CFR Teaching Note #005: The Sharing Economy

Introduction to Retailing (NDH101), 2021

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Over the course of recent years, a new model of consumption has emerged with the so-called "sharing economy". Its rise was in part fueled by the global financial crisis and the subsequent need for more frugal spending, growing environmental consciousness, and in part by the ubiquity of the internet and related information and communications technologies (ICTs).

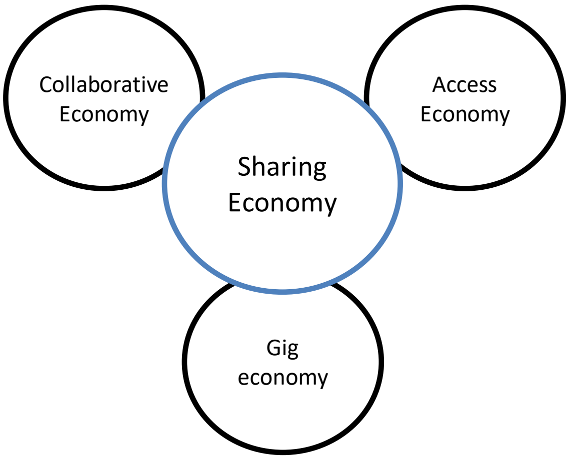
For consumers, a key implication of the sharing economy is that the potential circle of sharers has widened beyond the intimate kinship. Remember the times we used to say 'never get into a stranger's car'? For many of us, sharing a ride with strangers to reduce travel cost while mitigating environmental impact has become the norm. Organizations have similarly begun to design new sharing business models, both to reduce the impact on the environment (e.g., by making products more durable so that consumers can use products for a longer period of time) and to attract new customer segments for profit reasons. Yet, given the novelty of the sharing economy it is still unclear as to how – in concrete terms – companies can integrate different aspects of 'sharing' into their existing business model. Nevertheless, initial adoptions by incumbents are afoot as we can already identify new production trends toward increasingly durable goods. For example, Husqvarna, a manufacturer of outdoor products, has just launched a project allowing to borrow power tools from unattended containers. Similarly, automobile manufacturer Nissan pilots a car model that is specifically designed to be part-owned by a group of people.

What is the sharing economy?

There has been widespread ambiguity and even scepticism about the term sharing economy. Historically, economic anthropologist John Price (1975) was among the first researchers to use this term in the context of subsistence economies (economies in which people produce food, clothes, etc. for their own use, rather than for the market). The understanding of traditional sharing economies was thus based on intimate communities, where sharing functioned as "coordinating process that makes the parts of the intimate economic system congruous and effective in concert." (p.4). This admittedly vague description does not pertain to, and neither help us understanding today's internet-based sharing platforms. Here, the Oxford Dictionary (2017) provides a more contemporary definition: "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." As you may expect, this is just one way of framing this elusive phenomenon and finding the ultimate definition is perhaps neither possible nor feasible for a student of retailing (because retailers have constantly changing ideas about what the sharing economy de facto constitutes). If we take a conceptual birds-eye view at the sharing economy, however, we may be able to dissect some of the conceptual characteristics thereof.

Three dimensions of the sharing economy
Generally speaking, we can map out three broad interlinked categories that together comprise the sharing economy, namely collaborative economy, access-based economy and gig-economy (Chimenti 2020).

Figure 1 – Three dimensions comprising the sharing economy



The Collaborative Economy
The term collaborative economy, also known as collaborative consumption, is derived from sociology and originally denoted the interdependencies among members of a community, namely "those events in which one or more persons consume economic goods or services in the process of engaging in joint activities with one or more others" (Felson and Spaeth 1978, p. 614). In 2011, Botsman and Rogers (2011) re-branded and popularized this (pre-internet) concept in light of the ongoing digitalization and the rise of collaborative lifestyles. Specifically, the aim was to promote the idea of inclusion, self-reliance and equipotentiality (everyone has equal chances to contribute) in times of a connected, digitalized world. As such, the collaborative economy is grounded in traditional cooperative thought, similar to Sámi agrarians who depended on each other to share tools, build barns, manage fieldwork and even protect the Sápmi land. This participatory approach departs from the idea that humans are cooperative by nature and sharing may foster a bigger sense of 'oneness'. Emblematic examples include non-profit time banks, community gardens, crowdfunding, and repair cafes.

The Gig Economy
The gig economy denotes digitally mediated short-term hires of professionals and non-professionals ('micro-entrepreneurs') providing both sophisticated services (e.g., medical examination) or solving menial tasks (e.g., mowing the lawn). The Journal of the European Union (2016) defines the gig economy as "initiatives based on contingent work that is transacted on a digital marketplace". Typically, workers are matched with customers via industry-specified platforms (e.g., platform for medical services, accounting services etc.). Besides the well-known platforms within transportation (e.g., Uber), other platforms have developed similar on-demand models, including urban delivery services (Postmate), dog-walking (Wag) and private massages at home (Zeel). Gig-work also includes 'click-work' platforms that hire workers for micro-tasks of larger, secret projects such as Amazon's Mechanical Turk. Historically, the early precursor, or remote cousins, of the sharing economy emerging in the mid 1990's, such as Ebay and Craigslist, mainly aimed at transferring second-hand goods among peers, where proximity was of secondary importance (Sundararajan, 2016). Since gig workers need to be close-by in order to provide services on-demand,

proximity has become key. At the same time, research reveals that there is a 'dark side' of the gig-economy, highlighting emotional tensions and anxiety among giggers. For example, Frenken and Schor (2017) point at the increasing inequality within the bottom 80% of the income distribution, "as highly educated providers capture market opportunities like driving, cleaning and household tasks that were once the province of lower-educated blue and pink collar workers" (Frenken and Schor 2017, p. 5).

The Access Economy

Individuals increasingly seek means to consume without dealing with the financial and emotional burden of ownership (Rifkin 2014). This has prompted businesses to shift focus away from traditional ownership models towards access-based consumption, including access to more tangible products such as automobiles, accommodation, working space, and also less tangible assets like music streaming. The concept of the access economy has become an established form in the sharing economy, comprising "transactions that may be market mediated in which no transfer of ownership takes place" (Bardhi and Eckhardt 2012, p. 881). Interestingly, when consumers are able to access a host of alternative brands at any given time, for example driving a Mercedes-Benz today and a Volvo tomorrow, research shows that they do not identify as much with a brand. As a result, the close-knit bonding between the brand and its followers is fading while consumers increasingly pick options according to convenience and price.

Different meanings lead to different business models

The sharing economy hosts a number of different kinds of actors across public and private realms, including start-ups, manufacturers, municipalities, and interest groups (e.g., non-government organizations). The idea to share goods and services has thus resonated with a wide range of industries, including transportation, healthcare and consumer goods. Each of these industries in turn adopts a sharing terminology as new practices are introduced. For example, the tourism industry uses the term 'shared spaces' to refer to idle rooms, apartments and parking lots in vacation destinations. Whereas the transport industry often employs the notion of 'shared mobility', which includes a number of services ranging from car sharing, ride sharing via bike sharing to scooter sharing.

Since so many different kinds of actors are engaging with the sharing economy, a number of shared mobility business have emerged (*Table 1*). For example, on Peer-to-Peer (P2P) platforms, this mediation takes place between non-commercial actors, often standing on equal economic footing. The Business-to-Business (B2B) model allows mediation between business or organizational entities beyond individuals, often sharing unused resources that are specific to their business sector. Business-to-Peer (B2P) platforms are owned by a business that may be used by individuals. Finally, crowd-based platforms provide access to knowledge and financing (e.g., encyclopedias, crowdfunding) between one and many and many to many.

Table 1 – Different Sharing business models

	For profit	Non-profit
Peer to peer (P2P)	Vacation rentals (e.g. Airbnb)	Ride sharing (e.g Skjutsgruppen), Time banks (e.g.Time Village), Makerspaces
Business to Peers (B2P)	Car sharing (Sunfleet, M)	Public institutions lending out their office space, free of charge (e.g. Sharing city)
Business to business (B2B)	Equipment Sharing for Health Systems (E.g. Cohealo)	
Crowd-based	Crowdfunding (e.g. Kickstarter)	Crowdfunding (e.g. Indiegogo)

Why and what do customers share?

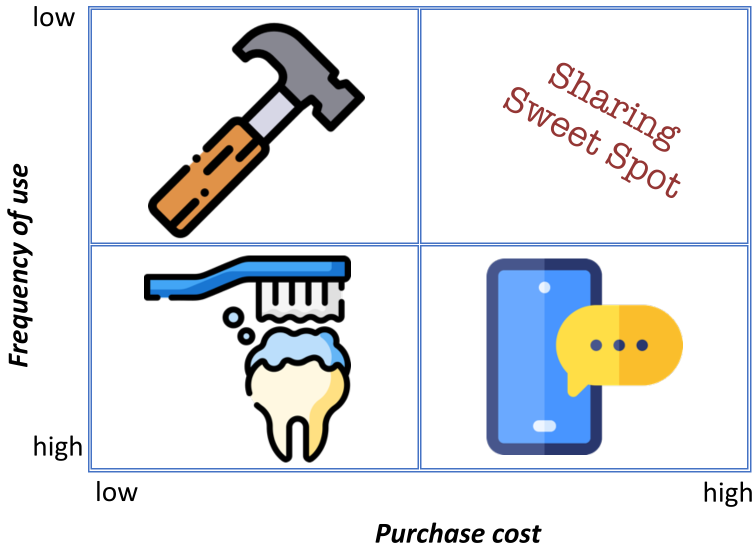
From a consumer perspective, there is a number of motives to participate in the Sharing Economy. *Table 2* summarizes the most frequently mentioned reasons for individuals across the globe.

Table 2 - Summary of motives for consumers to participate

Motive	Description
Utility	Sharing is often much more convenient and time saving (close proximity to neighbours vs. hardware store outside the resident area)
Economic	Reducing costs through financial or quasi-financial gains (community currency such as time in time banks).
Enjoyment	Hedonic value in having the opportunity to afford upscale goods such as second-hand designer clothes.
Collaboration	Many social souls seek ways to synergistically co-create thinks with like-minded individuals.
Decluttering	Many don't feel comfortable anymore with the burden of ownership, as many goods occupy too much idle capacity (From excess to access).
Ecology	Environmental concerns are particularly prevalent within shared mobility, given the enormous amounts of unnecessary single rides leading to excessive CO2 emissions.

One thing is clear, the act of sharing is as old as mankind. What is new today is the fact that the sharing economy allows to share products with strangers via match-making platforms across contexts, including AirBnb (home sharing), Skjutsgruppen (ride sharing), TaskRabbit (skill sharing) and Olio (food sharing). Originally, the central idea of the sharing economy was to tap into the idle capacity of underutilized goods. In other words, to increase the usage of products while they are not under use (recent studies have shown that automobiles stand still 97% of the time). Many would agree that the stand-still time of any kind of consumer good should be used more effectively if it allows to cut costs or reduce environmental impacts. At the same time, some products may not be willingly shared despite their infrequent use (toothbrushes, for example, stand idle most of the time). This provokes an interesting but tricky question: what makes a product or service 'shareable'? Gansky (2010) argues that there is a 'sweet spot' for shareable products, which lies in the upper right corner of *Figure 2*. Here, a product is relatively costly and little in use, thus making it an ideal candidate to be shared with strangers via digital platforms.

Figure 2 – The sharing sweet spot, adapted from Gansky (2010)



While the figure provides an initial proxy to assess a product, it is also important to account for personal attachment to certain products. This attachment could be both physical and emotional. Imagine that you have inherited a 5,000 SEK golden hairbrush from your great-grandmother. It is a very valuable item and thus only used for special occasions. According to the figure above, the brush could be perfectly categorized as shareable, since it is rather costly and not often in use. Would you be willing to share it with strangers? Probably not. The shareability of a product also depends on its accessibility. Sharing a steam engine will prove much more difficult than a car, not least because the latter is easier to transport to a specific location. The accessibility aspect is particular important for the sharing of goods between businesses, as they often rely on the standstill times that can be shared with other companies in close vicinity.

Retailing and the Sharing Economy

How can retailers leverage the sharing economy? Most retailers are in the business of selling consumer goods – be they physical, such as electronic goods, or digital, such as computer software (see teaching note #003). Still, practices of lending, sharing and renting have become increasingly popular alternatives for retailers. One such alternative is the adoption of a subscription model. For example, Swedish second-hand fashion retailer Klädoteket allows customers to lease any garment from their store based on a monthly subscription. Customers can pick between two memberships ("Fancy Fresh", for 450 SEK/month and "Fashion Lover" for 650 SEK/ month) in order to access different amounts of clothing per month. Similarly, many luxury brands have begun to experiment with different P2P sharing models, by renting luxury products, designer handbags or even maternity textiles on a membership basis.

Retailers may also collaborate with existing sharing platforms. For example, they could provide deliveries through gig-workers from UberEat where drivers would earn extra money delivering retail products, rather than cooked meals. Another possible way of using synergies between the two realms is through co-ownership models. Some retail items are little used by individual households and thus more likely to be bought as a collective. For example, Husqvarna has recently launched a concept called "Husqvarna grannskåp", allowing neighborhoods to either collectively rent or co-own a number of outdoor equipment. This service is offered in collaboration with Swedish sharing start-up Ihopa, which illustrates how well-established retailers may collaborate with new entrants.

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