SHARING ECONOMY
Sustainability & Cultures

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The sharing economy has been developing at a fast pace in all parts of the world driven by ICT technologies and innovative business models that provide access to (underutilised) assets. The definitions of the sharing economy are as abundant as the business models of for-profit sharing platforms and non-profit grassroot organizations that praise the true aspirations of sharing. Some of them re-present the triadic business model operating the two-sided market, where asset owners share access to their resources with asset users. The transaction between these two actors is managed by a platform. The sharing platforms differ in terms of the types of products they transact, sizes and market orientation: for-profit and non-profit. In many ways these new ways of delivering value in use and consuming idling resources challenge many prevalent and traditional institutions in the society, such as the role of state, corporation, market, profession, family, and community.

Sharing platforms are not typical companies that own production assets and have traditional innovation cycles. Instead, they capitalise on idling assets owned by individuals and other actors. They typically start as smart start-ups with great idea that escalate exponentially due to large venture capitalist investments, who tend to subside their services for a long time. The platforms use web- and app-based information technology to facilitate peer-to-peer transactions. By allowing individuals to establish direct contact with each other, they bypass intermediaries and reduce transaction costs. Platforms do not own any resources per se and this makes it difficult for them to control the marketplace. They are therefore continuously working on matching supply and demand sides of the market seeking balance between asset owners and asset users. Consequently, they also have no direct control over the quality of products and services that are offered on their marketplace. Nevertheless, they develop various mechanisms to secure good descriptions and visualisation of offers to create trust between asset owners and asset users. Furthermore, the platforms also take on the role of a regulator by setting up rules for how platform users should behave. They rely on user-based rating systems for quality assurance, for controlling compliance to rules established by the platform and for policing non-compliance and managing disputes. In that sense, the platforms undermine the traditional regulatory role of the state by becoming self-regulators. Compared to traditional manufacturing companies, platforms have limited liability as they do not employ asset owners and asset users, although they decide who can join their platform and who is not, even if ex post. Platform revenue is mostly based on fixed or variable commissions from transactions, which vary from 1 to 2%, for peer-to-peer lending, to up to 20% for ridesharing services. Platforms find themselves participating in competition on two markets. 1. platforms compete with each other on the capital market and 2. asset owners compete on the platforms for asset users on the product market. Thus, these platforms challenge the existing institutions of state, corporation, market, and profession. On the other hand, there is also a plethora of local and international non-profit platforms driven by pro-social values (and challenging the institutions of community and family) that heavily utilise the rhetoric of altruism, social cohesion and solidarity.

Asset owners are peers (individuals, businesses or organisations) who own resources and monetise the value in use enabled by the sharing platforms. In this way a practice and norm that traditionally was a prerogative of businesses has shifted also to individuals and public sector organisations. Although 85% of the gross revenue of platforms goes to asset owners, for the majority of them asset management is not a profession, but a possibility to earn extra income. However, the proportion of professional asset managers on Airbnb is increasing, estimated between 10 and 30% of Airbnb listings and between 30 and 80% of Airbnb revenues. Also, many Uber and Lyft drivers have driving as the primary source of income, making them professional drivers with licenses to operate from the sharing platforms. Some cities have started introducing caps on sharing activities by e.g., taxing revenues from ridehailing above a certain level considering them to be a professional business. The non-professional asset owners are free to join or leave the marketplace provided by platforms as they are not employed by the platforms. They are therefore free to decide their typical working hours as online markets never sleep. Often it is the asset owners themselves who set the price for their assets.

Asset users

Asset users are peers (individuals, businesses or organisations) who seek to gain temporary access to resources, are not interested in asset ownership and are ready to pay for using resources over a certain period of time. Their behaviour challenges the prevalent norm of ownership and normalises access-based consumption. To ensure quality of the resources and services they seek to use, they rely on reviews of other peers and rating systems developed by the platforms, since state does not assume it's typical controlling role on platforms. Thus, in the sharing economy the role of consumers evolves from the more passive consumer who buys a product or service from a company into a more active role of asset manager and in fact a dual role on the platform - both asset owner and asset user. This distinction is not just semantics, but it has implications for the sustainability of sharing organisations and trajectories of their development.

Sustainability of the sharing economy

In terms of sustainability, the sharing economy is a contested concept. On the one hand, it is argued it can help cope with new realities of continuing economic recession, increasing disparities between "haves and have-nots" and growing environmental problems of consumption. On the other hand, there is a growing critique of the sharing economy and its effects. If we look at mobility sharing options, research shows that car sharing may take up to 9-13 private vehicles off the road and reduce driving distances by 27-43%. Cars tend to be newer and have lower emission profiles in B2C car sharing schemes than vehicles in P2P car sharing. However, the lifetime of shared cars in B2C schemes is only 3-5 years, after which they enter second-hand market. Ride hailing services, such as Uber and Lyft, and bike sharing may fill important gaps in public transport for the first and last mile trips in the cities with less developed public infrastructures. Car sharing allows more efficient use of public spaces (less parking), nudging people to use public transport while also potentially reducing the need to expand transportation networks. By offering a cheaper option to use a personal car, car sharing improves the economic equity for households with lower incomes, although it also may increase the impacts of personal mobility for people who previously did not own a car. Concerns are raised that sharing economy rather than being a substitute for the production of new products stimulates consumption and leads to secondary rebound effects when the money that users save in the sharing economy are spent on environmentally detrimental activities. However, our studies show that for most users, the rebound effects from induced indirect consumption do not offset the carbon savings of car sharing, simply because the savings are not sufficiently high. The example of car sharing segment demonstrates is that few quantitative assessments of environmental and economic impacts of sharing.

Predominant focus is on direct environmental impacts, while secondary or wider effects are underexplored. There is also lack of comprehensive assessment frameworks for social sustainability. My team has been working on developing a more comprehensive framework for measuring social sustainability that comprises 4 aspects and 18 indicators. One finding during this work was that in order to operationalise the social sustainability assessment framework, it is not sufficient to just have a set of aspects and indicators. To reflect the triadic business model, we need to operationalise each indicator to the actor: platform, asset owner, asset user and perhaps even the society at large. We are waiting for the pandemic to finish to start testing it. We hope that new tools will help sharing platforms assess and improve their sustainability profiles.

Institutionalisation

Many sharing platforms use sustainability rhetoric when negotiating with cities and when competing on the market. But what are other ways that they use to gain legitimacy and get institutionalised in different contexts. What is the role of contextual and cultural factors in shaping the landscape of sharing economy across cities? In this work we rely on conceptualisation by Lawernce and Suddaby 2006, who distinguished mechanisms for institutional work of organisations along three types of institutions: regulatory, normative and cultural-cognitive institutional work. Let's have a closure look at them.

Regulatory work of sharing organisations can be divided into litigation, lobbying and demarcation.

Litigation is often used by large, for-profit sharing organisations to create new ground rules or confront upcoming legislation, which can be developed at either city or state level. For example, in San Francisco, in response to restrictive regulations for short-term home rentals, Airbnb, VRBO and HomeAway filed a joint lawsuit against the city, which has since been dropped.

Not many sharing organisations can afford such drastic measures and the rest resort to **lobbying**. Some lobby alone, while others join industry associations, such as the Berlin-based association Bundesverband Car Sharing or the Sharing Economy UK (SEUK) in London. These industry associations use their collective bargaining power to represent the interests of their members at local and national level.

Demarcation is when sharing organisations set boundaries and define which of them belong to the sharing economy for political and regulatory purposes. For example, Uber claimed many times that they are nothing than a tech company and therefore regulations developed for sharing economy organisations should not apply to them.

Normative work of sharing organisations comprises creating identities and imageries of sharing.

Constructing identities and imaginaries boosts the appeal of sharing organisations to various actors, thereby helping them to obtain their approval. Typically, non-profit sharing organisations create images highlighting their positive social impact on communities, while for-profit sharing organisations focus on their technological advancements, efficiency and positive economic impacts. Together, they are constructing the image of a sharing economy as a better alternative to the unsustainable status quo.

Cultural-cognitive work of sharing organisations includes mechanisms of mimicry and isomorphism, developing new meaning systems and education.

Mimicry is used by sharing organisations to associate new sharing models with existing sets of accepted practices, technologies and rules, to ease adoption, improve acceptance and ensure long-term survival. For example, sharing organisations adopt practices of traditional organisations, such as creating industry associations. Airbnb even set up sustainability department mimicking the normalised practice among incumbent organisations.

Sharing organisations are also developing **new meaning systems** to make their business models understandable and acceptable to different actors. One example is the development of new vocabulary. Names of some sharing companies have evolved into a verb, such as "to airbnb an apartment" or "to uberize" something.

The final form of cultural-cognitive work institutional work is **education**. For example, it can be collaboration with cities and tenant associations on developing a waste sorting guide that is offered to accommodation owners or educating members of non-profit sharing organisations and the public about various sustainability issues they work to alleviate, such as overconsumption.

The sharing economy in corona-times

What does the future hold for the sharing economy and what lessons do we take with us from the sharing economy affected by covid-19?

Understanding the status of the sharing economy is impossible without looking at how it has been affected by the pandemic – the so-called "low-chance, high-impact event". Indeed, governmental policies around the globe have put many sharing platforms into a limbo. But, different segments of the sharing economy have been impacted in different ways and to a different extent. There have been massive shifts from public transport to personal vehicles. Car-sharing companies reported up to 75% reductions of the total number of trips, especially drastic reductions in international and interstate trips. On the other hand, some car-sharing organisations witnessed a simultaneous increase in local trips, e.g., Turo. Ride-hailing services have also been greatly affected - rides via Uber have decreased by 94% since early March 2020. However, bike-sharing has not been impacted in the same way, as cities and retailers report a resurgence of cycling, thereby increasing demand for bike sharing services. Shared space platforms have also seen a dramatic reduction in bookings since March 2020. For example, Airbnb and Couchsurfing reservations in many countries were down by a reported 90%. The pandemic has also impacted co-working spaces, which reported a 71% reduction in the use of co-working spaces. Meanwhile, the demand has increased for collaborative virtual platforms and larger physical venues among knowledge workers – those with the ability to transition working from the office to home. While Zoom, Microsoft Teams, Slack and other communication and collaboration platforms have become ubiquitous, demand has also increased for the in-house collaborative virtual platforms at co-working spaces. As indicated, sharing platforms respond differently to the pandemic. In our recent study we analysed responses of 30 platforms from three sectors: mobility, space and physical goods sharing and developed a framework of their responses. The responses are oriented at the platform itself, but also its users and the society. The framework can facilitate learnings among the sharing platforms and encourage long-term perseverance.