

The Sharing Economy

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Consumer Intelligence Series



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Consumer Intelligence Series “The Sharing Economy”

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What the Sharing Economy Means for Your Business

Research Methodology

I.



What we did and who we talked to

Around the world, a new wave of peer-to-peer, access-driven businesses is shaking up established categories. Whether borrowing goods, renting homes, or serving up micro-skills in exchange for access or money, consumers are showing a robust appetite for the sharing-based economy.

Consumers are showing a robust appetite for the sharing-based economy

We set out to explore how the sharing ethos will make its mark on the wider market—and to understand what incumbents and challengers must do to position themselves ahead of disruption and capitalize on new sources of revenue. By unlocking the sharing economy today, can companies transform today's threat into tomorrow's opportunity?

Can companies transform today's threat into tomorrow's opportunity?

To do this, we worked with BAV Consulting, a global leader in research and insights that is home to the largest and leading quantitative empirical study of brands and consumers, capturing decades of consumer perceptions.

Over the past four months, we've embarked on extensive research to comprehend consumer attitudes toward the sharing economy—surveying the general population, talking candidly with influencers, interviewing business executives and keeping a close ear tuned to the sharing economy chatter on social media. Collectively, this data gave us a holistic view of what's unfolding across both business and consumer landscapes.





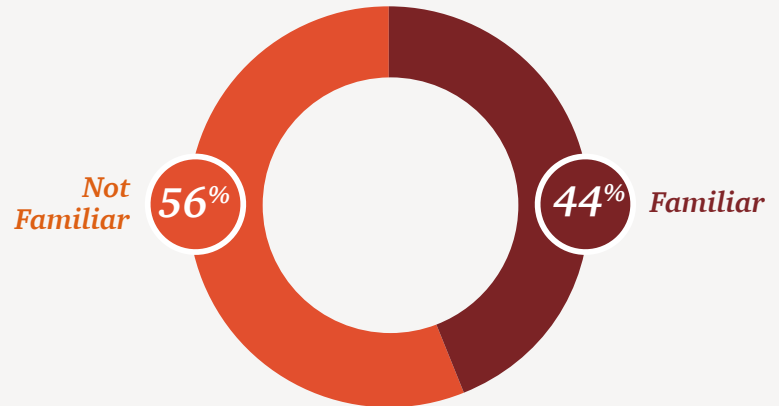
The Survey:

We sampled US consumers who have some familiarity with the sharing economy. This sample cut across age, income, region and gender.

- 25 minute online survey to consumer panelists
- Total sample: n=1000
- Incentive: Panel points
- Fielding dates: Dec. 17, 2014 – Dec. 22, 2014

The bulk of our questions were asked of the 44% of respondents who are familiar with the sharing economy.

Total US Adult Population:



In our survey, we defined the sharing economy as follows:

Sharing economies allow individuals and groups to make money from underused assets. In this way, physical assets are shared as services. For example, a car owner may allow someone to rent out her vehicle while she is not using it, or a condo owner may rent out his condo while he's on vacation.

Some examples of the sharing economy include:

- *Hospitality and Dining: CouchSurfing, Airbnb, Feastly, LeftoverSwap*
- *Automotive and Transportation: RelayRides, Hitch, Uber, Lyft, Getaround, Sidecar*
- *Retail and Consumer Goods: Neighborgoods, SnapGoods, Poshmark, Tradesy*
- *Media and Entertainment: Amazon Family Library, Wix, Spotify, SoundCloud, Earbits*

Collaboration with PwC's Digital Services group:

To brainstorm the sharing economy future and the implications it could have on both enterprise and society, we sat down with PwC's Digital Services group.

In this session, we focused our discussions around the following key questions:

- What are the keys to unlocking a better user experience through the sharing economy?
- What are the risks? For mature industries? For incumbent disruptors? For challengers?
- What ingredients are key to success in this business model?
- What are the uncertainties this industry faces—and what are the opportunities?
- How might sharing economy concepts be applied to existing business models across industries?

Conversations with industry specialists:

In a space as new and as ambiguously defined as the sharing economy, we wanted to hear from the people closest to it, those at the leading edge of technology and business who could offer nuanced views of what's happening and why it matters. To do this, we held salons in two cities—New York and San Francisco—where we invited industry specialists to weigh in on the state of the sharing economy and the future it holds. Our panelists included:

Shelby Clark

CEO of Peers.org, founder of RelayRides and former Director of Kiva.org

Chelsea Rustrum

Co-author of It's a Sharable Life and Sharing Economy Consultant

Padden Guy Murphy

Head of Business Partnerships, Getaround, a peer-to-peer car-sharing platform

Barbara Pantuso

Independent Consultant, Entrepreneur and founder of Hey Neighbor!, a local sharing site

Jim (Griff) Griffith

Dean of eBay Education, Host of eBay Radio, Author of The Official eBay Bible

Allison Mooney

Head of Trends and Insights, Google Marketing; Editor-in-Chief, Think with Google

Brooke Moreland

Founder, Fashism.com and Former Head of Marketing, Gett (GetTaxi USA)

Evan Frank

Co-founder and President, Americas, onefinestay

Kathryn Duryea

Marketing Consultant, Former VP Marketing, Rocksbox, a premium jewelry subscription service

Elisabeth Mouchy

Co-founder at Daylighted, turn-key gallery that uses a digital canvas to bring art everywhere

Arun Sundararajan

Professor, New York University Stern School of Business



Social Listening



Chatter on social media can often reveal changes in consumer attitudes and perceptions. To capture this, PwC conducted software searches across “the social web”—including blogs, Twitter, Facebook, forums and online news outlets with comment boards—by creating a search of relevant key words, fine-tuning and optimizing this list based on results, and then analyzing the data against situational context.

A Snapshot of the Sharing Economy

II.

Surfboard

\$7 a day

Roof Rack

\$8 a day

Mini-van rental

\$30 a day

Boombox

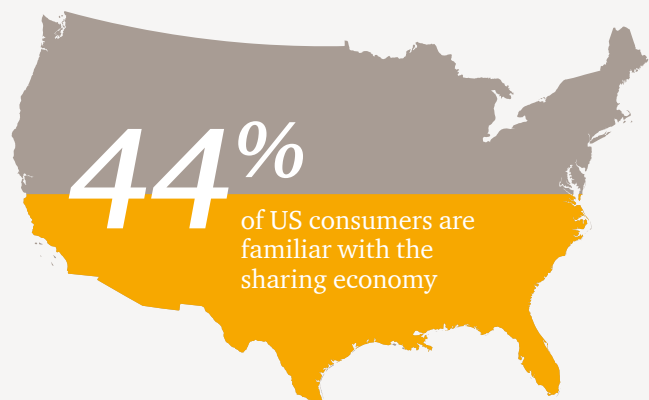
\$5 a day

Dress

\$4 a day

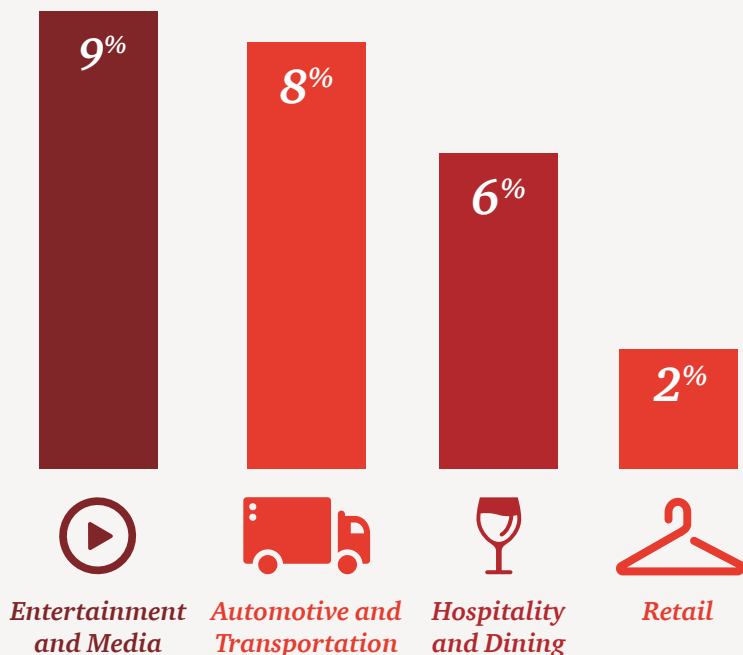


Trust, convenience and a sense of community are all factors in pushing adoption of the sharing economy forward. Thanks to consumer willingness to try mobile apps, there are lower barriers to entry when it comes to building brands and scaling up quickly—the innovation clock is now set to fast-pace, and will get even faster as consumers become more trusting of relationships tied to social sentiment and communities of users.



19% of the total US adult population has engaged in a sharing economy transaction

Percentage of US adults who have engaged in a sharing economy transaction

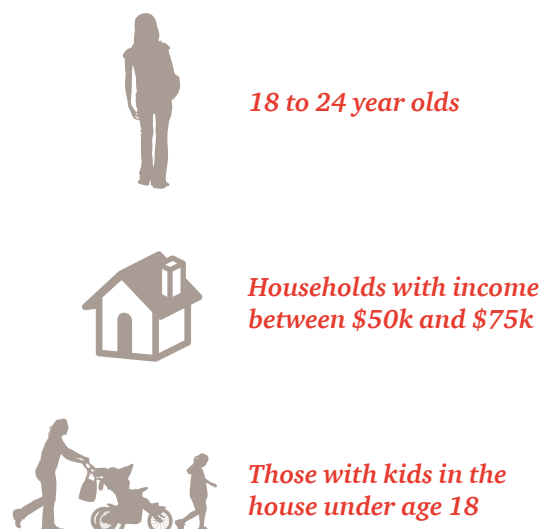


Of those consumers who have tried the sharing economy

57% agree “I am intrigued by companies in the sharing economy but have some concerns about them”

72% agree “I could see myself being a consumer in the sharing economy in the next two years”

Who is most excited about the sharing economy once they have tried it?



Among US adults familiar with the sharing economy, they perceive many benefits to it



86% agree it makes life more affordable



83% agree it makes life more convenient and efficient



76% agree it's better for the environment



78% agree it builds a stronger community



63% agree it is more fun than engaging with traditional companies



89% agree it is based on trust between providers and users

They are re-thinking the value of ownership



81% agree it is less expensive to share goods than to own them individually



43% agree owning today feels like a burden



57% agree access is the new ownership

But they have some concerns



72% agree they feel that the sharing economy experience is not consistent

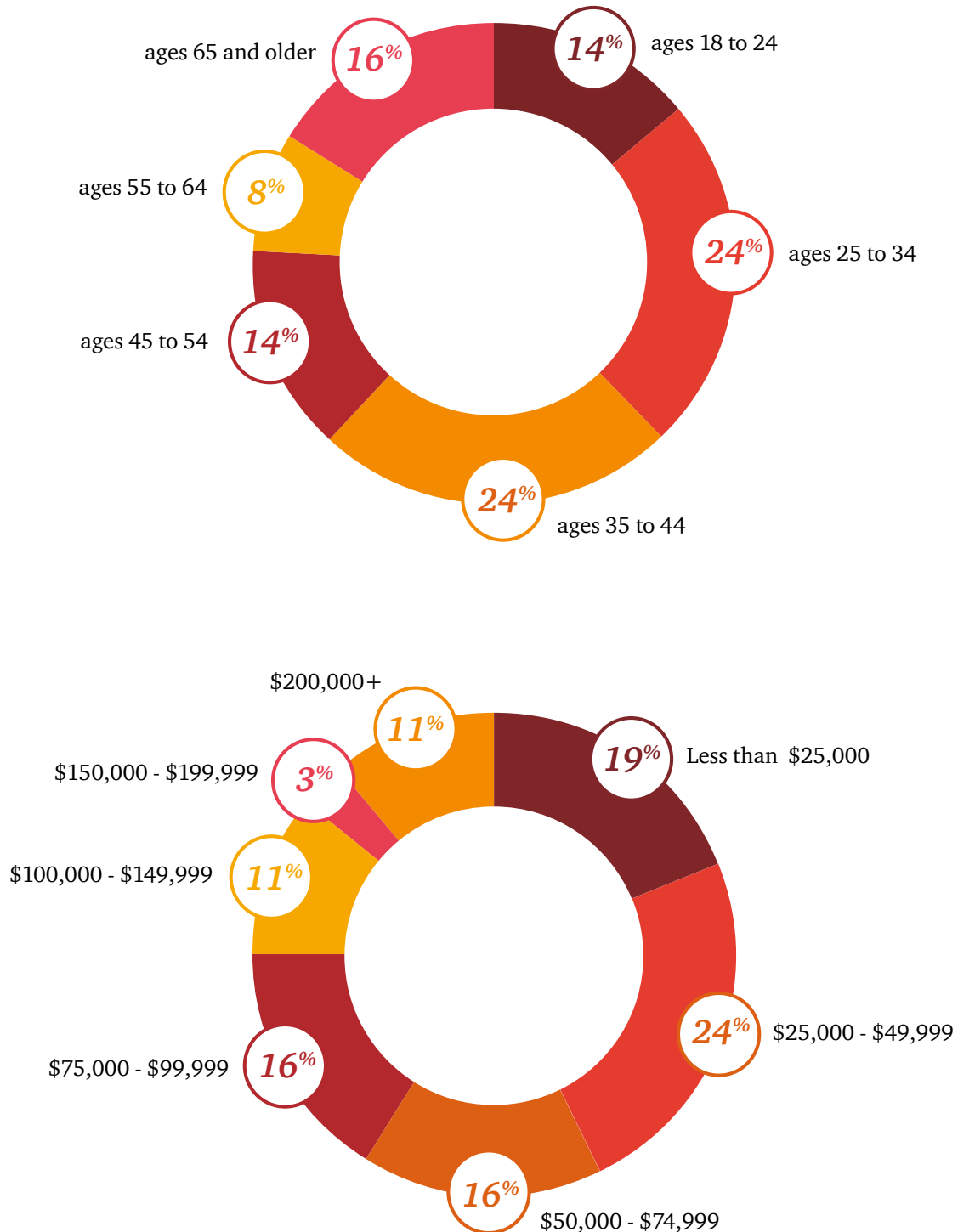


69% agree they will not trust sharing economy companies until they are recommended by someone they trust

Who's providing in this new economy?

7%

*of the US population are providers in the sharing economy;
they cut across age and household income*



Perspective from Industry Specialists



Joey Bergstein, General Manager and Chief Marketing Officer at Seventh Generation

On shared resources:

The sharing economy is actually our business model—we don't own any of our own manufacturing, we effectively share facilities.

We contract manufacture with partner companies who make products for others, often competitors. We do all of our own formulations but we share equipment and facilities. This is not the traditional definition of the sharing economy, but it's certainly the way that we've built our business and it fits the definition of 'efficiently utilizing excess capacity.'

Whenever we've investigated owning our own facilities, we keep coming back to the fact that it's really not economically more attractive or environmentally more sustainable than sharing facilities through a contract manufacturing business model.

Similarly, when it comes to distribution, we use a Logistics Partner. They combine our brand with other brands to fill up a truck since we often wouldn't fill up a truck ourselves. By sharing, we also utilize five to six distribution centers each closer to our markets, whereas if we tried to build our own facilities we'd have only one to two to supply the country. Our partners are professionally integrating the service, which is both financially and environmentally more sustainable. This is all about the efficient use of resource—obviously, the connective world we live in has made that more readily accessible. I think any place you can find inefficiency, that inefficiency will be eradicated in the not too distant future.

On shared ideas:

We don't patent the technologies that we develop. The belief is that we'll create a better world if more and more companies find plant-based solutions that perform as effectively as conventional brands, rather than using petroleum-based chemicals to accomplish the same task.

On social sharing:

15 years ago, one of the questions you would always ask is, where did you learn about this product for the first time? The first line of every research report was always 'a friend recommended it.' The frustrating thing at the time was that you couldn't really do anything about it directly. Today, the preponderance of consumer reviews has filled that void. Before, you could never efficiently access a friend's recommendation, today they are driving businesses. It's a way to efficiently harness the power of everybody's voice and it has a really clear and powerful effect on the business.



Dermot Boden, Chief Brand Officer at Citi

On launching Citi Bike:

It was a tremendous risk when we started this journey. At the time, there were a lot of questions—is it the right thing to do? Is it going to be successful? As a result, this was something that we thought about very hard before we got into it. And yet, it's exceeded our expectations

in what it's delivered for us and our ability to reach and connect with our clients, our customers and the people we'd like to see become clients and customers.

From a brand perspective, it was very important that the brand was associated with a very environmentally friendly transportation model. Citi stands for progress, and we couldn't think of a better way of representing this kind of progress in the new urban environment where people care about sustainability. We also saw the shift in consumer values—Citi Bike is providing tourists and native New Yorkers with a wonderful opportunity to get around.

On shared ideas:

We launched the Citi Mobile Challenge last year—we invited developers from around the world to help build innovative solutions based on the Citi digital platform. Last year, we brought 60 finalists to Silicon Valley, New York City and Miami to present these ideas to a panel of judges who could decide whether these were innovations that could benefit our clients. The finalists competed for an opportunity to take their idea to production, a share of \$100,000 and other services to help get some of their ideas off the ground.

It's an extraordinarily powerful initiative. We have the opportunities through these hackathons to reach people from around the world who have tremendous ideas, tremendous concepts, and actually see if we can help bring them to market. It's good for them and it's good for us.

The reality is that even as a company with 240,000 colleagues internally, today everybody around the world has new ideas and thoughts. The Citi Mobile Challenge is a very creative approach to unleashing the power of the tech community and developing fresh solutions. And our ultimate goal is to change the way innovation is traditionally approached.



**Richard Steinberg,
CEO of DriveNow at BMW**

On rethinking marketplace positioning in the sharing economy:

We used to be the provider of premium cars and now we're the provider of premium mobility services as well as premium cars. Mobility services was recognized by our board as something that we

needed to be engaged in—that's where DriveNow was born from. Millennials are not so much interested in spending their hard-earned money on buying a car. They're not interested in parking, insurance, vehicle acquisition. But they still have mobility needs. Public transit, Uber, all the various sharing tools are at their disposal—but there's not personal mobility. So that's where we fit in.

On sharing and cannibalizing sales:

I think there's some inevitability to the equation. In many ways, the market BMW Group competes in is a premium market for our new car sales. And the younger generation that's using car share and using our service is not necessarily in the market for a premium automobile. They might be interested in a base or a non-premium car or a used car, but not so much in the premium category. So, are we cannibalizing ourselves? No. Are we eating into some other automakers' businesses? Perhaps.

On challenges to sharing:

The biggest challenge all of us have in the shared economy is insurance. And insurance—whether it's your house, your car, your driver—is really a fragmented market. They don't know how to deal with people occasionally using their asset. There are major issues around people who don't understand the risks they're taking on. So this is a real area for attention by the insurers—making sure that people know what they're doing in terms of the risks they're taking if they list their asset or use someone else's asset in the sharing economy.



Daryl Weber, Global Director of Creative Strategy at the Coca-Cola Company

On new forms of checks and balances in the sharing economy:

It's a matter of trust and familiarity. That takes a lot of getting used to.

Usually big corporations are so conservative and careful, as they should be. For example, Wonolo is a company that tapped into the sharing economy by creating a means for on-demand staffing. It's the sharing economy mentality where you don't have to hire

a permanent worker, but you can hire people quickly and part time. But you have to be careful with the people who are representing your company, you want them to have the right professionalism, and you background check to make sure you can trust that person.

The old way of doing it was background checks and interviews, but now the sharing economy has shown that people can build trust in other ways. With Airbnb, I think people thought it was crazy at first to let strangers into your house. But this ecosystem of having reviews and people really caring about their reviews and online reputation has shown that most of the time people are very careful and almost generous with their stuff. It's been proving itself out that you can really trust that online review system to be a checks and balances. I think as that becomes more commonplace, big companies will be more familiar with it, but it is a big transition.

On reducing waste:

Anywhere where there is a lot of waste going on, like the kitchen space not being used or the car not being used, it feels like that's an opportunity for sharing to come in and help reduce the waste. It's an interesting mindset of millennials and new consumers, of not necessarily needing to own their own thing—everyone on the block doesn't have to have their own snow blower or lawn mower, so why don't we pool together and share it and reduce over-consumption in the world? There's a really different mentality there—less consumerism, less materialism and more of a community building approach.



Amanda Havey, VP of On-Air and Brand Creative for an International Media Company

On how sharing is changing consumer attitudes toward entertainment and media:

We've definitely seen a shift in consumption habits, specifically as it pertains to music. People are feeling less of a need to own a track of music, which is where Spotify comes into play. Spotify has really gained strength as a driver to exposing listeners to new music. By seeing the public feed, music lovers are able to see what their friends are listening to—which just feels like a more authentic way to “sell” music. It's the opposite of iTunes saying “if you purchased this, then you'll like this...” Consumers just don't want to feel sold to or hustled. The softer sell, the under-sell, or the NO-sell as seen in Spotify feels like a movement that consumers can really rally around. ■

Assessing the Sharing Economy

III.



The name may be debatable—but the impact is huge

For the purposes of consistency in our reporting and research, we used the label “the sharing economy” to broadly define the emergent ecosystem that is upending mature business models across the globe.

As we spoke with industry specialists, it was clear that no single label can neatly encapsulate this movement. For some, the word “sharing” was a misnomer, a savvy-but-disingenuous spin on an industry they felt was more about monetary opportunism than altruism. For others, more apt titles included the Trust Economy, Collaborative Consumption, the On-Demand or Peer-to-Peer Economy.

Yet in between the haggling over the most-accurate moniker, there was uniform agreement that the so-called sharing economy is getting very big, very fast—and is something that business executives very much need to tune into.

Uber operates in more than 250 cities worldwide

To grasp the scale of disruption posed by the sharing economy, consider that five-year-old Uber now operates in more than 250 cities worldwide and as of February 2015 was valued at \$41.2 billion¹—a figure that exceeds the market capitalization of companies such as Delta Air Lines, American Airlines and United Continental. PwC’s projections show that five key sharing sectors—travel, car sharing, finance, staffing, and music and video streaming—have the potential to increase global revenues from roughly \$15 billion today to around \$335 billion by 2025.

Investors are increasingly intrigued by the potential of these sharing economy companies to radically upend both how we consume goods and how we work to afford them—whether it’s monetizing underutilized assets or forgoing purchase of those assets altogether. For comparison, look back to the rise of the mass market automobile, says Arun Sundararajan, a professor at New York University’s Stern School of Business.

“The way we lived, the way we consumed, this whole ownership economy much of it emerged out of driving our cars”, Sundararajan says. “We built a big house in the suburbs, we moved there, we acquired stuff. The direction of change here is probably different, but it’s comparable in how profound it was and the societal implications.”

Nearly half of US adults are familiar with the sharing economy

Our survey showed that 44% of US adults are familiar with the sharing economy. 18% of US adults say they have participated in the sharing economy as a consumer, and 7% say they have participated as a provider. The more familiar they are with these services, the more excited they feel. Collectively, these business models are changing the way consumers think about value—assessing the impact of goods and services on their wallet, their time and the planet.



44% of US adults are familiar with the sharing economy

At the heart of this change is, of course, the Internet—and with it, the rise of social, mobile, analytics and cloud computing. Our access to information has never been greater or more tailored to specific needs. Transactions are shifting more and more to real time by way of mobile and the cloud, and social is playing a huge role in driving increased trust in commerce. Tech pioneers like Amazon, eBay, Google, Apple and PayPal laid the foundation. For sellers with goods to unload, Amazon and eBay conjure up buyers. GPS-enabled smartphones point us toward the nearest provider, and online payment systems like PayPal cement the transaction.

As these companies softened the risks of peer-to-peer transactions, the economic downturn left many consumers rethinking the necessity of possessions. A 2011 survey by BAV Consulting showed that 66% of consumers (and 77% of millennials) preferred a pared down lifestyle with fewer possessions. And while the economy has rebounded, many recession-fueled values have stuck.

Today, only one in two consumers agree with the statement that “owning things is a good way to show my status in society.” Four in five consumers agree that there are sometimes real advantages to renting over owning, and adults ages 18 to 24 are nearly twice as likely as those ages 25 and older to say that access is the new ownership. Happiness studies show that experiences increase contentment far more than purchases do, and young people’s intrinsic understanding of this is fueling an experience economy.

¹ Wall Street Journal, “Uber Snags \$41 Billion Valuation,” Dec. 5, 2014

Pillars of the Sharing Economy



Sharing has, of course, been around forever—and many industries offer alternatives to ownership. But as a model, the sharing economy is distinguished by these core pillars:

Digital platforms that connect spare capacity and demand

Sharing economy business models are hosted through digital platforms that enable a more precise, real-time measurement of spare capacity and the ability to dynamically connect that capacity with those who need it.

- Airbnb matches spare rooms and apartments with travelers in need of lodging
- Zipcar matches spare cars with local demand

People have always bartered and traded services, but the usability of this process is unprecedented thanks to the growing number of digital devices that make matching demand and supply easier than ever.

Transactions that offer access over ownership

Access can come in a number of forms, but all are rooted in the ability to realize more choice while mitigating the costs associated with ownership:

- Renting
- Lending
- Subscribing
- Reselling
- Swapping
- Donating

More collaborative forms of consumption

Consumers who use sharing economy business models are often more comfortable with transactions that involve deeper social interactions than traditional methods of exchange:

- Airbnb and CouchSurfing provide travelers with the ability to connect with local hosts and receive travel tips in a personalized fashion
- Ride sharing services such as RelayRides and Lyft depend on users being comfortable trusting strangers to complete their journey safely

Branded experiences that drive emotional connection

Today, the value of a brand is often linked to the social connections it fosters. Managing these connections is fundamental to successful marketing. In the case of sharing, experience design is critical to engendering emotional connections. By providing consumers with ease of use and confidence in decision-making, a company moves beyond a purely transaction-based relationship to become a platform for an experience—one that feels more like friendship.

Understanding an economy built on trust

As nearly one-fifth of American consumers partake in some sharing economy activity, be it renting a driveway on JustPark, buying a dress from Poshmark or hitching a ride through Lyft, what is the attraction? Yes, convenience and cost-savings are beacons, but what ultimately keeps this economy spinning—and growing—is trust. It's the elixir that enables us to feel reassured about staying in a stranger's home or hitching a ride from someone we've never met.

And yet our fundamental trust in peers has not changed markedly over the years. In fact, only 29% of consumers we surveyed said they trust people more today than they did in the past. Nor is trust in brands any higher—62% of those consumers surveyed said they trust brands less today than they did in the past.



64% of consumers say that in the sharing economy, peer regulation is more important than government regulation



69% say they will not trust sharing economy companies until they are recommended by someone they trust

But if trust in individuals and institutions is waning or at best holding steady, faith in the aggregate is growing. More and more, peer-review systems are becoming arbiters of quality. According to Nielsen's 2012 Global Trust in Advertising Survey, 92% of consumers in 56 different countries said they trusted word-of-mouth or recommendations from their friends and family above all other forms of advertising. In the US today, 64% of consumers we surveyed say that in the sharing economy, peer regulation is more important than government regulation. 69% say they will not trust sharing economy companies until they are recommended by someone they trust.

And yet, when brands provoke social sentiment and leverage it in their marketing, the conversion is often much higher. The same trend is driving growth in shared economy players. Rapid growth in mobile apps not only reflects greater trust, but also greater use of social sentiment to reinforce that trust.

There's one big potential sticking point: for the sharing economy to continue to expand, the players within it will need to find ways to authenticate the identity of consumers. Some companies have already added identity verification to their platforms, but doing so is not always straightforward. In a peer-to-peer model, not everyone has government verified documents or social media profiles that can sometimes suffice instead. Identifying, and upholding, quality and trust metrics will be critical to success in this evolving model.

The importance of trust—and the hesitations around it—add fuel to the debate around how appropriate the sharing economy label is. Data shows that consumers are more interested in affordability and convenience than they are in building social relationships with providers or other consumers. So while the intimacy of peer-to-peer interaction can be a benefit—for example, getting the local scoop from an Airbnb host, or having an engaging conversation with a RelayRides driver—there are limitations and boundaries that need to be discerned. Companies that understand this are poised to have a competitive advantage.

For instance, Airbnb's success is less because of the 'people, places, love and community' it espouses, and more because consumers want a better deal for their travel dollars. The majority of Airbnb consumers choose to rent the entire place, rather than sharing quarters or a meal with the owner. Here, as with other sharing economy platforms, trust prevails based on peer reviews, not on one-to-one peer interactions.

“I don't want to know who owned the clothes before me or where they wore them. I want to know that they've been properly cleaned and cared for.”

— Kathryn Duryea, Marketing Consultant,
Former VP Marketing, Rocksbox

Rethinking value exchange

The ability to monetize underutilized assets, or to forgo buying those assets altogether, has dramatically upended consumer purchase behavior, particularly when it comes to big ticket items.

According to our survey (among those familiar with the sharing economy), 51% say they could see themselves being providers in the sharing economy in the next two years—up from the 23% of those familiar with the sharing economy who identify as providers today. 72% say they could see themselves being consumers in the sharing economy in the next two years. On both sides of the coin, this impacts how consumers consider purchases.

A potential Uber or Lyft driver weighing the costs of a new car may choose to spend more for a higher quality, more luxurious vehicle, knowing that it can yield return on investment rather than simply being a depreciating asset. A prospective homebuyer may look into purchasing a 3-bedroom home rather than a 2-bedroom, mindful that rental income from a spare room can cover the additional mortgage payment.

On the flip side, an urban dweller with less dependence on vehicle transportation may opt-out of car-buying, preferring instead to use a car-sharing or on-demand taxi service. A shopper may decide against buying a new designer dress, potentially finding more choice and value in the offerings at Poshmark, Rent the Runway or Le Tote.

If market forces play out as expected, quality becomes less heavily juxtaposed against price—in fact, the durability and resale value of higher quality goods may make them a more economical investment in the long run. That shift, in turn, could put the squeeze on “cheap chic” and other mass market goods made to appeal on price point above all else. In the sharing economy, quality matters. Hardware will be as much about enduring function as it is about form. As the saying goes, “I don’t need a drill. I need a hole in my wall.”



*“I don’t need a drill.
I need a hole in my wall.”*

Moreover, this shifting value paradigm has the ability to expand the category. On one hand, there’s the impact of losing volume due to lower consumption. But on the other, perhaps more significantly, there is a trade-up wherein existing users may be more willing to pay given their ability to recoup some value through sharing as providers—plus those who would not otherwise buy are now entering the category as sharers through a lower price point, be it collective “shared” bargaining or the ability to monetize the investment.

The push for less friction



43% of consumers agree that
“owning today feels like a burden”

The phrase “frictionless” may be one of the most shopworn of 2015, but the buzzword should carry weight in the boardrooms across all industries. 43% of consumers agree that “owning today feels like a burden.” And the most compelling promise of the sharing economy is that it alleviates burden—the burden of cost, of maintenance, of choice (or lack thereof) and countless other variables.

Price will likely always be a factor, but as the sharing economy progresses and expands, creating a seamless experience will be imperative for success. Already, discerning consumers are factoring friction into the value equation. After all, time spent is time lost, and they’re looking to capitalize on both dollars and minutes. As a result, flawless digital tools, elegantly simple search and seamless transactions are not merely a nice-to-have for companies today—they are a requirement. ■

*“That time you spent driving
previously, now it’s downtime. You
have an extra hour and a half in
your day where you can be doing
whatever you want.”*

— Kathryn Duryea, Marketing Consultant,
Former VP Marketing, Rocksbox

The Business of Sharing

IV.



The Sharing Economy: Automotive



Zipcar. RelayRides. Car2Go. Lyft. Uber. The sharing economy is quickly paving new roads in the automotive industry, establishing a web of transportation options. Hitchhiking, it seems, is back—in one form or another.

According to our data, 8% of all adults have participated in some form of automotive sharing. 1% have served as providers under this new model, chauffeuring passengers around or loaning out their car by the hour, day or week. Of all the categories we examined, this is the one in which consumers would most like to see the sharing economy succeed.

All of this has made sharing systems—be they car-sharing, ride-sharing or bike-sharing—far more appealing. And while the price of gas may be going down, the trend away from ownership isn't likely to change considerably.

This is a big culture shift. And for those who figure out how to shift gears and get in the fast lane, it can be big business. What's next? No one can say precisely—the rules are being rewritten every day. But here are a few considerations to keep in mind.



8% of all adults have participated in some form of automotive sharing. 1% have served as providers under this new model.

Consumer preference is not surprising given the trend in car ownership over the past decade. One-third of consumers we surveyed indicated that the automotive industry yields too much waste. Chief among them are millennials, who notably don't drive as much as previous generations did at a comparable age. They are less likely to get drivers licenses, and their view of cars is more perfunctory than emotional—they largely see cars as transportation, not as status symbols.

Smartphones have also pushed up the relative costs of driving. A passenger can read email in transit and be “productive”—but a driver behind the wheel can't, or shouldn't. (Same goes for drinking: according to Uber, since the launch of UberX in California, drunk-driving crashes decreased by 60 per month for drivers under the age of 30.)

The automotive industry is just a slice of the pie—today, it's all about the mobility industry. More and more automotive companies today are rethinking their positioning—reframing themselves as providers of mobility, not merely manufacturers of vehicles. But as automotive expands into mobility, new players are surfacing as competitors: for instance, Apple, one of the mobility leaders, enters the category. In this context, legacy manufacturers must find ways to add unique value to consumers' mobility day in and day out—perhaps becoming a purveyor of mobility at large, from selling cars for purchase to facilitating ride-sharing, or even partnering with public transportation in cities where systems are poorly run or underused.

“I think the biggest change that we’re seeing here is that people are choosing to buy mobility as opposed to just buying a car.”

— Shelby Clark, CEO of Peers.org

Re-examine the consumer value equation. The target audience you’ve identified today may quickly shift under the sharing economy as consumers’ price/value equations get disrupted. Today, the economies of owning a car are more favorable if you can profit from use of it. This means different buyers are ponying up to purchase vehicles that otherwise might not have been in their consideration set, and they are entering new variables into the purchase equation. In the sharing economy, quality is taking on a new premium—consumers are thinking about resale and durability to a greater degree.

Examine your underutilized assets. Many large corporations have car fleets that sit unused for much of the time and garage spaces that sit empty. Under the sharing economy model, potential options abound. Could you mimic a car-sharing platform and replicate it for internal use so frequent business travelers can swap as they come and go? As for idle fleets and empty parking garages, consider time-sharing these assets with other companies, with employees—or even with everyday consumers. Done right, making better use of underutilized resources can generate new revenue streams and create goodwill with both employees and the local community.

Why consumers like automotive sharing economy models:

56%
Better pricing

32%
More choice in the marketplace

28%
More convenient access

Rethink your employment model. All of these business models are changing the nature of how we work. It’s contentious, raising big questions about the boundaries of contracting and freelancing and what the responsibilities of the employer and governments should be. Yet for all the buzz in the press about exploitation of workers, this was barely on the radar of those we surveyed—only 11% of consumers we surveyed felt this was happening. There are issues to be ironed out with this model, particularly around agency and the ability for contractors to set their own prices, but it’s clear that more and more workers are attracted to the flexibility that this approach offers. Among the sharing economy providers we spoke with, “flexibility” was a top two appeal of providing, close behind “a way to earn more money.” Savvy employers should consider these shifts in employee attitudes and values, and how they can make the business stronger.

Recognize that disruption is inevitable—and ongoing. The narrative of disruption that sharing has caused in the transportation marketplace is applicable to every business: anyone and everyone can be disrupted in this age of fast-flowing technology and the internet of things. Self-driving cars could be a significant setback to the current set of both car manufacturing companies and car-sharing companies. But more likely, companies will find ways to smartly adapt and reduce friction, embrace new models of operational efficiency—and design experiences that work for business, employees and consumers. The question is: who will do this best?

“If you can make money off cars you’re going to buy, it means in theory, you can buy higher quality, cleaner and hybrid electric vehicles. So if you become a brand leader in that space, that’s really powerful.”

— Padden Guy Murphy, Head of Business Partnerships, Getaround

The Sharing Economy: Retail and Consumer Goods



The recession may be over in the United States, but the values that emerged during it appear to be staying put—and the sharing economy is giving new weight to the axiom “less is more.” 78% of consumers we surveyed agreed that the sharing economy reduces clutter and waste—millennials and households with kids most strongly agreed. These attitudes are a growing threat to a retail industry that is struggling to buoy its numbers—in December 2014, waning holiday sales led consumer purchases to decline 0.9%,

What’s the appeal? Besides a growing appetite for a more minimalist lifestyle, consumers say these sharing-based services offer better pricing, more convenient access, and more choice in the marketplace. There are some concerns, chiefly around uncertain quality (48% of consumers we surveyed listed this as a concern), and consumers say they are more likely to trust a leading department store than Poshmark, the emergent fashion darling of this new economy.



78% of consumers agree that the sharing economy reduces waste

despite economic growth and lower gasoline prices².

As a result of these shifts in cultural mores, a “new retail” is emerging under the umbrella of the sharing economy. Consider Yerdle, an app designed to enable people to give away their stuff in exchange for credits they can use to “buy” other people’s castoffs. The company has an ambitious goal in mind—reducing the things we buy by 25%. Or Poshmark, a fashion marketplace that lets people shop for items sold from others’ closets. There’s also Spinlister, a peer-to-peer marketplace for renting bikes, skis, surfboards and other sporting equipment; Kidizen, a mobile, peer-to-peer marketplace allowing parents to buy and sell their children’s clothing, toys, shoes; and Rocksbox, a subscription rental service for high-end jewelry. In every niche of retail, it seems a sharing alternative is popping up.

And yet, a threat to retail can just as easily be flipped into a tremendous opportunity. After all, while ecommerce is hollowing out the physical space, many retailers have adeptly adapted and now help curate a more engaging omnichannel experience for their shoppers. Similarly, the rise of borrowing doesn’t mean retail will be decimated—it’s simply a heads up for companies to take a fresh look at their brand, their product and their operations in this new ecosystem and weave sharing into the omnichannel experiences they are creating.

²US Commerce Department, Jan. 14, 2015

For those in the retail and consumer space—new entrants and incumbents alike—here are a few things to keep in mind:

Re-examine your business model and consider alternate avenues: Most retailers are in the business of selling, whether it's out of a physical storefront or an online shop. But as the data shows, renting and sharing are becoming increasingly popular alternatives. Executives will be wise to assess the role of their product and brand in this model—are you squarely a purveyor of goods, or are you an enabler? Firms can carve out new revenue streams that are adjacent to their core capabilities by facilitating peer-to-peer or other likeminded marketplaces.

There are several advantages to this approach. By stepping in as a facilitator, a company can better manage the quality control aspects of its “shared” goods, ensuring consistency of the brand experience. A sharing marketplace can be a great opportunity to drive engagement and trial, allowing less active and prospective customers to experience the product firsthand. In this case, a retailer may also consider building a network of providers as a competitive advantage—a way to keep them loyal and sell through a pipeline of products.

Quality is the purchase consideration to beat: The sharing economy has opened up new avenues for monetizing investments in material goods—be it through rental income or resale revenue. As a result, quality becomes an even bigger factor in the purchase decision process, particularly on bigger ticket items. Durability of hardware matters—so too does brand name as those looking to rent or buy used goods will seek the reassurance that comes with brand recognition and corresponding caliber of goods. For marketers, it will be important to reassess core brand messaging and the role that a quality seal plays within it. Similarly, as goods get passed around the market, brands will need to figure out their role in upholding quality maintenance to protect the brand.

Boost brand goodwill through sustainability: 76% of consumers we surveyed say the sharing economy is better for the environment, and 79% say it's good for society overall. For brands, there's an opportunity to use the sharing economy to promote sustainability messaging and raise esteem in the minds of consumers who are growing more environmentally aware. Patagonia and Levi's, for instance, have partnered with Yerdle to distribute unsold merchandise, thereby reducing waste by finding a marketplace for these goods instead of disposing of them in a landfill.

Patagonia has encouraged sharing on Yerdle with a free item from Patagonia's pre-used Worn Wear collection in exchange for material donations to Yerdle, and by contributing excess Worn Wear products from its warehouses. Currently, Yerdle hosts nearly 1,000 Patagonia products, which are among the 10 most popularly exchanged goods on the site. This collaboration provides both Yerdle and Patagonia with significant market

advantages. For Yerdle, Patagonia products add credibility and cache to Yerdle's set of offerings, and they may be more likely to inspire consumers to list their own unused Patagonia products. For Patagonia, the collaboration allows the brand to highlight its commitment to high-quality products with a long life cycle. Yerdle and Patagonia are tapping the sharing economy in other ways, too, such as working with iFixit, a community in which people help fix used items in need of repairs.

Understand the shift from conspicuous consumption to experience consumption: Today's consumers are finding more satisfaction and status in experiences, rather than static material possessions. For retailers, this means becoming purveyors of experience as an extension of product. Many brands already have an established presence on social media, which can be leveraged to facilitate sharing experiences and drive trial and engagement. Physical storefronts are another opportunity to build experiential cache, whether it's lending the space to another vendor in a partnership effort or embracing the pop-up movement. Consider Warby Parker, whose retail presence runs the gamut from online shopping to “food truck” style mobile stores to brick-and-mortar shops, synching online and real-world commerce.

Re-assess retail space: Thanks largely to the shifting emphasis on experience, big and small brands alike are looking for flexibility in how they reach consumers. That means rethinking the channels they use—in particular, their physical footprint. Enter Storefront, a startup that enables retailers to set up pop-up shops or sell items in boutiques. The platform connects those who have shops or empty real estate in highly trafficked areas with merchants seeking to peddle their wares—in short, it's an Airbnb for merchants, offering the benefits of both temporariness and uniqueness. Listings include full retail stores that can be used as pop-up shops as well as shelf space in boutiques, and locations range from neighborhood shops to subway stops to hotels.

The flexibility that Storefront offers can be a boon to brands looking to dial up their experience or pitch new products. So far, more than 1,000 merchants have used the platform to open up shop in New York and San Francisco. And for those providing the space, it's an ancillary revenue stream—on average, most retail spaces are closed for 15 hours per week, time that could be otherwise monetized through new platforms.

“Gyms, event spaces, even restaurants that aren't used during certain hours—all these have the potential to be opened up in the sharing economy.”

— Chelsea Rustrum, Curator at Collaborative Consumption

The Sharing Economy: Hospitality



“Airbnb is the worst idea that ever worked,” said Brian Chesky, CEO of Airbnb, at a recent PwC Corporate Leadership event. When Chesky hatched the hospitality startup, enabling everyday homeowners and renters to rent out a spare room, it was so new that to assess the potential market size, he figured out the number of airbeds sold each year and used that as an estimate.

Today, Airbnb is reportedly valued at \$13 billion, more than mature players such as Hyatt or Wyndham Worldwide. The company booked stays for 20 million travelers in 2014, operating with about 1,500 employees in 20 cities worldwide³. It has helped pioneer a market that is radically changing consumer hospitality preferences and behaviors.

marketplace. Proprly is a cleaning and key delivery service for Airbnb hosts. Guesthop provides support services for home sharers—from check-ins, key management and cleanings to full time, short-term rental management. Pillow handles all the details of hosting, including marketing, guest communications, booking and pricing optimization, cleaning, repairs and any troubleshooting.

These ancillary services are designed to capitalize on the growing popularity of hospitality sharing sites. Airbnb, for instance, now has 10 million bookings and is used by more than 50,000 renters per night. But they are also helping to close critical gaps in the sharing hospitality industry—namely, the issues of friction and trust. With



6% of the US population has participated as a consumer in the hospitality sharing economy; 1.4% has served as a provider.

Our data shows that 6% of the US population has participated as a consumer in the hospitality sharing economy; 1.4% has served as a provider. The platforms are plentiful: on the lodging side, Airbnb, CouchSurfing and HomeAway are big contenders, and the food and dining industry is rapidly catching on, too. Feastly connects diners with chefs offering unique food experiences outside of restaurants; similarly, EatWith links diners and hosts, creating a social experience where guests get to know one another over a locally authentic, home-cooked meal.

Other likeminded models are popping up across the globe, as are businesses pegged to the hospitality sharing

management companies as intermediaries, there's less hassle for the renter and rentee in sorting out the logistics of the arrangement, and, presumably, greater trust that the experience will be of consistent quality.

Mitigating the potential unreliability of strangers is still a challenge. The hospitality sharing economy is appealing because it offers better pricing, more unique experiences and more choice, but security, hygiene, and uncertain quality still loom as big concerns. For these reasons, our survey showed that consumers familiar with the sharing economy are 34% more likely to trust a leading hotel brand than Airbnb.

³New York Times, “Meet the Unlikely Airbnb Hosts of Japan,” Feb. 18, 2015

“You can actually make more money from your home, self listing on sites like Airbnb, but you would place very little value on your time for that equation to actually make sense. And the friction there is not just time, it’s also social—you now have to deal with a potential stranger.”

— Evan Frank, Co-founder and President, Americas, onefinestay

For their part, the hospitality sharing economy players are trying to change this. Airbnb recently underwent extensive rebranding, moving away from the more pragmatic room-rental positioning toward one that emphasizes community: the company’s new credo is “We believe in a world where all seven billion of us can belong anywhere.” As Chesky said in a video on the Airbnb website, “At a time when we’ve been told to look at each other with suspicion and fear, you’re telling the world it’s O.K. to trust again.”

So what does all this mean for entrenched hospitality players? “The sharing economy effect is accelerating with internet and technology and is something that is impacting our business,” Christopher Nassetta, President and CEO of Hilton Worldwide, said in a recent interview with PwC’s CEO Survey. But, notably, he views it as additive to the business by making travel more accessible. “We’ve done a great job at our scale...to democratize travel, but I think this takes it to the next level...making travel more available to people that it may not have been available to and in ways it may not have been available. In a simplistic way, it’s making the pie bigger.”

As you consider what the sharing economy means for the future of hospitality and your business, here are a few things to keep in mind:

Customization and local flavor are at a premium: In terms of appeals of the sharing economy in hospitality, a “more unique experience” is second only to better pricing. More and more consumers are looking for local authenticity in their travels, and sites like Airbnb and EatWith are delivering it. “They’re introducing really incredible customization and local flavor. You get all these really micro experiences, all these different hosts,” says Shelby Clark, CEO of Peers.org. “Having that local flavor is something that is very difficult for any major brand to match, so I think that’s going to be a big challenge for the incumbents to deal with.”

At the same time, there’s a bifurcation of consumer types—those who are more prone to look for a unique experience,

and those who seek the reassurance of consistency. The leisure traveler may become even more markedly different from the business traveler, meaning hotels have the opportunity to drive home even more amenities to appeal to specific segments.

Identify underutilized assets—and find ways to leverage and optimize them: As more and more workers become mobile, hospitality players are taking note. Today, the burgeoning startup LiquidSpace, which facilitates on-demand work space rentals at major hotel chains and individual boutique hotels, has a client roster that includes Marriott, Ritz-Carlton, Renaissance, Hilton and more.

These types of partnerships and product extensions not only open new revenue streams, they also drive trial. As consumers traffic through hotels for meeting spaces, they gain exposure to and build affinity for those hotels. In fact, Marriott offers some work spaces free of charge, outfitting lobby areas with free Wi-Fi and desks with electric outlets.

Solidify reputation management: “A huge space that has yet to be addressed adequately is the idea of online reputation,” says Jim Griffith, Dean of eBay Education, Host of eBay Radio and Author of The Official eBay Bible. To an extent, this is addressed by peer reviews, rating systems and sites like TripAdvisor and Yelp. Airbnb introduced a Verified ID program, designed to “build trust in our community,” according to the website—though it has been met with resistance from consumers wary of uploading sensitive information to the internet. For established hotels and restaurants, there is potential to drive key consumer-coveted attributes like “unique” and “authentic” by partnering with flavorful sharing economy providers, while simultaneously imbuing those providers with the credibility needed to be fully embraced by consumers.

Embrace your own disruption: “You’re not going to stop Airbnb—it’s its own rocketship,” says Shelby Clark, CEO of Peers.org. Instead, “figure out how you can benefit from this changing landscape.” Disruption, after all, typically doesn’t have an end in sight. Airbnb may eventually address all elements of the travel experience, from travel reservations to ticketing for local attractions and bookings at restaurants. For players who want to survive and thrive, this means sticking to core competencies—but also staying agile, nimble and open to new partnerships and new ways of thinking.

As Hilton’s Christopher Nassetta said of his strategy, “We are a hospitality company, and we should stick to what we do best. I view us as technology strategists that are trying to figure out how to connect what’s going on in the world of technology to the hospitality business... It is a human business that involves a lot of human interaction, and we don’t want to take that out. What we want to do is take the elements that are simpler and where we can be more efficient, and make those very easy and comfortable and fun for people to allow for the people in our hotels to really interact in a way that is more driving a customized experience.”

The Sharing Economy: Entertainment, Media and Communications



“There’s no business that has been more disrupted than entertainment and media. It’s a perfect case study of people digging their heels in and winning battles but not winning the war.”

— Jim Griffith, Dean of eBay Education, Host of eBay Radio and Author of The Official eBay Bible

Without hesitation, the industry specialists we spoke with throughout our research said that the media, entertainment and communications industries have been the most impacted by the sharing movement—and view their actions as a cautionary tale of what not to do.

The ambiguity of the sharing economy is particularly evident in entertainment and media, where consumers are open to “sharing” products, but it’s less about the underutilization of assets and more about the intangibility of them. To that end, legal and contractual impediments may make it difficult to ramp up a formalized sharing model at the same speed as industries like automotive and hospitality have. Wavelength, a startup designed to let users freely stream the movies their friends own, ended just two weeks after it launched. In his closing statement, Wavelength’s founder wrote that “One of our goals in

launching the wavelength.io beta was bringing to market legal movie sharing, wrapped around a great UltraViolet experience... Not surprisingly, what we have built has been controversial⁴.”

And yet there are areas in which sharing, however loosely defined, is coming to life. Two decades ago, an aspiring artist needed a bundle of money to make a film; today there are alternate—and very viable—ways of making and monetizing music. Consider the artist Amanda Palmer, who in 2012 announced a Kickstarter campaign to raise funds for a new recording and pulled in nearly \$1.2 million from her fans in exchange for pre-orders of the album. And just as artists are finding alternative ways to create, consumers are discovering alternative ways to consume. According to a survey conducted in December 2014 by the Consumer Reports National Research Center, 46% of American adults with streaming media accounts admitted to sharing log-in credentials with people living outside of their homes.

In our survey, this is the highest category for consumer participation—consumers are more engaged with entertainment and media sharing than they are with automotive, hospitality or retail. The most compelling benefits of sharing in this sector are better pricing, more choices, greater access, and more unique experiences.

And businesses are ultimately catching on. Spotify has popularized the act of listening to customized music without physically owning an asset. Sprint has tried to capitalize on consumer sharing preferences, most recently with its Sprint Family Share Pack.

⁴Recode.net, “That Was Fast: Wavelength, the Movie-Sharing Service Hollywood Didn’t Love, Is on Hold,” Jan. 20, 2015

The sharing space in entertainment, media and communications is, as Griffith put it, “a Wild West frontier,” and it will continue to be disrupted. Yet with this disruption comes great opportunities to differentiate and provide meaningful (and potentially profitable) services to consumers. For new entrants and incumbents alike, here are some things to keep in mind:

Use sharing opportunities to drive engagement within the category: Smart partnerships are smart business—especially in a sharing culture. There are potentially large untapped opportunities to create content sharing partnerships across categories. Media sites, after all, are hubs for like-minded people—and thus are well-poised to act as facilitators for peer-to-peer sharing. For instance, if HGTV is the go-to source for consumers with interests in home and gardening, it might establish a peer-to-peer network and partnership with a retailer in this category to drive those goods.

Increased sharing engagement can drive trial. For instance, HBO allows sharing of passwords, knowing that heavier users will want their own after they’ve had the experience firsthand. UltraViolet is a “digital locker” that gives consumers digital copies of movies they’ve purchased elsewhere, enabling sharing across channels—and with it, potentially, across friends. News media like the New York Times have created “freemium” models that allows readers to share some stories before hitting a paywall.

More viral and effective promotional models are another way in which sharing can boost engagement. Businesses want to expand their access—and if that access can be shared among several users, it could lower the cost of trial and raise consumers’ willingness to pay. In entertainment, media and communications, there can often be large variances in marketing costs based on the scalability of the model and ease of discovery. And yet socially-oriented experiences can help keep marketing costs to the lower end of the range—for instance, both Uber and Airbnb soared in popularity without relying on big and costly marketing campaigns.

Find the intersection of a physical-digital offering: In part, the demise of “ownership” in the entertainment, media and communications space is due to the intangible nature of goods provided. Digital assets inherently feel less like a possession than physical ones. As a result, companies need to figure out how to shift from offering an item to offering a relationship—and then optimize that relationship accordingly.

Done right, relationships can create more perceived value, and command more money as a result. Subscriptions are one way to drive the relationship value exchange. Consumers can get greater access to content in exchange for a subscription commitment—and with sharing, the access is increased even further. For instance, a content providing service may enable two users to share endlessly, so long as both are committed subscribers.

Understanding the appeal of on-demand: It’s no surprise that the sharing economy is also dubbed the “access economy” or the “on-demand economy.” We are operating in a society that wants what it wants, at the exact moment it wants it. And often, they are willing to pony up for it. So, if consumers are willing to pay more to see something earlier, but these costs can be mitigated by sharing it with others—for instance, watching a new release in a home theatre setting with 10 other people—then there are new opportunities for a collective bargaining model to benefit both consumers and providers.

Understand the appeal of sharing, and ways to make it work for your business: One way or another, content sharing appears here to stay. Faced with that reality, media providers can either continue to fight the threat or explore the potential opportunity behind it. That is, sharing creates new platforms with greater reach and more highly engaged audiences—and with it, opportunities to move beyond one-to-one ownership models and explore new distribution models. Likewise, content creators will need to adopt metrics beyond linear sales and figure out how to monetize accordingly through new platforms, rather than blocking them altogether. ■

What the Sharing Economy Means for Your Business

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Whatever your organization looks like today, the sharing economy is too big an opportunity to miss—or too big a risk not to mitigate.

For incumbent players in mature industries, the immediate challenge is to avoid being disrupted. For a cautionary tale, look no further than traditional media, which once rested on the assumption that that ownership and rental models were the only ways to consume music or films. That is, until streaming came along to disrupt everything media executives thought they knew to be true. They underestimated the importance of connecting through social and shared playlists—and they failed to recognize that ownership and rentals would quickly become antiquated in digital media, trumped first by downloads and then by streaming.

By contrast, the automotive industry recognized the sharing economy as an early threat and adopted the model where it was applicable. Today, many car manufacturers now run their own car-sharing operations and others have made strategic investments in new entrants—such as Avis in Zipcar and BMW in JustPark.

Where a consumption model has prevailed in a sector for many years, it is often most at risk of disruption. At PwC, we often run a workshop with our clients called “How to design a company to beat yours”—an exercise that’s particularly relevant and effective in a sharing economy world. It may sound grim, but if your business can’t figure out how to disrupt itself, someone else out there will do it for you.

Here are some key disruptive levers that businesses should consider

Create marketplaces: Organizations need to assess the potential for consumers to band together in a peer network that can undermine their value proposition. These networks are most likely to emerge in categories where products and services are widely distributed, involve high fixed costs but low marginal costs and are often underutilized. The automotive and hospitality sectors were among the first to see peer networks, but this network effect is equally viable in industries that hold similar characteristics. High-end retail and utilities are susceptible to this model—in the communications sector, Fon already enables WiFi customers to share their connection with others in return for free access to other Fon hotspots around the world.

If this potential for a network effect exists—and for those in the automotive, hospitality, retail, entertainment and tech industries, it very likely does—then companies need to decide whether to be a player or an enabler. Will your business create and facilitate the marketplace? Or will you be a provider that feeds into a system that’s mediated by another entity?

Develop a mitigation strategy: Whether acquiring a new entrant, partnering or investing in them, companies can mitigate the risk of a sharing economy insurgency and even capitalize on sharing economy revenue to bolster their business. For instance, a manufacturer of high-end hardware goods could partner with a sharing economy network to circulate its wares, capitalizing on the growing appetite for higher quality, more durable goods that offer greater resale or longevity to buyers. This builds on current practice of providing a network of contractors, extending it to include shared economy providers who can ably supply their tools or labor.

Organizations can also develop their own sharing economy concepts—after all, innovation often starts with imitation. For instance, using a tried-and-tested approach in one industry and adapting it to your own (such as developing “access” options alongside traditional sales channels)—or reworking a consumer-to-consumer model to fit a business-to-consumer or business-to-business market.

Engage in sharing your own asset base: The sharing economy demands a sharing organization, one that monetizes spare capacity and improves business outcomes through sharing intangible assets. For many organizations, this is the low-hanging fruit in the imitation game—finding instances within your own organization where underutilized assets can be more effectively shared across entities, both inside and outside the organization.

Begin with tangible assets. On average, today’s manufacturing facilities operate at 20% below capacity⁵. Half of all desks in the average office go unused⁶. A quarter of all trucks traveling in the US are empty⁷. All of these are instances where sharing platforms could move companies much closer to maximum efficiency. Marriott, for instance, has partnered with the online platform LiquidSpace to convert empty conference rooms into rentable work spaces. The result is not just a new revenue stream, but also a way to increase exposure to Marriott properties. Pharmaceutical giant Merck recently signed an agreement to share Medimmune’s manufacturing facility, providing long-term utilization of excess capacity for Medimmune while giving Merck flexible access to manufacturing facilities as needed.

Another opportunity is to facilitate the sharing of intangible assets. That means intellectual property, brainpower and brand—which collectively make up around 80% of a global corporation’s value. In the US, the top five patent filers—IBM, Samsung, Canon, Sony, and Microsoft—collectively filed more than 21,000 in 2013 alone, but because of high investment costs, only a fraction of these resulted in products brought to market. By contrast, General Electric spearheaded a partnership with Quirky, an online inventor community. The \$30 million deal gave Quirky’s inventors open access to GE’s patents and technology, resulting in joint-venture products such as a smartphone-controlled

⁵ PwC UK analysis on the sharing economy, 2014

⁶ Wired, “Unused Office Space Is Like A Massive Untapped Natural Resource,” Feb. 6, 2013

⁷ New York Times, “Keeping Trucks Full, Coming and Going,” April 21, 2010

window air conditioner, a propane tank gauge with fuel sensors, and a home monitor that can be set to track motion, sound and light.

Effectively tap talent: One of the more controversial aspects of the sharing economy is the impact it has on the labor force, and the perceived shift toward contract-based employment that trumpets agency over regulation. For some, this is regarded as a benefit, enabling workers to earn wages on their own time and their own terms. For others, it heralds an era of depressed earnings and greater reliance on welfare and other government subsidies. 78% of adults said they expected that in 30 years, working multiple jobs would be the new normal for wage earners.

Companies need to be mindful of this tension and adapt their employment strategy accordingly. For starters, that means offering wages and benefits that attract good, reliable talent and project the values that today's consumers seek. In many industries, flexibility can be as compelling as a higher salary—likewise, some employees prioritize variety of work and autonomy. At the same time, employers can assess the impact of “sharing” a larger portion of their talent base, be it with entrepreneurial activity, leisure or even another company. Google's “20% time” initiative enables employees to pursue innovative ideas for an approved period of time, even if those ideas are outside their current job focus.

Speak up in shaping regulatory and policy frameworks: Regulatory flash-points are everywhere, and they are the most immediate impediment to sharing economy growth—a situation that's relevant to both disruptors and to more mature players. In our survey, 59% of respondents said they will not trust sharing economy businesses until they are properly regulated. When regulation is solidified, these business models will be fully legitimized—not just by law, but also in the minds and hearts of consumers. This should motivate companies across all sectors to get ahead in carving out a place in the conversation with policymakers.

In this setting, companies can credibly measure the economic, fiscal, social and environmental impact of the sharing model in the communities in which they operate. There are tools available to do that—including PwC's market-leading Total Impact Measurement and Management (TIMM) approach.

There is no question that the regulatory, legal and tax framework needs to be fit for a new age. The right balance of solutions need to be built from the bottom-up, where local authorities can quickly trial and experiment with new models. Not surprisingly, this is more easily done when both sides work together. For instance, Airbnb worked with Amsterdam's local council to pass an “Airbnb-friendly law” in February of 2014 which permits residents to rent out their homes for up to 60 days a year, provided that the owner pays the relevant taxes.

Expand the brand through shared economy experiences: By design, the sharing economy disrupts the balance of the marketing mix for nearly every industry it touches. Price points are upended. Product has a new set of metrics—of which quality gets a new premium, and standardization and consistency can matter more or less, depending on the market. Place is reconsidered as new points of access emerge. And the very nature of promotion has shifted, with “sharing” engendering new means of trial and exposure.

Brand is still very relevant today—but companies need to reassess their brand pillars in light of these new marketplaces, new business models and new consumer values. Today's fast-paced lifestyles leave little time to maintain expensive assets. One in two consumers agrees that owning things is a good way to reflect status in society. Social networks have also accentuated a shift in how we attain social status, raising the bar for experiences over material possessions.

As a result, forward-looking companies must re-examine what creates brand value and position themselves accordingly in the marketplace. For instance, many automotive companies now identify as “mobility providers” rather than automotive manufacturers, a reflection of shifting consumer preferences. Savvy brands are designing



76% of consumers agree that the sharing economy is better for the environment

experiences that are mobile and social first—empowering users to share with each other and tap into greater trust fueled by a combination of content, social sentiment and improved functionality.

And for any company still toeing the line on corporate social responsibility, let the sharing economy be a wake-up call. Today, with new ways to effectively address resource scarcity, doing the right thing and doing the profitable thing are not incompatible.

“If the economics of car sharing can enable folks to afford a new hybrid or electric car, then sales objectives and sustainability objectives are now actually aligned. So CSR can actually be driven by profit motive, which is an incredibly powerful benefit of the sharing economy.”

— Padden Guy Murphy, Head of Business Partnerships, Getaround

Never settle for stable: If the sharing economy has proven anything, it's that business models cannot be taken for granted in a highly connected, fast-changing world. Today's disruptors can easily be disrupted tomorrow. The ride-sharing model could be obsolete when self-driving cars materialize—or these companies could adapt by purchasing their own fleet of self-driving cars, removing the cost-center of today's drivers.

To stay nimble, companies need to continuously examine ways to bundle and unbundle the value exchange for maximum consumer benefit and maximum competitive advantage. They will need to capitalize on opportunities for expansion, assessing ways in which new models can be leveraged to reach untapped consumers. They will need to explore gaps in revenue management, finding cost-efficiencies and opportunities to free up capital that can be more effectively applied in other capacities.

The opportunities ahead are not without challenges. Effectively competing in the sharing economy requires sharp insight into the consumer mindset and competitive marketplace, as well as clarity into internal operations. Liability and security are concerns to be mitigated. But companies that willingly tackle these challenges will be the ones poised to survive—and the potential ahead will be constrained only by the imagination of decision makers. Whether the model is consumer-to-consumer, business-to-consumer or business-to-business, as companies create and utilize these exchanges efficiently and creatively, they will find more ways to profit and help their businesses—and the community at large—grow and sustain success. ■

How PwC and Strategy& Can Help

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