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

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

1. The emergence of the sharing economy

During the past several decades, markets have given way to alternative modes of consumption that increasingly challenge sole ownership as the dominant means of obtaining product benefits (Lamberton & Rose, 2012). This so-called sharing economy phenomenon is characterized by nonownership, temporary access, and redistribution of material goods or less tangible assets such as money, space, or time. Furthermore, these systems heavily rely on new information and communication technologies, making this form of consumption highly accessible, flexible, and easy to share (Botsman & Rogers, 2011).

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The speed of growth in the spread of sharing systems shows that the sharing economy represents a serious threat to some established industries. In 2015, 17 companies operating in the sharing economy were worth more than US $1 billion and employed more than 60,000 workers all together. Just last year, Airbnb (2015) alone recorded more than 35 million paying guests worldwide. And there is no sign yet of saturation from this tremendous uplift. Estimates even predict that the main sharing economy sectors will generate revenues of approximately $335 billion by 2025 (PricewaterhouseCoopers, n.d.). Keeping an eye on this novel form of consumption is thus important for incumbents and start-ups alike (Matzler, Veider, & Kathan, 2015).

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

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

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

2. Why the sharing economy has to be taken seriously

2.1. Technology makes the difference

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

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

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