Understanding the Sharing Economy

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AGENDA

> Sharing economy definitions

> Business Model & Sharing Economy

> The network effect

> Workgroup
Overview of Sharing Economy Definitions

There is no ‘shared’ consensus on what activities comprise the ‘sharing economy’.

Concept of sharing addressed in the literature on consumer behaviour seems to have been boosted with Belk’s presentation in October 2006 at the University of Wisconsin conference (Rudmin, 2016; Shah et al. 2007), followed by Belk’s articles “Why Not Share Rather than Own?” (2007) and “Sharing” (2010).

The 'sharing economy' have also been labelled as ‘collaborative consumption’, ‘access-based consumption’, ‘connected consumption’
Overview of Sharing Economy Definitions

https://trends.google.com/trends/explore?date=all&q=%22Sharing%20economy%22
Overview of Sharing Economy Definitions
## Overview of Sharing Economy Definitions

**EXHIBIT 2 | More Than 400 Venture-Financed Companies Power the Sharing Economy**

<table>
<thead>
<tr>
<th>Year</th>
<th>Companies</th>
<th>Funds Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>40</td>
<td>$43 million</td>
</tr>
<tr>
<td>2010</td>
<td>85</td>
<td>$130 million</td>
</tr>
<tr>
<td>2013</td>
<td>271</td>
<td>$1.74 billion</td>
</tr>
<tr>
<td>2016</td>
<td>420</td>
<td>+$23.4 billion</td>
</tr>
</tbody>
</table>

**Source:** Quid; BCG Center for Innovation Analytics; BCG analysis.

**Note:** Quid analyzed venture financing for 476 sharing-economy companies, which it placed into 17 groups according to similar products, technologies, and customers. Funding totals are cumulative. Analysis excludes peer-to-peer lending ventures.
Honeycomb

Collaborative Economy Honeycomb Version 1.0

The Collaborative Economy enables people to efficiently get what they need from each other. Similarly, in nature, honeycombs are resilient structures that efficiently enable many individuals to access, share, and grow resources among a common group.

In this visual representation, this economy is organized into discrete families, sub-categories, and example companies. To access the full directory of 1000+ companies visit the Mesh Index, at meshing.it/companies managed by Mesh Labs.

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Overview of Sharing Economy Definitions

Sharing-exchange continuum

Dual mode
Overview of Sharing Economy Definitions

Figure 1. The sharing/exchange continuum\(^a\) with scores\(^b\)

- Pure sharing (e.g., mothering [Belk, 2007])
- Nonownership Collaborative Consumption: Dual Modes (Habibi et al., 2016)
- Pure exchange (e.g., buying bread from store [Belk, 2007])

- Reciprocal
- Balanced exchange
- No lingering obligations
- Monetary
- Nonsingular
- Calculation
- Inspection
- Alienable
- Impersonal
- Independent

Sharing characteristics dominant: sharing score 3.5-5, e.g., Couchsurfing (sharing score: 3.95)
Balanced sharing and exchange characteristics: sharing score 2.5-3.5, e.g., Airbnb (sharing score: 3.14)
Exchange characteristics dominant: sharing score 1-2.5, e.g., Zipcar (sharing score: 2.3)
Overview of Sharing Economy Definitions

“an alternative to the private ownership that is emphasized in both market place exchange and gift giving. In sharing, two or more people may enjoy the benefits (or costs) that flow from possessing a thing (Belk, R., 2007, p. 127)”.

“The expression of sharing economy is commonly used to indicate a wide range of digital commercial or non-profit platforms facilitating exchanges amongst a variety of players through a variety of interaction modalities (P2P, P2B, B2P, B2B, G2G) that all broadly enable consumption or productive activities leveraging capital assets (money, real estate property, equipment, cars, etc.) goods, skills, or just time” (Codagnone, 2016)
# The Business Model Canvas

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic alliances, cooperations, suppliers that support organization’s value creation</td>
<td>The main activities that need to be performed</td>
<td>What the business offers to its audiences</td>
<td>The types of relationships that will be formed</td>
<td>Target audiences the value propositions will appeal to</td>
</tr>
<tr>
<td>Key Resources</td>
<td></td>
<td></td>
<td>Channels</td>
<td></td>
</tr>
<tr>
<td>Different types of process and people to complete the activities</td>
<td></td>
<td></td>
<td>The methods by which the services will be delivered</td>
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<td>Cost Structure</td>
<td>Revenue Streams</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Different cost-elements</td>
<td>The method by which a business derives income</td>
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The Business Model Canvas

SAMMY'S SUPER SANDWHICH SHOP

An example of Business Model Canvas
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The components of Business Model

CUSTOMER VALUE PROPOSITION

• Those things that the firm and its products/services can do for customers to solve their problems and/or satisfy their needs better than competitors

• It answers the question: *What is so compelling, engaging, rewarding, or delightful to customers about what a firm has to offer that will attract customers from competitors?*

• Products/services + attributes + reputation + image + ...
The components of Business Model

CUSTOMER VALUE PROPOSITION

Airbnb

Book unique homes and experiences all over the world.
The components of Business Model

CUSTOMER VALUE PROPOSITION

Pinterest

A few (million) of your favorite things.

Log in    Join Pinterest

About Pinterest  Terms and Privacy
The components of Business Model

CUSTOMER VALUE PROPOSITION

Skype keeps the world talking, for free. Share, message and call - now with group video on mobile and tablet too.

Invite anyone to a call

Now it's easier to start a chat or call on Skype. Share a link any way you want, so friends, family and your team can join the conversation even if they don't have Skype.
The components of Business Model

CUSTOMER VALUE PROPOSITION

Soundtrack your life

Let Spotify bring you the right music for every mood and moment.
The perfect songs for your workout, your night in, or your journey to work.
The components of Business Model

REVENUE MODEL

• The Revenue building block represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings).

• Company must ask itself, “For what value is each Customer Segment truly willing to pay?”

• Each Revenue Stream may feature a different pricing mechanism or technique
The components of Business Model

THE TWO SIDED MARKETS

Two-sided (or more generally multi-sided) markets are roughly defined as markets in which one or several platforms enable interactions between end-users, and try to get the two (or multiple) sides “on board” by appropriately charging each side.
The two/multi-sided markets

These platforms are “two-sided” in the sense that both sides—consumers and third-party producers—need to gain access to the same platform in order to be able to interact and the value of platform access to each side is higher, the more members are present on the other side.

In this context, a critical problem for platforms is to choose how much to charge each side for access (or membership) in order to maximize profits.
The network effect

Direct network effect $\rightarrow$ A telephone becomes more valuable to an individual as the total number of telephone users increases.

Indirect network effect $\rightarrow$ DVD player becomes more valuable as the variety of available DVDs increases, and this variety increases as the total number of DVD users increases.
The network effect

In the platform economy....

The more users a platform has on each side, the greater are the resulting network effects

Consumers prefer to have the availability of variety of products. At the same time, suppliers prefer to sell through a platform that attracts a large number of potential customers
Network Effects
The network effect

UBER
Two different classes of users: supply-side and demand-side users. They each come to the network for different reasons, and they produce complementary value for the other side.

Each new supply-side user in a 2-sided network directly increases the value of the network for demand-side users, and vice versa.

Look at how same-side users interact ➔ Most of the time, users on the same side subtract value directly from each other.

The fact that there are many sellers in the marketplace attracts the buyers to be there in the first place.
Customers are there for the vendors, and vendors are there for the customers.

→ the phenomenon of “multi-tenanting”
The difference is that the supply side actually engineers products that are only available on the platform. The supply side has to do work to integrate to the platform.
the “value curve” refers to how fast the value to the demand side increases as supply increases, and how strong the nfx get when critical mass is reached.
Let’s work!

Using the following BM components:
• Value proposition
• Target (Suppliers & Beneficiaries)
• Revenue Model
• Channels

Describe the BM of the following platforms:
- toogoodtogo.co.uk/en-gb
- planzheroes.org
- olioex.com
- foodsharing.de
- spoileralert.com
Let’s work!

<table>
<thead>
<tr>
<th>Value proposition</th>
<th>Marketplaces</th>
<th>Suppliers</th>
<th>Beneficiaries</th>
<th>Revenue Model</th>
<th>Channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better manage unsold inventory</td>
<td>B2B and B2NPOs</td>
<td>Businesses</td>
<td>Retailers/Discount and NPOs</td>
<td>Consulting</td>
<td>-</td>
</tr>
<tr>
<td>Join the food sharing revolution</td>
<td>P2P and B2P</td>
<td>Businesses and Consumers</td>
<td>Consumers NPOs</td>
<td>Fee form businesses</td>
<td>Door2Door</td>
</tr>
<tr>
<td>We get great surplus food to good causes</td>
<td>B2B</td>
<td>Businesses</td>
<td>NPOs</td>
<td>Donations and membership</td>
<td>Food collected by charities</td>
</tr>
<tr>
<td>Rescue delicious food at great prices so you can eat well with a clean conscience. We’re going to reduce food waste worldwide by helping stores sell their surplus food through our app.</td>
<td>B2C</td>
<td>Restaurants</td>
<td>Consumers</td>
<td>Commission per item sold</td>
<td>Consumers go the shop</td>
</tr>
</tbody>
</table>