The sharing economy: Your business model’s friend or foe?

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Abstract The sharing economy, a rising pattern in consumption behavior that is based on accessing and reusing products to utilize idle capacity, presents both tremendous possibilities and significant threats for emerging as well as incumbent businesses. As of today, it is unclear whether this economy is merely another ephemeral trend in consumption or whether we are experiencing a real shift in how goods are accessed, distributed, and used. Furthermore, little is known about how existing business models are affected by the sharing economy. These two issues represent the central motivation for the development of this article. Consequently, an examination of why the sharing economy has the potential to produce a long-term transformation in consumption behavior is followed by a consideration of how this change might affect companies’ business models. Based on a renowned business model framework and a variety of current illustrative examples, we propose central questions managers must ask themselves in order to be prepared to respond to changes brought about by this new economic trend.

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1. The emergence of the sharing economy

During the past several decades, markets have given way to alternative modes of consumption that increasingly challenge sole ownership as the dominant means of obtaining product benefits (Lamberton & Rose, 2012). This so-called sharing economy phenomenon is characterized by nonownership, temporary access, and redistribution of material goods or less tangible assets such as money, space, or time. Furthermore, these systems heavily rely on new information and communication technologies, making this form of consumption highly accessible, flexible, and easy to share (Botsman & Rogers, 2011).
The speed of growth in the spread of sharing systems shows that the sharing economy represents a serious threat to some established industries. In 2015, 17 companies operating in the sharing economy were worth more than US $1 billion and employed more than 60,000 workers all together. Just last year, Airbnb (2015) alone recorded more than 35 million paying guests worldwide. And there is no sign yet of saturation from this tremendous uplift. Estimates even predict that the main sharing economy sectors will generate revenues of approximately $335 billion by 2025 (PricewaterhouseCoopers, n.d.). Keeping an eye on this novel form of consumption is thus important for incumbents and start-ups alike (Matzler, Veider, & Kathan, 2015).

The prominence of the sharing economy can be explained by a set of concurrent developments, including Internet-based technologies that facilitate connectivity, the global economic crises, the trend toward reurbanization, and an increased apprehension toward sustainable consumption (Bardhi & Eckhardt, 2012; Möhlmann, 2015). Consumers are “able to access objects or networks that they could not afford to own or that they choose not to own” (Bardhi and Eckhardt, 2012, p. 881).

The enormous potential for price advantages, environmental sustainability, convenience, new consumption experiences, and social interactions affirms that the sharing economy will further thrive. While collaborative consumption is gaining momentum in today’s society, the potential the sharing economy holds is still in its infancy. It appears that incumbent firms, specifically, continue to expect they must ride out the storm while the expansion of the sharing economy slows down. However, it can be expected that many firms and industries—particularly those in retail, automotive, technology, hospitality, media, finance, and travel—will remain affected in one way or another by this new mode of consumption (Ismail, Malone, van Geest, & Diamandis, 2014).

By providing four reasons why the sharing economy is no nine-day wonder, we contribute to a better understanding of its long-term impact and why it should by no means be underestimated. Yet we do not deny that current sharing systems also appear to have hit a roadblock. Whereas initial sharing movements focused on offering owners income streams out of unused physical assets, the increasing professionalization of this new consumption mode brings a number of critical issues to the stage. We see a need to discuss two areas: (1) the irregularities and problems arising within a given sharing network, and (2) the externalities that go beyond it. Finally, we offer suggestions on how to recognize the impact of the sharing economy on firms’ business models.

2. Why the sharing economy has to be taken seriously

2.1. Technology makes the difference

Business models that are based on the provision of access are not new (Babione, 1964). Think of shared washing machines, ski rentals, or the redistribution of second-hand goods. Sharing as such has been part of the business landscape for decades, if not centuries. Even though Berry and Maricle (1973) discussed the benefits of sharing for businesses and customers in the 1970s, it appears that more than 40 years had to pass before this mode of consumption gained a substantial foothold in today’s business landscape.

From a technological perspective, the success of sharing models mostly lies in the ubiquity of the Internet and other associated technologies, which makes sharing possible at scale (Cohen & Kietzmann, 2014). Social technologies render sharing more convenient and transparent. Reselling, providing access, or exchanging goods is facilitated by demand that is no longer bound to people knowing each other (Schor & Fitzmaurice, 2015). The result is that the Internet allows the access of millions of listings and offers a huge variety of sharing platforms worldwide. With more than 65,000 members, homeexchange.com is an example that illustrates the evolution of existing consumption practices through technology. Whereas similar practices can be dated back to the Middle Ages, homeswapping in its modern forms originated in the 1950s in the U.S. and Great Britain. Hence, home swapping “was not invented on Web 2.0,” but “the development of the Internet was essential to guaranteeing the growth of this form of collaborative tourism” (Forno & Garibaldi, 2015, p. 209).

Sharing economy websites not only match people with owners at their most convenient location and at much lower cost than owning a good, but also provide a way to secure trust via the screening of people, feedback loops, and online payment systems (The Economist, 2013b). Whereas most people shy away from sharing with unknown strangers, peer-based self-regulation increases trust by keeping sellers in check, reducing the likelihood of improper offerings, and leaving a stain on a person’s reputation if they are unfair or dishonest in any way. Lyft, a ridesharing platform, bans drivers if they have been involved in accidents in the past three years or have received more than two traffic tickets. It also performs background checks on drivers. These precautions allow for not only increased
transparency but also extreme accountability that requires users to start behaving better.

Finally, the way in which sharing is conducted has altered substantially. Access-based services create novel and convenient processes through which products are transferred and exchanged. For instance, FreshNeck offers fashion designer accessories for men. In contrast to physical stores or other e-commerce platforms, the offered items are not sold. Instead, mere access to the products is offered, a process that the firm itself terms ‘Netfix for ties.’ Accessories such as ties or bow ties are shipped to the customers who order new accessories on the website by returning previously chosen items. This case exemplifies how information and communication technologies, in combination with efficient logistics, offer a tremendous range of opportunities for new access-based business models that simultaneously reduce costs on the provider side and increase convenience and product variety on the customer side.

Not surprisingly, and common with all disruptive change, we are experiencing a current misalignment between the rules adopted for the ‘ancient’ means of shared consumption, as described above, and sharing enabled by new digital platforms (Sundararajan, 2014). The problem is that regulations do not change as quickly as technology changes, which often results in irregularities and problems of accountability. Take the example of Uber surge pricing, which is intended to match supply and demand for cars. Whereas Uber argues that prices go up to encourage more drivers to go online, rates-in-effect change so frequently that customers do not really have time to react. In fact, fares appear to change every three to five minutes, up to 20 times per hour, making it impossible for drivers to jump in their cars and start driving in reaction to price shifts (Diakopoulos, 2015). As a consequence, drivers already on the street simply change routes for higher rates, making people in other areas wait longer or, as in one case, even pay $640 for a 30-mile ride to the airport (Shaver, 2016).

In 2011, a host found his apartment trashed and his valuables stolen after a rental via Airnb. At first the platform refused to cover expenses, but pressure from social media finally caused it to augment its services with a guarantee for hosts against property and furniture damage (The Economist, 2013a). Similarly, other sharing platforms such as RelayRides provide insurance as part of their deal. However, the limits of these policies are just now being tested as peer-to-peer sharing systems run into regulatory barriers and are confronted with complex rules that are governed by many industries.

2.2. A rising shift in values

"It is the preoccupation with possessions, more than anything else, that prevents us from living freely and nobly."

— Bertrand Russell (Stephany, 2015, p. 26)

Historically, ownership has been proclaimed as the normative ideal among consumption modes, as it not only provides security but also has been perceived to be cheaper in terms of capital accumulation. Nevertheless, now the stigmatization of sharing as an inferior option has experienced a shift in the sociocultural politics of consumption (Bardhi & Eckhardt, 2012). People do not find ownership central to their identities; most things valued by people today are not necessarily physical but rather ‘virtual’ in nature, such as knowledge or reputation (Garcia, 2013).

Due to the confluence of the economic, housing, and banking crises, the increase in maintenance costs of ownership over time—as well as the uncertainties in labor markets and social relationships—renders the popularity of ownership less attainable and more precarious (Cheshire, Walters, & Rosenblatt, 2010). This trend is also mirrored in the latest consumption studies. If owning and sharing are both perceived as providing equivalent product benefits when seen as substitutes, consumers nowadays opt for sharing rather than possessing (Hennig-Thurai, Henning, & Sattler, 2007).

‘You are what you own’ thus often renders ‘you are what you share,’ indicating a shift in values among consumers; this is particularly true when comparing the attitudes of baby boomers to those of generation X and upward. A longitudinal study among U.S. high school pupils, for instance, revealed a major shift in moral concepts that turned from a central interest in tangible goods toward more care for others (Rifkin, 2014). Whereas in 1994 cars were most frequently associated with a means to communicate status and personal success, luxury, and independence, people in 2014 were much more critical and rational about it. As such, they equated cars with time gains, a simple means of transportation, high costs, and environmental pollution (see Europa Automobilbarometer, 2014).

With the change in society from a traditional, long-term life strategy to a more liquid and adaptable lifestyle, the traditional ethos on how to consume has also evolved. Consumers increasingly prefer a more transient mode of consumption, enabling the integration of flexibility and adaptability in their daily life. Consequently, possession is progressively being seen as a constraint to mobility (Schaefers, Lawson, & Kukar-Kinney, in press).
Furthermore, sharing is becoming increasingly popular in the face of rising re-urbanization. People moving to urban landscapes are facing density issues as a major concern, driving people to prefer sharing over owning simply because they do not have the space to store objects they do not need on a frequent basis (Bardhi and Eckhardt, 2012).

Businesses recognize that this shift of consumption is going to last respond to this emerging trend by proposing new business models that attempt to meet customers’ needs. For instance, Daimler proposed a new business model called ‘moovel.’ Unlike Daimler’s car-sharing service Car2Go, this subsidiary views itself as a provider of mobility, bringing together various means of transportation in order to allow people the ability to plan their best route from A to B. This app thus responds to the shift in customer values by attracting urban dwellers via a transformation of initial product offerings into holistic mobility services.

Given the fact that most peer-to-peer rental firms were founded in the aftermath of the global economic crisis, the sharing economy also facilitates self-help (Dervojeda et al., 2013). As such, the digital sharing economy presents opportunities for individuals to find temporary employment and generate extra income (Dillahunt & Malone, 2015)—central concerns in light of rising unemployment rates and declining purchasing power. In addition, today’s job seekers’ needs might not be met by traditional jobs. The sharing economy offers flexibility to workers, either for people working a second job or, for example, parents looking for flexible schedules that can be reconciled with familial obligations (Sundararajan, 2014). Dillahunt and Malone (2015) have shown that the sharing economy is used among the unemployed or those struggling financially.

Even though the sharing economy offers individuals the chance to engage in a de facto part-time entrepreneurship without the risk (Geron, 2013) by helping them to earn money, it is only their short-term, living that is in effect, covered. Micro-out-sourcing only pays for the task at hand. Despite the fact that it might cover overhead, it does not provide its share for healthcare, skills, or retirement (Malhotra & van Alstyne, 2014). Uber classifies its drivers as independent contractors. The result is that the platform circumvents paying them as employees with benefits (Ranchordás, 2015). Finally, accessing genius online is easier than ever before. This capability, however, also entails that such skills no longer present a personal competitive advantage, depreciating individuals’ value on the market. The result is that going freelance might render “hollow freedom when the wage for labor is free” (Malhotra & van Alstyne, 2014, p. 25).

2.3. The potential to increase environmental sustainability

“By shifting the paradigm away from individual ownership to collectivity and sharing, less demand for consumer goods may give way to a new economy that could help take on problems such as pollution and excessive energy usage.” (Prothero et al., 2011, p. 36).

In times of anti-consumption movements, alternative forms of green and sustainable consumption are given more importance (Möhlmann, 2015). In this context, the sharing economy holds the potential to bring on the next stage in an economic restructuring that assists a shift toward widespread sustainable business practices (Cohen and Kietzmann, 2014). The environmental benefits associated with sharing economy systems center around lower overall resource deployment, extended product life spans, and maximized use. However, of greater importance is the redistribution of goods that allows for reduced waste and carbon emissions that occur along with production and throwaway. Even though sharing systems have to incorporate transportation emissions and resources, transfer mostly results in less impact than the production of an entirely new product (Botsman & Rogers, 2011). Giving people the opportunity to make online purchases of regional goods and services and to alter movement from single-occupied vehicles to shared transportation offerings allows people to reduce their personal footprint, while not restricting their mobility (Cohen and Kietzmann, 2014).

It appears that the sharing economy has already made a difference. Taking the example of car sharing in 2008, Martin and Shaheen (2011a) estimated that each vehicle in a car-sharing club replaces 9 to 13 privately owned vehicles. What is more, car sharing members have been shown to use cars 31% less than when they owned their own vehicles, reducing carbon emissions in the United States by about 482,170 tons per year (Zhao, 2010). At the same time, they significantly increased their use of other sustainable mobility options such as walking, bicycling, carpooling, or public transportation (Martin & Shaheen, 2011b; Meijkamp, 1998). Sharing thus holds the potential to reduce environmental harm and stimulate reflection on conventional and sometimes wasteful behaviors (Banister, 2008).

Although the sharing economy holds the potential to render consumption more efficient, consumers are sometimes known to withstand the perils
inherent with collaborative consumption. Specifically, the environmental improvement possible within the sharing economy largely depends on consumers’ behavior (Mont, 2004). Positive examples demonstrate that sharing makes resource preservation feasible, yet such claims are manifested in the idea that it is not the products but the underlying services consumers want (Jalas, 2002). As such, claiming that sharing is eco-efficient always has to be discussed in light of possible rebound effects (Khazzoom, 1980) that nullify such advantages if people are enticed to consume more instead of less. It is often proclaimed that sharing in fact does not reduce but only shifts or even increases consumption. Experts also questioned whether car sharing services preserve more resources than public buses. As Mont (2004) puts it, environmental improvement that is made possible by the sharing economy will depend on the distance between users, the kind of technology used, and which consumer behaviors those services promote. In conclusion, sharing can be sustainable if ecological consumption is important to consumers. So far, it seems that sharing system users consider sustainability aspects as an added bonus that comes along with the more important utilitarian advantages (Philip, Ozanne, & Ballantine, 2015).

2.4. Sharing can pay off financially

Research has shown that the major motivations behind sharing are self-oriented. As such, opting for the sharing economy is often chosen for lower costs as well as higher utility and convenience, advantages that ultimately sway consumers to substitute sharing for non-sharing options (Möhlmann, 2015). However, a strong utilitarian impetus is not an entirely negative motivational phenomenon, as it may encourage more people to engage in the sharing economy (Hamari, Sjöklint, & Ukkonen, in press). Therefore, the idea of costs and benefits as a baseline for understanding the recent propensity of consumers to share also allows for a better understanding of why sharing is expected to last.

Due to its numerous inherent costs, the burden of ownership often bears no relation to the actual benefits anymore. In addition, consumers are often faced with several risks and costs inherent with ownership, such as financial, performance, and at times even social hazards (Moeller & Wittkowski, 2010). Chesbrough (2010) explained this burden of ownership through his example of conventional car usage. Members in mainstream society drive on average 400 hours per year. One year entails 8,760 hours, equaling a utilization rate of 4.6%. Not only is there an untapped potential of more than 95.4%, there are still a number of hidden costs, such as insurance, parking, and maintenance. In the United States, owning a car takes up to 20% of the monthly income, being the second most expensive possession after accommodation. Given the rising cost of living, combined with often disproportionate wage adjustments, those numbers will increase in upcoming years. An early study on car sharing by Pretenthaler and Steiningher (1999) shows that car sharing pays off if the car is driven less than 15,000 kilometers (9,320 miles) per year. Based on this assumption, the authors claim that 69% of urban households would gain financial benefits from using car sharing, given a functioning urban car sharing structure. Taxation, and in some cases multiple taxation, at ever-increasing rates is another important factor for consumers preferring access-based alternatives. Participating in the sharing economy not only eliminates the time and burden involved in acquiring resources such as a vehicle and makes storage unnecessary, but it also allows reducing and sharing running costs such as taxes and insurance with your community (Rifkin, 2014). Utilization advantages further provide for reservation, or life-extension, and maintenance costs. In other words, utilization-based transactions allow users to benefit more than just financially. And this is where modern sharing, with both ecological and economic advantages, catches most of us. “In other words, in these strategies economic interests are in harmony with ecological optimization” (Meijkamp, 1998, p. 243).

Therefore, business models benefiting from the sharing movement focus on, among other things, a consumer’s ability to economize their cost of ownership by making money out of underused assets (Schaefer et al., in press). Drivy, the leading peer-to-peer car rental service in Europe, offers premium car rental with full insurance. This allows customers to easily and safely lend their own car when not in use or to temporarily rent a neighbor’s car. Through the same means, car owners renting vehicles via RelayRides have been shown to earn an average of $250 a month (The Economist, 2013b); typical home sharing among Los Angeles residents provides participants with an additional $660 a month, helping them to make ends meet (Airbnb, 2014).

The financial potential of the digital sharing economy is undisputed; however, we are currently facing the perils of “secondary sharing becoming tertiary taking” (Malhotra and van Alstyne, 2014, 2014, p. 26). Even peer-to-peer digital marketplaces possess self-regulating measures, such as background checks, rating systems, and supplier screening protocols (Sundararajan, 2014). These measures work
quite well, but problems often arise from harm to nonmembers that result from anticompetitive behavior (Malhotra and van Alstyne, 2014). This issue becomes particularly pressing as more and more corporations start to embrace sharing.

Businesses built on peer-to-peer sharing models often enjoy profits while offloading discomfort and risks to others. Airbnb hosts frequently cause neighbors inconvenience when they transform their buildings into de facto hotels, thus not respecting the sensibility of long-term residents. As another example, 72% of the rentals in New York State in 2014 violated state zoning regulations or other laws (Ranchordás, 2015). Furthermore, Uber only operates as a matchmaker, meaning that in the case of an accident, the company cannot be held liable. Sharing platforms, then, are often accused of exploiting loopholes to avoid rules and taxes. Private citizens do not have to take the license exams or carry the commercial insurance that taxi drivers do. Because of these higher costs, traditional taxi drivers are at a significant disadvantage. No wonder voices have been raised to rename the sharing economy the ‘skimming economy’ (Malhotra and van Alstyne, 2014). Even though such externalities have existed since the emergence of the homo oeconomicus (Bakan, 2005), the ease of engaging in digital sharing makes this issue far more exigent.

3. Is my business model affected by the sharing economy?

The sharing economy offers vast possibilities, but it also poses serious threats to both young and established businesses. For example, conventional businesses in particular find it no easy task to transform themselves from being a traditional retailing business into being a nonownership service provider (Moeller & Wittkowski, 2010). Still, firms need to at least consider how they might be affected by the sharing movement. To initiate structured consideration of the effect sharing can have on business models, we use Johnson, Christensen, and Kagermann’s (2008) business model framework to provide a blueprint for how the individual components of a business could be affected by the sharing economy.

3.1. Does the sharing economy affect my customer value proposition?

According to Johnson, Christensen, & Kagermann (2008), a business model consists of distinct but interrelated elements that create value for a business. The first element, customer value proposition, comprises all activities of a firm that create value for customers. On this matter, the authors argue that understanding all dimensions that are connected to the most obvious requirement and the full process for how to respond to customers’ needs enables a business to design a successful offering (Johnson et al., 2008). Customers don’t really buy products, they hire them to get jobs done (Anthony, Johnson, Sinfield, & Altman, 2008). In the sharing economy, companies have to understand what jobs customers want to get done and design their value proposition around those jobs. Consider the example of Hilti, which altered itself from a tool seller to a product-use seller after learning from its customers that the management of tools is a burden. The company realized that it had the opportunity to create a new access-based service: the ‘tool fleet management’ service. What Hilti did was completely alter its entire business model from selling its goods to managing customers’ latent need for continuous availability of tools on construction sites (Johnson, 2010).

With regard to car sharing, we can see that successful collaborative consumption systems are very efficient in solving multiple interlocking needs. From a purely rational perspective, people want the most convenient mode of transportation at the lowest cost. Car sharing can meet these needs by providing a nearby location for available cars and cutting the costs for using them. However, arranging transportation from points A to B might not be the only need customers have. People might lack space for a vehicle or they might enjoy shared rides and conversations on their way to work. Perhaps they hate administrative tasks associated with car ownership, such as handling insurance, or they want to test different brands on a regular basis. By framing a particular need more broadly, successful participants of the sharing economy spot latent needs associated with more obvious desires that can be the cherry on the cake when choosing a particular offer. Inconvenient hours of shops and service providers offer an example. TaskRabbit not only gets the job done for you, but it also allows you to get your things fixed when you want them to be fixed.

Some companies even build their business model around additional value propositions that convert their main value-generating stream. Given the fact that most transactions of the sharing economy are arranged in an online environment, issues of trust and security become a major concern for most people (Houston, 2001). In the seafood industry, where small buyers and sellers are brought together, Seafax builds trust via a third-party credit rating that facilitates business with complete strangers. eBay plays a similar role in this context. With the
help of transaction guarantees, independent ratings, and financial transaction takeovers, people’s initial skepticism toward eBay’s business model turned into profitable value streams (Mahadevan, 2000). As such, firms may not always face the need to completely modify their existing business model, as the satisfaction of interlocking needs or additions to existing operations might already suffice to bring offerings on equal footing with new sharing offerings.

3.2. Does the sharing economy affect my profit formula?

The sharing economy also opens up new ways of generating revenue. In contrast to conventional online shops, platforms following the sharing economy allow users to directly share or sell products or services. Successful mediation between firms and consumers creates value by charging commission fees that depend on the value transferred (e.g., Requip), fixed transaction fees (e.g., CasaVersa), or membership fees (e.g., HomeExchange). However, free membership can also pay off for companies engaging in the sharing economy. From the customer side, providing free registration arranges access to a host of information revealing a person’s interests. From the side of the supplier, such intermediary services enable the firm to tremendously cut search costs, making them more than prepared to be charged a membership fee or a variable transaction fee that is linked to the amount of business performed (Mahadevan, 2000).

Provision of access not only allows for different revenue streams and for reduction of costs, but also holds the potential for higher profit margins to be achieved by firms that manage to engage in the sharing economy efficiently. For instance, subscription models like FreshNeck do not sell but rather rent the company’s goods, which allows it to economize much more on an item than it would with a pure sale.

The case of the Swiss cow sharing provider Kuhleasing exemplifies the potential of a new revenue model that helped a farmer survive in the face of collapsing milk prices in 1999. Instead of simply selling milk or cheese, the farmer started to rent out his cows to his customers for a seasonal fee. He continued to care for the cows and supply the milk products; in return, the renters not only received a guarantee for special discounts on the price of the cheese from their ‘own’ cow, but they also obtained certificates or photos of the cow or the option to visit the cow. Making a virtue of necessity, the farmer’s 150 shared cows now generate a considerable and assured extra income (Kuhleasing, 2014).

This successful idea has since been adopted by several other farmers in Switzerland and Austria.

Finally, the ever-increasing speed of turning over inventory and assets reflects the importance of efficient and maximized utilization of resources to support anticipated profits (Johnson et al., 2008). Utilization of untapped potential, such as the renting of idle capacities in the form of meeting spaces, is thus another means of enhancing a company’s overall profit formula (Botsman, 2014).

3.3. Does the sharing economy affect my key resources and processes?

The sharing economy requires companies to radically reconsider the key resources and processes that make up their business model. We will discuss two aspects of this reconsideration. The first aspect concerns the opportunity to share resources between peers. The idea of making resources a more fluid concept allows companies to refrain from traditional ownership of resources by using the resources only when required and sharing them on a temporary basis if not used. This reconsideration of a firm’s resources offers large potential to adapt according to how those assets are handled. Services like floow2.com—an online business-to-business sharing platform that allows companies and institutions to share equipment, jobs, services, and professionals with each other—offer new possibilities for companies to ameliorate their cost structure by “turning an asset’s downtime into revenue” (Stephany, 2015, p. 10). As such, the sharing of resources provides incumbent firms with the opportunity to cope with unpredictable variations in demand while allowing start-ups to enjoy facilitated access to resources they might not be able to afford on their own. TechShop, a new Silicon Valley phenomenon, is another example that shows how companies can benefit from sharing. Similar to gym membership models, companies which subscribe and pay a monthly fee have access to expensive manufacturing machinery (Ismail et al., 2014). TechShop operates in eight locations in the U.S. with approximately 7,000 members. In 2015, the CEO announced the plan for a vast expansion by opening 1,000 smaller ‘maker spaces’ in the U.S. that will be operated by third parties while the equipment will be maintained by TechShop itself (Wartzman, 2015).

The second important aspect of how resources and processes are treated differently in the sharing economy is that many of the key resources conventional business models are built on are provided by the customers themselves. Goodwin’s (2015) famous examples of Uber being the largest taxi company in the world without owning the vehicles, and Airbnb
being the largest hotel chain without possessing real
estate, hit this point perfectly. Those providers manage
to offer a business model that utilizes new
technology in a way that allows the number of
necessary key physical resources to be reduced by
connecting the appropriate involved parties—those
that own and demand resources. Compelling
user interfaces, big data analytics, reputation
mechanisms, and payment handling improve the
processes of conventional business models with less
resource input.

4. Conclusion

We have presented four reasons why the sharing
economy is deemed a long-term amendment of
consumption habits that widely affects how goods
are produced, transferred, and consumed. The
underlying attractiveness of sharing mostly lies within
the tremendous speed in which people can con-
sume, save, and exchange while at the same time
receive an impression of community affiliation and
sustainable action. This is specifically important
because the intangible motivations to engage in
the sharing economy often display tendencies to-
ward becoming “more commercially-oriented over
time” (Martin, Upham, & Budd, 2015, p. 247).

The surge of peer-to-peer sharing services in
the aftermath of the financial crisis is sometimes seen as
a “post-crisis antidote to materialism and overcon-
sumption” (The Economist, 2013a). What we are
experiencing at the moment is classic creative de-
struction: Even though there might be some nega-
tive short-term effects for the economy (e.g.,
persons buying fewer cars), long-term economic gains will ultimately pay off (Geron, 2013). Howev-
er, making the sharing economy last requires a
realistic consideration of its dark sides.

Governments will need to recognize that peer-to-
peer sharing platforms are quick in making their
business models work. Platforms are closer to
the action and also have a higher incentive to take care
of their communities (Malhotra and van Alstyne,
2014). Still, self-policing is not a universal panacea,
as problems not only arise within a given sharing
platform but also extend beyond these communi-
ties. Furthermore, it is the consumers who ultimate-
ly decide on whether they are willing to share in
order to consume less or to solely pursue egocentric
purposes. They will have to choose those sharing
platforms that extend beyond short-term gains and
take individual as well as community benefits into
account (Malhotra and van Alstyne, 2014).

Although it might only be a matter of time until
regulators catch up to sharing business models
(Geron, 2013), intermediate cramping of peer-to-
peer offerings will not be the solution. First, such
regulatory measures neglect any spillover effects
that might come (e.g., cheaper stays with Airbnb
hosts rather than with hotels and subsequent longer
stays and spending in a given area). Second,
“today’s regulatory misalignment is slowing the
immense innovation potential and economic
growth” generated by the sharing economy
(Sundararajan, 2014).

Whereas some cities like New York, San Francisco,
and Berlin have enacted laws that narrow down or
even inhibit short-term rentals (Sundararajan,
2014), the city of Amsterdam has managed to work
out a first model for ‘mixed-use real estate.’ Hosts
that rent their homes to others pay income and
tourist taxes and need to ensure that their neighbors
are not upset. This regulation works because indi-
viduals might be prepared to pay reasonable taxes
that support the community (Malhotra and van Al-
styne, 2014); however, it also acknowledges the fact
that people might need to boost their income given
their economic situation. Moreover, it recognizes
that people might think sharing really makes a
change for the environment.

There is no doubt that the sharing economy will
constitute a crucial part of future economic activi-
ties. Even though sharing momentarily falls between
the cracks, “the idea of renting from a person rather
than a faceless company will survive, even if the
ey early idealism of the sharing economy does not”
(Tim O’Reilly as cited by The Economist, 2013a). The
sharing economy will last because—like Henry Ford,
who not only provided mass production but also
enabled human driving—the sharing economy is an
investment in the future of consumption (Schrage,
2013). In this article, we have shown how the sharing
economy can affect a firm’s business model in vari-
ous ways and have proposed a consideration of the
impact modern consumption modes could have on a
firm’s value propositions.

Sharing economy opportunities currently fall be-
tween regulatory cracks. Considering the fact that
new industries do not fit well into existing regulatory
regimes, authorities will notwithstanding have to
engage in a delicate balancing act that will promote
sharing that can be followed-up for the long term.
There is a lot of progress to be made to ensure that
the sharing economy develops in a way that aids
consumers, producers, and the environment.

Although the concept of sharing is very popular,
looking at its consequences from multiple perspec-
tives shows that the rethinking process has only
started. Facing constraints in resources, space,
and finance, we will soon find that sharing will
gradually modify our way of thinking, our habits,
and, finally, the way goods are produced, sold, and maintained. We believe that this rethinking process is worth the effort given the huge possibilities associated with these new consumption practices.

References


