SHARING CORPS

SHOULD COMPANIES BUILD A NEW COMPETITIVE ADVANTAGE BY EMBRACING THE SHARING ECONOMY?

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Ecovala

Ecovala provides innovative solutions to private and public organisations to accelerate their transition towards sustainability. The organisation offers a wide range of services around sustainability and system innovation: from companies' environmental assessment to sustainable strategic design, from new green services definition to effective implementation of CSR management. Based in Finland, the organisation is active throughout Europe, relying on an extensive network of like-minded organisations and sustainability experts.

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INTRODUCTION

We live today in turbulent environments: plunged into an endless economic recession, challenged by the depletion of natural resources and other environmental pressures, while still looking for a rebuilt sense of community amongst each other.

In the last decade, an increasing number of start-ups entrepreneurs have launched new business models that attempt to tackle these issues by relying on the power of new technologies. These companies include sharing and community-building at the core of their DNA. This entrepreneurial movement, tagged as the sharing economy is redefining the nature of today's business.

The sharing economy refers to "*economic and social systems that enable shared access to goods, services, data and talent. These systems take a variety of forms but all leverage information technology to empower individuals, corporations, non-profits and government with information that enables distribution, sharing and reuse of excess capacity in goods and services*"[1].

In January 2013, Forbes[2] estimated that the revenue flowing through the sharing economy directly into people's wallets would surpass $3.5 billion that year, with growth exceeding 25%. At that rate, peer-to-peer sharing is now moving from an income boost in a stagnant wage market into a disruptive economic force. Yet, most of the business activities related to the sharing economy are carried out by young innovative start-ups. Large corporations have been somewhat rather slow in embracing this new business paradigm. Most of the time, initial reactions from companies have been to protect their traditional market by lobbying at governmental level in order to obstruct the development of these disruptive models. Is the sharing economy compelled to remain within the start-ups arena? Are there any windows of opportunities for large companies in the sharing movement? How can the movement benefit from its mainstreaming?

The following paper aims to reconcile both parties by looking at how corporations can benefit from the rise of the sharing economy. After introducing the concepts and its various declinations, a multi level perspective is used to describe the various pressures influencing the existing business regime. A closer look at the possible reasons behind the resistance of large companies is followed by an overview of recent management moves from small and large companies to tap into the movement. The different strategies are organized around a comprehensive framework to help large companies understand the potential value of creating integrated business models. Finally, some recommendations for further steps are suggested.

[1] Harvard Business Review, January 2013. "From Zipcar to the Sharing Economy". http://blogs.hbr.org/2013/01/from-zipcar-to-the-sharing-eco/
[2] Forbes, 2013, Airbnb And The Unstoppable Rise Of The Share Economy http://www.forbes.com/sites/tomiogeron/2013/01/23/airbnb-and-the-unstoppable-rise-of-the-share-economy/

THE SHARING ECONOMY: ORIGINS AND CONCEPTS

Collaborative economy, collaborative consumption, sharing economy, peer economy... These interconnected terms are all shaping the way a new range of companies define their current business environment. Where does this trend originate from? What are the concepts embedded in this new economy? Are there any sustainability benefits?

Origins

The term "collaborative consumption" was first used by Marcus Felson and Joe L. Spaeth in a paper focusing on car-sharing *"Community Structure and Collaborative Consumption: A routine activity approach*"[3] published in the *American Behavioral Scientist*, in 1978. Twenty years later, Ray Algar, a UK-based management consultant used the term in an article entitled "Collaborative Consumption[4]". In 2011, collaborative consumption was named one of TIME Magazine's 10 ideas that will change the world[5]. The financial crisis of 2007 and subsequent housing bubbles have driven consumers to reconnect through peer-to-peer marketplaces that turn underutilized assets and resources into new jobs, income streams and community networks.

Definitions

Today, the way we traditionally think about supply and demand is challenged. The relationship between buyers and sellers is disrupted. The consumers start getting what they need from each other, taking control and value away from big centralized companies. In the process, traditional companies become disintermediated. We are currently moving from a society of passive consumers to active and connected creators, collaborators, producers, financers, and providers.

Rachel Botmans, author of *What's Mine Is Yours: How Collaborative Consumption is Changing the Way We Live*, recently tried to clarify the various forms of this new economic paradigm[6] and distinguished the main differences between the concepts.

Collaborative economy

As Botmans states, collaborative economy can be described as *"An economy built on distributed networks of connected individuals and communities as opposed to centralized institutions, transforming how we can produce, consume, finance and learn"*[7]. On the production level, through collaborative networks, goods are designed, produced and distributed (i.e. Quirky[8], the online platform of inventors). On the consumption level, efficient models of redistribution and shared access allow for the maximization of assets utilized (i.e. Airbnb[9] the online marketplace for shared bedrooms). On the financial level, decentralized approaches focus on person-to person banking (i.e.

[3] Felson, Marcus and Joe L. Spaeth (1978), "Community Structure and Collaborative Consumption: A routine activity approach," American Behavioral Scientist, 21 (March–April), 614–24.
[4] http://www.oxygen-consulting.co.uk/insights/collaborative-consumption
[5] *Time.* March 2011 http://www.time.com/time/specials/packages/article/0,28804,2059521_2059717_2059710,00.html
[6] Botsman, R and Roo R. *What's Mine Is Yours: The Rise of Collaborative Consumption.* New York: Harper Business, 2010.
[7] Botsman,R, The Sharing Economy Lacks A Shared Definition (2013)
[8] www.quirky.com
[9] www.airbnb.com

Zopa[10]) and crowd-driven investment models. On the educational level, education is democratized through open education and person-to-person learning models.

Collaborative Consumption

Collaborative Consumption on the other hand can be described as "*An economic model based on sharing, swapping, trading, or renting products and services, enabling access over ownership. It is reinventing not just what we consume but how we consume*.[11]" It focuses on three approaches:

- ✓ **Redistribution markets,** that allow for unwanted or underused goods to be redistributed. Examples include ebay[12] (auction website) Craigslist[13] (local classified ads) or specific niches marketplaces (from children clothing to designer dresses).

- ✓ **Collaborative Lifestyles** in which fewer tangible assets such as space, skills and money are exchanged and traded in new ways. Examples include Timebanks[14] or Skillshare[15] (exchanging skills), Liquidspace[16] (sharing offices).

- ✓ **Product Service Systems (PSS)**, an innovative set of business models that focuses on creating value through access rather than on the transfer of property. Examples include car or bike sharing schemes (Zipcar[17], Velib[18]), Energy Service Companies (ESCOs), Design-Build-finance-operate (DBFOs).

The sharing economy and the peer economy

The Sharing Economy is "*An economic model based on sharing underutilized assets from spaces to skills to stuff for monetary or non-monetary benefits*[19]" while the **Peer Economy** "*relies on person-to-person marketplaces that facilitate the sharing and direct trade of assets built on peer trust*.[20]"

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[10] www.zopa.com
[11] Botsman,R, The Sharing Economy Lacks A Shared Definition (2013)
[12] www.ebay.com
[13] www.craigslist.org
[14] www.timebanks.org
[15] www.skillshare.com
[16] www.liquidspace.com
[17] www.zipcar.com
[18] www.velib.paris.fr
[19] Botsman,R, The Sharing Economy Lacks A Shared Definition (2013)
[20] Botsman,R, The Sharing Economy Lacks A Shared Definition (2013)

Sustainability advantages of the sharing economy

The sharing economy may offer various advantages from a sustainability point of view:

Environmental benefits

- ✓ **Resources efficiency:** reselling, swapping, renting, co-owning, gifting, extends the life of products, maximizes usage, and thus reduces the environmental of goods over their lifespan.
- ✓ **CO2 reduction:** if the sharing economy optimizes the usage of goods, fewer products need to be manufactured to produce the same added value. Thus, less CO2 is emitted in the manufacturing phase.
- ✓ **Design for sustainability:** Products service systems generally urge the producer to design sustainable and durable products, since the ownership remains his.

Economical benefits

- ✓ **Monetize idle resources:** on average, power drills are used for a total of 12-13 minutes in their entire lifetime. Resources that were previously idle can now be shared and used, while being monetized in the process. Every car sharing vehicle for instance, replaces 9 to 13 vehicles, and reduces the number of hours a car sits idle in a garage or parking lot[21]. Companies like Lyft[22] (peer to peer taxis) or RelayRides[23] (peer to peer car rental) have understood the opportunity to monetize the use of idle cars.

Social benefits

- ✓ **Community building and enhanced social interaction:** when using services such as Airbnb24 (peer to peer hotel rooms), the user is looking for a truly human experience where people exchange more than products or service, but develop a connection between each other.
- ✓ **Good bye ownership, hello access:** in the current recession time, it may become more and more difficult to own goods such as cars, boats or any other expensive products. Collaborative economy business models stress the benefits of access over ownership. Why own a product if you can rent it for the time you actually need it? Bag borrow or steal[25] (rental service of designer's handbag) and Boatbound[26] (peer to peer boat rental platform) have seen the competitive advantage in focusing on these specific luxury products niches.

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[21] UCTC, 2010 The Impact of Carsharing on Household Vehicle Ownership http://www.uctc.net/access/38/access38_carsharing_ownership.pdf
[22] www.lyft.me/
[23] https://relayrides.com/
[24] https://www.airbnb.com
[25] http://www.bagborrowersteal.com/
[26] http://boatbound.co

A MULTI-LEVEL PERSPECTIVE ON THE SHARING ECONOMY

In the last decade, an accumulation of weak signals have shown that we are currently experiencing a societal shift, leading to a transition towards more collaborative interactions within society. Through new technologies, people get empowered and self organize: they slowly leave their traditional role of passive consumers to become active participants of purpose-driven networks of makers[27].

Applying a multi-level perspective to describe this transition might help understand what is currently at stake. Transition management frameworks seek to push the outcome of change to lessen uncertainty, produce desirable social outcomes and enhance resilience during the transformation of socio-technical systems[28]. The following section briefly describes the different levels within socio-technological systems. The next section applies it to the sharing economy paradigm.

A Transition Management Framework

The literature recognizes that there are three separate levels that Transition Management must work within: **Landscape, Regime** and **Niche**[29]. Dutch researcher Frank Geels[30] presented the interplay between regime, niche and landscape concepts as a multi-level perspective depicting technological transitions. His heuristic model can be seen as an aid to better understand the processes at play.

The macro level (Landscape)

Landscape refers to the overall socio-technical setting that include both intangible aspects (social values, political beliefs, world views) and tangible aspects (such as the built environment). The landscape is an external background to the interplay of actors at the regime and niche level. Changes do occur in the landscape but at a much more slowly pace than regime level.

Meso Level (regime)

Socio technical regimes are relatively stable configurations of institutions, techniques and artefacts as well as rules, practices, and networks that determine the normal development and use of technologies[31]. In effect, they are the established practices of a given system. Seven dimensions have been identified in the regime: technology, user practices and application, the symbolic meaning of technology, infrastructure, policy and techno-scientific knowledge. These dimensions shape innovations.

The regime sits at the meso-level, sandwiched between the micro-level of the niche and the macro-level of the landscape. It acts as a selection and retention mechanism, filtering out the unsuccessful while incorporating more worthy innovations into the existing regime. Change occurs at the regime level incrementally. As we will describe later, radical change is potentially threatening to the existing interests of the established regime.

[27] Owyang ,J, Altimeter, 2013 The Collaborative Economy
[28] Rotmans, J; René Kemp & Marjolein van Asselt (2001). "More evolution than revolution: transition management in public policy". *Foresight* 3 issue 1
[29] Kemp, R; Loorbach, D (2003). "Governance for sustainability through transition management
[30] Geels, F. W., 2002. Technological transitions as evolutionary reconfiguration processes: a multi-level perspective and a case study. Research Policy 31 pp. 257-1273
[31] Rip, A. and R. Kemp., 1998. Technological change. In S. Rayner and E. Malone(eds.) Human Choices and Climate Change, Vol. 2, 327-399. Battelle, Columbus, Ohio.

Micro level (niches)

Radical and disruptive innovations occur in **niches**. They act as safe environments in which breakthrough developments can grow, sheltered from the selection process that occurs at regime level. A regime may host a range of niches which generate innovations to challenge the status-quo. In the 20th century, the military has been a primary niche for major technologies development (from radio, aircraft to computers and the internet).

Ongoing processes at the regime and landscape level present 'windows of opportunity' innovative approaches to exploit and become established. These breakthroughs tend to occur gradually through niche-accumulation. As innovations are used in multiple applications they build until achieving a critical mass slowly allowing for a regime shift.

A multi-level perspective on the sharing economy

The following section uses a multi-level perspective to describe how the sharing economy is currently disrupting existing business practices. Figure 1 summarizes the various pressures influencing the three levels.

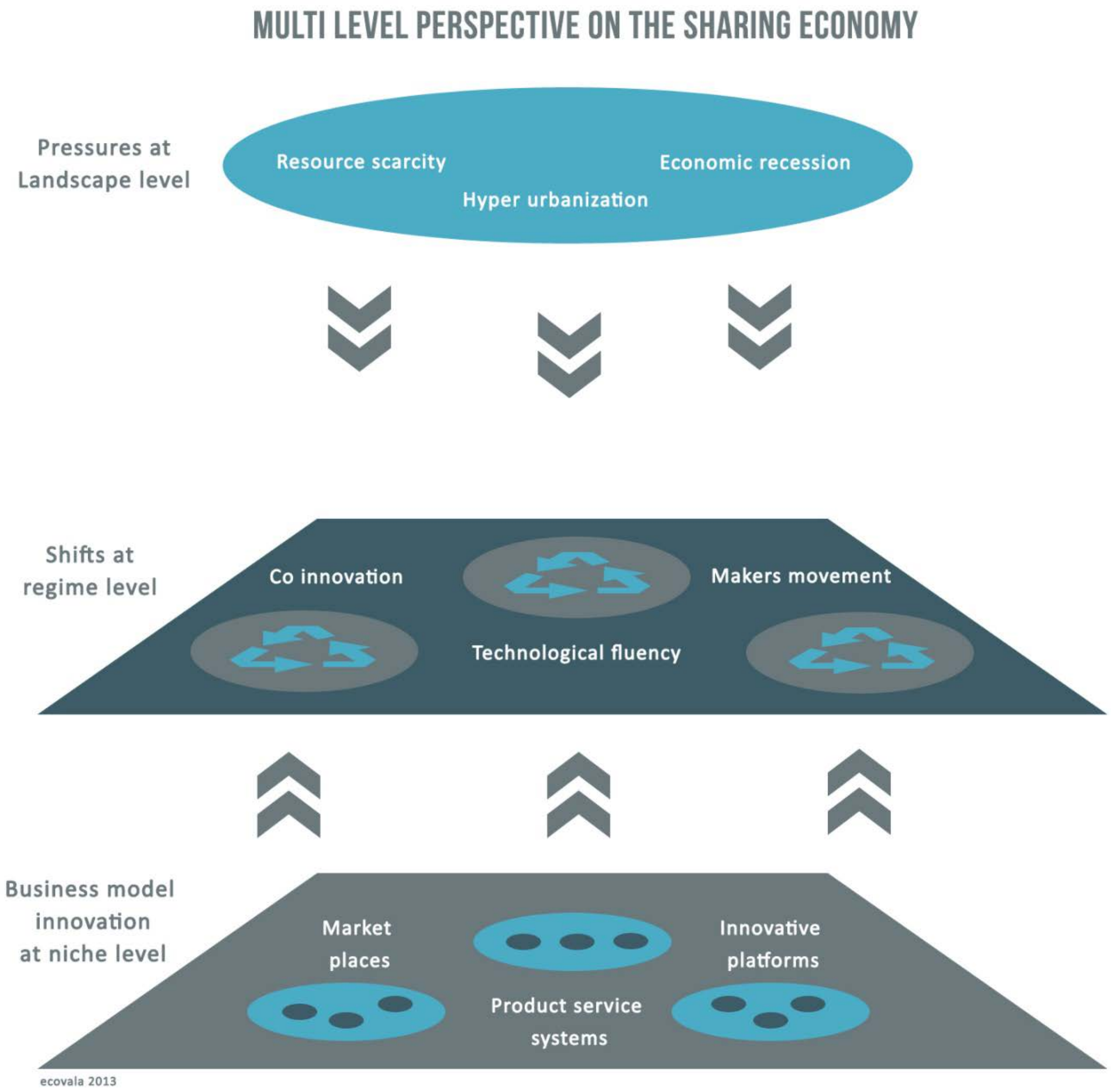

Figure 1: Multi-level perspective on the sharing economy

A changing landscape

The following societal drivers are currently reshaping the socio-technical landscape in which companies are operating.

Economic recession

Today's economy falls within the Great Recession, an ongoing global economic decline that began in December 2007. The initial phase started with a financial liquidity crisis, sparked by the outbreak of the American subprime mortgage crisis. What followed is a recession that affected the entire world economy to a degree which makes it the worst global recession since World War II. This major downturn is characterized by various systemic imbalances: the economic side effects of the European sovereign debt crisis, austerity, high levels of household debt, trade imbalances, high unemployment, and limited prospects for global growth in 2014 continue to provide obstacles for many countries to achieve a full recovery from the recession.

This gloomy global picture has fueled many business innovations at the niche level trying to provide solutions and services for people weakened by the crisis. At the same time, the great recession has helped increase awareness around the need to think about wealth and assets through a new lens, and measure 'growth' in a more meaningful way.

Resource scarcity

Intangible resources such as creativity and intellectual capital are increasingly important in today's global economy. However, the availability and utilization of oil, gas and other raw materials will continue to shape global trends for decades to come. The need to optimize these resources has never been greater, and the stakes have never been higher, both for business and for society[32]. Resource scarcity will drive major shifts in global markets, placing new emphasis on some very specific corporate capabilities, from adaptive supply chain management to more collaborative resource consumption.

Hyper urbanization

The 21st century is the century of the cities and of urbanization[33]. Since 2000, half of the world lives in cities. Demographers expect this great urban in-migration to continue for three or four more decades before urban population begins to slow by mid-century. This drastic change in spatial arrangement comes in hand with the emergence of new forms of technologically empowered sharing. This shareability revolution will dramatically change how we think about urban transportation networks, information infrastructures, food systems, and ultimately, citizenship. In shareable cities, peer-to-peer (P2P) relationships among citizens do not only drive the development of a new collaborative economy, it also creates new participatory forms of governance and fosters innovative responses to resilience challenges[34]. Population density becomes a key driver to enable the success of new sharing business models, in which the number of points of supply is crucial.

Emerging shifts at the regime level

Technological fluency

The rise of the internet in the last decades has reshaped the way citizens and businesses interact with one another. Three technological developments within the internet regime have influenced the way companies operate:

- ✓ **Ecommerce and electronic payment systems:** In 2012, ecommerce sales topped $1 trillion for the first time in history.[35] Electronic payments, payments for buying and selling goods or services offered through the Internet, are increasing globally. New emerging channels, such as hybrid payments combining online and mobile methods, or near field communication

[32] MIT technology review custom, November 2013, Optimizing Resources Amid Increasing Scarcity. http://www.technologyreview.com/view/521886/optimizing-resources-amid-increasing-scarcity-answer/
[33] Hall, Peter; Pfeiffer, Ulrich (2001) URBAN 21. Der Expertenbericht zur Zukunft der Städte. Stuttgart, München.
[34] Institute for the future, Hyper urbanization, the creation of sustainable dense cities, 2012 http://www.iftf.org/uploads/media/SR-1473_TYF12_HyperUrbanForecast_sm.pdf
[35] eMarketer, February 2013, Ecommerce Sales Topped $1 Trillion for First Time in 2012 http://www.emarketer.com/Article/Ecommerce-Sales-Topped-1-Trillion-First-Time-2012/1009649

(NFC) based e-wallets are also on the rise[36]. These trends will change the way customers acquire goods and services.

- **Social networking:** Social networking services, the platforms to build social networks or social relations among people who share interests, activities, backgrounds, or real-life connections, make it now easy for people to execute peer to peer transactions by facilitating supply and demand matching.

- **Mobile devices:** More than 70% of the world's literate population will have a smartphone within 4 years[37]. With the rapid expansion of smartphones use, people can access new services anytime or anywhere they want, not having to rely on a computer anymore.

This technological development slowly caused a shift in the existing regime. This shift built up in three phases: In the first phase, the development of internet allowed brand to find a new channel to speak to a crowd of customers. In the second phase, thanks to the development of social media (2.0), customers became empowered to speak to one another about products and services, slowly reducing the power of brands. In the third phase, building on the social media phase, the new era sees customers using mobile systems coupled with online payment solutions to share goods and services through easy transaction processes. Traditional brands become disintermediated and need to rethink their business model approach to customers.

Maker movement, DIY and open source innovation

- **Maker movement:** Along the development of internet, the maker movement is an emerging trend affecting the current regime and reinforcing the process of disintermediation. In this approach, individuals or groups of individuals create and market products that are recreated and assembled using unused, discarded or broken electronic, plastic, silicon or virtually any raw material and/or product from a computer-related device[38]. The movement has led to the creation of a number of technology products and solutions by typical individuals independently of any formal companies.

- **Do-it yourself:** The maker movement relies on **do-it-yourself** (DIY) and do-it-with-others (DIWO) techniques and processes to develop unique technology products. Generally, DIY and DIWO enables individuals to create sophisticated devices and gadgets, such as printers, robotics and electronic devices, using diagrammed, textual and or video demonstration. With all the resources now available over the Internet, virtually anyone can create simple devices, which in some cases are widely adopted by users.

- **Open source:** Most of the products created under the maker movement are **open source**, as anyone can access and create them using available documentation and manuals. However, the maker movement also incorporates creations and inventions that never existed before and were developed by individuals in their homes, garages or a place with limited manufacturing resources.

[36] Ystats.com, Global online payment methods, Report 2013
[37] Evans, B, Mobile is eating the world,2013 http://fr.slideshare.net/bge20/2013-05-bea
[38] http://www.techopedia.com/definition/28408/maker-movement

Co-innovation

The nature of product and service development is fundamentally changing (or has changed) across many industries. Today, product development is no longer just about what smart internal labs can come up with, but what can several organisations working together deliver. This requires a more cooperative and trusting way of working.

The most important benefit of open innovation to companies is that it provides a larger base of ideas and technologies**.** Through close collaboration with external partners – customers, consumers, researchers, new business opportunities can be seized, risks are shared, complementary resources are pooled and synergies realized.

Business model niche accumulation

The various drivers occurring at the landscape level combined with the slow shifts occurring at the regime level provided several windows of opportunity for disruptive business models to emerge. The table below summarizes the emerging business models behind the sharing economy. Some companies may have used more than one of these models.

Business model approach	Description of the business model	Example
Service fee	Company takes a service fee for successfully matchmaking sellers and buyers, borrowers and lenders, hosts and guests. The percentage of the fee will depend on the type of marketplace (from 5 to 40%) and the associated services.	At **Airbnb**, for every reservation booked, guests are charged a 6 to 12% service fee while hosts are charged a 3% fee. **Whipcar** charges car owners a 15% fee of the rental price while drivers are charges a 3 euros fixed fee.
Freemium	Company offers the first basic services free of charge. Additional features are however traded up.	**Netcycler** offers free swapping services among its community of users while charging additional costs for the postal delivery
Subscription plans	Different subscription plans come at a different price according to the number of goods desired or the quality of the goods.	**Dollarshaveclub** offers 3 different subscription plans to its shavers monthly delivery service, according to the type of shavers delivered.
On-sale	Company purchases unwanted goods directly from customers. Goods are recycled and resold for a higher value.	**ScotteVest** promotes used goods to be purchased and sold on eBay.

		Ikea has launched a second hand marketplace, and now encourages used goods to be sold –rather than bought anew.
White Label	Sells a back end platform that companies can tailor and use	**Zimride** sells rideshare network software to universities and companies. **Sharetribe** offers customizable online platform to create a community marketplace.
Flat membership	Company charges a fixed amount every month regardless of usage	**Techshop** charges members a flat 99 dollars monthly fee.
Membership plus usage	Company charges a yearly membership fee with different plans based on the frequency of use. Extra fees are charged based on the actual usage.	**Villo** charges a yearly fee for the use of its bike-sharing scheme. Biking trips over an hour are charged extra fee.

Table 1: Portfolio of Business models in the sharing economy (adapted from Rachel Botsman)

The various business models niches developed within the sharing economy are now influencing the way larger companies operate. A few large corporations have been exploring opportunities behind these new models. However, most large companies have been frightened to embrace the new paradigm. The next section describes the reasons behind.

THE SHADOW SIDE OF THE SHARING ECONOMY MAY FRIGHTEN CORPORATIONS

The sharing economy comes with many benefits. However, serious concerns have kept many large companies from embracing the concept. Lack of adapted regulations, trust and reputation concerns, insurance and liability issues, as well as environmental and ethical concerns are drawbacks described in the following section.

Lack of adapted regulations

One strong drawback for companies to embrace the sharing economy is related to the fuzzy legal aspects surrounding the movement. Jenelle Orsi, director of the Sustainable Economies Law Center, notes that the sharing economy exists in an "economy sandwich"[39], a gray area located somewhere between less-regulated private ownership and highly regulated public commerce.

With Airbnb, hosts on the site use privately held resources – their homes – to generate money. They are competing, on some level, with hotels. As they do not have to pay the taxes or deal with the zoning and safety regulations that regular hotels face, they get a strong economic advantage. This may not a problem when one host rents away his room a couple of nights a month, but when “bad actors” come into the market, buy an apartment and rent it out regularly through the platform, a large amount of tax revenues is left out[40]. Do large companies want to operate in this grey area and face severe consequences?

The Airbnb case is just the tip of the iceberg. In recent months, sharing companies, including ride-hailing app Uber[41] and ridesharing app Lyft[42], have faced lawsuits that highlight similar problems. As regulation is slowly attacking the issues, there might be a status quo for large brands to enter this market.

Insurance and liability blur

In 2012, a vehicle rented out with RelayRides--a site that lets people rent out their vehicles to strangers--was in an accident, killing the driver. In spring 2013, a vehicle driven by someone who had a contract with ridesharing service Uber crashed into another car, injuring a pedestrian. The pedestrian decided to sue Uber, which claims that it is merely a "technology platform" and not responsible for its drivers[43]. This question of liability sits at the heart of how we define the new transportation alternatives like ride-sharing or car-sharing. They are not quite cab companies, nor car rental services, two industries that have long since sorted out how to handle commercial auto insurance. For the case of Uber, as the company does not own the cars, why would it buy a car

[39]Orsi J, 2010 Economy Sandwich video, http://www.youtube.com/watch?v=LVUXiUkfQCs
[40] The Guardian, 2013, Airbnb's legal troubles: the tip of the iceberg for the sharing economy? http://www.theguardian.com/sustainable-business/airbnb-legal-trouble-sharing-economy
[41] www.uber.com
[42] www.lyft.com
[43] The Atlantic Cities, 2013 The Strange Tale of an Uber Car Crash and What It Means for the Future of Auto Insurancehttp://www.theatlanticcities.com/commute/2013/09/real-future-ride-sharing-may-all-come-down-insurance/6832/

insurance? As the sharing economy insurance industry is still nascent, companies may not want to embrace the new business models yet.

Trust issues

As sharing economy analyst Francesca Pick points out[44], trust is the foundation of all economic transactions, whether on or offline. Since most collaborative consumption models require individuals to carry out online transactions with people they have never met in person, trust between strangers plays a decisive role for the success of these marketplaces. According to research published in Shareable Magazine in the summer 2013, a lack of trust is still the number one barrier to sharing. An informal study[45] conducted by FlightCar[46], which offers free airport parking in exchange for renting out cars to other travelers, found that 80% of San Francisco Airport travelers won't try the service.

Rachel Botsman refers to three levels of trust that need to be built around sharing economy businesses: trust in the idea itself; trust in intermediaries; and trust between users. Some work has been done to create functional tools to assess trust and risk47 but some concerns still exist on the legitimacy of these trust tools.

Ethical issues

- ✓ **Rebound effects:** The so-called rebound effect occurs when some of the savings from resource efficiency are cancelled out by changes in people's behavior. It is currently hard to know if sharing under-utilized items leads to longer lasting and higher quality products or leads to increased and faster consumption. Does home-sharing creates a more sustainable tourism or does it support the development of unsustainable week-end city-trips? Does car-sharing lead to more sustainable transport or is the money saved from car-sharing reused for long-distance travel? No study so far has proved the long term sustainability effect of the sharing movement.

- ✓ **Workers rights:** Sara Horowitz, the founder of the Freelancers' Union, has been thinking about the economic impact of the sharing or excess-capacity economy from the perspective of workers. The proliferation of the "gig" and even the "microgig" found on platforms like Taskrabbit[48], and Fiverr[49], breaks down jobs into individual tasks, creating hyper efficiency for employers, who are paying only for a specific task. This can leave people incredibly vulnerable and represents a U-Turn in labor, where many people are once again working without a net, and taking on a level of risk not seen in more than 100 years[50].

[44] Trustcloud, 2013 Trust in the sharing economy https://trustcloud.com/blog/2012/10/10/trust-in-the-sharing-economy-part-i.html
[45] Boston globe, 2013 FlightCar brings peer-to-peer car sharing to Logan http://www.bostonglobe.com/business/2013/05/15/baby-you-can-rent-car-flightcar-brings-peer-peer-car-sharing-logan/gLDAP2xpQNUqeMlzDSx9vM/story.html
[46] www.flightcar.com
[47] Trantastico, Building trust and safety in the collaborative economy http://trantastico.tumblr.com/post/53528709054/building-trust-and-safety-in-the-collaborative-economy
[48] www.taskrabbit.com
[49] www.fiverr.com
[50] The Atlantic, 2013, Welcome to the micro gig no job is too small http://www.theatlantic.com/business/archive/2013/04/welcome-to-the-micro-gig-no-job-is-too-small/274843/

- ✓ **Ripple effect?** Some business analyst have been more extreme towards the movement and warned for possible catastrophic recession, if the sharing economy was to strive[51]. "*The potential impacts of renting/leasing as a long-term trend, though, are worrisome: Renting and sharing could lead to lower home sales (and, subsequently lower home values and net worths), as well as lower auto and retail sales*," wrote market strategists at ConvergEx Group, in a recent report. "*The ripple effects could also be catastrophic: Adjusting to a consumer who does not necessarily buy, but rather rents, would necessitate a shift in production, sales, and even employment structures*".

Lack of adapted regulations, trust issues, ethical concerns have held back several large companies from moving forward in the new economy. A few frontrunners however have been more daring. Based on these examples, the following section aims at exploring the scope of possibilities offered to large companies to integrate disruption in their business models.

[51] Business insider, 2013 Rise Of The Renting And Sharing Economy Could Have Catastrophic Ripple Effects **http://www.businessinsider.com/rise-of-the-renting-and-sharing-economy-2013-8?op=1#ixzz2nZyu3d5K**

EMBRACING THE SHARING ECONOMY: A STRATEGIC FRAMEWORK

The previous section described different concerns that may prevent large companies to embrace the sharing economy movement. Yet, a increasing number of large companies have started to explore the opportunities offered by the sharing movement. Figure 2 below summarizes the various strategies a company can explore when looking into entering the sharing economy.

Moving from a reactive to a proactive positioning, the most successful brands will be the one who manage to integrate the core values of the sharing economy into a renewed business model. The various approaches are described below. Recent examples illustrate the various strategic decisions. A set of opportunities and risk complete the analysis.

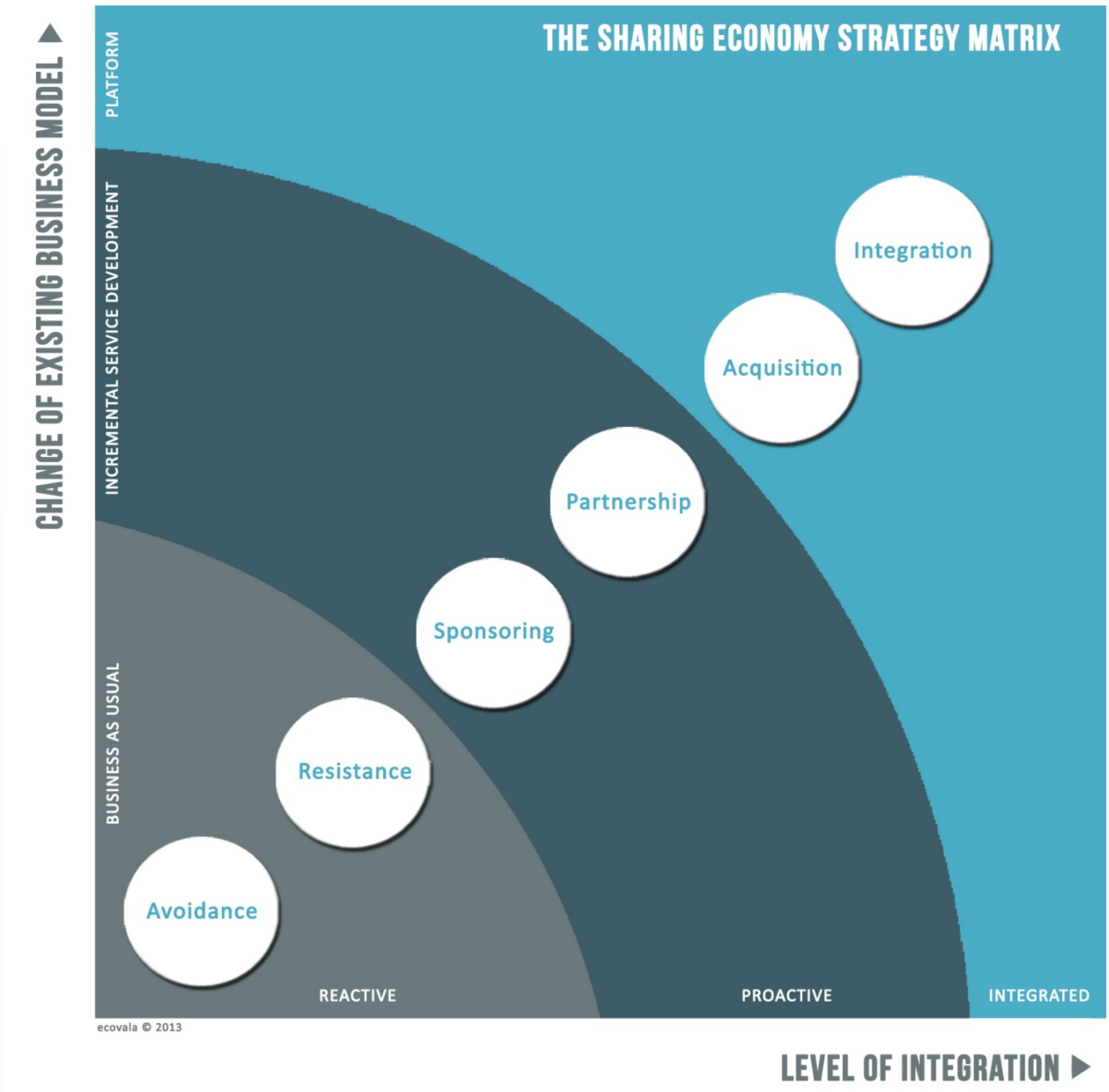

Figure 2: the sharing economy strategy matrix

Avoidance

"There are always many small newcomers who come and go, why bother with them"? When an emerging trend rises up in one's market, the first reaction is generally to ignore it, as it may go away by itself. Avoiding discussing the subject will not bring any market opportunity. On the contrary, this business as usual approach may bring many risks is the sector moves on in this new direction.

Opportunity	Risk
Potential opportunity: zero	The strategy remains "Business as usual". The risk is null if the emerging trend is not lasting. However, if the weak signal proves to be significant, the emerging trend can disrupt one whole industry and leave the traditional company behind.

Resistance

If the company does not ignore the emerging trend, a more reactive strategy will be to resist the newcomer in order to protect its market share. 2 options may be deployed:

- ✓ **Using the law:** Innovation, by its nature, does not always fit within existing structures. Therefore, this fuzzy legal situation can be used by mainstreams companies to discredit the legality of these new innovative services. In May 2013, RelayRides[52] had to suspend its operations in New York State after being accused of "noncompliance with certain unique aspects of NY insurance law." In spring 2013, SideCar stopped offering its ride-sharing service in New York City after a judge concluded it was essentially a taxi service that didn't have the proper license. Earlier this year, FlightCar, a peer-to-peer car-sharing service that matches renters with vehicles left behind at the airport by travelers, got sued by San Francisco City Attorney Dennis Herrera, who accused the company of failure to pay San Francisco International Airport (SFO) the standard fees paid by rental-car agencies.[53]

- ✓ **Aggressive marketing strategy.** In order to discredit the newcomer, possible information warfare strategies can be put into practice. In the last years, Airbnb has suffered from public cases of bad publicity. In 2012, one host room was raided by policemen in Stockholm trying to catch "two call girls *in flagrante delicto* with clients".[54] In 2011, one Oakland apartment was rented by a drug addict with a stolen identity who "*did thousands of dollars of bizarre damage to [the] rented home and left it littered with meth pipes.*"[55] These unfortunate events, even if seldom, were extensively talked about in the media, increasing the image of insecurity around the Airbnb brand.

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[52] https://relayrides.com/
[53] Time magazine, 2013 Sharing Is Hard: Legal Trouble for Airbnb, RelayRides, FlightCar http://business.time.com/2013/06/06/sharing-is-hard-legal-trouble-for-airbnb-relayrides-flightcar/
[54] The Wire, 2012 Better Security Didn't Protect Airbnb from Prostitution http://news.yahoo.com/better-security-didnt-protect-airbnb-prostitution-184501711.html
[55] USA Today 2011, Plot thickens in Airbnb vacation rental horror story http://travel.usatoday.com/destinations/dispatches/post/2011/07/plot-thickens-airbnb-renter-horror-story/179250/1

Opportunity	***Risk***
Companies already have legal experts and lobbyists employed for the defense of the company. Cost to fight the newcomer will not be higher. Using aggressive marketing strategies to discredit the newcomer can strengthen the market position of the mainstream company	Information warfare strategies can always be turned against the initiator. Newcomers may also get together and form a counter lobbying group. The newly formed Peers.org organisation is currently aiming at pushing the interests of its members further.[56]

Sponsor

Corporations can benefit from the general positive image of the movement and involve their brand by sponsoring sharing economy startups.

- ✓ **Long term marketing sponsoring:** CitiGroup, one of the world's largest brands, is sponsoring US largest bike sharing program in New York City. The program is operated by NYC Bike Share, a wholly owned subsidy of Alta Bicycle Share, Inc., an American firm focused on operating large-scale bike share systems. In 2013, CitiBank offered 6,000 of the blue unisex bikes[57] and 330 docking stations in Manhattan and Brooklyn, with a vision to grow to more than 10,000 bikes. The bikes are becoming mobile advertising units, travelling the streets of New York. The data derived from these bikes and their digital check-ins, along with web and mobile features, provide the CitiBank system with rich data at a local level.

- ✓ **Short term campaign:** Yerdle is a marketplace where everything is free. Thousands of items are being exchanged on the website, from camping gear to electronics to kid's toys. Members post items they're willing to give away, and Yerdle connects them to a grateful receiver. In 2013, as part of its ongoing green initiative dedicated to raising Green awareness, NBC Universal partnered with Yerdle in a week-long promotion named #ShareAndTell. More than 20 brands like the Today Show and MSNBC signed on to promote Yerdle as part of Earth Week. Together, Yerdle and NBC reached hundreds of thousands of people spreading the message about Yerdle and its brand. In one week, 2,400 Americans across the country shared more than 2,300 individual items on Yerdle.

Opportunity	***Risk***
High brand association with the sharing movement, with low investment. The involvement is rather low as it only includes an advertised support.	Sponsoring is not a business model innovation. If a better visibility if obtained by the company sponsoring, there is no direct revenue increase. This approach is therefore not sustainable in the long run.

[56] Salon.com, 2013, The sharing economy gets greedy
http://www.salon.com/2013/07/31/the_sharing_economy_gets_greedy/
[57] http://citibikenyc.com/

Partner

Partnerships may be a way to benefit from external skills, build knowledge, and explore new niches. Examples of fruitful partnerships between traditional actors and innovative startups have bloomed in the recent years.

- ✓ **Co-innovation partnership:** In 2009, Virgin Atlantic has partnered with Siine to co-develop Taxi2, a website that enables passengers to link up easily with other travelers who may be on their flight and travelling to a similar part of a city, so they can share the taxi ride. The taxi² initiative[58] is one of the first initiatives to result out of Virgin Atlantic's VJAM program, which is focused on co-innovation with Virgin Atlantic customers with the goal to make travel more social.

  Quirky is a company that makes invention accessible by bringing new product ideas to life through its online collaborative platform[59]. The startup has captivated General Electric, the American multinational conglomerate corporation operating in Energy and Technology Infrastructure segments. For over a year, GE and Quirky have been engaged in innovative discussions. First, they worked on a milk jug that would tell users when its contents were going sour. That led to an announcement in April in which GE agreed to share patents with the Quirky community in order to create a line of small, connected devices for the holidays. Later this year, Quirky and General Electric partnered to crowdsource the development of the Wink, Instantly Connected brand of smart, Internet-enabled consumer products. The Electric Imp platform provides the connectivity backbone for each product. Beth Comstock, GE's chief marketing officer, believes Quirky can create playful consumer products that GE simply isn't good at. She sees the first batch of jointly produced products as validation of the partnership, and the companies plan to collaborate on six products a year for each of the next five years[60].

  General Electric partnership with Quirky is not the one of a kind. In cooperation with Skillshare and Techshop, GE developed GE Garages[61] a manufacturing co-lab space offering free workshops where aspiring builders of all levels can go to develop new skills and learn about modern manufacturing technologies. GE Garages facilitates the creation of one-off products, development of consumer products for mass consumption, and community participation in GE projects that address global or local challenges. The GE Garage offers access to tools including a CNC mill, laser cutter, 3D printer, MIG welder, injection molder, cold saw, and ironworker.

- ✓ **Shared value partnerships:** In the banking sector, Titan Bank and Congressional Bank, two community banks, have started to buy loans through the Lending Club platform, a peer to peer financing website. Titan Bank also offers personal loans to their banking customers through the Lending Club platform. Lending Club utilizes technology and innovation to reduce the cost of traditional banking and offer borrowers better rates and investors better returns. Over $1.9 billion in personal loans have been issued through the platform, which has more than doubled annual loan volume each year since launching in 2007. "*Lending Club brings a low cost operating model to consumer lending. Banks, on the other hand, have a low cost of funds and deep roots in local communities. Our alliance with Lending Club truly*

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[58] http://www.virgin-atlantic.com/en/gb/bookflightsandmore/innovationzone/vjam/taxi2.jsp
[59] http://www.quirky.com
[60] Business week, 2013 Why GE sees bing things in Quirkys little inventions http://www.businessweek.com/articles/2013-11-13/why-ge-sees-big-things-in-quirkys-little-inventions
[61] http://www.ge.com/garages

combines the best of both worlds to bring down the cost of credit for our customers. This is the future of bank lending," stated Titan Bank Director Jonathan Morris, following the partnerships announcement[62].

Hotels & resorts chain Marriott has recently partnered with liquidspace (a mobile app connecting people in search of flexible workspaces with venues providing workspaces) to offer a choice of meeting space easy to find and simple to reserve. Workspace on Demand[63] is being tested among hotels primarily in the Washington, DC and San Francisco areas. People can book small meeting space, as well as lobby seating areas and communal tables to work, meet, connect and collaborate.

Opportunity	***Risk***
Test new ways of product development Acquiring new skills and knowledge Opening up to new market segments	Cultural gap between two cultures

Acquisition

A faster way to get into the sharing market is to acquire the threatening startups. Originally founded in 2000, Zipcar[64] had 767,000 members and 11,000 vehicles on offer throughout the United States, Canada, the United Kingdom, Spain and Austria in late 2012 when Vehicle rental services company Avis Budget Group (Avis) announced that it had agreed to acquire car sharing network Zipcar for $12.25 per share, or approximately $500 million in cash. "*We see car sharing as highly complementary to traditional car rental, with rapid growth potential and representing a scalable opportunity for us as a combined company. We expect to apply Avis Budget's experience and efficiencies of fleet management with Zipcar's proven, customer-friendly technology to accelerate the growth of the Zipcar brand and to provide more options for Zipsters in more places*", stated Avis CEO and Chairman Ronald L. Nelson. Avis Budget expected to generate $50 to $70 million in annual synergies as a result of the transaction.

Investing in a rising startup can also lead to more innovative development. Formed in 2009, Uber developed a simple app to connect drivers of town cars to people looking for rides. The service has expanded to more than 40 cities around the world, and also now includes taxi cabs in many areas. According to recent fillings, Uber is valued at $3.5 billion. In August 2013, Uber CEO Travis Kalanick confirmed the closure of a $258 million financing round led by Google Ventures. The deal resulted in David Drummond, Google's senior vice president of corporate development, getting a spot on Uber's board, where he will advise the company on breaking into new -- often unfavorable --

[62] Wallstreet journal, 2013 Community Banks Join the Lending Club Platform http://online.wsj.com/article/PR-CO-20130620-905342.html?mod=wsj_share_twitter
[63] workspaceondemand.marriott.com
[64] www.zipcar.com

markets. The investment in Uber may also give Google another platform via which to start executing its reported plans for a driverless "robot-taxi" service[65].

Opportunity	*Risk*
Fast way to get active in the market. Learning from successful startups insights of the movement. Strategic innovation partnership.	The strategy can become fairly expensive. If the acquired business model remains a niche, it does not stop new competitors from emerging. As venture capitalists increase their investments into startups, valuation is becoming higher and higher.

Integration

In order to embrace the full potential of the sharing economy, brands can go beyond proactive strategies such as sponsorship, partnerships or acquisitions. By redefining their initial business model, companies can tap on the new sharing paradigm.

In order to do so, according to Jeremiah Owyang, sharing economy expert at Crowd Companies[66], the following strategies can be implemented: design new products for shareability; shift from selling a product to offer a service, create a marketplace to facilitate the reuse of products, and finally orchestrate an open platform.

- ✓ **Design for shareability**
  One integrated approach to integrate its business model to the sharing economy is to design new products with the specific goal of shareability. In March 2013, Toyota presented the i-road, an innovative electric three-wheeler microcar. The world largest automaker then announced it will add the i-Road to an experimental electric car-sharing fleet it runs in Japan named Ha:Mo, which currently offers electric-assisted bicycles and a mini EV smaller than a Smart ForTwo. The idea works much like the urban bike-sharing systems currently spread throughout Europe: borrow a car, drive between bus stops and drop it off. Only a specifically designed vehicle can perform in this approach.

- ✓ **Engaging in Product-Service Systems: from selling a product to selling a service**
  The car industry is currently facing many challenges (tighter environmental legislation, constant urbanization and changing customer behavior)[67] . One possible way to meet these challenges is to build open mobility platforms to answer the growing demand for cars-as-a-service. Peugeot Mu Mobility Services Rentals[68] is currently exploring that niche. This ground-breaking offer in the world of motoring enables clients, irrespective of whether or not they own a vehicle, to have access to a range of mobility services via a pre-paid card that can be topped up on the www.mu.peugeot.fr Internet site. Accordingly, as and when

[65] Greentechmedia, 2013 Google leads $258 million financing round car sharing firm Uber. http://www.greentechmedia.com/articles/read/google-leads-258m-financing-round-for-car-sharing-firm-uber
[66] www.crowdcompanies.com
[67] Chapuis D, 2012, Impacts of collaborative consumption on traditional industries: scenarios for the European car industry http://fr.slideshare.net/davidchapuis/impacts-of-collaborative-consumption-on-traditional-industries-scenarios-for-the-european-car-industry
[68] http://www.mu.peugeot.co.uk/

needed, cardholders are able to rent a bicycle, a 50 cm3 or 125 cm3 scooter, a leisure vehicle (207 CC, 308 CC, Coupé 407, 3008), a utility vehicle, a replacement vehicle (2 or 4 wheeled), or a mobility accessory (GPS, roof box…). In liaison with a travel agent and via a simple telephone call, the cardholder can also book an air or rail ticket, reserve a hotel room or organize a personalized trip. Driving lessons, courses to learn eco-friendly driving techniques or advanced driving training can also be booked via the same call centre.

- ✓ **Creating a marketplace to accelerate the reuse of goods and services**

In 2011, Patagonia, the outdoor clothing and Gear Company, has launched a first-of-its-kind campaign[69] for a consumer products company – asking customers to reduce unnecessary consumption of its own products. *"This program first asks customers to not buy something if they don't need it. If they do need it, we ask that they buy what will last a long time – and to repair what breaks, reuse or resell whatever they don't wear any more. And, finally, recycle whatever's truly worn out* » explained Yvon Chouinard, Patagonia's owner and founder. To put these objectives into effect, Patagonia and eBay Inc. have joined forces to launch a new marketplace for customers to buy and sell used Patagonia gear. The collaboration between Patagonia and eBay was born out of their common interest to extend the useful life of products. The online marketplace hopes it will create a new model for sustainable commerce within the apparel industry – one that emphasizes product reuse, and tapping the full useful life of clothing.

This marketplace creation is being tested in other sectors. Recently, Swedish furniture giant Ikea ran a multi-platform ad campaign[70], allowing customers to sell their second-hand furniture from the Swedish company via an online flea market. The Norway-based ad agency behind IKEA's campaign, SMFB, selected 50 Norwegian customers to sell their used furniture. SMFB created the virtual marketplace by encouraging sellers to photograph their furniture on Facebook, and then marketed each product on Ikea's Facebook page.

Opportunity	***Risk***
Higher return as brand owns data, all revenues, and potential IP from collaboration.	Highest liability and highest investment required to fulfill this model.

[69] http://campaigns.ebay.com/patagonia/
[70] Mashable, 2013 IKEA Partners With Customers to Sell Used Furniture in Virtual Flea Market http://mashable.com/2013/11/03/ikea-furniture-campaign/

EMBRACING THE SHARING ECONOMY: NEW CHALLENGES AHEAD

In the previous section, a collection of business strategies were described showing the potential benefits companies willing to enter the sharing economy market can acquire. Integrated business models improve efficiency of operations, as the crowd is now part of the operating team. This new extended relationship with customers offers a wide range of new business opportunities: Through a well design marketplace, the same products can be sold multiple times, generating new revenues. Business transactions are strengthened through enhanced user interactions, allowing for improved services and tailored offers, resulting in a whole new brand image.

However, transitioning from a conventional business model to a more collaborative and sharing approach does not come naturally. Dedicated transition frameworks and corporate culture shift may be needed. The following subsections introduce two new challenges ahead.

Start-ups agility vs corporation culture

To date, the sharing economy was mainly built by a gang of start-ups entrepreneurs. The innovations behind the movement are often attributed to the mentality, culture and passion that exist in a newly-born, small company. That culture is very different than that of large corporations: individuals working in start-ups are not motivated by money or glory, but by solving really tough problems that will change the world. Certain elements of large companies' management frameworks – such as short-term profit interests, business unit based incentive structures and uncertainty avoidance – may turn into obstacles that prevent these companies from embracing the startup entrepreneurship culture[71].Large companies contribute innovations in efficiency and optimizations, while start-ups have the ability to drive *disruptive* innovation. Smaller companies are able to take big risks, challenge traditional thinking and innovate quickly without bureaucracy getting in the way. One question remains: how can large companies drive disruptive innovation in a fast and agile way?[72]

Transition frameworks for the sharing economy

Innovation is about finding, building and taking a new idea to the marketplace. Innovations allow companies to create new customers, build stronger loyalty among customers and stay relevant in the world. Disruptive innovations take another step further. They are not incremental development. They are solutions that create an entirely new and often unexpected market. They push the limits of previous product and service development and may require new processes and new skills in order to be built.

Any company willing to tap into the sharing economy might face large external and internal barriers. Dedicated transition frameworks are needed to pave the way towards a successful transition. A step by step approach will be relevant to anticipate the future, explore growth opportunities, understand future customer changes. Questions to be addressed may be different according to the industry, the type of customers, the organisations and teams behind the transition. Who are the talents inside the corporation that can take the idea forward as a new innovation? What is the vision that will guide everyone's actions forward? Only well-prepared companies will be able to harvest the best ripe fruits of the sharing economy.

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[71] Halme M, Lindeman S, Linna P, 2012 Innovation for Inclusive Business: Intrapreneurial Bricolage in Multinational Corporations, Journal of management studies vol 49, issue 4

[72] SAP, 2013 Can Large Corporations Drive Disruptive Innovation Like Start-Ups? http://blogs.sap.com/innovation/innovation/can-large-corporations-drive-disruptive-innovation-like-start-ups-01240987

CONCLUSION

The sharing economy is here to stay. As it starts threatening existing business value chains, some companies and systems will disappear. Rather than seeing it as a threat, smart businesses start recognizing it as an opportunity to find new, more sustainable ways to connect to consumers. It is anticipated that more and more entrepreneurs with a variety of business models and strategies, including for-profit and non-commercial will embrace the new paradigm. As with any emerging sector, most will fail and some will succeed. Large companies cannot ignore this emerging trend. As David Bent from the Forum for the Future writes[73], companies should expect to have a challenge from a sharing economy alternative at some point. Best to spend some time now looking at when that might be and what the response should be.

[73] Forum for the future, 2013, The sharing economy: how it might develop, and what it means to big business http://www.forumforthefuture.org/blog/sharing-economy-how-it-might-develop-and-what-it-means-big-business#sthash.JzTKXQPw.dpuf

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