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Kurt Matzler
Viktoria Veider
Wolfgang Kathan

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The car-sharing brand Zipcar is a well-known example of a business built around a collaborative consumption system.

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BY KURT MATZLER, VIKTORIA VEIDER AND WOLFGANG KATHAN

HOW DO CONSUMERS access, buy and use their favorite products and services? The answer to that seemingly simple question is changing. While individuals have traditionally often seen ownership as the most desirable way to have access to products, increasing numbers of consumers are paying to temporarily access or share products and services rather than buy or own them.[1] This so-called "sharing economy" is growing rapidly. While estimates for the current size of the nascent market vary, PricewaterhouseCoopers has estimated that by 2025, five main sectors of the sharing economy could represent $335 billion in revenue worldwide.[2] Well-known examples of successful startups built on collaborative consumption systems include Airbnb Inc., a San Francisco-based online accommodations marketplace, and Zipcar, a car-sharing brand that is now part of the vehicle

THE LEADING QUESTION

How can companies best respond to the collaborative consumption trend?

FINDINGS

- One option is to adapt from selling products to selling their use.
- Like consumers, businesses can share underutilized resources.
- Companies can support consumers' collaborative consumption efforts.

COURTESY OF ZIPCAR

rental services company Avis Budget Group Inc., based in Parsippany, New Jersey.

Growth in sharing systems has particularly been fueled by the Internet, with its rise of social media systems,[3] which facilitate connections between peers eager to share their possessions. The central conceit of collaborative consumption is simple: Obtain value from untapped potential residing in goods that are not entirely exploited by their owners.[4]

The speed of growth with which sharing systems have spread suggests that the sharing economy might represent a serious threat to established industries, due to fewer purchases and consequent distress in conventional markets. The Internet has made sharing enormously simpler. And for consumers, it seems to hold the potential to unite cost reduction, benefit augmentation, convenience and environmental consciousness in one mode of consumption. Companies therefore should understand and manage this emergent system in order to adapt current and future business models to provide new sources of revenues within this growing area of the economy.

In a broad sense, sharing can be anything to which access is enabled through pooling of resources, products or services.[5] It can, according to Rachel Botsman and Roo Rogers, authors of the book *What's Mine Is Yours: The Rise of Collaborative Consumption*, be divided into three main types. The first mode is *product service systems*, which allow members to share multiple products that are owned by companies or by private persons. Examples of product-service systems are car-sharing services like Zipcar and peer-to-peer sharing platforms such as the website Zilok.com. Second, in *redistribution markets*, peer-to-peer matching or social networks allow the reownership of a product. Examples of redistribution markets include the online platforms NeighborGoods.com and thredUP.com. Finally, access can be derived through *collaborative lifestyles* in which people share similar interests and help each other with less tangible assets such as money, space or time; this sharing is mostly enabled through digital technology.[6] This category covers a wide variety of collaboration systems. Examples range from garden sharing (landshare.net) to systems of skill sharing such as Taskrabbit (taskrabbit.com).

There is an environmental argument for the sharing economy: The more we share, the fewer of Earth's resources will be consumed, creating a more efficient and sustainable mode of consumption.[7] However, evidence suggests that the proliferation of sharing — also known as collaborative consumption — does not entirely stem from ecological awareness or ideological motivations.[8] In fact, research suggests that the major consumer motivation is self-oriented.[9] Specifically, consumers prefer the lower costs that the leading companies in the sharing economy tend to provide.[10] That's good news for companies looking for novel opportunities within the sharing economy. It means that managers can promote products and services in the realm of collaborative consumption in much the same way that they promote traditional products: by persuading consumers about the merits of the overall value proposition.[11]

Specifically, our research suggests six ways in which companies can respond to the rise of collaborative consumption: (1) by selling use of a product rather than ownership, (2) by supporting customers in their desire to resell goods, (3) by exploiting unused resources and capacities, (4) by providing repair and maintenance services, (5) by using collaborative consumption to target new customers and (6) by developing entirely new business models enabled by collaborative consumption. (See "About the Research.")

ABOUT THE RESEARCH

This article draws on a larger research program at the research center on innovation, branding and strategic leadership at the University of Innsbruck. This research program tries to understand how companies can pursue business model innovation and how companies can interact with user communities to create value.

For this article, we observed the evolution of the sharing economy and the emergence of new business models in collaborative consumption over the last two years. The goal of our observations was to identify how companies can react to this trend and adapt their business models. The strategies presented in this article emerged from case analyses and discussions with executives in several workshops on implications of the sharing economy for companies. This project was sponsored by the Tiroler Sparkasse Bankaktiengesellschaft in Innsbruck, Austria. Funding for Wolfgang Kathan's work was provided by the vice rector for research at the University of Innsbruck ("*Doktoratsstipendium aus der Nachwuchsförderung*").

1. Sell the use, not the product.

While many conventional profit formulas in business models are based on selling objects, in sharing economies new sources of revenue have to be developed, as purchase is often omitted. Hilti Group, based in Schaan, Liechtenstein, is an example of a company that has adapted its business model to sell product use. Hilti, which provides products, systems and services to the global construction industry, focuses not only on selling the handheld power tools the company produces but also on addressing specific opportunity costs that customers face when their tools are broken or inaccessible.

In the late 1990s, Hilti experienced sales losses to competitors' inexpensive small tools. The company then sought to learn from its customers how the company could improve its offerings. In the process, the company learned that workers sometimes saw small tools as basically disposable. Hilti also learned that cheap battery-powered tools — while seemingly efficient at first glance — can overload construction worksites with incompatible objects. Construction site managers, already apprehensive about their project deadlines, disliked having to manage a fleet of disparate tools. What's more, handheld power tools carry significant opportunity costs for the contractors who use them at construction sites. Tools that stop working can interrupt time-sensitive projects, entailing considerable losses in productivity and time.[12]

In short, Hilti learned that the management of tools had become a burden. Though the commoditization of tools represented a threat to current Hilti sales, it also opened up an opportunity to compete by providing customers with convenience and a service known as "tool fleet management." Now, Hilti's construction customers no longer have to purchase individual tools. Instead, they can lease them for no upfront capital investment and a fixed monthly rate within a defined usage time. On top of gaining flexibility and efficiency from the leasing arrangement, customers also receive an all-inclusive repair service.[13] In other words, Hilti managed to capitalize on what initially seemed to be a threat to its core competencies. The tool fleet management business model represents a new customer value proposition that allows the company to extend its profit formula in the context of the sharing economy.

Daimler AG is another example of an established company that is adapting its business to the sharing economy. Car sharing is not new: Zipcar, one of the world's largest car-sharing brands, was founded more than a decade ago. Nevertheless, Daimler's car2go service illustrates how an established global enterprise like Daimler can adapt and expand its business model from selling products to selling the use of the product in order to take advantage of the sharing economy.

A joint venture of Daimler and Europcar, a rental company, car2go started its service in Ulm, Germany, in 2008. The payment model is simple. There are no fixed costs except for a registration fee. The customer pays each time the car is used. Additionally, car2go introduced special payment models for commercial customers, who can now use car2go as a more affordable alternative to maintaining their own fleets of vehicles. What's more, car2go cars do not have to be parked in permanent parking areas but can be parked anywhere within the city, such as close to the user's residence or near the workplace. Today, more than 600,000 customers enjoy the availability of more than 10,500 cars, including 1,200 electric vehicles.

All told, car2go is a good example of how to integrate collaborative consumption into a business model. Other car manufacturers have followed suit and introduced their own car-sharing systems, such as DriveNow by BMW and Mu by Peugeot.

2. Support your customers in their attempts to resell.

Another way for established companies to participate in the sharing economy is to recognize and support their customers' desire to resell products. The home furnishings company Ikea Group, for example, in 2010 launched an online platform in Sweden allowing customers to resell their used Ikea goods. In Sweden, members of the company's loyalty program, Ikea Family, were able to post and sell their items for free. Membership in Ikea Family is free. Ostensibly, then, it seemed as if Ikea was launching this platform without any financial benefit to the company. If anything, it seemed as if the company's own initiative might cannibalize new product sales.

Yet the launch of the used furniture marketplace actually had multiple advantages for Ikea. First, the redistribution initiative supported the company's environmentally friendly ethos, enticing customers who are serious about environmental stewardship. What's more, providing such a marketplace — rather than cannibalizing new sales — allowed customers to create space in their homes for new Ikea items.

Patagonia Inc., based in Ventura, California, is another example of a company that supports its customers in reselling products. In September 2011, when Patagonia announced a partnership with eBay Inc., the campaign seemed baffling: It aimed at initially reducing apparel sales. At first glance, this idea sounded illegitimate. How can a company grow sales by discouraging customers from buying their products?

From Patagonia, the message was clear: Customers could lower the environmental strains of consumption by buying less and sharing more. To put this message into action, Patagonia established the Common Threads Partnership with eBay. The partnership aimed to make it easy for anyone to buy and sell used Patagonia products. One benefit to Patagonia was a boost in product visibility. Customers who no longer wore their old Patagonia clothes now had a place to sell them. The result was an increase of Patagonia products in public circulation, both on the Internet and (after they were resold) in real life, worn by real people.

The concept of secondhand sales was not a groundbreaking one. But what was both bold and novel was Patagonia's decision to effectively discourage customers from buying new products. Assuming that the company would profit from this campaign was even bolder.

There was one immediate win for the company, in the realm of branding. Think about it: What could be better for a company trying to brand itself as sustainably minded than to foster an initiative that is so clearly at odds with the sale of new products? A second benefit for Patagonia was similar to the one Ikea found with its used furniture marketplace. Customers, easily able to sell their old apparel for cash, now had both liquidity and closet space to buy and accommodate new items from Patagonia.[14]

3. Take advantage of unused resources and capacities.

Another chance to profit from the sharing economy is for companies to share existing assets and capacities. This is an especially promising strategy when particular assets cannot be acquired by everyone due to the large amount of capital associated with owning them.

For example, Maschinenring is an association in the industries of agriculture and forestry. It allows for the collaborative use of machinery, and it procures excess labor capacity for farms, farmers and foresters in need. The organization began with the basic sharing of machines. It now also provides assistance in forestry, heat production and a number of services in the context of efficient labor allocation.

The idea of sharing big machinery because of the financial burden of owning it is not a new one. The first Maschinenring group was founded in 1958 in Bavaria, Germany, as an agricultural support group. It started with the renting of machinery that was used for more efficient cultivation of land. Farmers soon started to organize into buying syndicates to provide members with the full range of machinery needed for their work.

Later, the idea was developed further. Maschinenring entered the personnel leasing industry. The idea was simple: In winter, many farmers are underemployed. What's more, many farms are too small to fully support the farmers, and the farmers need additional income. Since farmers are generally hard workers, many companies have an interest in hiring them for temporary work. And so, the match was made: Businesses found that Maschinenring personnel provided them with a pool of skilled, hard-working short-term workers. Today, more than 258 Maschinenring affiliations serve Germany, comprising around 193,000 farmers — more than 55% of all farmers in the German economy.

Of course, the idea of sharing equipment and engines is not novel either. But given the context of the sharing economy, companies should consider reassessing the efficiency of their use of fixed assets. For example, LiquidSpace, which has been called the "Airbnb of work spaces," has brought collaborative consumption to the world of office space, tailoring workspaces and meeting rooms to the particular needs of renters. The idea is to connect corporations that have unused office space with those who are temporarily in need of it. Three main enablers drive the success of LiquidSpace: the pressure of businesses to control real estate costs, mobile and social technology, and employees who like working from home.

The LiquidSpace app helps freelancers and others seeking office space find workspaces tailored to their needs, time requirements and geographic preferences. The app also relies on a "how I work" profile, in which users list the type of work environment and the size of the work crowd in which they can feel productive. Examples of environment range from a "room with view" to a "cone of silence." Examples of crowd size range from one to 50 people.

LiquidSpace shows how almost any company with office space can profit from collaborative consumption. Excess capacity can easily be managed; capacity shortages can be flexibly addressed through virtual marketplaces.

4. Provide repair and maintenance services.

Companies that have expertise in repair and maintenance can participate in the sharing economy by "renting" that expertise to consumers. What's more, the more people share a product, the more that product is used, which increases the need for repair and maintenance services.

FedEx's TechConnect Federal Express is an American courier delivery services company founded in 1971. Its main operations deal with courier services. In this context, the company built up a large body of knowledge in the area of repairing electronic devices that its employees use in the process of making deliveries. This knowledge now provides the basis of FedEx TechConnect, a subsidiary of FedEx Corporate Services Inc.. FedEx TechConnect specializes in repairing electronic devices. Businesses seeking these repairs can take their devices to FedEx retail stores; FedEx also brings these repair services directly to customers, by means of its conventional delivery personnel. FedEx CEO Fred Smith at one point estimated that there's a $15 billion market for services like this.[15]

FedEx was able to capitalize on its existing capabilities by exploring the potential of collaborative consumption. Resources and know-how that already resided at FedEx — namely, for repairing electronic devices — were developed into a business model that not only builds on existing capabilities but also supports the company's main operations. The excess capacity of repair expertise integrates seamlessly both with FedEx's retail stores and its delivery personnel, providing an infrastructure that allows FedEx to offer its repair services on a global scale, without huge additional investments.

Best Buy's Geek Squad Another example of how to take a step toward a service model that encourages reliable and repairable products is Best Buy's Geek Squad subsidiary.[16] By acquiring the previously independent Geek Squad in 2002, Best Buy expanded its consumer electronics business to add a large service and repair component. The service — which does not serve only Best Buy customers — directly provides a profit margin to Best Buy. By serving both private and commercial customers, Geek Squad additionally sells upgrades, products and services.

How else does Geek Squad help Best Buy? For one thing, many consumers prefer using an older, lower-cost product to purchasing a new one. The Geek Squad service assures customers that there'll be consistent maintenance for their older products. Moreover, the existence of a substantial repair service can also influence customer buying decisions about new products. Customers know they'll also have access to service expertise that can teach them the ins and outs of the new product — and maintain the functionality of the new product over time.

5. Align with collaborative consumption to target new customers.

Generating new sources of revenue is only one form of profiting from the collaborative consumption movement. Another approach is to align with peer-to-peer sharing as a platform to promote one's products and services to potential customers.

For example, swap parties, at which consumers exchange clothes with one another, originated in fashion metropolises like New York and London. They took on a fashionable urgency during the financial crisis, which produced so-called "recessionistas" — that is, fashionistas who preferred swapping clothes to constantly buying new things.[17] The idea behind these swap parties is simple. People trade in their used clothes, shoes or accessories; they receive, depending on the condition of the goods, a specific number of chips that can be used for buying items from their peers.

The exchange of clothing is typically managed by peers or other institutions. Several companies, however, have realized that they can benefit by supporting these swap parties. By sponsoring these events, they connect with their target audience and at the same time promote their products and services. The companies seek to integrate their own products and services in the sharing process, generating new customers in their target audience. As a positive side effect, the companies get to enrich their reputation by leveraging the green spirit of sharing, as opposed to buying. For example, DM, a German drugstore chain, recently experimented with this approach at a swap event in Salzburg, Austria.[18] DM increased the value of the swap event by presenting the company's in-house makeup and styling collection and allowing attendees to test it for free. DM's makeup stylists also attended the event, helping customers find new looks that would work well with the new clothes they acquired. Moreover, these events received promotion through social media platforms and a network of fashion bloggers — all of which created marketing buzz for DM as well.

In a similar vein, PepsiCo Inc. teamed up with a collaborative consumption site to promote a new soft drink, Pepsi Next, and to attract new customers for the beverage. The partner, TaskRabbit, provides users with the amenity of outsourcing household chores, ranging from cooking to cleaning or even standing in line waiting for tickets. The website and mobile app thereby enable people to outsource jobs to vetted individuals in their neighborhoods.

The Extra Hour was a contest sponsored by PepsiCo in which the winners received one hour of free labor from TaskRabbit. The contest gave away 50 tasks per week over a four-week period. What's remarkable is that a multinational corporation like Pepsi teamed up with a startup like TaskRabbit. According to Josh Nafman, digital brand manager for PepsiCo, such a campaign was particularly suited to Pepsi Next's target customers, whom he characterized as "very tech-forward, young and career-driven."[19] By partnering with TaskRabbit, whose core customers include these young, career-oriented techies, Pepsi was able to positively associate its brand with the relaxing solution that TaskRabbit provides: someone who can reliably perform your small errands, so you can devote your time to your full-time job.

6. Find new business models based on the sharing economy.

The previous five approaches showed how companies can adapt their existing business models to collaborative consumption. Yet it's possible for completely new business models to emerge as well.

The example of Kuhleasing.ch, a cow-leasing website, illustrates how conventional industries — in this case, farming — can establish new business models by moving away from traditional revenue streams. Confronted with decreasing milk prices and the abolition of a cheese export union in 1999 — including the discontinuation of a selling guarantee for cheese — Swiss farmers faced the challenge of selling large amounts of cheese to survive.

Acting from necessity, a Swiss farmer started leasing his cows to customers instead of solely selling the cheese.[20] Lessees pay a fee to sponsor a cow for a season. The arrangement includes a photo of the cow and a certificate, plus the option to visit the farm to help out as a volunteer or to watch the daily farm work. The leasing cost does not include the cost of the final cheese product, but it guarantees a special price for a minimum purchase of 30 kilograms of cheese from that cow. The farm also offers additional leasing options that are available as gifts, such as short-term packages. According to one farmer, all 150 of his cows are leased to customers around the world — in countries including Japan, South Africa and the United States.[21]

Another example of a new sharing-economy business model is The Wine Foundry, a company that enables amateur and professional winemakers to make their own wine without owning a vineyard, by providing tools and assistance for wine production.[22] The Wine Foundry is a one-stop shop for custom wine production. The company offers a full range of services, from fruit sourcing to label design.

In business models such as these, customers pay to access assets that they typically can't own or manage for themselves. Customers, in effect, become their own producers (in these examples, of cheese or wine) by renting or leasing the necessary assets. This allows conventional corporations and asset owners to rethink their revenue streams and to develop alternative business models that attract customers oriented toward collaborative consumption.

Supporting Sharing

The sharing economy is gaining ground, fundamentally altering how people own and consume. Network technologies, social and collaborative software and the changing habits of consumers are all abetting this growing movement. While the shift toward more sustainable modes of consumption represents a major threat to a number of established business models and revenue streams, it also offers several potentially profitable paths by which companies can benefit.

Assisting people in their attempt to share does not necessarily mean they will not buy your products. As Patagonia and Ikea have demonstrated, providing support for sharing not only can enhance your company's reputation by attracting environmentally minded customers but can also provide you with new marketplaces and communities in which to sell or introduce your products. Companies can also participate in the collaborative consumption economy by thinking in terms of excess capacities, including office space, staff and specialized knowledge. All told, the sharing economy offers companies numerous opportunities to adapt their business models to capitalize on the trend of collaborative consumption. By connecting people and helping to make sharing more efficient, companies have the potential to profit from the sharing economy.

***Kurt Matzler** is a professor of strategic management at the University of Innsbruck in Innsbruck, Austria, as well as a partner at IMP, a consulting firm headquartered in Innsbruck. **Viktoria Veider** and **Wolfgang Kathan** are doctoral students in the department of strategic management, marketing and tourism at the University of Innsbruck. Comment on this article at http://sloanreview.mit.edu/x/56218, or contact the authors at smrfeedback@mit.edu.*

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