UNDESTANDING THE SHARING ECONOMY: HOW COLLABORATIVE CONSUMPTION IS CHANGING THE RULES OF BUSINESS

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Abstract
A new type of organizations is emerging based on an idea as old as human existence: sharing. Enabled by innovative Internet technologies and a cultural shift toward peer-to-peer collaboration, they gradually help build up a hybrid market model, based on the sharing of access to goods and services. On one side, the main entities making up for this more democratized marketplace - what we generally call sharing economy - are fundamentally capitalist enterprises, but simultaneously more socially and environmentally conscious ones. On the other side we find evolved consumers, with a capacity of switching between the classic buyer/consumer role and that of micro-entrepreneurs, collaborating to produce and access resources. The aim of this article is to analyze the phenomenon of sharing economy from multiple angles: its triggering factors, its driving forces, as well as the praises and the controversies it generates. Without forgetting to look at the ways policy might help facilitate the growth of sharing economy. We are thus hoping to lay another brick to the better understanding of this major economic, social and cultural shift.

Keywords
Sharing economy, collaborative consumption, Internet innovation, peer-to-peer markets, crowd-sourcing, consumer-to-consumer relationship

JEL Classification
O33, L17, L22, D47

Introduction

Popularized by Botsman and Rogers in 2010, sharing economy is an umbrella term regrouping a myriad of peer-to-peer lucrative activities enabled by online platforms. Plain and simple, it relies on the users' will to share; users who prefer mutualizing access to goods or services, rather than having individual ownership (Belk, 2014). A very broad understanding of the concept includes, in one way or another, forms of collaborative consumption (like car or room sharing services), collaborative lifestyles (like co-working or flat sharing), collaborative financing (crowd-funding, alternative currencies, peer-to-peer lending) or even collaborative production (Fablabs, 3D printing etc.).

All these sharing economy arrangements have flourished thanks to innovative Internet technologies, bringing people together and fostering their collaborative creativity and productivity. These technologies make it cheaper and easier than ever to aggregate supply and demand for a broad spectrum of products and services, as pointed out nicely by Boudreau and Lakhani (2013). They also help provide another vital ingredient – secure platforms for financial transactions. Moreover, thanks to online social networks and recommendation systems, building trust among users is naturally taken care of.

The prerequisites for a collaborative economic model are thus established. And the potential for growth is enormous. A PriceWaterhouseCoopers study from 2016 measured the generated revenue from a few of the most important sharing sectors – automotive, hospitality, finance, staffing and media streaming - to $14 billion. With the reach of new products and services using digital platforms expanding quickly, they estimate this figure growing exponentially, to reach $335 billion in 2025 (based on the rapid growth of main sharing economy platforms as an indicator).

Last but not least, the sharing economy phenomenon is also in line with an increased interest in environmentally sustainable practices. Borrowing principles from the circular economy theory (Cohen and Munoz, 2015) it relies on empowered consumers building up strong communities. As Garcia (2013) has suggested, it all stems from our increasing desire to be in control of our consumption instead of simply falling prey to a perpetually grotesque hyper-consumption.

The underlying purpose of this article is to synthetize, based on existing research, the up-to-date understanding of sharing economy as a concept. We will concretely look at how this new range of ventures is reshaping our business landscape, what triggered the whole paradigm shift toward a sharing economy as well as its implications. We will ultimately strive to emphasize the crucial importance of policy shaping in this sense, with some concrete suggestions for future research rooted in political economy.

Sharing economy: the denomination controversy

As trending as sharing economy might be as a term - as we said, mainly thanks to Botsman and Rogers (2010) - it sure is generating its fair share of controversy. Not so much in terms of what we understand by it, there seems to be a consensus there along the lines of what was defined “the peer-to-peer-based activity of obtaining, giving, or sharing the access to goods and services, coordinated through community-based online services” (Hamari, Sjöklint and Ukkonnen, 2016, p. 2047).

But mostly for what we call it and why we call it this way. The novelty of the concept makes it hard for people to agree on a single name for such an overwhelming phenomenon. This is why, as summarized by Chandler (2016), we also find it referenced as gig economy, platform economy, access economy, collaborative consumption or uberization.

Some have even argued that “sharing economy” is a misnomer and that it would be more accurately called “access economy” (Cagle, 2014). The main argument is that market-mediated sharing is no longer sharing at all. Via different established companies playing the role of an intermediary, consumers are actually paying to access someone else’s goods or services.

Among all terms mentions above, “collaborative consumption” is the one least criticized as being misleading. Coined by Felson and Spaeth as far back as 1978, it is maybe the most widely accepted term to describe the object of our analysis.

A bit of context: triggers and drivers of the so-called sharing economy

It is more than obvious, we are contemporary with a deep socio-economic change, with a multitude of cultural triggers and impacts. Rifkin (2012, 2014) argues we are actually witnessing the twilight of capitalism, brought about precisely by this conjunction of Internet innovations and sharing economy. He even states that the rise of web 2.0 technologies and social media led to a “zero marginal cost”, rendering obsolete the capitalistic concentration. But a potential substitution of one system with another is still far-fetched. Leading companies of the sharing economy such as Uber and Blablacar in ride sharing, Airbnb in room/flat sharing or Lending Club in finance are clear examples of hybrid companies (capitalistic basis and collaborative functioning – Sacaraboto, 2015).

What these entities are doing is taking advantage of newly created redistribution markets, where used or pre-owned goods are being passed on, reused or used by other people when they are not needed by their owners. All of these processes are unlocking new levels of value for what already exists but is underused. This mindset has been gaining a lot of ground during the past few years, especially in the context of increasingly scarce and expensive resources.

Equally important as a trigger, the recent economic crisis have created important revenue gaps for most individuals, who in response turned to self-employment opportunities offered by the share-based online platforms. From what we gather from Schor’s debate (2014), this is actually one of the most criticized aspects of the sharing economy: the fact that it isn’t innovative in itself, but a mere economic reaction of economically struggling individuals. A natural socio-economic evolution, agents adapt to current conditions, using available resources (mainly technology) to find viable alternative solutions to employed work. But when rooted in poverty, sharing economy suddenly doesn’t seem so glamorous anymore.

Let’s look also on the bright side. Departing from the concept of commons-based peer production, Benkler (2004) talks about shareable goods and how they can stimulate new consumption, raise productivity and catalyze individual innovation and entrepreneurship (as reiterated also by Alexandrescu et al., 2014). This point of view is revisited by Brownlee and Kueneman (2012), who reinforce the idea that basically, the role of the sharing economy is to take idle capital and turn it into new sources of revenue.

We can definitely argue that the share-based business and organization models are tapping just into this opportunity. It is a disrupting force not to be overlooked. Platform-based companies such as the previously mentioned ones, enabled by the rise of the Internet, are the leading driving force of the sharing economy as a phenomenon. Along with all the technical advancements prerequisites it encompasses, of course (state of the art IT, smartphone ownership, online commerce, social media, mobile apps etc.).

According to Davidson and Infranca (2016), the urban lifestyle can also be considered an important driver as, on one hand, life in big cities provides the necessary proximity condition for community-based activities (such as sharing of goods and services) to flourish. On the other hand, the centralized urban setting creates “problems” that can be easily solved via online-based platforms like Uber and Airbnb (Geron, 2013).

Lastly, it is pertinent to mention the ecologic component of this movement. There is a whole current of consumers and organizations worldwide becoming more and more environmentally aware. The sharing economy benefits from this, as it is offering the possibility for improved, sustainable business models, as well as smarter, environmentally-conscious consumption (Brownlee and Kueneman, 2012; Brady, 2014).

Collaborative versus conventional consumption

As a more generally accepted term for sharing economy, collaborative consumption can be defined more or less along the same lines, as the set of resource circulation systems, which enable consumers to both "obtain" and "provide", temporarily or permanently, valuable resources or services through direct interaction with other consumers or through a mediator (*Ertz, Durif and Arcand, 2016 a,c).* There is great deal of contrast between this notion and that of conventional consumption, the one involving passive consumers who cannot or are not given the capacity to provide any resource or service.

As opposed to this limiting mindset, but one that has been perpetuated for decades and decades before the rise of the Internet revolution, collaborative consumption involves not mere "consumers" but "obtainers", who do not only "obtain" but also "provide" resources to others. Their capacity to switch roles from "provider" to "obtainer" and from "obtainer" to "provider" in a given context might be the biggest underlying factor to this major socio-economic and cultural shift (*Ertz, Durif and Arcand, 2016 a,b).*

Each and every one of us can relate to the evolved consumer or the prosumer as *Ritzer (2014) likes to say.* While we are only starting to embrace this groundbreaking mindset, future generations will have been born into it. With even more advanced technological tools at their fingertips, it is fascinating to think about the potential of collaborative consumption in the years to come.

This being said, the trust factor remains the fundamental component of collaborative consumption systems. May it be between peers or in the platform itself, all actors of the sharing economy should consider it as such and set up or aliment trust-enabling mechanisms. If we should adopt the vision of *Hawlitschek, Teubner and Weinhardt* (2016), trust is arguably *the* currency for sharing economy transactions. It is also an important factor in the self-policing approach adopted, willingly or not, by participants in the sharing economy. Nevertheless, we mustn't forget that occasionally things can and do go wrong. Peer-rental sites are thus forced to take steps to protect themselves and their users. This clearly shows the need to formal policy development, as the lack of regulation represents an obstacle for the development of the sharing economy on multiple levels.

Lastly, we believe it is important to address the social protection component of collaborative consumption. The shift from employed work to more and more independent workers, the micro-entrepreneurs acting as the sharing economy “providers” might leave them socially vulnerable. In a context of more or less generalized collaborative consumption, the essential relies in how to guarantee their social protection and assure a proper adaptation of the currently existing mechanisms in this sense.

Policy shaping for the sharing economy

A policy agenda for the sharing economy is of utmost importance. Despite the general enthusiasm surrounding sharing economy ventures, outdated regulatory frameworks are a pressing issue. On top of that, a certain hostility from established companies in sectors most disrupted by sharing economy business models must also be addressed.

The process of regulating an emerging market or technology is very complex and hard to figure out right. It will rely on past models, whether we want it or not, while facing strong resistance from competing established actors. An example that speaks for itself goes back to the dawn of the automobile industry in the United States of America, as we were happy to retrieve from Bardhi and Eckhardt (2012). While earlier regulations tended to prioritize the horse, powerful railroad companies fought hard to keep the automobile from emerging

as a competitive threat. These counter forces ended up delaying by years the construction of automobile infrastructure and thus the development of this industry.
Approximately the same pattern can be distinguished nowadays in the case of peer-to-peer car sharing and room or house renting industries. For the former, the twin resisting forces are represented by insurance regulations on one side and taxi companies are threatened by dynamic ride sharing, on the other. In turn, hotels are threatened by the increasing numbers of peer-to-peer room and house rentals.
The role of the government should be to monitor these kind of collaborative activities and find innovative ways to regulate and tax them. By innovative ways we mean mainly ways that would not hinder the development of sharing economy ventures. We believe there might be a great deal of inspiration to be drawn in this sense from the concept of platform cooperatives developed by Scholz and Schneider (2015, 2016) and what has already worked well for such cooperative models, well described also by Cantoni (2016).

Conclusions

The sharing economy is slowly but surely reshaping the global economy. Increasingly versatile Internet technologies and a shifted perception of participants' role in what is already established as the sharing economy fuels its development. All this pushes the existing political-economic system towards a fundamental structural change.
We must admit collaborative consumption is still in its infancy. But as it will inevitably become a greater part of the business environment and of our socio-cultural system as a whole, all obstacles in its way will have to be addressed. Inappropriate regulations and fearful established companies are threats that cannot be overlooked for much longer.
The role of adapted policy shaping is crucial from this point of view. Local and regional governments are already late in coming up with ways of sustaining the growth of collaborative consumption. Beyond this aspect, peer-to-peer online platforms in different fields also need to be protected from established companies that might try to use the power of government to kill competition. In our humble opinion, part of the solution could be a mobilization towards a tax structure that does not penalize collaborative consumption.
Above it all, we strongly encourage further research looking deeper in the different sub-aspects of sharing economy, all for a better assessment of the forces currently at play. The sharing economy actors need to have a strong overview of their playground in order to know both what to ask for and what needs still to be created.

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