." <http://www.pewinternet.org/2016/11/17/gig-work-online-selling-and-home-sharing/>.

¹³ Tamebay. (2017, February 22). "Revealed: What the average Amazon seller's business looks like." <https://tamebay.com/2017/02/revealed-what-the-average-amazon-sellers-business-looks-like.html>.

¹⁴ Etsy. (2015, July 23). "Building an Etsy Economy: The New Face of Creative Entrepreneurship." https://extfiles.etsy.com/Press/reports/Etsy_NewFaceofCreativeEntrepreneurship_2015.pdf.

¹⁵ USA Today. (2015, March 25). "Making money by selling old clothes pays off for Tradesy." <https://www.usatoday.com/story/tech/2015/03/25/making-money-by-selling-old-clothes-pays-off-for-100-million-tradesy/70348388/>.

3. Selling Services

One in four Americans (24%) told Pew that they had earned money from the digital 'platform economy' in the past year. Falling within this paper's "Selling Services" category, nearly one-in-ten (8%) said they had made money in the last year using digital platforms to take on a job or task.

TaskRabbit, a gig economy veteran, is an online and mobile marketplace that matches freelance labor with local demand for help with everyday home projects. The concept of Fiverr is similar, but Earnest reports that TaskRabbit workers earn three times more compared to Fiverr workers. "We have Taskers who earn anywhere from a few hundred to \$10,000 or more each month on TaskRabbit," the company recently shared with Forbes.¹⁶

Today, highly specialized services are also being offered via broadband. For example, the goal of the company InSight Telepsychiatry is to increase access to behavioral health care through innovative applications of technology.¹⁷ According to SimplyHired, "the average salary for psychiatric telemedicine jobs is \$63,230."¹⁸

4. Sharing Content

While the spectrum of success is wide, there are many entertainers using the internet as their stage. YouTube stars, Twitch streamers, and TWIT hosts are broadcasting via broadband.

More eyeballs mean more dollars. With close to 58 million subscribers and more than 16 billion views, Swedish video game commentator PewDiePew was the highest paid YouTube star of 2016, raking in \$15 million.¹⁹ In addition to paid promotion of brands or products, YouTubers largely make money from AdSense. According to Influencer Marketing Hub:

Google pays out 68% of their AdSense revenue, so for every \$100 an advertiser pays, Google pays \$68 to the publisher. The actual rates an advertiser pays varies, usually between \$0.10 to \$0.30 per view, but averages out at \$0.18 per view. Around 15% of viewers on average watch the requisite 30 seconds of a video ad to count for payment. This means that for 1,000 views, 150 people are likely to watch an ad. At \$0.18 per view, Google will charge the advertiser \$27, keeping 32% (\$9) themselves. The YouTube channel will receive \$18 per 1,000 views.²⁰

Influencer Marketing Hub says, "Success begins at 1,000,000 [subscribers]" – but there are only around 2,000 YouTube channels in the Million+ Club, with over a million subscribers. Many YouTube channels are making a profit, however, even if they are not in this upper echelon. For example, in August 2017, Matt Tran of the channel Engineered Truth shared that he has 240,000 subscribers and makes \$3,000 per month from YouTube ad revenue.²¹

Twitch, a livestreaming video platform for gamers, is another digital option upon which some internet users are capitalizing. Once a verified Twitch Partner, Twitch streamers earn a share of the revenue they generate due to broadcasting, and viewers can pay a monthly subscription fee to the streamer. According to Huffington Post writer Jesse Aaron:

If a streamer with 2,000 concurrent viewers and \$1.00 eCPM runs three commercials per hour and streams for eight hours a day, five days a week, they can earn about \$240 a week or \$960 a month from advertising revenue. However, a popular streamer with 20,000 concurrent viewers and \$2.00 eCPM on the same schedule would make \$40/hour or \$1600/week or \$6400/month.²²

Broadband ROI in the Gig Economy

While there is anecdotal evidence and a wide variety of sources providing color on how much people are making using internet-enabled platforms, calculations related to the **return on investment (ROI)** that these digitally resourceful workers are seeing from investing in broadband connectivity have been absent.

Earnest conducted an analysis to see how much people are earning on side-gig platforms by looking at anonymized data from tens of thousands of loan applicants. Their span of data stretched for just over two years, and they analyzed pay periods between one and 27 months for each worker. Below are their findings:

¹⁶ Forbes. (2017, July 17). "These Are The Highest Paying Jobs In The Gig Economy." <https://www.forbes.com/sites/sleasca/2017/07/17/highest-paying-jobs-gig-economy-lyft-taskrabbit-airbnb/2/#730cfd8a737b>.

¹⁷ InSight Telepsychiatry. "About Us." <http://insighttelepsychiatry.com/about-us/>.

¹⁸ SimplyHired. "Psychiatric Telemedicine Salaries." <https://www.simplyhired.com/salaries/search?q=psychiatric+telemedicine+&>

¹⁹ Business Insider. (2016, December 9). "MEET THE YOUTUBE MILLIONAIRES: These are the highest-paid YouTube stars of 2016." <http://www.businessinsider.com/youtube-stars-who-make-the-most-money-in-2016-2016-12/#no-2-roman-atwood-8-million-9>.

²⁰ Influencer Marketing Hub. "How Much Do YouTubers Make? – A YouTuber's Pocket Guide [Calculator]." <https://influencermarketinghub.com/how-much-do-youtubers-make/>.

²¹ Engineered Truth. (2017, August 8). "How Much Does A YouTuber With 200,000 Subscribers Make?" <http://engineeredtruth.com/how-much-does-a-youtuber-with-200000-subscribers-make/>.

²² Huffington Post. (2015, March 27). "How Much Can You Make Streaming as a Professional Video Gamer?" https://www.huffingtonpost.com/jesse-aaron/how-much-can-you-make-str_b_6926362.html.

COMPANY	AVERAGE MONTHLY SHARING ECONOMY INCOME PER WORKER
Airbnb	\$924
TaskRabbit	\$380
Lyft	\$377
Uber	\$364
Doordash	\$229
Postmates	\$174
Etsy	\$151
Fiverr	\$103
Getaround	\$98
OVERALL	\$299

Multiplying Earnest's overall average monthly income from gigs in the sharing economy, workers typically pull in about \$3,588 per year (\$299 x 12 months).

Per IIA's research for its yearly Cost Campaign, the average annual cost of a mobile data plan and home broadband connection is \$1,200. Now, the formula for return on investment is:

$$(\text{earnings} \div \text{investment}) \times 100 = \text{ROI} (\%)$$

Plugging in average yearly income from gigs for sharing economy workers and the average annual cost of mobile and home high-speed internet, average broadband ROI in the gig economy is:

$$(\$3,588 \div \$1,200) \times 100 = 299\%$$

That means the average gig economy worker sees a triple return on their investment in the home and mobile broadband subscriptions that create opportunities to take advantage of dollar-earning digital platforms. And the ROI, of course, climbs much higher for those earning more than the typical worker (YouTube star PewDiePew's broadband ROI is 1,250,000%). Below is the broadband ROI of workers with the companies cited by Earnest:

COMPANY	BROADBAND ROI FOR AVERAGE SHARING ECONOMY WORKER
Airbnb	924%
TaskRabbit	380%
Lyft	377%
Uber	364%
Doordash	229%
Postmates	174%
Etsy	151%
Fiverr	103%
Getaround	98%
OVERALL	299%

While the majority of gig economy workers are not utilizing digital platforms to make a full-time living, the extra cash they are pulling in is making a major impact on their household budgets. According to the U.S. Department of Labor, average expenditures per consumer unit for 2016 were \$57,311.²³ Therefore, before taxes, the typical gig economy worker can cover 6.26% of household spending with the earnings from their broadband-enabled side-job:

$$(\$3,588 \div \$57,311) \times 100 = 6.26\%$$

Without even taking into account the many other benefits of broadband – from education to healthcare, entertainment, communication and more – high-speed internet is a valuable investment for American households, delivering significant savings and earning potential. The numbers prove it.

²³ United States Department of Labor Bureau of Labor Statistics. (2017, August 29). "CONSUMER EXPENDITURES—2016." <https://www.bls.gov/news.release/cesan.nr0.htm>.