



Aalto University
School of Business

37E00100 Information Economy:

Sharing/Gig Economy Platforms



Topics of the day

- Sharing/Gig Economy
 - Sharing economy platforms
 - Evolution of sharing economy platforms
 - Boundary fluidity in sharing/gig economy
- Article of the day:
 - Constantiou, I. Marton, A. & Tuunainen, V.K. (2017). "Four Models of Sharing Economy Platforms". MIS Quarterly Executive, Dec 2017 (16:4)

Economy, economics and exchanges

- Economy = a system of production, distribution, exchange and consumption of goods
- Economics = the problem of how to best allocate scarce resources
- Types of exchanges
 - *Market exchange* involves self-interested transactions regulated by market institutions and price.
 - *Gift giving* is also often self-interested; it is mediated by (generalized) reciprocity and rituals.
 - *Sharing* does not involve transfer of ownership and does not necessarily assume individual ownership of property.

Related concepts

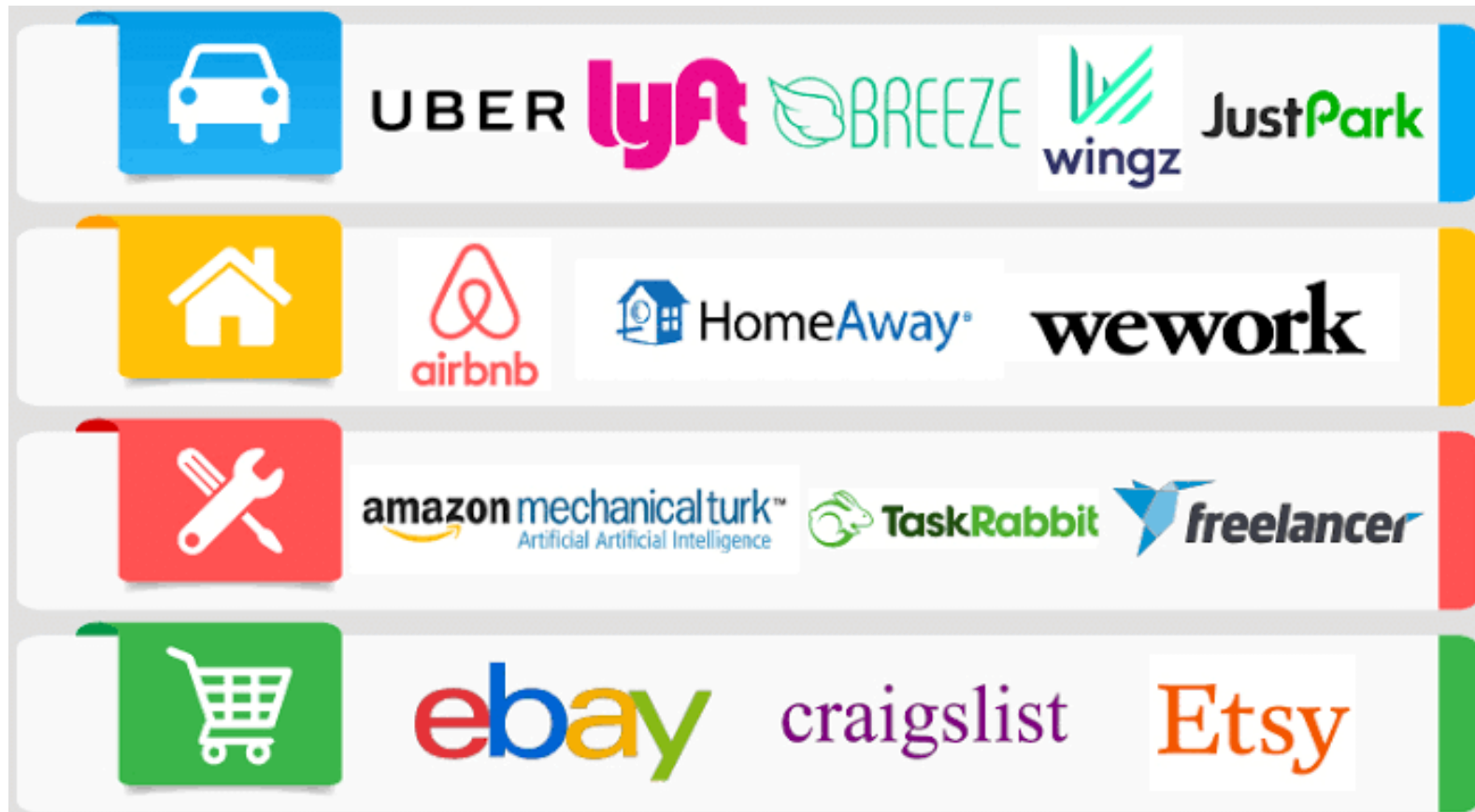
- **Access-based consumption** (Bardhi and Eckhart 2012) – marketmediated consumption without owning the goods
- **Collaborative consumption** (Belk 2014; Hamari, Sjöklint and Ukkonen 2015) – consumers coordinate resource acquisition and distribution
- **Platform economy** (Cohen and Sundarajan 2015; Cusumano 2014) – creating value by bringing different parties together on digital platforms
- **Commons-based production** (Ostrom 1990; 2000; 2010; Benkler 2006) – production and consumption without individual ownership
- **Gift systems** (Giesler 2006) – systems in which goods are exchanged under generalized reciprocity
- **Online labor platforms** (Huang et al 2021) - platforms that enable the trading of services by connecting buyers who need services with providers willing to deliver those services
- **Gig economy** (Huang et al 2020) - a market system where organizations and independent workers engage in short-term on-demand work arrangements mediated through digital platforms

Sharing/Gig economy

- Two/many-sided platforms that enable sharing of physical products or the provision of services based on physical assets
 - dynamics of the digital world
 - constraints of the physical world
- Disrupting industries and markets
- Benefits and challenges
- Commodification of everything?



Sharing/Gig Economy by sector



Sharing/Gig Economy Disruptors' Competitive Moves

- Entry point
 - Low end vs High end
- Growth Rate
 - Network effects
- Evolutionary Trajectory and Speed
- Diversification into other Industries

Common reasons for failure

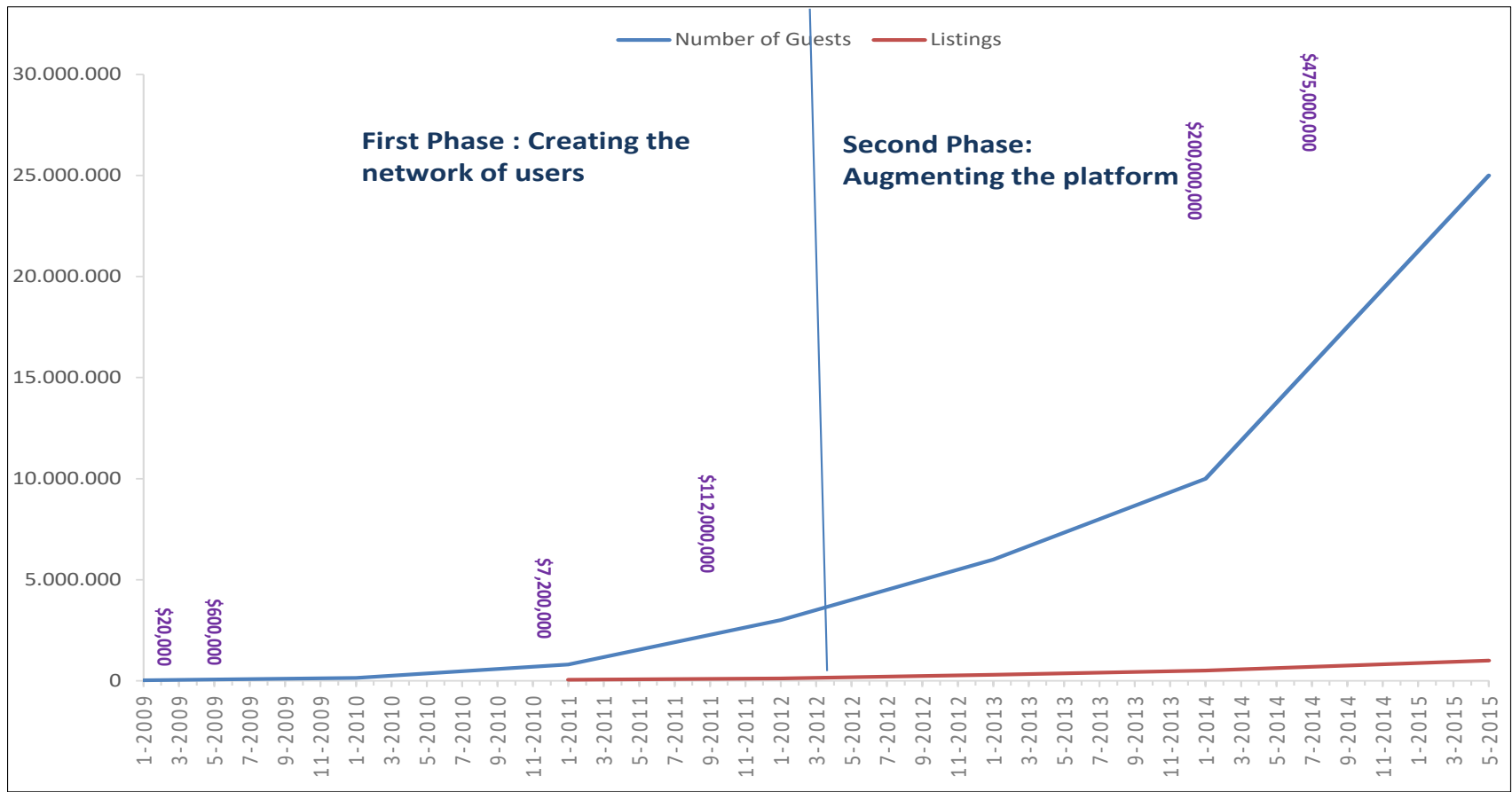
- Lack of Providers
- Insufficient Analysis of the Sharing Market
- Trust and Safety
- Hidden Resource Requirements
- Unscalable Technical Design
- Unclear Legal Environment
- Business Termination through Acquisition

Understanding sharing economy platform evolution

- Platform economics
 - Two/many-sided markets
 - Network effects
 - Lock-in and switching costs
 - “*chicken and egg problem*”
 - Subsidies to one side
- Information infrastructures
 - installed base
 - Bootstrap problem
 - Adaptability problem
 - Cultivation strategy: process orientation, user mobilization and learning



The evolution phases of Airbnb



Source: Constantiou, I., Eaton, B. & Tuunainen, V.K. (2016), The Evolution of a Sharing Platform into a Sustainable Business (2016), HICSS-49, Kauai, HI, USA, Jan 5-8, 2016.

Evolution of Airbnb through two phases

- First Phase: Creating (mobilizing) the network of users
 - Building the Hosts' side
 - Supply side
 - value adding, trust and security tools and services for hosts
 - Strengthening the Guests' side
 - Valued adding guest services
- Second Phase: Augmenting the Platform
 - Incremental improvements of the the platform
 - Both for guests and hosts
 - Societal level tools
 - Extending the value of the platform
 - Regulations and rules



Insights from platform economics and II theory

- (1) Creating the network of users
 - PE: “zig-zag strategy”, two sides, network effects, reputation
 - II: bootstrapping problem
- (2) Augmenting the platform
 - II: adaptability problem, cultivation
 - Process, learning, mobilization



Some remaining questions

- How to compete **in** or **with** sharing/gig economy?
 - nature of the product (physical-digital) and the consumption experience
 - notion of ownership and the boundaries between private and public
 - product or service markets dynamics and the key players strategies
- Role of trust
 - How do we build trust in strangers online and offline?
 - What is the role of platform in securing and underwriting sharing exchanges?
- What is the role of institutions and regulation in sharing economy?
- How to resolve the problems of sharing economy?
 - “dark side” of the gig economy
 - Legal issues

Organizational boundaries

- **Traditional**
 - Vertical vs Horizontal
 - Organizational inside vs environmental outside
 - Clearly identified membership with rules for entry and exit
- **Recent developments:**
 - Blurring of work and private life
 - Outsourcing
 - Open innovation and crowdsourcing
 - Co-opetition
- **Alternative organizational forms**
 - Communities and collectives
 - Social movements
 - Temporary organizations

Four organizational boundary concepts

- (1) boundaries of **efficiency**, which differentiate internal, hierarchical governance from market-based governance in order to minimize transaction costs.
- (2) Boundaries of **power** are drawn around the sphere of influence exerted by an organization in order to maintain or increase its autonomy and to strengthen its strategic position.
- (3) Boundaries of **competence** differentiate the resources and capabilities owned by the organization in order to maximize its value and to exploit new opportunities outside of the organization.
- (4) Boundaries of **identity** demarcate the collective feeling of “who-we-are”; they enable sensemaking in order to maintain coherence between organizational activities and organizational identity.

Efficiency and transactions in Sharing Economy

- Platform is the locus for...
 - accessing idle resources as shareable goods or services
 - mixing hierarchies, markets and clans
- Digital technology is for ...
 - minimizing transaction costs
 - governing through software code

Power and dominance in Sharing Economy

- Platform is the locus for...
 - forming strategic relationships with casual participants
 - increasing inter-dependencies
- Digital technology is for ...
 - exerting strategic control over ecosystem
 - making markets newly vulnerable

Competence and resources in Sharing Economy

- Platform is the locus for...
 - co-creating resources
 - orchestrating assets out of idle resources not owned or directly controlled by the platform
- Digital technology is for ...
 - leveraging resources and capabilities
 - enabling co-creation through boundary resources

Identity and membership in Sharing Economy

- Platform is the locus for...
 - curating identity claims
 - building narratives of personal freedom and empowerment
- Digital technology is for ...
 - producing algorithmic identities
 - providing cognitive frames through reputation systems

Boundary Fluidity in Sharing Economy

- Efficiency:
 - mix hierarchies, markets and clans
- Power:
 - treat casual participants as their strategic partners
- Competence:
 - orchestrate strategic idle resources not owned by the platform
- Identity:
 - neglect membership in favor of reputation systems and algorithmic identities

The fluid boundaries of sharing economy platforms

	Fluid boundaries of ...			
	Efficiency	Power	Competence	Identity
Platform is the locus for...	<ul style="list-style-type: none"> accessing idle resources as shareable goods or services mixing hierarchies, markets and clans 	<ul style="list-style-type: none"> forming strategic relationships with casual participants increasing inter-dependencies 	<ul style="list-style-type: none"> co-creating resources orchestrating assets out of idle resources not owned or directly controlled by the platform 	<ul style="list-style-type: none"> curating identity claims building narratives of personal freedom and empowerment
Digital technology is for ...	<ul style="list-style-type: none"> minimizing transaction costs governing through software code 	<ul style="list-style-type: none"> exerting strategic control over ecosystem making markets newly vulnerable 	<ul style="list-style-type: none"> leveraging resources and capabilities enabling co-creation through boundary resources 	<ul style="list-style-type: none"> producing algorithmic identities providing cognitive frames through reputation systems

QUESTIONS?

virpi.tuunainen@aalto.fi