

WHO ARE YOU?

VERIFYING DIGITAL IDENTITY IN THE SHARING ECONOMY REPORT

The Who Are You? Verifying Digital Identity In The Sharing Economy report, a PYMNTS and Mitek collaboration, examines the demographic, economic and behavioral trends governing how consumers sign up for, log into and use digital sharing economy platforms. Our in-depth survey collected and analyzed response data from more than 1,500 American consumers to learn how their chosen platforms' identity authentication and verification systems enhance data security and foster broader ecosystem growth.

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The Who Are You? Verifying Digital Identity In The Sharing Economy report was produced in collaboration with [Mitek](#), and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](#) retains full editorial control over the following findings, methodology and data analysis.

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The sharing economy and the platforms that power it have found their way into the lives of consumers of every age and background. More than 111 million Americans – approximately 45 percent of the adult population of the United States – use such marketplaces to enhance their day-to-day lives. In the U.S., 580,000 seniors hitch rides through ridesharing offerings like Uber or Lyft, for example, while 22 million millennials book travel or accommodations with homesharing services like Airbnb or Hotels.com and 6 million Generation X consumers use talent platforms like Fiverr or Freelancer.com to find employment. Meanwhile, others source healthcare services via platforms like Clineeds.

The diversity of use cases that the sharing economy now represents have one guiding principle in common: To function, grow and thrive, there must be trust among those trading partners. Creating an environment that fosters this trust and confidence between users is a key responsibility of digital platforms in the sharing economy – without it, none would stand to compete and win consumers' business and loyalty.

Trust is essential, and it is digital platforms' role to create it – particularly those that act as intermediaries and connect trading partners. Trust is a big piece of making sure the people showing up at users' virtual front doors are, in fact, who they say are, and is there when sharing economy platforms are most vulnerable.

PYMNTS surveyed 3,585 American consumers for the Who Are You? Verifying Digital Identity In The Sharing Economy report, a Mitek collaboration, to learn how they participate in the sharing economy, access services and are authenticated by digital platforms. Our research suggests modern sharing economy platforms may be sacrificing transaction security and integrity for user experience when they onboard new users, and doing so again when those users return to access said marketplace accounts.



KEY FINDINGS

Just 26.2 percent of sharing economy platforms require new users to verify their identities by submitting identification documents online.

Even fewer require them to provide these documents in person at physical locations (19.5 percent) when signing up for new digital economy platform accounts. A majority of respondents were also asked to provide their email addresses (71.5 percent) and phone numbers (64.5 percent) to sign into existing accounts.

More than two-thirds of sharing economy platforms verify users' identities using email addresses and phone numbers.

Many sharing economy platforms appear to keep their barriers of entry low to improve conversions at sign-up, with 71.5 percent of the consumers we surveyed asked to verify their identities using their email addresses. These verification methods may be the most common ways to onboard new users, but are also among the least reliable in discerning good users from potentially bad actors.

Sharing economy platform users report higher satisfaction rates when asked to present identification documents.

Sharing platforms also maintain low barriers of entry to make login processes faster, but consumers do not appear to mind being asked to produce identity documents to use accounts with access to high-value assets. In fact, 68.6 percent of surveyed users say they are "very" or "extremely" satisfied with submitting identification documents to create new digital sharing accounts, and 67.5 percent feel the same about producing them in person at brick-and-mortar locations to do the same. Consumers seem willing to tolerate the additional steps to access more secure experiences.

Users' satisfaction with being asked to produce identification documents to sign up also tends to vary by the type of service sought.

Consumers who use freelance platforms like Freelancer.com are the most likely to say they feel "very" or "extremely" satisfied with providing identification documents at physical locations. One hundred percent report being satisfied with in-person verification, for example, while 33.3 percent of those who use carsharing services are "very" or "extremely" satisfied with providing physical IDs to verify their identities.

Sharing economy platform users who are asked to produce documents at sign-up report better overall experiences when both opening and logging back into their accounts.

Interestingly, consumers who are asked to provide documents to verify their identities when they sign up also report higher levels of satisfaction with how they are asked to log back in.

Our research shows that 54.3 percent of users who were not asked to verify their identities in any way when signing up for accounts report feeling "very" or "extremely" satisfied with authentication when logging into existing accounts. Among users who were specifically asked to verify their identities at account opening, user satisfaction was as high as 64.3 percent.

High-value sharing economy platforms use documentation-based identity verification.

Platforms that enable sharing of high-value physical assets — houses and cars, in particular — seem willing to embrace ID-based verification when the assets provided are less affordable. Our research

shows 21.7 percent of users who create accounts on homesharing platforms and 18.8 percent who do so for carsharing services are asked to provide physical identification documents in person at brick-and-mortar locations to sign up for new accounts. Meanwhile, 35 percent of new homesharing platform users and 37.5 percent of those on carsharing marketplaces are asked to digitally submit identity documentation.

On the flip side, platforms that provide access to low-value assets, like clothing, are least likely to ask users to provide documentation to verify their identities. Just 8.3 percent of clothing rental services users say they are asked to digitally submit documents when creating their accounts, and none are required to provide physical identification documents in person.

The following pages detail how sharing economy platforms can streamline digital verification and authentication processes to boost their competitiveness and enhance user experiences.



THE TRADEOFFS



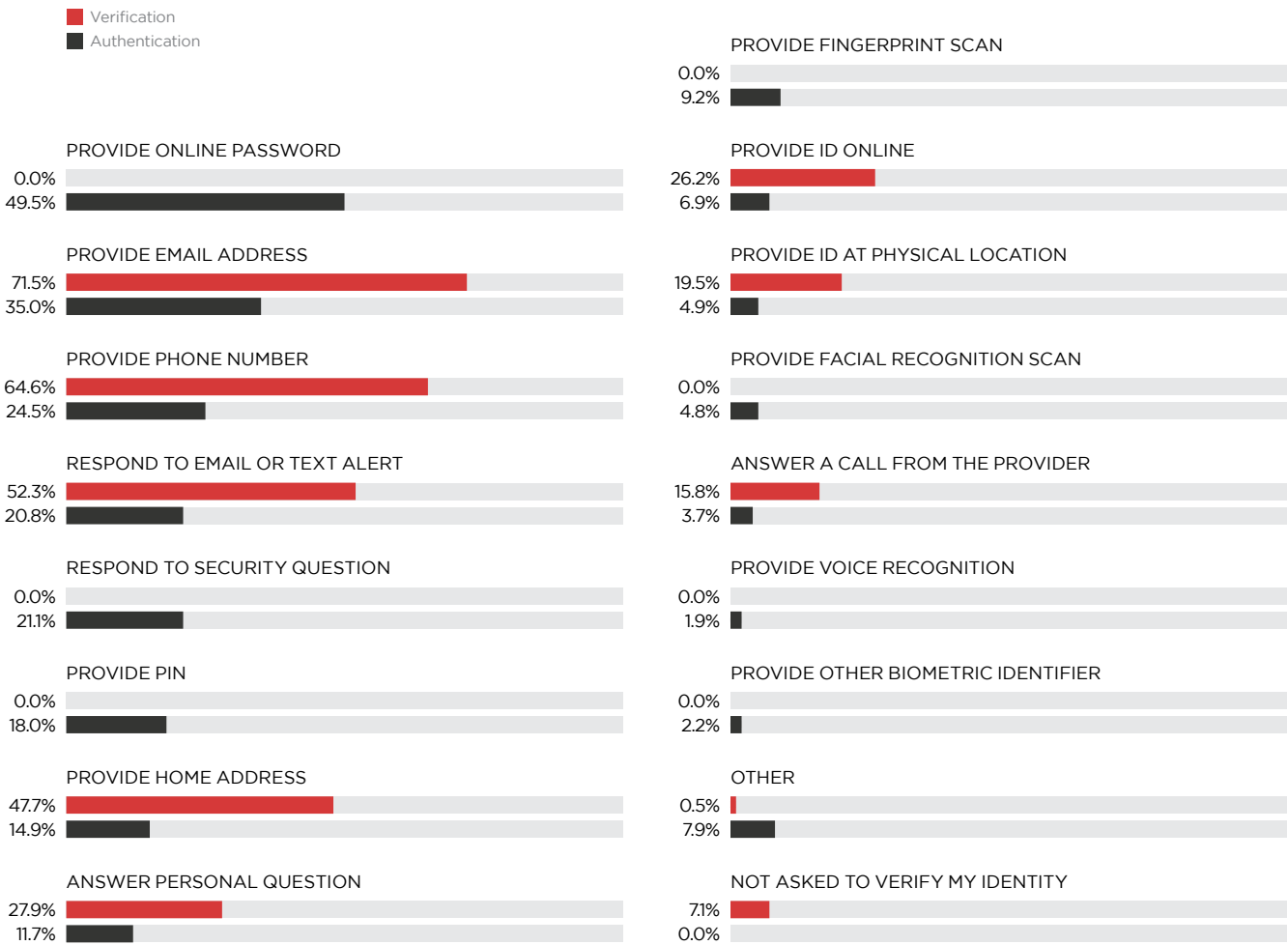
Many sharing economy platforms aim to make their sign-in processes as fast and convenient as possible, often by asking new and returning users to provide minimal personal information to verify their identities when signing up. It is perhaps not surprising that a minority of consumers in our survey say they were asked to provide identification documentation like driver's licenses or

passports — either digitally or in person — when opening such accounts.

When signing up for a sharing economy platform account, just 19.5 percent of consumers report being asked to submit identification documents in person, and 26.2 percent report being asked to submit identification documents digitally.



Figure 1: How consumers are asked to verify or authenticate their identities when opening or accessing accounts
Share asked to use select verification or authentication methods to open or access their accounts



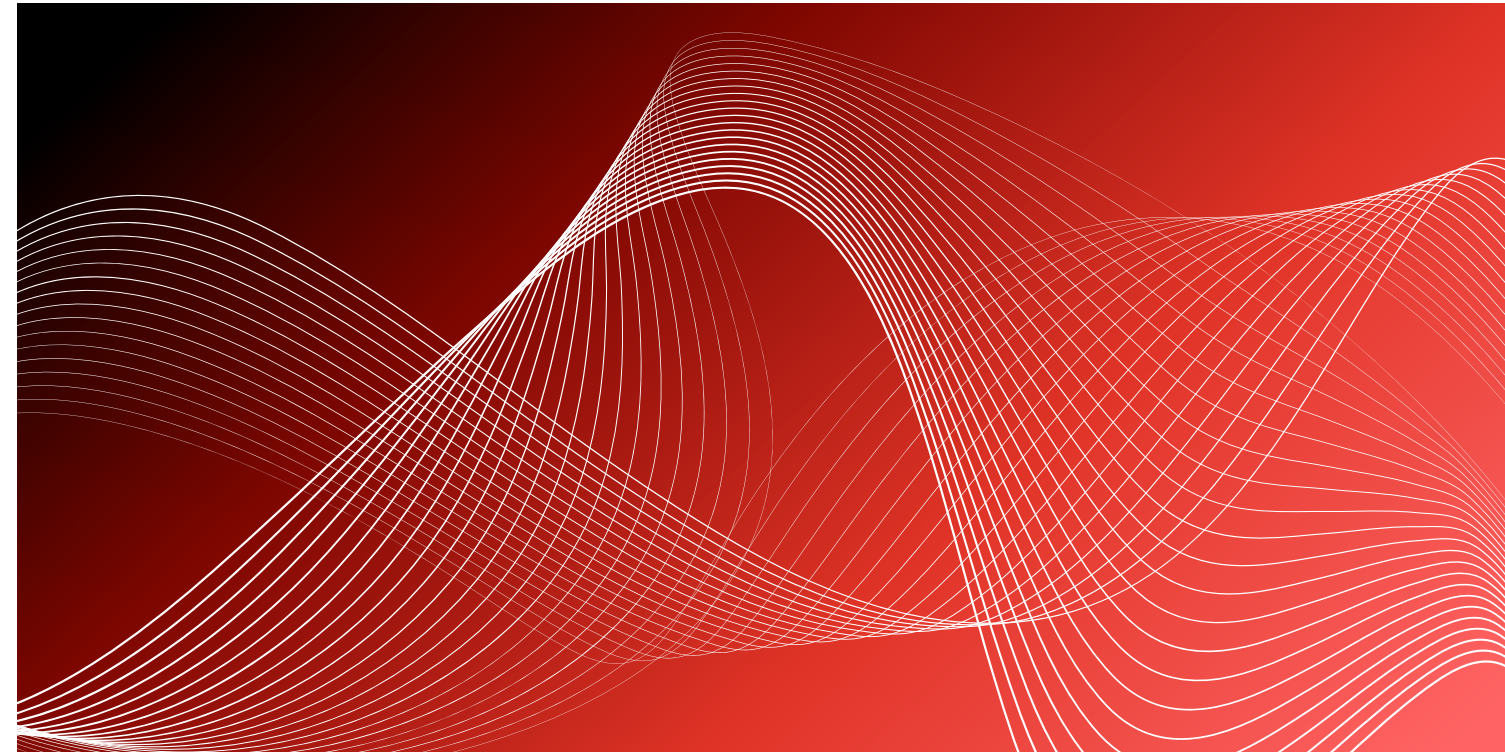
Instead, most consumers are asked to provide basic information like email addresses and phone numbers to verify their identities when creating accounts. While 71.5 percent say they are asked to provide email addresses, 64.6 percent report providing their phone numbers and 52.3 percent are asked to respond to one-time email or text alerts.

Many surveyed consumers report being asked for similar information when logging back into their existing accounts, too. Thirty-five percent say they are asked to provide email addresses, 24.5 percent phone numbers and 20.8 percent to respond to one-time email or text alerts.

Some platforms employ more thorough verification procedures, however. Rather than verifying new users' identities with identification documentation when they sign up for accounts, these marketplaces ask returning users to provide identity documents when they sign back into existing accounts.

Our research found 6.9 percent of surveyed consumers are asked to digitally submit identification documents when signing into accounts, while another 4.9 percent are required to present physical identification documents in person at brick-and-mortar locations. This is essentially a retroactive identity verification process: By asking for documentation later, platforms may hope to amass as many users as possible and then ask for proof of identification.

Asking users to submit identity documents to access their existing accounts can make the authentication process longer and more demanding. It means legitimate users must submit documentation either online or in person every time they want to use sharing economy platform services, which could understandably drive them away. It is perhaps no wonder, then, that only a small minority of platforms employ this security strategy.

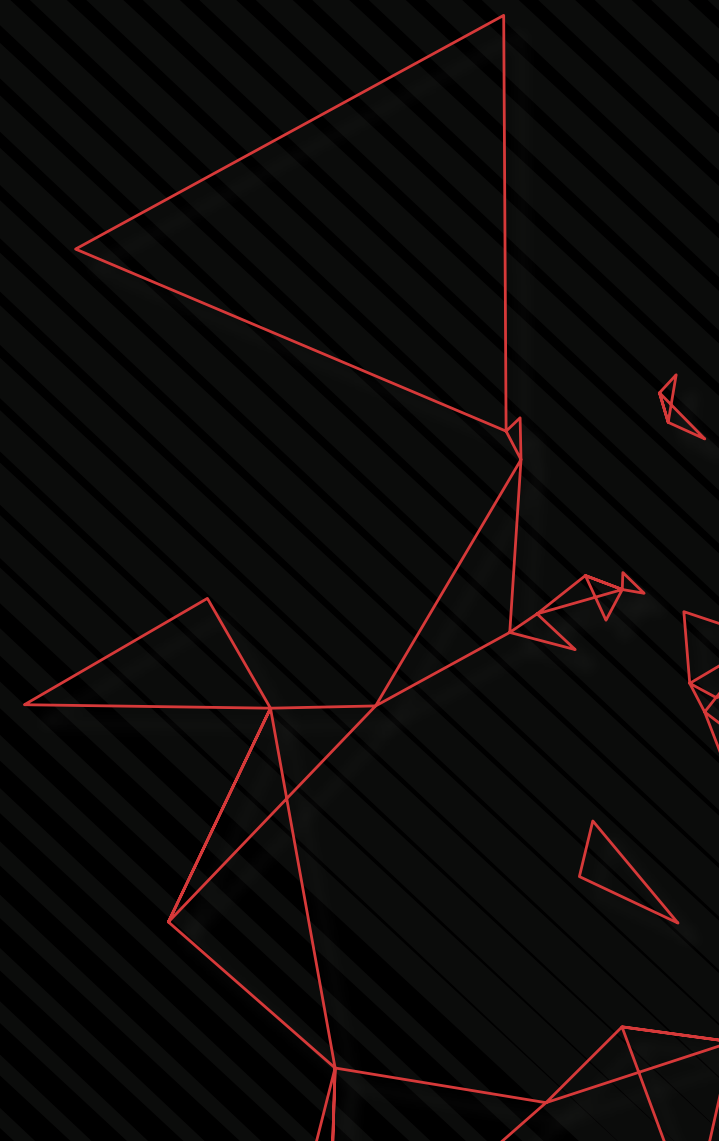


The most common piece of personally identifiable information (PII) consumers are asked to provide is not identity documentation, but rather passwords. Of those surveyed, 49.5 percent say they are asked to provide passwords when signing into their existing accounts. In

other words, most consumers who use sharing economy platforms are simply never asked to provide any sort of identity documentation, either when signing up for new accounts or into existing ones. This poses a multitude of security risks for both platforms and their users.



LOW
BARRIERS
TO ENTRY,
**HIGH
SECURITY
RISKS**



It is easy to see why sharing platforms may not feel motivated to make stringent ID verification a part of their onboarding processes, but it is also easy to see why this strategy is not optimal. Platforms put their customers' safety and security at risk when they do not employ processes that can reliably and accurately verify users' identities, after all.

Authenticating users by asking them to provide passwords to log into existing accounts is not an effective security method. Passwords, phone numbers, addresses and other PII that authenticate users' identities when logging in can be easily cracked or stolen using specialized malware.

Online imaging community Imgur fell victim to a malware attack that compromised 1.7 million users' account information in 2017, for example.¹ More recently, hackers gained access to Orvibo, a Shenzhen, China-based internet of things (IoT) business management platform when it suffered a data breach that left schedules and 2 billion consumers' exact locations exposed.²

Using passwords to authenticate identities is so ineffective that some businesses are working to abandon it altogether. Microsoft Chief Information Security Officer Brett Arsenault said in a May 2019 interview that many of his company's 6.5 trillion annual cybersecurity incidents occur because hackers obtain and

use real customers' email addresses and passwords – both of which are relatively easy for bad actors to crack. In other words, "Hackers don't break in, they log in."³ Users' information is then available for fraudsters to assume their digital identities and hack platforms' identity verification processes.

Asking for identification documentation can help make the verification process stronger, but a minority of sharing economy platforms ask new users to digitally present identification documents, according to our findings. In addition, only 19.5 percent ask them to provide such documents in person at brick-and-mortar locations.

19.5%
OF SHARING ECONOMY
PLATFORM USERS
are asked to verify
their digital identities by
providing identification
at physical locations.

¹ Blake, A. Imgur, popular meme site, confirms security breach affecting 1.7 million accounts. The Washington Times. 2017. <https://www.washingtontimes.com/news/2017/nov/25/imgur-popular-photo-site-confirms-security-breach/>. Accessed August 2019.

² Researchers find over 2 billion records exposed in Orvibo data breach. PYMNTS.com. <https://www.pymnts.com/safety-and-security/2019/records-exposed-orvibo-data-breach/>. Accessed August 2019.

³ Microsoft CISO says passwords are useless. PYMNTS.com. 2019. <https://www.pymnts.com/news/security-and-risk/2019/microsoft-ciso-passwords-useless/>. Accessed August 2019.



This not only puts the consumers who use platforms at risk, but also inflicts long-term or even permanent damage on those marketplaces' reputations. Perhaps the most famous example is the downfall of social media giant Myspace, which allowed illegitimate users – including those with known fake identities – as well as child and sexual predators to create profiles and use its site in the 2000s.⁴

A more recent example of how low barriers to entry can result in long-term damage to digital platforms' success is Google Maps. The *Wall Street Journal* published a 2018 exposé illustrating the ease with which bad actors can purchase fraudulent listings on the service. One operation facilitating such purchases was run by Mark Luckenbaugh, a Pennsylvania resident who made his living selling fraudulent listings

⁴ Saba, J. News Corp sells Myspace, ending six-year saga. Reuters. 2011. <https://www.reuters.com/article/us-newscorp-myspace-idUSTRE75S6D720110629>. Accessed August 2019.

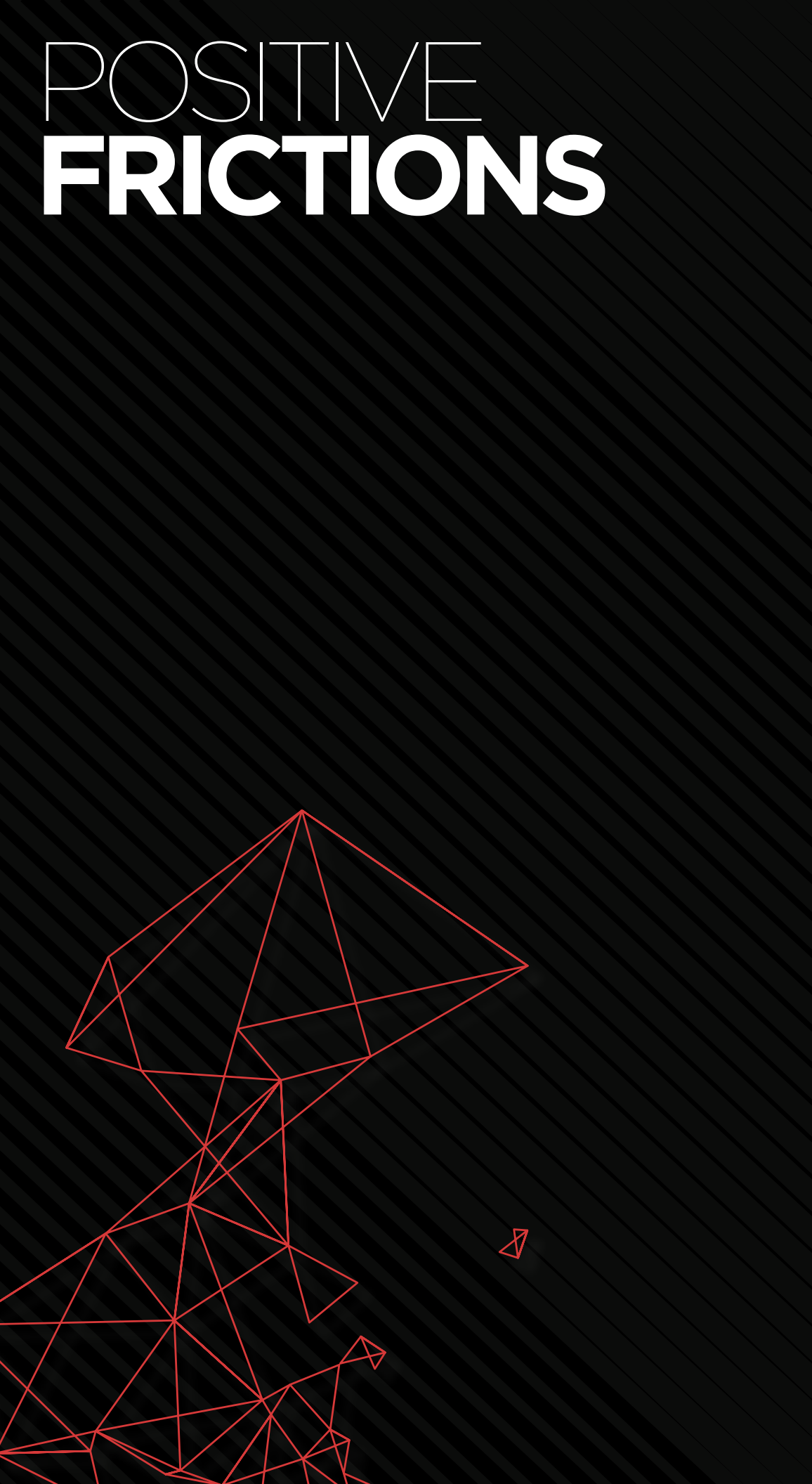
for as little as \$99 apiece or “\$8,599 for a 100-pack.”

In a written statement submitted to the *Wall Street Journal*, Google Maps Director Ethan Russell reported that the service had removed millions of false business listings from its platform and disabled another 150,000 that were made up, representing a 50 percent increase from 2017.⁵

Episodes like these demonstrate how failure to enact safe, secure user verification and authentication systems can essentially transform sharing economy platforms into ticking security time bombs. Providers have the opportunity to alleviate this risk, but are presumably hesitant to do so out of fear that introducing more sign-up or login friction might drive users away.



⁵ Copeland, R; Bindley, K. The Wall Street Journal. 2019. <https://www.wsj.com/articles/google-maps-littered-with-fake-business-listings-harming-consumers-and-competitors-11561042283>. Accessed August 2019.



Platforms’ fear of adding friction to sign-up and login processes may be unfounded. Our research indicates consumers do not mind being asked to produce identity credentials when opening accounts on sharing economy platforms, as this type of “positive friction” can enhance user experience by helping them feel assured that their platforms’ security measures are intact.

We asked respondents to rate their satisfaction with the verification methods used to open accounts on sharing platforms. As it turns out,

67.5%
OF CONSUMERS WHO ARE
asked to verify their identities by
providing identification at physical
locations are “very” or “extremely”
satisfied with doing so.

users report being more satisfied with providing identification documents to verify their identities than with other form factors.

As seen in Figure 2, 68.6 percent of respondents who are asked to verify their identities by providing identification documents online report being “very” or “extremely” satisfied with their sharing platforms’ sign-up processes, as do 67.5 percent of those asked to present physical identification documents in person at brick-and-mortar locations.

These satisfaction rates are slightly higher among respondents who are asked to verify their identities by providing email addresses, phone numbers or home addresses, for example. Our survey results show 65.8 percent of respondents are “very” or “extremely” satisfied with verifying their identities with their email addresses, while 66.4 percent express similar levels with verifying by providing their phone numbers and 66.2 percent are “very” or “extremely” so with providing their home addresses to create their accounts.

Figure 2: Consumers’ satisfaction with select verification or authentication factors
Share who were “very” or “extremely” satisfied with methods used to create or access accounts

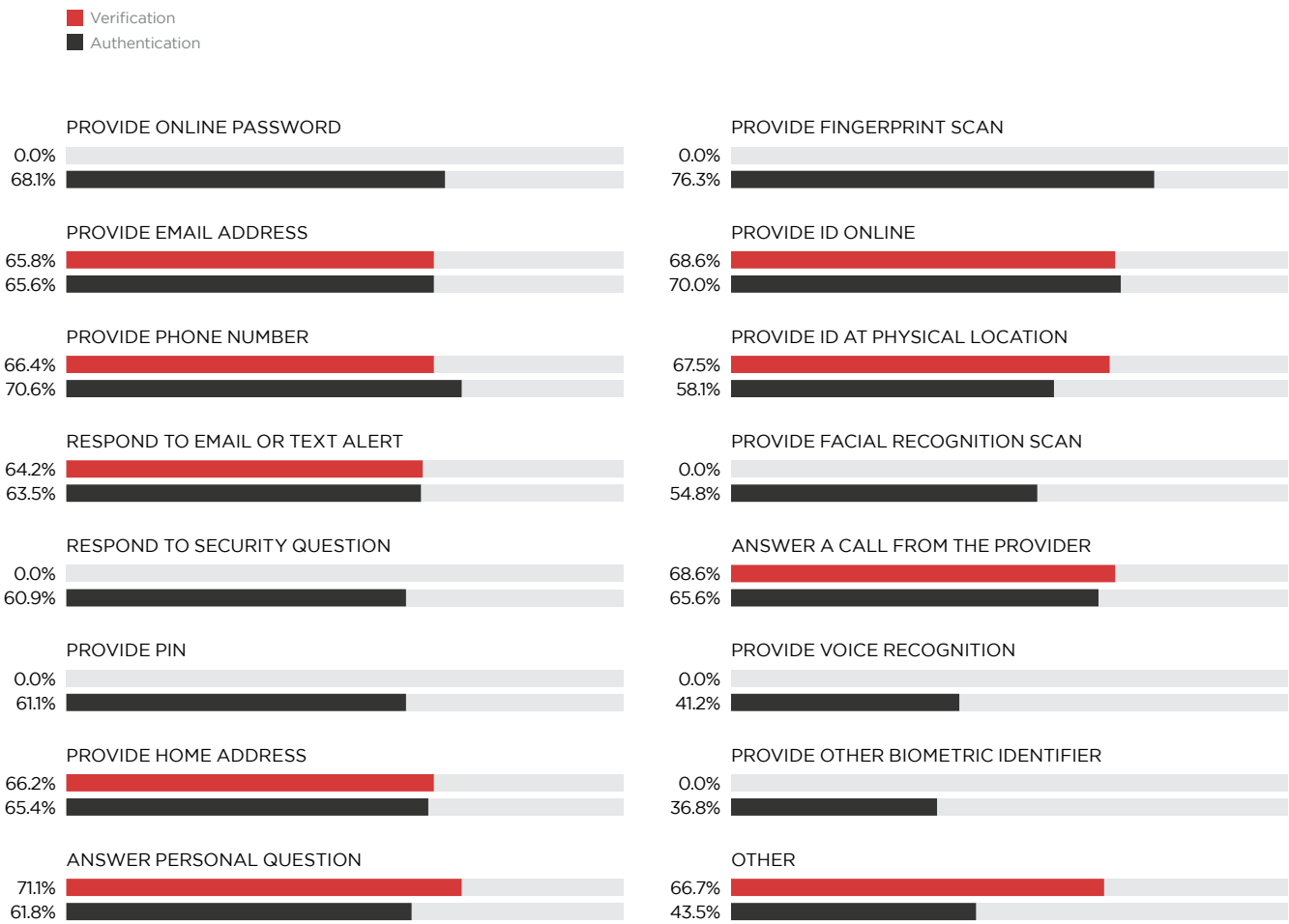
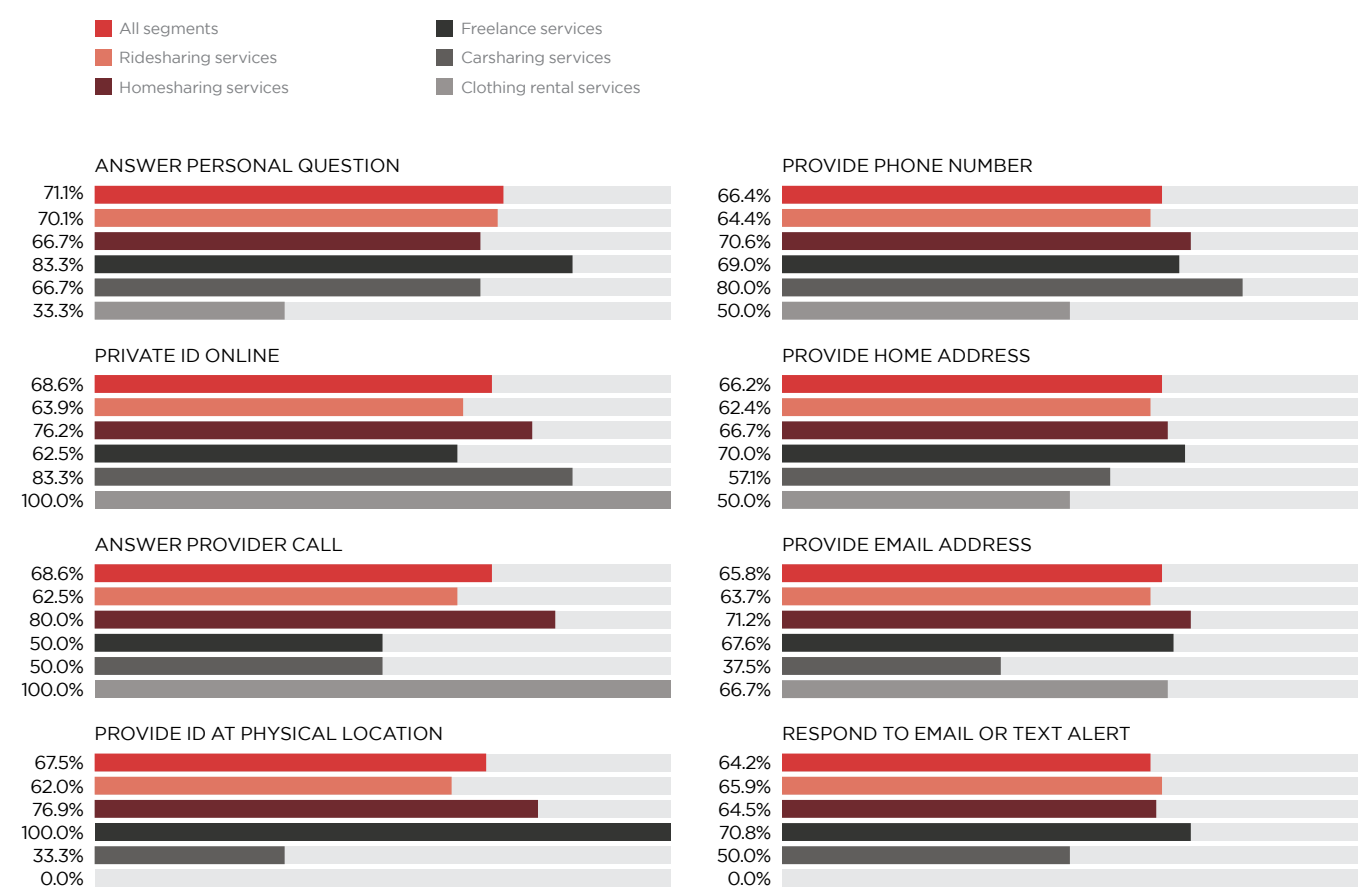


Figure 3: Consumers’ satisfaction with select verification factors
Share who are “very” or “extremely” satisfied with methods used to create accounts, by market segment



Interestingly, users’ satisfaction with documentation-based verification appears to vary by type of platform used. Consumers who use freelance sharing economy marketplaces report feeling the most satisfied with providing

identification documentation to sign up. In fact, 100 percent of those who verify by submitting documents at physical locations are “very” or “extremely” satisfied with their platforms’ verification processes, and 100 percent of

ridesharing platform users say the same about submitting identity verification documents online. The only group whose satisfaction with document-based identification fell below 60 percent is those who use carsharing platforms. Just 33.3 percent of these platform users report feeling “very” or “extremely” satisfied with submitting identity documents at physical locations when signing up for new carsharing platform accounts.

There is also evidence to suggest that the benefits of identity-based verification extend beyond the sign-up process. Such systems not only improve digital platforms’ security, but also tend to enhance users’ authentication experiences.

Our research suggests consumers are more satisfied with their platforms’ login authentication systems if asked to provide identification documents to verify their identities for new accounts. In fact, 54.3 percent of those who are not asked to verify their identities when creating accounts report feeling “very” or “extremely” satisfied with logging in, but 64.3 percent of those who are asked to do so report feeling the same.

These percentages make sense. Digital platforms that verify new users’ identities during sign-up know immediately that they are who they claim to be. They therefore will not always need to verify consumers’ identities every time they sign back in, meaning authentication when logging in can be streamlined and simplified to allow for minimum friction and maximum convenience. As such, the fact that returning users can present identification documents for both verification and easier future login experiences represents yet another demonstration of how digital platforms’ hesitation to implement friendly friction into their security systems is not only unfounded, but also contrary to users’ preferences.

It appears many platforms’ fears about the supposed tradeoffs between stronger security and lower onboarding volumes may be unfounded. Their users not only seem open to added security, but may even prefer it. Sharing economy platforms that have thus far refrained from adding positive frictions to their sign-up and login processes would be wise to reevaluate their approaches with this in mind.

An abstract graphic consisting of several interconnected red lines forming various geometric shapes, including triangles and polygons, set against a black background with a subtle diagonal line pattern.

THE WISDOM OF HIGH- VALUE **ASSET PLATFORMS**

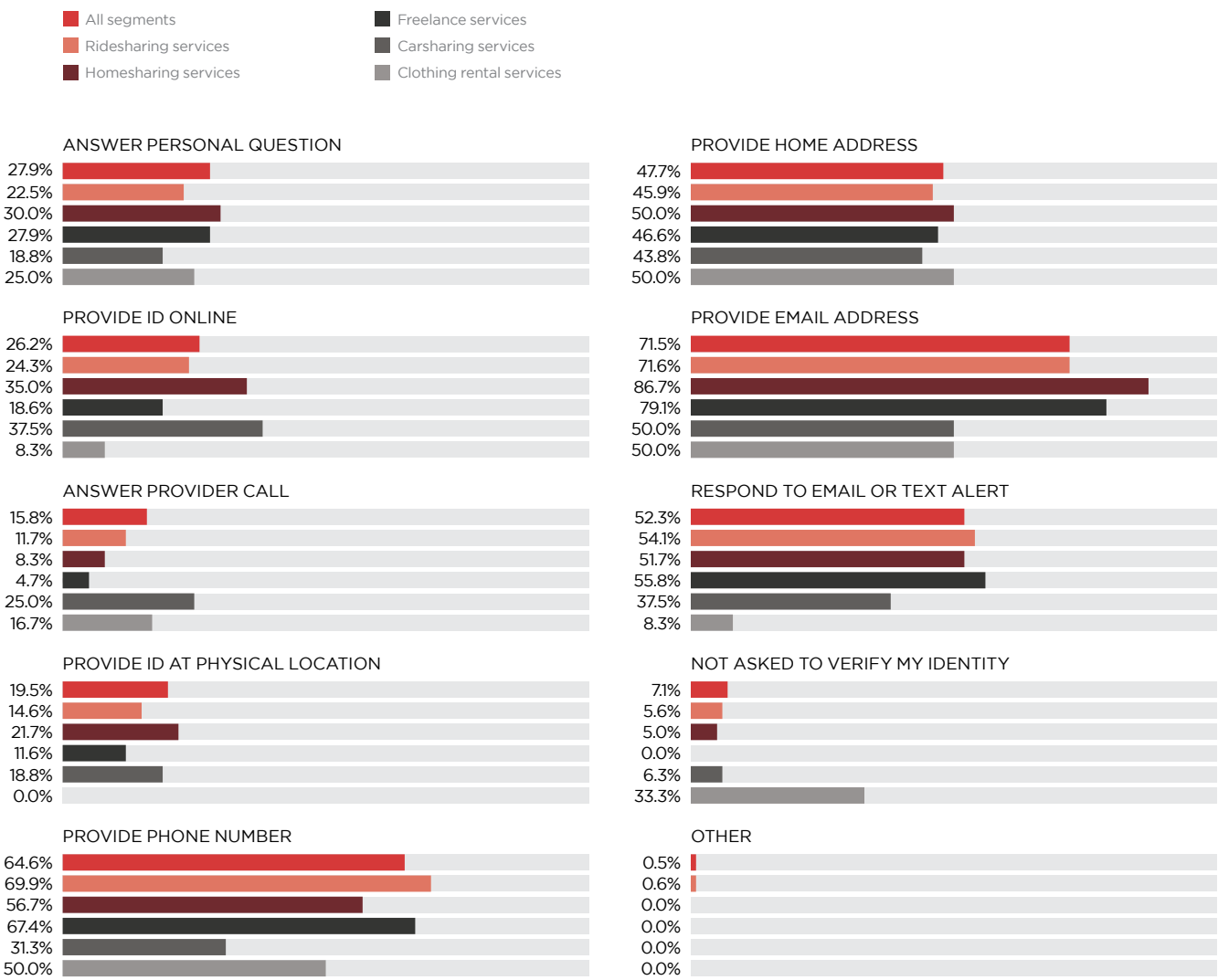
Not all sharing economy platforms have resisted document-based verification, though. Those providing access to high-value assets like homes or automobiles understandably implement stronger, documentation-based user verification systems to help protect their users and stakeholders. Such high-value assets can be lucrative targets for bad actors, after all.



Consumers on homesharing and carsharing platforms are among the most likely to say they verified their identities by providing digital identification documents at 35 percent and 37.5 percent, respectively. This compares to the 26.2 percent of all surveyed platform users who are asked to present digital documentation and 19.5 percent asked for physical documentation.

Home- and ridesharing platforms are also among the most likely to require new users to verify their identities by submitting physical identification documents in person at brick-and-mortar locations. Among respondents who create accounts on homesharing platforms, 21.7 percent are asked to submit physical identification documents in person, as are 18.8 percent of consumers who use carsharing platforms.

Figure 4: How consumers are asked to verify their identities when opening accounts
Share asked to use select verification methods to create digital marketplace logins



Sharing platforms providing access to lower-value assets like clothing and ride-sharing are less likely to verify new users by examining their identification documentation, too. Just 8.3 percent of the former and 24.3 percent of the latter platforms ask new users to digitally submit such documents when creating new accounts, for example, and zero percent and 14.6 percent, respectively, require new users to submit them in person.

It is unsurprising that platforms enabling users to share high-value assets require

tighter security mechanisms, but others could still benefit from adopting stricter measures of their own. Users value privacy and data security, regardless of the services they use. Offering access to other low-value services like clothing or rideshares does not exclude digital platforms from falling victim to fraud and scandal, after all. Stronger security, beginning with documentation-based identity verification systems, will be key to both strengthening platform security and enhancing users' experiences.

24.3%

OF CONSUMERS ARE

asked to submit their identification online
when signing up for new ridesharing platforms.



CONCLUSION

Stronger identity verification and authentication procedures do not necessarily hinder satisfaction, according to our research, but can enhance overall user experience when properly implemented. Failing to introduce stronger platform security not only puts users' information at risk of theft and fraud, but may also deteriorate consumers' satisfaction due to security concerns.

Digital platforms can make their businesses stronger by simply meeting users' demands for tighter security upfront. Those that do not just may be sitting on ticking time bombs.

METHODOLOGY

The Who Are You? Verifying Digital Identity In The Sharing Economy report, a PYMNTS and Mitek collaboration, draws on response data collected from 3,585 American consumers. Our survey provided detailed questions to assess how users are asked to validate and authenticate their identities when signing up for and logging into sharing economy platforms in various market segments, including, but not limited to, ridesharing, homesharing, carsharing, clothing rental and freelance talent acquisition. Our sample was then census balanced, with its demographics closely resembling those of the U.S. at large.

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FEEDBACK

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