

# Listening to Sharing Economy Initiatives

Report on a Global Survey





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**This report examines the initiatives and businesses active in the Sharing Economy. Based on a global empirical survey, it aims to gain an understanding of the Sharing Economy initiatives' business models, the enablers and success factors, as well as the barriers they face.**

**With the aim of contributing towards creating framework conditions for a sustainable Sharing Economy, it furthermore identifies opportunities for the Sharing Economy and additional support required to yield these.**

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# The 7 Key Messages



## FOCUS AREAS & CUSTOMER GROUPS

### Focusing on tech savvy millennials in urban areas

The Sharing Economy initiatives mainly focus their operations in cities where, as customers, they target the age group of millennials. The orientation on expanding their business model to rural areas is very limited, as it lacks population density and has a lower concentration of underutilised assets. The Sharing Economy initiatives recognise their customers price sensitive. Elderly people are only regarded as a potential customer group by a minority of the initiatives. A need to identify the potential the Sharing Economy has for the rural areas as well as for the elderly can be identified, as well as the necessity to develop the enabling conditions for this to happen.



## VALUE PROPOSITIONS

### Creating value beyond economic aspects

The Sharing Economy initiatives provide new possibilities to consumers by offering an alternative approach to the prevalent consumer mindset and by disrupting the classical understanding of the producer-consumer relationship. An important value is that of social interaction and trust, which in the context of Sharing Economy initiatives, is distinct from many online marketplaces, but is similar to many traditional physical marketplaces throughout history. Nevertheless the Sharing Economy initiatives also offer cost effectiveness and a practical utility to their users due to the access to underutilised assets. Environmental and social impacts are also reflected in the value proposition and can be associated with the value shift among users.



## CHALLENGES

### Establishing a critical mass and traditional consumer habits as challenges

The creation of a critical mass of users with positive network effects is seen as essential for the success of Sharing Economy business models. A critical mass and positive network effects may be sought through the focus on cities, new technologies, and subsidisation of certain target groups. Also essential for the establishment of a critical mass is changing consumers' habits and behaviour. Improving access and outreach of technological development contributes to the reliability and access of the transactions and encourages engagement. Furthermore, establishing trust between users is of great importance for success.



## IMPORTANCE OF TRUST

### Strategic role of trust and user information

Letting users have personal contact beyond online interaction and reputation systems is regarded as essential for creating trust among users. Insurance provides security but does not necessarily contribute to trust as it does not replace personal contact. Despite the existence of third party reputation systems and the possibility to link platform profiles to those of social networks, most initiatives have their own reputation systems. This allows them to create transparency and has an important strategic component, as it also facilitates the gathering of information and data about the customers.



#### HIGH RELEVANCE OF SCALING UP

### Expanding across borders and financial barriers to scaling up

Scaling up is highly relevant for the initiatives from the Sharing Economy, as most of them are start-ups. Of highest relevance is expanding across borders, which is easily facilitated by the primary use of online platforms. When scaling up, targeting new customer groups is of relatively low relevance. Nevertheless, reaching out to new customer groups could be a potential response to the challenge in establishing a critical mass for positive network effects. As initiatives aim to scale-up their operations, financial restrictions become the strongest barriers as they have difficulties generating reliable revenue streams and finding financial support. The Initial subsidisation of one group may create price-sensitivity that is hard to change.



#### HIGH INTEREST IN PARTNERSHIPS

### Sharing initiatives, conventional business, public sector and venture capital as partners

The initiatives seek further support with regard to several aspects. Support in the marketing and communication of products and services is regarded as the most important, as products and services still need to gain widespread acceptance. With the identified financial challenges when scaling up, an improved investment environment and financial partnerships would be beneficial. The education of consumers in terms of consumption behaviour and awareness raising is also considered as important, as it positions products and services of the Sharing Economy initiatives as alternative options. There's high interest in engaging in partnerships with other actors, with the strongest preferences for partnering with other initiatives from the Sharing Economy, which can lead to synergies between different Sharing Economy models. They also aim at partnerships with conventional companies, which can be highly beneficial for both sides. Furthermore, partnering with public administrations and the public services as well as partnering with venture capital firms is of high relevance, as public actors shape important legal and regulatory framework conditions and venture capital firms enable the initiatives to scale up their operations.



#### OPPORTUNITIES

### Broader target groups, reaching rural areas and holistic approaches

From the findings, various opportunities can be identified for the Sharing Economy. Regarding the rather limited customer target group, the needs of potential new target groups must be identified, as well as means to integrate them into the Sharing Economy. The Sharing Economy still holds the potential to reach marginalised societal groups and to benefit them as well as to benefit from their participation. The same holds for the potential of the Sharing Economy in rural areas. In order to have stronger outreach to rural areas, partnerships with large companies with existing logistical structures might be beneficial, as well as partnerships with local administrations. Partnerships with traditional companies hold great potential for both partners. Sharing Economy initiatives can benefit from existing structures, such as established relations with suppliers, retailers and other partners, as well as from the good reputation with regard to quality and reliability. The traditional companies can benefit from the flexibility and agility regarding the implementation of solutions as well as from the great adaptability towards new trends and customer expectations which Sharing Economy initiatives demonstrate. Furthermore, they can harvest the potential in designing new products and services that are tailored to the new forms of consumption. In order to harvest the full potential of the Sharing Economy, the development of a beneficial legal framework in cooperation with policy makers is required. A great potential is seen in holistic approaches towards the Sharing Economy, such as Sharing Cities, as they allow the tackling of challenges which Sharing Economy initiatives face while simultaneously invigorating the positive potential the Sharing Economy presents.

# Enhancing understanding of Sharing Economy business models

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**In 2013, the World Economic Forum published the Young Global Leaders Sharing Economy Dialogue Position Paper. Positioning the Sharing Economy at the centre of economic activities, it depicts the historic development of the Sharing Economy and focuses on illustrating the different Sharing Economy systems, its key principles, drivers and trends, looks at the growth potential and the path forward for the Sharing Economy. Some of the key insights, relevant for the lecture of this paper, are as follows:**

## **THE THREE SHARING ECONOMY SYSTEMS**

Redistribution markets (redistributing things from where they are not needed to someone or somewhere they're needed); Product Service Systems (allowing members to pay for the benefit of using a product without needing to own it outright); Collaborative Lifestyles platforms (allowing for the sharing and exchange of less tangible assets such as time, skills, money, experience or space). The business models can be monetized or non-monetised.

## **THE THREE PRIMARY DRIVERS**

Economic – More efficient and resilient use of (financial) resources; Environmental – More efficient, sustainable and innovative use of natural resources; Community – Deeper social and personal connections among people.

## **FOUR KEY PRINCIPLES FOR A FUNCTIONING SHARING ECONOMY**

Trust between strangers; belief in the commons and effective management of common resources; Idling capacity; critical mass of users, customers, consumers, producers and members.

This report, taking it one step further, focuses on practitioners and initiatives within the Sharing Economy to gain a better understanding of their current business models, challenges, and opportunities for further development. The majority of the surveyed companies are start-ups. As seen recently with such examples as Airbnb, Zipcar, and Uber, SE companies can develop rapidly from fledgling start-ups to highly valued and mature companies with broader economic, social, environmental, political, and legal implications. This underlines the relevance of analysing these start-up companies to enhance our understanding of their business models and the contexts in which they operate. These insights can help key players such as governments, financial institutions, and large corporations to support the continued growth of Sharing Economy initiatives – both in the number of them and the scale of them – in a manner that offers the greatest social, economic, and environmental benefits.

# The Team behind the report

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**The survey was conducted by an international team from Brazil, the United States and Europe.**

## CORE PROJECT TEAM



The Collaborating Centre on Sustainable Consumption and Production was founded 2005 as a think and do tank and provides scientific support to organisations from the private and the public sector, such as UNEP and other organisations in the field of sustainable consumption and production (SCP).



The Akatu Institute for Conscious Consumption, founded in 2001 as a NGO, endeavors to make consumers aware and educate them on the importance of their consumption choices as an instrument to the transition to sustainable lifestyles, inspired by a society of well-being and enabled by sustainable production and consumption.



The Columbia Business School is one of the world's leading business schools, and provides students with superior knowledge and thought leadership across divisions and disciplines.

## RESEARCH AND OUTREACH PARTNERS



OuiShare, founded in 2012, is a non-profit and think tank with the mission to build and nurture a collaborative society by connecting people, organisations and ideas around fairness, openness and trust.



Shareable, founded in 2009 is a news, action and connection hub for the sharing transformation, connecting stakeholders from a local to a global level, with the mission to empower everyone to share for a more joyous, resilient, and equitable world.

On behalf of the project team, we wish to thank all those who have contributed with their ideas, knowledge and time to this report. In particular we would like to express our gratitude to Eva Greischel and Yang Deng from the CSCP, who have greatly supported the writing of this report and contributed to the design and conduct of the underlying research. We would like to extend our gratitude to Francesca Pick, Thomas Dönnebrink and David Weingartner, Connectors of OuiShare and Experts on the Collaborative Economy, who have contributed valuable expertise and insights on the Sharing Economy. The OuiShare Community and Shareable have enabled reaching out to numerous initiatives in Europe, the US and Latin America. Finally we would like to thank the experts cited in this report for their generosity in sharing their expertise, thoughts and experiences.

# Whom we talked to



**A comprehensive online survey was conducted from March to June 2014 with the participation of executives and managers from 110 Sharing Economy initiatives, both for profit and nonprofit, operating in North America, Europe and Latin America. To enrich the analysis and interpretation of the survey results, the authors conducted expert interviews with six Sharing Economy researchers and thought leaders. Their insights are reflected in the report.**

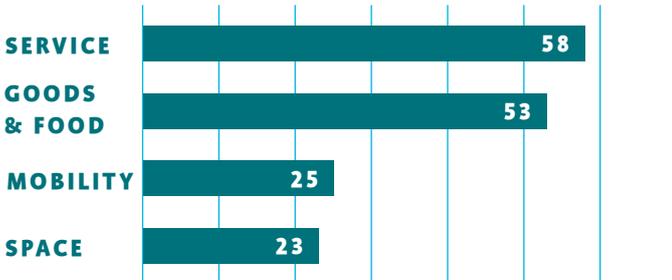
## REGION

In absolute numbers



## BUSINESS AREA

In absolute numbers



## BUSINESS MODEL

In absolute numbers

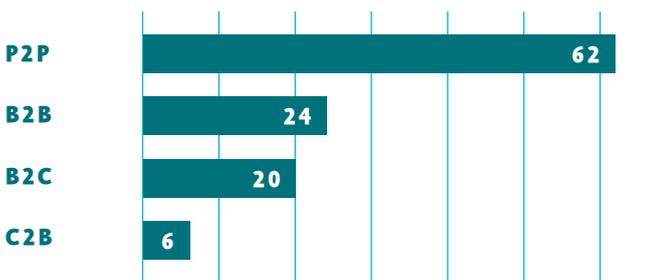


Figure 1: Whom we talked to – Region, Area of Sharing and Business Model

As Figure 1 shows, the Sharing Economy initiatives surveyed for this report come from various geographic regions, they focus on different areas of sharing, and they have different business models.<sup>1</sup>

This report focuses on delivering the key learnings and messages to the target audience – and hence focuses on an analysis of the general data for Sharing Economy (SE) initiatives. A breakdown into regions and sectors is only provided when the data showed significant results or where it seemed essential for its interpretation.<sup>2</sup>

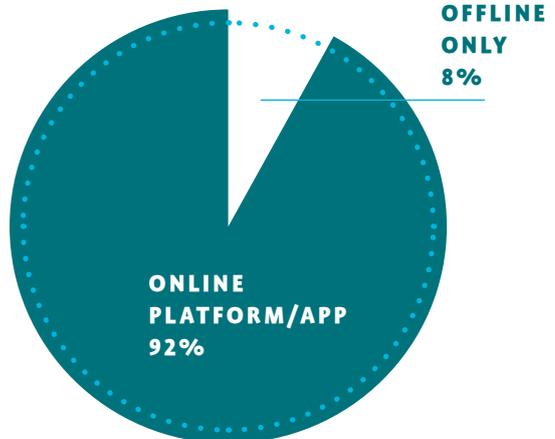
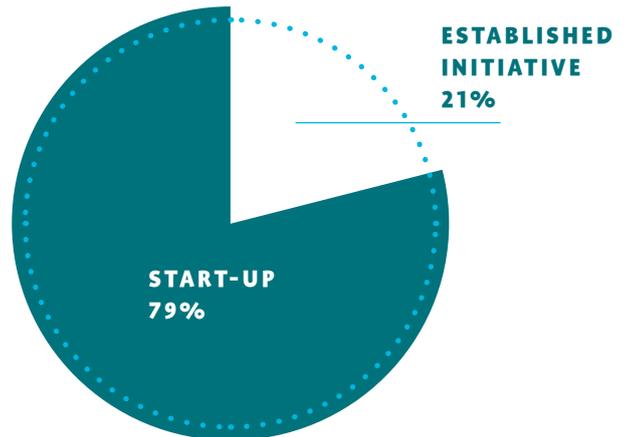


Figure 2: Business Models of SE initiatives

<sup>1</sup> Most B2B also engage in B2C. This means they also have the end-consumer as customer, which justifies this surveys' focus on the consumer as the main target group, and not so much on business as the target group of the initiatives.

<sup>2</sup> A detailed methodology is displayed at the end of this report.

# Understanding the Sharing Economy Initiatives' Customer Base



**We aimed to understand better the customer target group the SE initiatives address. We wanted to know which age groups were targeted, which characteristics the initiatives attribute to their customers and their geographical focus.**

**TECH SAVVY MILLENNIALS AS THE MAIN TARGET GROUP**

The young generation of millennials is the main target group of the SE initiatives. As 92% of the initiatives that participated in this survey have a web platform or mobile app to facilitate their services, they target the so-called digital natives who are knowledgeable in those technologies. These technologies give access to social networks as well as to sharing platforms, contributing to a shift in values that can be identified in this age group.<sup>3</sup> The millennials appreciate alternative consumption models that promote access over ownership or collaborative ownership that also allow for social interaction.<sup>4</sup> This resonates well with the fact that more than 80% of the initiatives regard their customers as being socially concerned.

**LOW OUTREACH TO THE ELDERLY**

While SE initiatives direct a strong focus towards the millennials, fewer than half of the initiatives have identified the age group above 50 as their target customers. The elderly are less savvy in the technologies required to gain access to the Sharing Economy business models.<sup>5</sup> Furthermore, many initiatives require users to develop trust with strangers – e.g. when lending money over a P2P platform to a stranger – by relying on a social media profile or an online reputation system.<sup>6</sup>

Elderly people have less experience with this and thus confront a higher barrier to engage in a sharing system. The more the SE initiatives rely on digital devices and social networks, the more they exclude a target group that is less knowledgeable in these technologies and has a lower affinity to engage in such networks.<sup>7</sup>

**“Elderly people often have tremendous ‘wealth’, and I don’t mean in capital or physical assets but in the knowledge, skills and time they have.”**

– RACHEL BOTSMAN

**“There is a big opportunity. Seniors have valuable life experience that can be made more accessible and wisdom could be transferred.”** – NEAL GORENFLO

**“There is a potential to solve problems around aged care and to engage people from older generations. Many elderly people are socially isolated and can be dependent on centralised systems that do not adequately serve their needs. On the flipside, you have assets and community support that can be mobilised in powerful ways.”**

– RACHEL BOTSMAN

**WHICH CHARACTERISTICS DO YOU ATTRIBUTE TO YOUR CUSTOMERS?**

Multiple answers possible

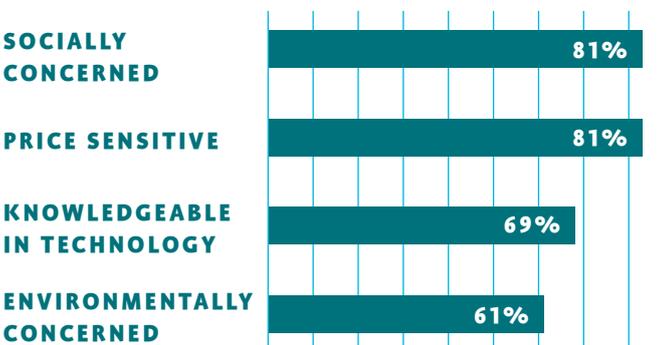


Figure 3: The customer characteristics of SE initiatives

**WHICH AGE GROUPS DOES YOUR INITIATIVE TARGET?**

Multiple answers possible

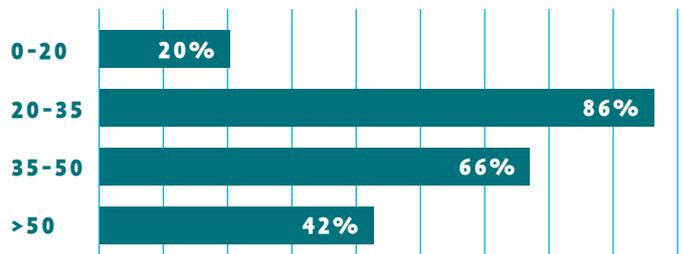


Figure 4: The customer target age group

<sup>3</sup> Nielsen Report (2012). The Global, Socially-Conscious Consumer; Mont & Power (2009). Understanding factors that shape consumption.

<sup>4</sup> Heinrichs & Grunenberg (2012): Sharing Economy – Auf dem Weg in eine neue Konsumkultur? (Sharing Economy – On the path to a new culture of consumption?)

<sup>5</sup> Nesta & Collaborative Lab (2014). Making Sense of the UK Collaborative Economy.

<sup>6</sup> Botsman & Rogers (2010). What’s Mine Is Yours: The Rise of Collaborative Consumption.

<sup>7</sup> Zentes, Beer & Beham (2013). Neue Mietkonzepte: Nutzen statt Haben – Potenziale und Herausforderungen.

## WHICH GEOGRAPHICAL FOCUS DOES YOUR INITIATIVE HAVE?

Multiple answers possible

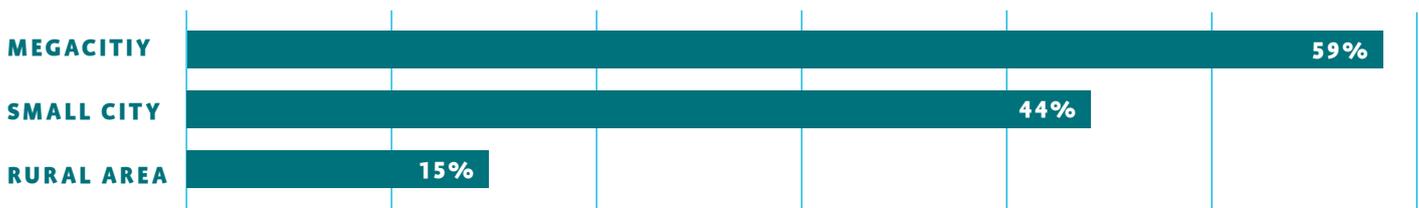


Figure 5: Geographical focus areas of SE initiatives

### FOCUSING ON CITIES

The majority of the SE initiatives focus on operating in urban areas. Cities have a higher population density and dispose of a large potential of underutilised assets and skills, both prerequisites for most Sharing initiatives to work successfully<sup>8</sup> – e.g. in order to set up a vehicle sharing business, a certain population density is required to have sufficient supply and demand. Cities also have an existing infrastructure enabling sharing concepts. Larger cities have a higher proportion of 20-35 year-olds, which is the age group with the strongest affinity for sharing concepts.<sup>9</sup>

### RURAL AREAS REMAIN UNTARGETED BY MOST SE INITIATIVES

The rural space has a lower population density, which makes it more challenging to achieve a critical mass of users to set up a functioning Sharing Economy business model. Furthermore, rural areas have on average an older population and less of the infrastructure needed to facilitate sharing services.<sup>10</sup> Even though there is a global trend of urbanisation and already more than half of the world's population is living in urban areas<sup>11</sup>, the potential for SE initiatives in rural areas should be considered given advances in technology and shipping. The culture of rural areas is traditionally more reliant on sharing and presents an opportunity for SE initiatives. In urban areas, the Sharing Economy already provides solutions to social and environmental challenges and creates economic and social value, however its potential for rural development has not yet been unfolded.<sup>12</sup> This would require identifying further opportunity fields where Sharing Economy concepts can provide solutions for challenges in rural areas (such as for mobility), as well as the necessary framework conditions and paths to implementation.

Having identified the SE initiatives customer base, the next chapter looks at the values that SE initiatives provide to their customers.

**“It’s not surprising that providers of the Sharing Economy are focusing on urban areas. Cities are better suited for peer-to-peer transactions. It is much easier to establish a sharing initiative due to high population density and the possibility of creating economics of scale. Also the asset-light culture of life in cities makes their residents natural users of Sharing Economy platforms.” – ARUN SUNDARARAJAN**

<sup>8</sup> WEF – Young Global Leaders (2013). Innovation & New Business Models Dialogue. Young Global Leaders Sharing Economy Dialogue Position Paper.

<sup>9</sup> Vision Critical & Crowd Companies (2014). Sharing is the New Buying.

<sup>10</sup> UN (2013). EC (2013). The Sharing Economy – Accessibility Based Business Models for Peer-to-Peer Markets; PwC (2013).

Megatrend Collisions – Introducing the Sharing Economy.

<sup>11</sup> UN (2014). More than half of the world's population now living in urban areas UN report finds; EEA Report (2013) – Assessment of global megatrends – an update Global megatrend 2: Living in an urban world.

<sup>12</sup> Nesta & Collaborative Lab (2014). Making Sense of the UK Collaborative Economy.

# Value Proposition of Sharing Economy Initiatives



**We wanted to know from the perspective of the SE initiatives: what is the value that they provide to their customers with their product or service? Do the initiatives aim at creating positive environmental and social impacts and do they measure these?**

## WHAT VALUE DO YOU PROVIDE TO YOUR CLIENTS/USERS WITH YOUR PRODUCT/SERVICE?<sup>13</sup>

Rated on a scale of 1-10: 1 = lowest value and 10 = highest value



Figure 6: Value Proposition of SE initiatives

The most important value SE initiatives provide to their customers is not directly linked to their product or service, but rather an **alternative approach to the prevalent consumer mindset**. By promoting concepts such as access over ownership, co-creation of services and products, turning customers into users, owners, providers and decisions makers, SE initiatives offer new economic possibilities as well as new social norms to their customers. The Sharing Economy business models disrupt the traditional understanding of the consumer-producer relationship, by turning customers into the people who actually provide a service or a product.

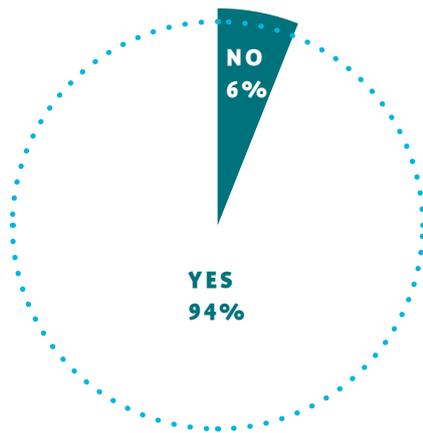
Even though most SE initiatives use online platforms and apps to facilitate their services, they create value also by bringing people together 'offline'. Connecting people and **increasing social interaction**, such as in co-creation spaces, urban gardens, apartment or dinner sharing, is a highly important aspect of the value proposition to its users. While in this way the Sharing Economy appears to be a divergence from other online markets, which are highly efficient, impersonal exchanges, this notion of the Sharing Economy is in many ways a return to the vibrant social interaction that historically characterised physical marketplaces.<sup>14</sup>

The high **importance of social aspects and a new consumer mindset** in the value proposition matches emerging lifestyle research. In Germany for example, non-material values such as functioning social relations or a clean environment have been increasing in importance in relation to material values such as ownership of assets or a high income.<sup>15</sup> On an international level, a global survey found that two-thirds of the total sample believed society would be better off if people shared more and owned less.<sup>16</sup> The SE initiatives are pioneers identifying lifestyle trends and shifts in consumer behaviour and tailoring innovative services and business models towards them.

**“SE initiatives identify new wants in society and the potential in changing values and lifestyles. Based on this, they tailor new business models, where the value created not only stems from the product or service, but from further values associated to them, such as social interaction, different consumption models, democratisation of access, etc. SE initiatives find ways of turning this into business models that generate social value and customer identification.” – CHERYL D. HICKS**

Many of the initiatives that participated in this survey are small start-ups focusing on markets consisting of customers who value social aspects and a changing consumer mindset associated with the product or service. However, the larger SE initiatives that have already scaled up significantly (such as airbnb or Zipcar) clearly promote **better costs and services to their customers**. Thus many SE initiatives also perceive themselves as providing significant value by offering better-cost effectiveness and better practical utility for the user. The example of car-sharing illustrates this: people living in cities and mega cities are given the opportunity to access a car whenever needed, and only bearing the cost of the car for the time they use it, which for many people is significantly more cost-effective than owning a car. Furthermore, no time and effort needs to be invested for maintenance or parking space.

**DOES YOUR INITIATIVE AIM TO CREATE POSITIVE SOCIAL OR ENVIRONMENTAL IMPACTS?**



**HAVE YOU MEASURED THE ENVIRONMENTAL, SOCIAL OR ECONOMIC IMPACTS YOUR INITIATIVE GENERATES?**

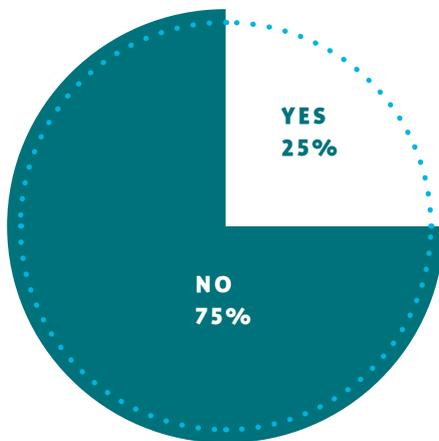


Figure 7: Impact creation and measurement

**WHICH IMPACTS HAVE YOU MEASURED?**

Multiple answers possible



Figure 8: Economic, Social or Environmental impacts measured

The environmental value proposition ranks lowest among the values provided by SE initiatives with their product or service. Whereas most initiatives aim to create a positive social or environmental impact, only a few have measured the environmental impact they create. The focus rather lies on communicating the economic and social impacts that benefit the user directly, as April Rinne and Neal Gorenflo point out.

**“Many SE initiatives claim to create environmental benefits – such as reduced CO<sup>2</sup> emissions – but few currently measure it in a systematic or quantifiable way. Rather, typically they focus on economic arguments (saving money, generating income) because doing so gets people more involved directly – it benefits their pocketbook today, rather than benefiting the environment over time. Unfortunately, this also means that a lot of value is left on the table, as these environmental data are lost.”**

– APRIL RINNE

**“Feedback loops on environmental change are very long and not something that is a day-to-day concern from the customer side. It is in the background, whereas economic challenges are so immense and more present.”** – NEAL GORENFLO

Having looked at the value proposition of the SE initiatives, the next chapter focuses on the key challenges that the initiatives are facing.

<sup>13</sup> The initiatives were offered 5 possible answers to be rated on a scale from 1-10. Additionally, they had the option to name further values provided by them to their customers. Among the further values that the initiatives named were: authentic experience, building community, inclusiveness and open source.  
<sup>14</sup> Nesta & Collaborative Lab (2014). Making Sense of the UK Collaborative Economy.  
<sup>15</sup> Heinrichs & Grunenberg (2012). Sharing Economy – Auf dem Weg in eine neue Konsumkultur? (Sharing Economy – On the path to a new culture of consumption?)  
<sup>16</sup> Havas Worldwide (2014). The New Consumer and the Sharing Economy.

# Key Challenges of Sharing Economy Initiatives



**As most of the participants in the survey are start-ups and the Sharing Economy is still a quite recent phenomenon, the surveyed SE initiatives do face some challenges. Beyond identifying those challenges, we wish to help take the first step towards exploring solutions that enhance the Sharing Economy's sustainable impact and outreach.**

When looking at the various challenges that the SE initiatives face, it is evident that those challenges are interlinked.

For Sharing Economy business models, the participation of a critical mass is required to create the network effects necessary to scale business. In the Peer-to-Peer business models (P2P) **a critical mass of practitioners is required** to create sufficient supply and demand of products and services to be shared, whereas for business-to-customer (B2C) models a critical mass of customers need to be engaged for the provision of the service to redeem itself. The challenge for the initiatives to create a critical mass may also be an explanation for their strong focus on the city level. The availability of new technologies, such as smartphones and tablets, enables the initiatives to facilitate their services via online platforms, which reduces transaction costs.<sup>18</sup> This may also lower the entry barriers for customers to engage in the platforms and help to create the critical mass. On the other hand, the strong reliance on new technologies also excludes people who are not tech-savvy and thus makes it more difficult to establish the critical mass.<sup>19</sup>

The challenge of **changing consumers' habits and behaviours** most certainly increases the difficulty of reaching a critical mass. While some concepts of the Sharing Economy already are very popular among a broader portion of society, such as apartment sharing when travelling, many initiatives see consumer reliance on traditional consumption patterns as a challenge. So far the largest participation in the Sharing Economy has come from parts of society with a relatively high educational level and relatively high income.<sup>20</sup> Linked to this challenge is the **time and effort necessary for arranging transactions**, which can be a barrier for consumers to engage in the Sharing Economy. Technological progress and adoption in society, growing participation in the Sharing Economy, as well as potential partnerships between SE initiatives and traditional businesses, with better logistics and outreach, have the potential to reduce the time and effort necessary for arranging transactions.

**“In four to five years it will be much more common place to rent rather than buy. We are in a process of ‘legitimation’ as we get used to new templates and interactions associated with familiar consumption behaviours.” – ARUN SUNDARARAJAN**

**“There is a need for cultural change. Sharing needs to become normal rather than cool.” – ALBERT CAÑIGUERAL**

### WHICH CHALLENGES DO YOU CONSIDER GREATEST FOR YOUR INITIATIVE?

Rated on a scale of 1-10: 1 = lowest value and 10 = highest value

**DIFFICULTY TO ESTABLISH THE CRITICAL MASS/MATCHING OFFER WITH DEMAND**

6.92

**DIFFICULTY IN CHANGING CONSUMER'S HABITS & BEHAVIOUR**

6.85

**DIFFICULTY GENERATING RELIABILITY & ACCESS TO PRODUCT OR SERVICE**

5.60

**DIFFICULTY IN ESTABLISHING TRUST BETWEEN USERS**

5.22

**TIME AND EFFORT FOR ARRANGING TRANSACTIONS**

5.13

Figure 9: The key challenges of SE initiatives<sup>17</sup>

One of the benefits of owning a product instead of renting or borrowing is that of flexibility in accessing and using the product. For SE initiatives, notably for the P2P models, **reliability and access to the product or service** is an important topic. This is interlinked with the need to establish a critical mass. In order to ensure flexible access to products and services, a platform needs to ensure that there are sufficient providers of those products and services demanded. This once more explains the initiatives focus on the city level. Customers need to be able to trust the reliability of the provider, and that the service or product has the promised quality. Trust and reputation mechanisms, elaborated in detail in Chapter 2.4, play an important role in creating this reliability.

Establishing trust between users in the Sharing Economy is of great importance and of concern. The survey has a special focus on this topic in Chapter 2.5.

Interestingly 'competition with large companies' is not regarded as a challenge by most initiatives. This is in line with the high interest of SE initiatives in partnering with traditional companies. Rather than seeing traditional business as competitors, SE initiatives recognise the potential that lies in partnering with them. Chapter 2.6 elaborates on this further.

**“We have to make sure the first experience a user has is a good one because you need to engage them and make clear the benefits.”**

**– RACHEL BOTSMAN**

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<sup>17</sup> The further challenges and their ratings are: Difficulty in providing safety and insurance to users (4.90); Legal uncertainty (4.57); Availability of cheap products or services for sale on the traditional market (4.57); Reliance on new communication technologies to access product or service (4.44); Winner-takes-all market or saturated market (4.44); Consumers' perception of a lower quality of the good or service provided when compared to the traditional form of supply of the good or service (4.24); Tax system compliance (4.16); Competition with large companies engaging in Sharing Economy (3.91).

<sup>18</sup> Andersson, Hjalmarsson & Avital (2013). Peer-to-Peer Service Sharing Platforms: Driving Share and Share Alike on a Mass-Scale; Mont & Power (2009). Understanding factors that shape consumption.

<sup>19</sup> Zentes, Beer & Beham (2013). Neue Mietkonzepte: Nutzen statt Haben – Potenziale und Herausforderungen für Unternehmen (New concepts of renting: Using instead of owning – Potential and Challenges for companies)

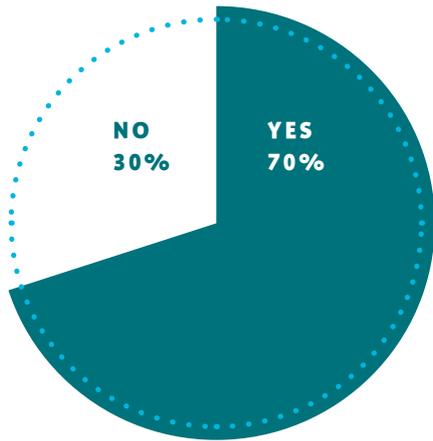
<sup>20</sup> UBA (2013). Umweltbewusstsein in Deutschland 2012 (Ecological Awareness in Germany); Vision Critical & Crowd Companies (2014). Sharing is the new Buying; Nesta & Collaborative Lab (2014). Making Sense of the UK Collaborative Economy.

# Importance of Trust and Reputation in the Sharing Economy



**Creating trust between the users of SE initiatives is an important precondition to a functioning business model. Many interactions between users are carried out without an insurance policy or another form of legal contract between the actors involved. One form of creating such trust is reputation mechanisms, which document the actors' history of transactions and behaviours with quantitative or qualitative ratings. We further explore the topic of trust and reputation to see how it impacts the SE initiatives.**

**DOES IT CONSTITUTE A CHALLENGE TO CREATE TRUST?**



Most of the initiatives report aiming to create trust by providing **personal contact between their users**. Even though many initiatives are platforms based online they aim to **foster social interaction and personal encounters**, which is also reflected in their value proposition as discussed in Chapter 2.2.

The results also reinforce the continuous **increase in the importance of social network profiles**. As many of the initiatives have identified the millennials as a key target customer group, linking social network profiles to the platform and the user profile is seen as a valid approach to create a form of transparency between users.

**Offering insurance** is a means of creating security rather than of creating trust. In Sharing Economy business models where assets of high value are being shared, rented or borrowed (e.g. apartment-sharing, car-sharing), offering **insurance protects against the risk of financial losses**. It can reduce people's reluctance to engage in the Sharing Platform and offer their valuable assets to be used by other peers.

**Cooperating with a large company to create trust** is a strategy that is in line with other results in this report on the partnering opportunities in the Sharing Economy (see Chapter 2.6). Together these results reveal a strong interest of the smaller SE initiatives to leverage strengths of traditional companies, which have, in most cases, built a reputation with regard to quality and reliability of their products and services. Partnering with them can increase trust from the customer side as well as between customers.<sup>22</sup>

**CHALLENGE TO CREATE TRUST**

Rated on a scale of 1-10: 1 = lowest value and 10 = highest value



Figure 10: Challenge to create trust

**HOW DO YOU CREATE TRUST BETWEEN USERS?**

Multiple answers possible

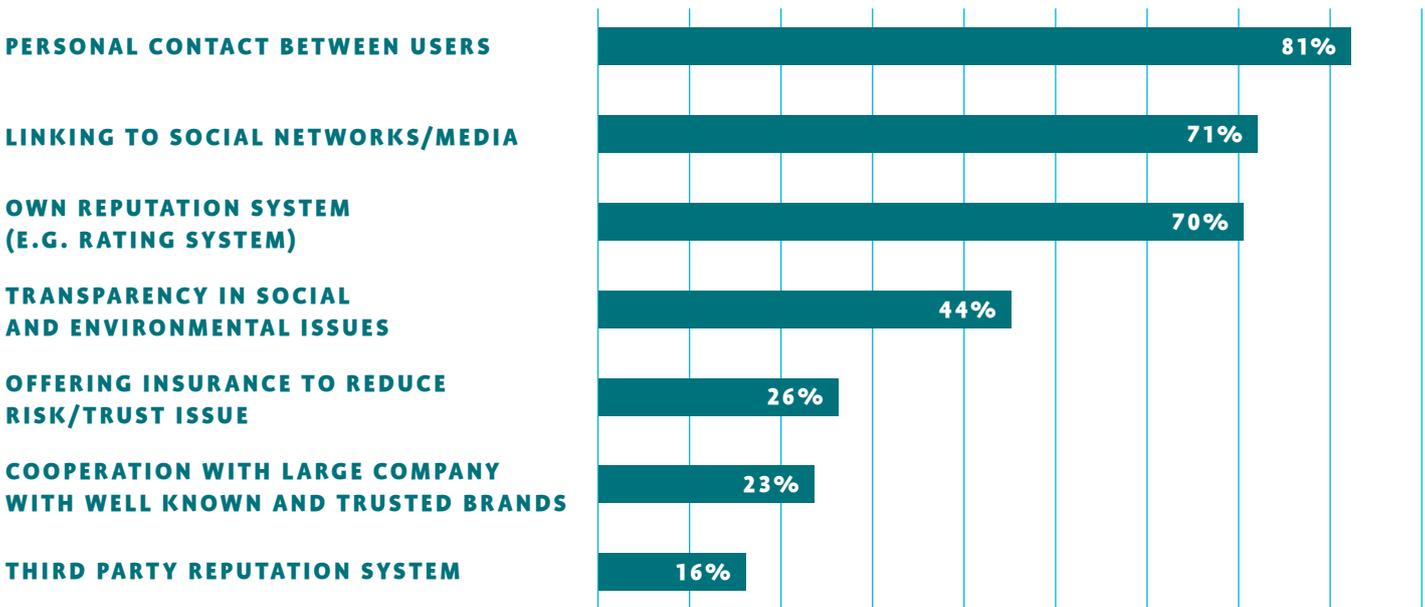


Figure 11: Different ways of creating trust between users<sup>21</sup>

It is interesting to observe that 70% of the initiatives aim to **create trust with their own reputation system**, whereas only 16% of the surveyed initiatives have a **third party reputation system**. Successful initiatives exemplify how to approach the issue of trust through reputation systems: Airbnb provides user feedback rankings and plug into users' Facebook connections to provide an added layer of social vetting, whereas Couchsurfing verifies identity through a credit card verification fee. The UK-based P2P lending site Zopa opts for identity and credit checks. By making product and trader quality instantly transparent, this approach reduces the risks for users and providers.<sup>23</sup>

Every platform that has its own reputation system is further fragmenting the online identities of the users. Engaging in third party reputation systems could be an important collective strategy for SE initiatives, as the ability for users to use the same (third party) reputation system across various platforms could enhance their experience with each platform and willingness to engage with others.

The reputation built in one platform could serve as a reference for a new platform a user engages in, which relieves an individual of building a new reputation profile every time they engage in a new SE platform. On the downside, there is the question of whether a reputation which a user has built on one platform, is also representative for his reputability in another area (if someone is a great cook and has a good reputation on a dinner-sharing platform, does this make him a good driver?).

**“But different marketplaces have different sort of specific needs, (...) so the most efficient system could be platform-specific rather than a common, more comprehensive reputation system. It’s too early to tell. But I certainly think there is a baseline that can be efficiently shared. We are already getting part of that from Facebook and LinkedIn, and from emerging services like Traity.”**

– ARUN SUNDARARAJAN

## **TRUST AND REPUTATION MECHANISMS HARVEST VALUABLE DATA ON CUSTOMERS**

Another explanation for why most initiatives offer their own reputation system is their desire to **gather information and data about their users**. This data is increasingly seen as important to many SE initiatives' business model. Some of the larger SE initiatives are accumulating comprehensive data and information on the lifestyles of their customers (data on mobility, preferences in products and services, preferences in housing and travel, etc.) and the reputation systems play an important role, too. It remains to be seen whether the challenge of creating trust can also become an opportunity for third party systems.

**“I am not surprised that companies have their own reputation system. The data is almost as valuable as the users.”** – RACHEL BOTSMAN

**“Making marketplaces share their reputation data is extremely difficult. It has to be user led in that the people participating on these platforms should be able to own and port their reputation data. In order for that to happen, they must see the benefits to do so.”** – RACHEL BOTSMAN

Achieving trust between users and between the users and the initiative is a precondition for a functioning SE business model and thus also for scaling up the initiative. The next chapter will further look into the topic of scaling up, its focus areas as well as the barriers.

<sup>21</sup> We provided the initiatives with seven possible mechanisms for creating trust and asked them to select each mechanism they use. They furthermore had the option to name additional trust building mechanisms.

<sup>22</sup> Altimeter (2013). A Market Definition Report – The Collaborative Economy; EC. (2013). The Sharing Economy – Accessibility Based Business Models for Peer-to-Peer Markets.

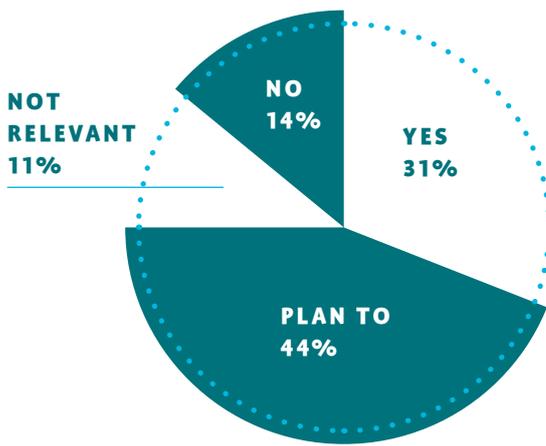
<sup>23</sup> Sundararajan (2012). Why the Government Doesn't Need to Regulate the Sharing Economy.

# The Sharing Economy is Scaling Up



**Of the participating initiatives, 93% see potential to increase the positive social, environmental and economic impact they create. Scaling up their initiative is one possibility of increase outreach and impact. With the Sharing Economy still being a relatively young phenomenon and many SE initiatives being start-ups, we wanted to create a better understanding of the relevance of scaling up for the SE initiatives and for this analysed in which areas they aim to scale up and which barriers they face.**

## HAVE YOU SCALED UP YOUR INITIATIVE?



## DIMENSION OF SCALING UP

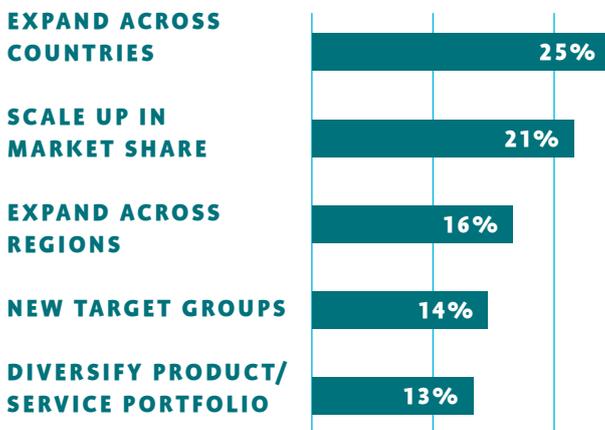


Figure 12: Relevance and dimensions of scaling up

The subject of scaling up has been attracting increasing interest, however there is not yet an internationally accepted definition of the term 'scaling up'. For the matter of this report, scaling up will be defined as mechanisms or activities leading to improved quality or environmental and social benefits to more people over a wider geographic area more quickly, more equitably, or over a longer time frame.<sup>24</sup>

The survey results show **the topic of scaling up is of high relevance to the initiatives**. More than three quarters either have already scaled-up or are planning to do so.

When scaling up, the strongest focus is on expanding across countries. As many of the surveyed initiatives are platform based, **it's relatively easy to expand their operations across borders**. In many cases it's not necessary for the initiative to have a physical presence, such as open offices or retail stores, in the new countries. Thus, the expenditure and investment for expanding to another country are often relatively low.<sup>25</sup>

Considering the focus on a very specific customer target group – millennials – identified in Chapter 2.1, the **relatively low orientation in reaching out to new target groups** stands out.

This result indicates that when the SE initiatives scale up their services, they don't consider reaching out to the customers that have been neglected so far, namely the elderly or parts of society with lower educational or income levels. Considering that establishing a critical mass was identified as the biggest challenge by the initiatives in Chapter 2.3, the question emerges whether **addressing a broader customer group would have the potential to help achieve the critical mass needed**.

## FINANCIAL BARRIERS ARE THE STRONGEST WHEN SCALING UP

Whereas in the initiation phase of their business the initiatives' key challenges were related to customers (Establishing a critical mass and changing consumers' habits and behaviour), in the scaling up phase the financial barriers gain in relative importance. **Starting a business in the Sharing Economy can be done at relatively low cost**, particularly for the P2P platform-based models.

When considering scaling up the initiative, **generating reliable revenue streams and finding financial support become strategic questions**. The evidence that only 16% of the initiatives are financed via their revenue streams indicates that **SE initiatives do face difficulties in generating reliable revenue streams**. The price sensitivity of the customers, identified in Chapter 2.1, might be of significance here. In the start-up stage, SE initiatives offer relatively cheap products or services in order to reach a critical mass of members. Having attained that number of customers, they are challenged with generating revenue streams from a **price-sensitive clientele**.

<sup>24</sup> CSCP (2014). Scaling Up Business Impacts on Sustainable Living: One Goal, Three Scaling Up Pathways, Seven Success Factors – Multi-Stakeholder Guideline Report. Report produced as part of the Business Innovation for Sustainable Scale-up (BISS) project.

Further information on the project and the related Global Network on Sustainable Innovation and Entrepreneurship can be found on [www.scaling-up.net](http://www.scaling-up.net)

<sup>25</sup> This is of course not the case for all SE initiatives. B2C models offering highly valued assets, such as car sharing, face high expenses when expanding their services to other countries.

## WHICH BARRIERS HAVE YOU FACED OR DO YOU EXPECT TO FACE WHEN SCALING UP YOUR INITIATIVE?

Rated on a scale of 1-10: 1 = lowest value and 10 = highest value

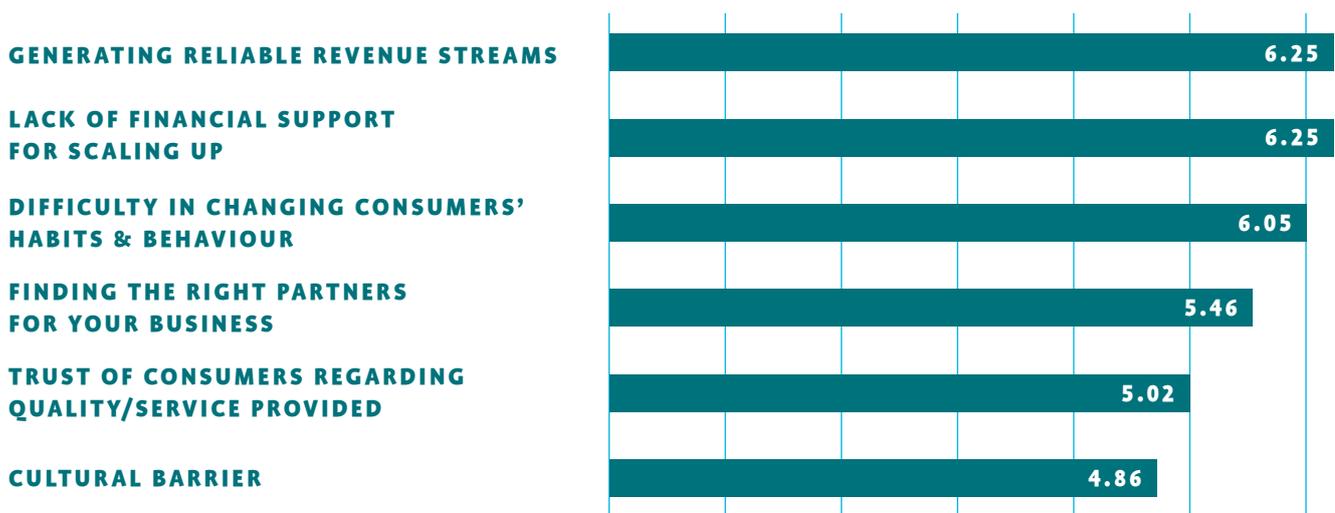


Figure 13: Barriers to scaling up

## HOW DO YOU FINANCE YOUR INITIATIVE?

Multiple answers possible

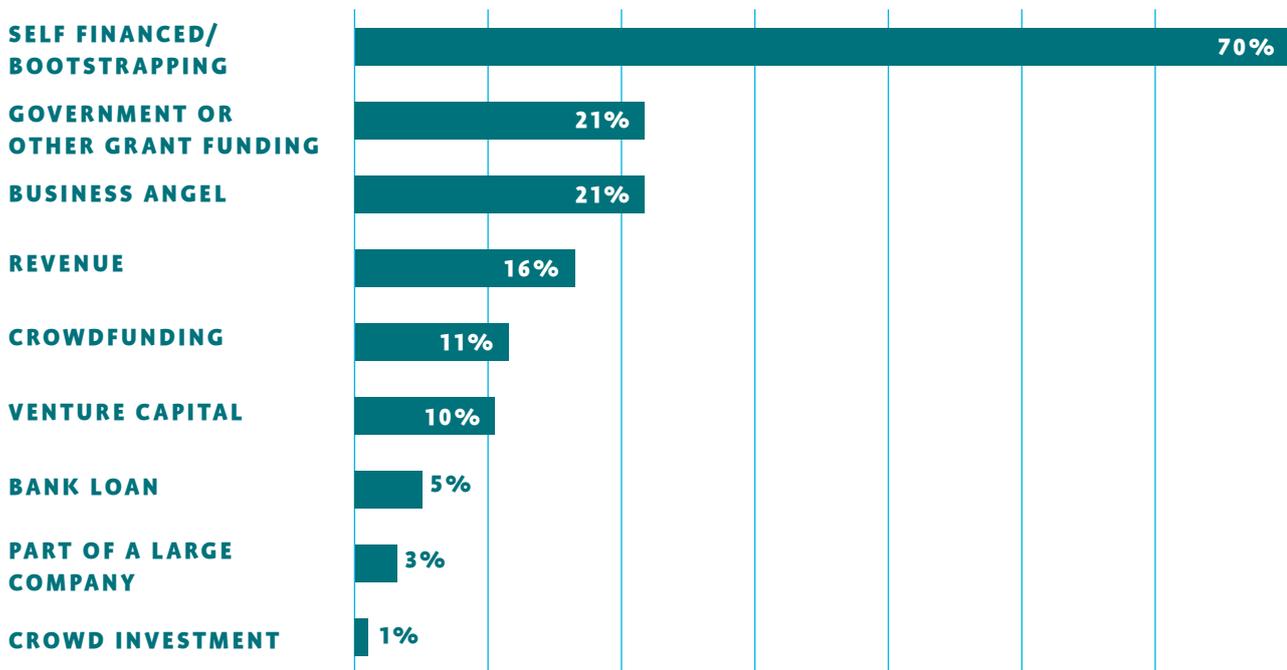


Figure 14: Financing SE initiatives

At the initiation stage, the relative low cost, platform-based initiatives rely mainly on self-financing of their business, but **growing its scale requires more investment**, for example in **community engagement, resource management or facility development**.<sup>26</sup> This indicates that for further development, SE initiatives need to develop a sustaining profit model as well as to seek **further financial support**. That the majority of SE initiatives find this challenging is also reflected in how they are financed: External investment and funding, such as angel investment, crowd funding, crowd investment or venture capital finance, still rank relatively low. While our survey sample was not representative, there appears to be regional differences in terms of the availability of grants and government funding to SE initiatives: 26% of the initiatives in Europe receive grants or government funding, whereas the figure in the US is only 17% and in Latin America it is only 5%.<sup>27</sup>

Apart from the financial barriers, **changing consumers' habits and behaviours remains a challenge** to the SE initiatives (see Chapter 2.3 for further elaboration). Finding the right partnerships for the business is also identified as a challenge by the initiatives. In line with this, **establishing partnerships with stakeholders and actors from different backgrounds** is of high relevance when assessing the additional support that SE initiatives seek, which will be elaborated in detail in the next chapter. The relevance of **creating consumers' trust in the quality of the goods or service** provided by the initiatives is particularly important to business models focusing on offering used products or providing access to shared products, being used by multiple consumers. As those transactions or the shared use is often happening between complete strangers, the issue of trust becomes even more important.

A common barrier to scaling up is that of handling the **regulatory and policy framework** as well as facing **tax issues**. Even though this received a relatively low average rating, when we asked the initiatives in which areas they needed additional support, several initiatives requested support on legal and taxation issues. Particularly when **expanding to other countries, an understanding of the tax and legal system is of importance** and lack thereof can be a barrier.

**“There is a culture in entrepreneurship of going for the big money very early. It might be better to develop the initial versions of the platform with as little funding as possible. There are now free or quasi-free tools that make it relatively simple to create your own platform and associated services.” – ALBERT CAÑIGUERAL**

**“The Sharing Economy is challenging regulatory systems. The big Sharing Economy platforms are now clearing the (legal) pathway for future innovation.” – ARUN SUNDARARAJAN**

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<sup>26</sup> CSCP (2014). Scaling Up Business Impacts on Sustainable Living: One Goal, Three Scaling Up Pathways, Seven Success Factors – Multi-Stakeholder Guideline Report. Report produced as part of the Business Innovation for Sustainable Scale-up (BISS) project.

<sup>27</sup> Please note that the participation in the survey varied significantly among the different regions. The results can not be considered as representative.

# Partnerships and Co-Creation for Scaling Up



**Looking at the challenges that SE initiatives are currently facing in their initiation phase, as well as at the barriers they face when scaling up, it is evident that SE initiatives need additional support. We looked into what form of support the initiatives seek and particularly what kind of partnerships with which type of stakeholders they consider promising.**

The responses show that the strongest request for support is in the **marketing and communication of products and services**. The request for support in this area, together with 45% of the initiatives calling for support in the **communication to the consumer**, matches the identified challenges in Chapter 2.3. In order to **establish a critical mass** and to **change the consumers' habits and behaviours**, further communication about the Sharing Economy and the opportunities and benefits it provides to its customers is required. Support in marketing and communication can also address the biggest barriers to scaling up, **generating reliable revenue streams** and acquiring financial support. With more customers using Sharing Economy concepts, reliable revenue streams can be created. Furthermore, increased marketing and communication can help the initiatives reach out to sources of financial support.

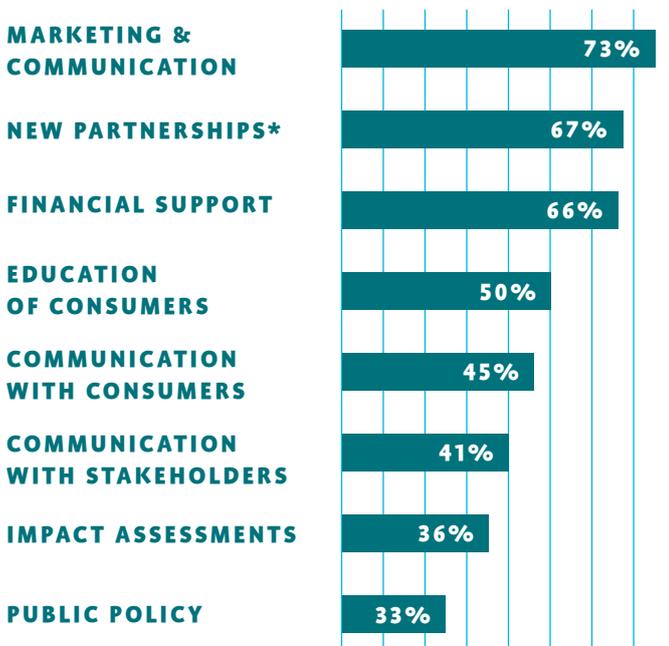
As pointed out before, the **lack of financial support** is a strong barrier to SE initiatives, and they do seek further support here. One opportunity would be **grants and government funding**, which, as we have seen, is already slightly more prevailing in Europe compared to the US or Latin America. But not only the public side of funding is a solution to improve the financial situation of SE initiatives, also **the investment environment for the SE initiatives must improve**. Some SE initiatives have attracted large investments and by this directed the spotlight towards this sector, which might help improve the investment environment in the future.

**“When you really find what value you are providing to society then you can find money through better channels...”**

– ALBERT CAÑIGUERAL

### ADDITIONAL SUPPORT REQUESTED

Multiple answers possible



### \*NEW PARTNERSHIPS

Rated on a scale of 1-10: 1 = lowest value and 10 = highest value

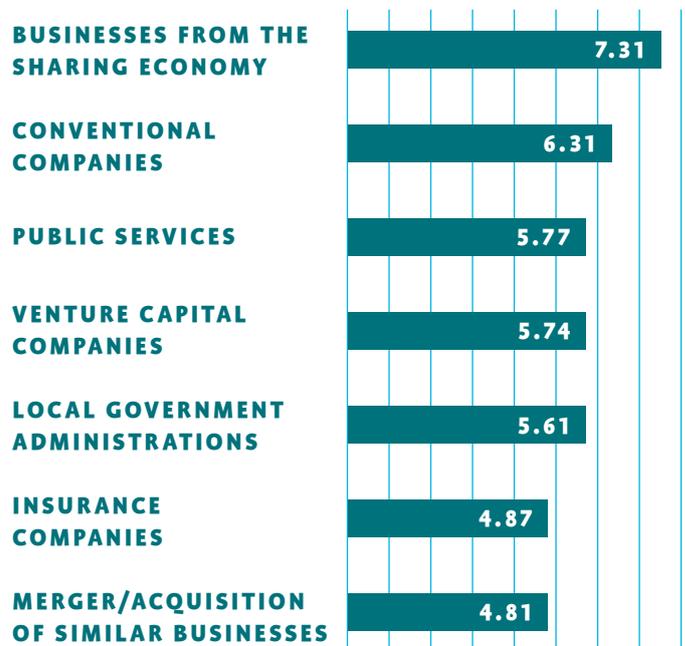


Figure 15: Additional support and partnerships

**“For cities, the environmental argument is relevant, but it depends on whom you talk to and what the pillars of the economy are. For most governments, the economic argument (boosting local investment) is most important to them. For a few cities, such as Vancouver, environmental arguments carry great weight. I have found that EU cities are also generally more receptive to environmental priorities than, for example, cities in the US.” – APRIL RINNE**

Seeking support for **impact assessment of the products and services** shows that the initiatives have realised that for marketing and communication of the Sharing Economy, a focus on the positive economic, social and environmental impacts might be of value. The majority (75%) of the surveyed initiatives **communicate about their positive economic, social or environmental impact**. However, the results of this survey also show that only about a quarter of the initiatives have measured any of those impacts. This can be explained by the fact that most initiatives are still startups, without the capacity to measure their impact. However, it **limits their potential for marketing and communication to stakeholders** such as customers, potential investors but most importantly legislators and public institutions. Support in the form of tools, education and frameworks to assess the impacts are needed to help SE initiatives gain visibility as a step towards a sustainable economy.

**“Communication is different to the government and the end-user. The government needs to know the impact the Sharing Economy creates, but there is a problem of getting proper research and data. So now the communication is more marketing oriented. Many consumers are not even aware they are engaging in an ecological behaviour.”**

**– ALBERT CAÑIGUERAL**

The call for more **education and knowledge building on the part of the consumer** is shared by about half of the initiatives, and stands out even more clearly in the comments from the participants. There are several calls in the range of ‘training customers in events about the value of SE initiatives’, ‘education processes of larger markets to consider Sharing Economy solutions’, and for ‘creating a culture that values P2P concepts’.

**“It should be the same to buy something new, second hand or rent it. Mentally it should be at the same level.” – ALBERT CAÑIGUERAL**

**“The problem of the communication of positive impact (beyond economic benefits/savings) is that the numbers quantifying the impacts are very vague.” – ALBERT CAÑIGUERAL**

## **PARTNERING WITH OTHER SE INITIATIVES AND LARGE COMPANIES**

The strongest interest in **partnering is with other initiatives from the Sharing Economy**. There are often synergies between different types of sharing models that can be connected to create holistic sharing concepts for several areas of our lives. This can be the case for sharing models operating in the same field, e.g. linking various travel-related sharing services. There are also opportunities for linking services from different sectors, e.g. using shared mobility or logistics services to deliver tools acquired from a goods-sharing platform. As many platforms have a very similar target group, partnering can help to find new users who are already familiarised with the concept of the Sharing Economy.

Interestingly, the second highest priority for **partnerships is with conventional companies**. In Chapter 2.3 we already pointed out that the initiatives don't see 'competition with large companies' as a challenge. The result in this chapter points even more to the openness and interest of the initiatives to go one step further and engage in partnerships. This is reasonable as **partnerships between SE initiatives and conventional companies can be beneficial for both sides**.

Large conventional companies can be supportive to SE initiatives in various ways. On the operational side they have **existing structures** such as **established relations with suppliers, retailers and other partners**. Furthermore, they can provide **logistical support**, which can help the initiatives scale up their outreach. When they are well established, have a broad customer base and also a reputation for their quality and reliability, SE initiatives can use such partnerships to tap into new markets and reach a larger customer group. With logistical structures and a presence in rural areas, they can also **enable the Sharing Economy to grow beyond the urban areas, scale their sharing concepts and reach out to a broader customer group**.

**“A good path for collaboration between start-ups and conventional companies, between new and existing models, is for incumbents to look into new businesses that create capabilities they need. Furthermore, conventional companies have capabilities which sharing initiatives might need, for example, logistics or brand-related.”**

– ARUN SUNDARARAJAN

But also the conventional companies benefit from this. The start-ups from the Sharing Economy show flexibility and agility regarding the implementation of solutions and have a great adaptability towards new trends and customer expectations. By partnering with SE initiatives, traditional businesses can identify opportunities for innovation and get access new markets. Additionally in developing innovative products they respond to the changing patterns of consumption in regard to product design or quality.<sup>28</sup> Different business sectors will find opportunities in various ways. The ICT sector for example can find business opportunities in enabling Sharing Economy business models, especially when taking existing models and aiming to scale and professionalise them. The technology and services they provide is essential for enabling efficient processes in car-sharing models or in logistic and distribution concepts from the Sharing Economy as well as in optimised sharing office models.

**“Retailers might consider whether the Sharing Economy paradigm threatens business models based on asset buying and selling. If so, partnering might be a way of overcoming any difficulty in internal innovation.”**

– ARUN SUNDARARAJAN

Partnering with or **linking the initiatives to public services** can be quite beneficial for both sides. The initiatives can target some of their key challenges: It can help to **establish the critical mass, increase trust** from users by **increasing the reliability and access** to the product or service, and it can help generate **reliable revenue streams**. Creating an **enabling environment is essential for the functioning of most SE initiatives**, and the public administrations and local governments play an important role here. Nevertheless, the public administrations themselves have also recognised the value in cooperating with SE initiatives. In San Francisco the BayShare, a network of various SE initiatives, partners with the Bay Area local government. Among others, they have a partnership with the Department of Emergency Management to assist San Francisco during emergencies.<sup>29</sup> This way partnering with SE initiatives helps build more resilient cities. In Munich, Germany, the local transport department cooperates with car-sharing organisations to promote the use of public transport among car-sharing users.<sup>30</sup> Making Sharing concepts visible and showing the benefits to society is essential to increase its outreach.<sup>31</sup>

**“Partnerships between start-ups and big companies are beneficial for both. Big companies get fresh blood and ideas and they can give scale to the start-ups. Big corporations have to be adaptive to change, otherwise they risk to fail.”** – ALBERT CAÑIGUERAL

Partnering with Venture Capital (VC) companies can help the SE initiatives **close their financial gap** and additionally get **support in the form of people bringing in their experiences and expertise**. Recently more initiatives from the Sharing Economy have received VC funding.<sup>32</sup> Specifically for initiatives looking into scaling up, VC financing can be very interesting, which explains its high relevance in this survey.<sup>33</sup> However, this form of finance can also pose challenges to the SE initiatives, as Rachel Botsman points out.

**“The model of investment and structure in these initiatives should reflect their core values. Billion dollar plus companies are emerging in the space but their equity structure does not reflect their core values. Even though users are often the providers of the services and that is how these platforms generate value, the equity and financial return is still held by a relatively small group of VCs and company shareholders.”**

– RACHEL BOTSMAN

Insurance and merger and acquisition rank lowest in the preferences for partnerships of SE initiatives. The issue of insurance is relevant for some specific Sharing Economy concepts, such as apartment sharing or P2P car sharing. However, most SE initiatives are able to solve such challenges without formally partnering with insurance services.

## THE OPPORTUNITIES OF HOLISTIC SHARING ECONOMY APPROACHES

Beyond the identified requests for further support and the interest in partnerships with different stakeholders, the surveyed SE initiatives see a big opportunity for the Sharing Economy in creating holistic sharing approaches, such as Sharing Hubs or Sharing Cities. Such holistic approaches are promising because they allow simultaneously tackling the challenges which SE initiatives face while invigorating the positive potential the Sharing Economy presents. In a Sharing City, legislators aim to gain a better understanding of the Sharing Economy, its initiatives, the positive environmental, social and economic potential as well as the potential risks they pose to the traditional business sector or existing legal structures. In San Francisco, the local government has formed the ‘Sharing Economy Working Group’ to support an innovative new economy. Seoul in South Korea has announced the Sharing City Project to further develop the Sharing Economy in the private and in the public sector in order to unlock its economic, environmental and social potential. From Seoul’s perspective, “sharing allows us to gain more benefits with fewer or less resources since it enhances the usefulness of resources. Therefore, the government can provide more services to the citizens with a smaller budget.”<sup>34</sup> Holistic approaches, such as the Sharing City, bring together the most relevant stakeholders, be they legislators, the civil society, business sector leaders and the SE initiatives, to identify which stake each has in the Sharing Economy, which potential and opportunities it holds for them and finally to develop common pathways towards harvesting the potential for each stakeholder in a jointly coordinated approach.<sup>35</sup>

<sup>28</sup> Mont (2004). Reducing Life-Cycle Environmental Impacts through Systems of Joint Use.

<sup>29</sup> Bayshare (2013). Partnerships.

<sup>30</sup> MVV (2012). CarSharing plus MVV – eine Mobilitätsalternative auch in den MVV-Landkreisen (CarSharing plus MVV – an alternative for mobility in rural districts)

<sup>31</sup> In North Rine Westphalia (NRW), Germany, the local environmental ministry funded the platform „Ich bin’s – nachhaltig in NRW“ (“I am sustainable in NRW”) for local initiatives engaged in sharing and similar sustainable activities to gain visibility and connect and exchange with each other. It thereby contributes an enabling environment for the initiatives. [www.ichbins-nrw.de](http://www.ichbins-nrw.de)

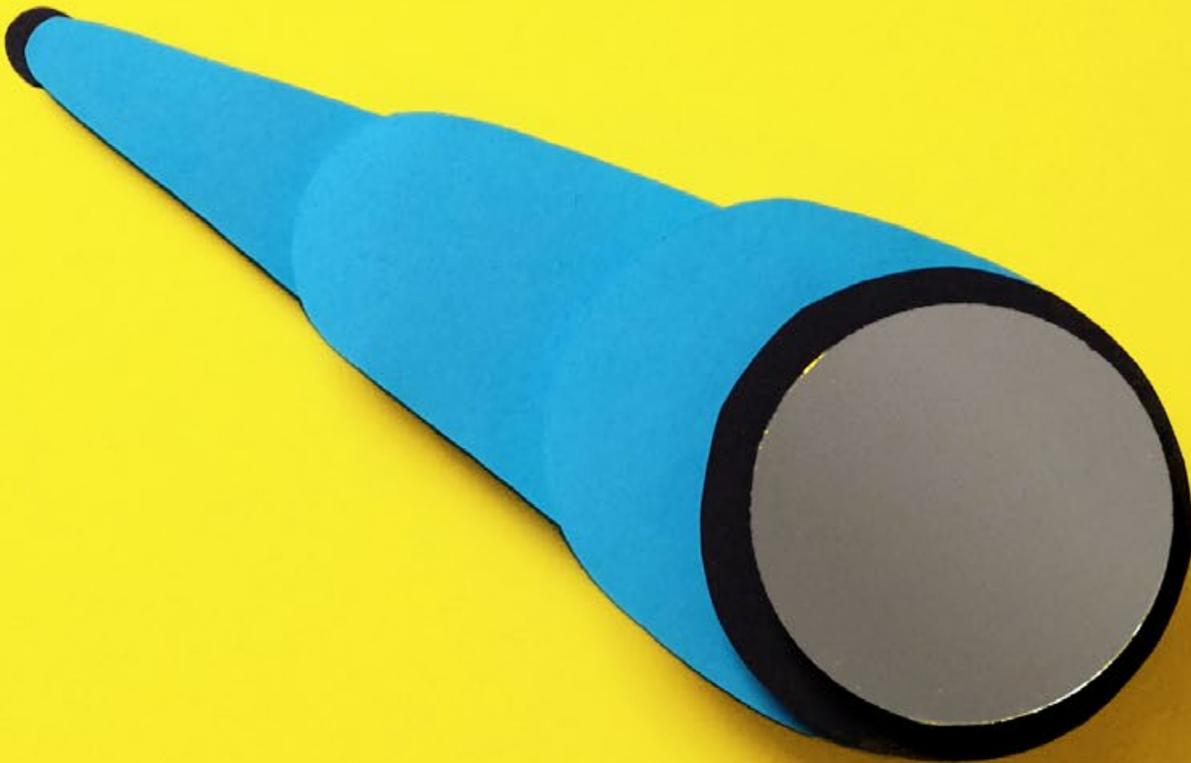
<sup>32</sup> Altimeter (2013). A Market Definition Report – The Collaborative Economy; EC (2013). The Sharing Economy – Accessibility Based Business Models for Peer-to-Peer Markets

<sup>33</sup> e.g. The french ride-sharing company BlaBlaCar raised \$100 Million in venture capital as indicated by Index Ventures (2014).

<sup>34</sup> Seoul (2014). “The Sharing City Seoul” Project.

<sup>35</sup> One approach of bringing different stakeholders together on a global level is the Global Network on Sustainable Lifestyles (GNSL). It brings together different experts and practitioners and facilitates partnerships, both online and offline in workshops, with the goal to enable more sustainable lifestyles. [www.vision2050.net](http://www.vision2050.net)

# Opportunities and Outlook



**The Sharing Economy continues to grow rapidly with strong winds both at its back and in its face. On the one hand it is ever so clear that the demand for ‘on-demand’ is only growing.<sup>36</sup> On the other hand trust in our society is creeping in the other direction. The data from our survey largely reflect commonly held assumptions about the challenges SE initiatives face, but they provide additional insights into the opportunities and outlook. The cultural movement underpinning the Sharing Economy is at the very least a beacon for where the rest of the economy is going. This report clearly demonstrates its ethos is urban, young, tech-driven, and fiercely competitive about data. Despite theoretical opportunity in other directions, this ethos looks to remain pure.**

Although avant-garde, the initiatives' strategies are practical. They aim to secure funding, market themselves, and scale. They are even looking to partner with large established corporations, which are clearly watching them and waiting for more information before significantly investing in them or changing their own business models. Despite the many similarities between Sharing Economy start ups and start ups more generally, there is even greater uncertainty surrounding those in the Sharing Economy, making it more difficult to price their risk and opportunity. This applies for both financial institutions and large corporations.

**“It would be important to analyse how we can reach socio-economic levels beyond elitists. Apart from looking at the age angle of users of Sharing initiatives, we need to face the challenge of how to reach a broad spectrum of the socio-economic society and how to create more social value, e.g. how to reach migrants?”**

**– ALBERT CAÑIGUERAL**

The inherent unpredictability in the Sharing Economy is further complicated by government regulation, which is itself caught in two mindsets. SE initiatives make strong – if unsubstantial – claims about their environmental and social benefits, which should compel governments to invest in them, if not directly then at least through infrastructure and regulatory accommodation. However, in reality, largely the opposite has been true. Often, the challenge played out in government is one between established powerful industries and disruptive SE initiatives.

This study shows that three quarters of initiatives promote their positive impact even though they do not measure it because of a lack of resources and expertise. This presents a clear opportunity for governments and private funding agencies to support research into the impacts of the Sharing Economy. Yet this research needs to focus not only on the positive potential of the Sharing Economy. Claims about risks associated with the Sharing Economy have been persistent since its emergence, whether being associated with environmental rebound effects or social risks related to some sharing concepts undermining labour rights. These potential risks also need to be assessed. This way research can contribute to identifying the opportunity fields where the Sharing Economy has positive environmental, economic and social benefits (and on how to maximise them), as well as to identifying the potential risks associated and to finding tools and mechanisms on minimising them.

Another main source of opportunity for the Sharing Economy is fulfilling and creating demand for increased social interaction. Not too long ago shopping was a local activity with a high level of social interaction. You bought your groceries and clothes from people you knew and you met others you knew doing the same. Physical marketplaces were hubs of social interaction. Today, in cities and suburbs particularly, this is rarely the case. Whether it is Walmart or Amazon, shopping has become less personal. What we see is the Sharing Economy using technology to come full circle and appeal to people's desire for more social interaction with their community. While this social interaction is an important part of the Sharing Economy's perceived value proposition for their current target groups, the most successful initiatives have expanded well beyond the niche group and focused on providing a service to the customers where they offer a value proposition catering to that desire for social interaction while also offering a low cost, efficient and high quality product or service.

A key area for further investigation is into the mindset of customers and potential customers with respect to the Sharing Economy. Whether it is by capitalising on low-hanging fruits through convenience and low cost in new sectors and for new target audiences such as the elderly population or targeting rural areas, or by creating demand for social and environmental benefits, the Sharing Economy has significant room for growth. The initiatives will, for the foreseeable future, be reliant on traditional sources of finance or partnerships for achieving scale. As these institutions gain more confidence in their ability to predict successful SE initiatives and government regulation, we expect to see more success stories on the scale of Airbnb and Uber. Meanwhile, these successful global SE initiatives will continue to pave the way for those that follow them.

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<sup>36</sup> The “Spread – Sustainable Lifestyles 2050” Project identified the emergence of Collaborative Consumption as one most promising trends towards a sustainable lifestyle.

# What could you do?

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## **CITIES & THE PUBLIC SECTOR**

As the Sharing Economy is increasingly impacting society, the private sector and public institutions, cities as well as legislators are becoming actively involved. They can develop action plans to identify in which areas the Sharing Economy holds potential for creating positive social, environmental and economic impacts, as well as identifying the challenges it poses to existing laws and regulations. On the national and municipal level, knowledge-building and exchange between multiple stakeholders is required, be they legislators, the civil society or business sector leaders. On a global level, a network fostering the exchange of learning and experience between policy makers and municipal leaders from different regional, cultural and socio-economic backgrounds can contribute to the scaling and transferring of good practice.

## **THE PRIVATE SECTOR & BUSINESS ASSOCIATIONS**

The emergence of Sharing Economy business models is a result of societal, economic and technological trends. Businesses and industries need to understand how these trends impact their business models, products and services. They need to learn from the SE initiatives, stay flexible and adaptive and ask themselves how they will stay competitive in a changing economic and societal environment and meet different kind of demands. Partnering with SE initiatives is one path, developing and piloting new and innovative products and services inspired by the Sharing Economy is another. In any case the private sector needs to recognise the Sharing Economy as an opportunity to rethink their own business models, products and services.

## **INVESTORS & THE FINANCIAL SECTOR**

Venture Capital companies and other financial institutions are beginning to recognise the large potential the Sharing Economy holds. SE initiatives grow fast and they look for financial support to scale up in different dimensions (increasing market share, expanding across countries, etc.). They have different forms of creating economic and financial value, some through their revenue models, others through the data and information they gather. Investors need to identify which initiatives and models meet societal demands and thus have the largest potential to generate an increase in customers or to expand across regions or countries. As most initiatives still operate in urban areas and have a relatively narrow customer group, financial support can be profitable when it helps the SE initiatives to increase their outreach and impact.

# Methodology & Experts

**The report on the Sharing Economy has been a common project of the Collaborating Centre on Sustainable Consumption and Production, Akatu Institute for Conscious Consumption and the Columbia Business School, in partnership with OuiShare and Shareable, aimed at gaining a better understanding of business models, environment and the potential for further development of the Sharing Economy on a global scale.**

On the basis of desk research, professional experience and with the contribution of OuiShare, an online survey was designed. With the support of OuiShare and Shareable as outreach partners, a variety of SE initiatives in Europe, Latin America and the US were approached and asked to participate in the online survey.

The interpretation and analysis of the results of the survey, as presented in this report, was further supported by literature research and six interviews with international experts from the field of the Sharing Economy.

## **A TOTAL OF 110 INITIATIVES PARTICIPATED IN THE SURVEY**

70 active in Europe  
35 active in the US  
22 active in Latin America<sup>37</sup>

## **DIFFERENT AREAS OF SHARING AND DIFFERENT BUSINESS MODELS**

### **INITIATIVES FOCUS**

58 on sharing of services  
53 on sharing of goods & food  
25 on sharing of mobility  
23 on sharing of space

### **BUSINESS MODELS**

62 initiatives facilitate P2P-sharing services  
24 initiatives facilitate B2B-sharing services  
20 initiatives facilitate B2C sharing  
6 initiatives facilitate C2B sharing



**MICHAEL KUHNDT**

Michael Kuhndt is the Director of the Collaborating Centre on Sustainable Consumption and Production (CSCP) with more than 15 years of experience in working together with multinational companies as well as national and international organisations on projects relating to sustainable consumption and production. He advises cities and the public sector on the topic of the Sharing Economy.



**THOMAS WAGNER**

Thomas Wagner's expertise lies in the intersection of sustainable business models and sustainable lifestyles. Analysing lifestyle and consumption trends, he identifies business innovation opportunities that create sustainable value. At the CSCP, his activities on the Sharing Economy range from research to applied work with multi-national companies.

<sup>37</sup> The numbers sum up to more than 110, as various initiatives operate in more than one of the named regions and also engage in more than just one of the mentioned areas of sharing.



**HELIO MATTAR**

Helio Mattar is the idealizer, co-founder and president of the Akatu Institute for Conscious Consumption in São Paulo, Brazil. He has held senior positions in the government, business and civil society. He is known as a catalyst for the growth of Corporate Social Responsibility (CSR) in Brazil and internationally for over twenty years.



**ARUN SUNDARARAJAN**

Arun Sundararajan is the NEC Faculty Fellow, Professor of Information, Operations and Management Sciences and a Doctoral Coordinator at the Stern School of Business and New York University. He is an academic expert on the economics of digital goods and network effects.



**JEFFREY LAGOMARSINO**

Jeffrey Lagomarsino contributed to this report as the Director of Global Leadership Matrix (GLEAM) Program at the Columbia Business School. He is now Chief Marketing Officer of Volute Technologies. Jeffrey is a leader in the innovative use of technology to promote environmental sustainability and human welfare.



**NEAL GORENFLO**

Neal Gorenflo has become an expert on sharing and an avid practitioner. He has consulted with the Institute for the Future, Stanford University, Lowe's Home Improvement, and numerous startups. He is also one of the co-founders of Shareable – one of the major networks of the Sharing Economy Movement.



**CHERYL D. HICKS**

Cheryl D. Hicks is an experienced business and sustainability professional with 15 years of cross-sector business experience and most recently working as a Team Leader for the CSCP. In her work on the Sharing Economy Cheryl engages with multi-national companies to identify business and innovation opportunities.



**APRIL RINNE**

April Rinne is a Sharing Economy and Shareable Cities expert, focusing on the linkages and opportunities between the Sharing Economy and cities; policy; travel and tourism; and emerging markets. She advises companies, local and national governments, entrepreneurs and investors. She also leads the Sharing Economy Working Group at the World Economic Forum.



**RACHEL BOTSMAN**

Rachel Botsman is a global thought leader on the power of collaboration. She is the co-founder of the Collaborative Lab, the leading source of expertise for companies and governments. She is the co-author of the critically acclaimed book *What's Mine is Yours: How Collaborative Consumption Is Changing The Way We Live*.



**ALBERT CAÑIGUERAL**

Albert Cañigueral created ConsumoColaborativo.com in 2011 and joined the European network Ouishare from the very early days of the organisation to lead the activities in Southern Europe. He became one of the main references for the collaborative economy in the Spanish language.

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