



COLLABORATIVE  
THE NEW  
RULES  
OF THE  
ECONOMY

**The  
threat to  
traditional  
companies  
can't be  
ignored.  
A tactical  
report on  
how to  
survive  
and win**

by  
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# IT'S AN EXCITING TIME TO BE IN TECHNOLOGY

Every week, I hear about another new startup changing the rules. Five years ago, who would have guessed that Airbnb would become the biggest provider of overnight accommodation without owning a single hotel room; or that people would embrace car sharing through Uber and Lyft.

But for many large, established companies, it's also a scary time — a time when an entire industry can be disrupted by one of those revolutionary ideas. These new upstarts are changing the rules of the game, and forcing everyone else to play along or disappear from existence.

What many of these new upstarts have in common is that they belong to the collaborative economy, a fast growing segment where common technologies enable people to get the goods and services they need from each other, peer to peer, instead of buying from established corporations.

A major reason behind the staggering growth of the collaborative economy is that it is composed of companies who truly understand what their customers want. Not just what and when and how customers buy—but also why.

Once upon a time, Vision Critical was a scrappy startup disrupting the way companies engage their customers for insight. Today, we are the leader in cloud-based customer intelligence software, and our customers include many of the global enterprises now facing competition from the collaborative economy. We commissioned this report to help companies navigate this new reality. This report is a definitive study of why customers are attracted to collaborative companies—and an analysis of the factors that give collaborative companies an advantage over traditional companies.

Most importantly, we wanted to provide fact-based strategies for companies to remain relevant and competitive in a world disrupted by collaboration.

There's no need to tear apart your entire company so it can compete with those thousands of upstarts. Instead, you need to remember what made your company successful in the first place: truly understanding your customers.

—**Andrew Reid**, *Vision Critical founder and president of corporate innovation*

## INTRODUCTION

### **MORE THAN HALF OF NORTH AMERICANS HAVE WOKEN UP TO**

a new way of getting the products and services they need. It's called the collaborative economy, and it's the biggest shift in the business landscape since the advent of the Internet itself. And just like the Internet, it's changing the rules for how we market, sell and innovate. To compete in this growing economy, established corporations must develop new strategies.

In this new economic reality, the world's largest hospitality brand owns not a single room or hotel. The world's largest car service owns not a single vehicle. And one of the world's largest retailers is driven by people buying and selling pre-owned goods. These companies—Airbnb, Uber and eBay—are just three players in a much larger shift that is transforming our lives, our economy and the way we do business. The collaborative economy is an economic movement where common technologies enable people to get the goods and services they need from each other, peer to peer, instead of buying from established corporations.

This new form of consumption and exchange is not only here to stay: it's raising customers' expectations for all businesses. This process of disruption isn't new. A decade ago, we saw how physical CDs gave way to illegal MP3 sharing websites, which eventually became the dominant marketplace known as iTunes. In recent years, we see that ownership of digital media is giving way to streaming services and on-demand media via membership and subscription business models. This same process of "access over ownership" of media is a precursor to what is now happening to physical cars, homes, goods, and other services.

**The collaborative economy is an economic movement where common technologies enable people to get the goods and services they need from each other, peer to peer, instead of buying from established corporations.**

In New York, where there are approximately 26,000 Uber drivers, a man named Gene Friedman is losing business. He's what's known as a taxi mogul. He owns around a 1,000 taxi medallions, which permit him to operate a fleet of cabs. Before Uber came along, a single medallion was worth over a million dollars, which meant that Friedman had a billion dollars' worth of medallions. Now, largely because of Uber, the value of his medallions has dropped by 28 percent. He's in so much trouble, he's demanding that the city government bail him out, just like it did with the big banks during the 2008 financial crisis. He says that the taxi industry is "too big to fail." And he claims that if the city doesn't help him, the entire taxi industry is doomed.

Any company could be disrupted by the next Uber. Customers now whip out their phones to get instant, on-demand access to the products and services they need. Sites like Etsy and TaskRabbit offer people customized goods and real-time assistance, while businesses like Pley and Rent the Runway give customers the option of borrowing Lego toys and Gucci handbags instead of buying them.

Unless you can offer similar services, your business is vulnerable. Mobile-enabled, on-demand, customized products and services are fast becoming the new normal, and companies that fail to offer customers what they want, when and how they want it, are in ever-greater peril.

But even as the collaborative economy has taken off, it's been plagued by recurring criticisms. Some of the top players in the market—brands like Uber and Craigslist—now face significant negative sentiment. The bigger they get, the more they're vulnerable to a backlash from customers who've had bad experiences, or observers who worry about the impact on employment, taxes or safety. The combination of fast growth and increasing risk make for a volatile market that established businesses can't afford to avoid—and must approach carefully. Only companies that choose to adopt these same strategies and technologies can successfully compete and succeed in the collaborative economy.

In this report, which draws on input from more than 50,000 North Americans, we give you the insight you need to choose your path and succeed in the collaborative economy. We first mapped this space just over a year ago in "Sharing is the New Buying," the largest-ev-

## Three paths to competing in the collaborative economy

### PRICE

Many of the adopters of these new services are driven by price. More than half of North Americans will consider switching from buying to sharing if it lets them save 25 percent. Established brands often compete with sharing startups on price when they launch a marketplace of used goods or enable a marketplace of lower cost service workers.

### CONVENIENCE

Sharing is easier than ever. Convenience is the top driver of sharing transactions, and a third of conventional purchasers will consider sharing if it offers a more convenient option. Companies can offer that kind of convenience to existing and prospective customers when they offer their brand as a service by renting out durable goods, offer convenience-based services, or offering subscription models that deliver goods on a regular basis.

### BRAND

Sharers gravitate to well-known brands, whether those are traditional companies or trend-setting startups. The best way for companies to build their brand in their collaborative economy is to enable a platform that brings customers closer to the innovation process, and enable makers, crowdfunders, and others to co-innovate with your brand.

er study of collaborative economy participation. This year, we are able to identify year-over-year trends based on our new studies: one broad study mapping brand sentiment, one general population study quantifying the breadth of participation in each category of sharing, and one in-depth study of two thousand North Americans who participated in one or more forms of sharing within the past 12 months.

That in-depth study of active sharers helped us dig into questions that today's businesses urgently need to answer: what makes customers choose to share instead of buy? And what could persuade them to do business with traditional companies instead? We discovered that at least one in five customers now chooses sharing as their initial preferred option, and as many as three in four traditional buyers may choose sharing instead of buying.

But you don't have to lose those customers. By choosing the path of convenience, price or brand, you can find your own opportunities to offer on-demand products and services, create peer-to-peer marketplaces and enable platforms that bring your customers closer to your brand. You can also find ways to make your existing products and services more appealing to customers who would otherwise shift to sharing, and identify opportunities to partner with sharing services to offer greater value to your customers.

**Today's businesses  
urgently need  
to know what makes  
customers choose  
sharing over buying**

## The original insights and data in this report are your roadmap to thriving in the collaborative economy. You'll find out:

1. How fast the collaborative economy is growing, which types of sharing are growing fastest, and what happens when customers give up on some of their sharing.
2. How you can choose the path of price, convenience or brand in your business strategy.
3. The risks posed by the collaborative economy and how you can avoid backlash through mitigation strategies.
4. What your company can do to succeed in the collaborative economy: our key recommendations.

*This report is a roadmap for your company to compete and thrive in a new world where you partner with your customers instead of simply selling to them.*

**SHARERS SPEAK:**  
I was given a mini-fridge by a woman to help me for my university experience. It was the best experience because it was simple, quick and she gave it to me without the need for me to pay her. Gift giving and saving the environment by not having to buy another fridge is really important to me. I love that this can be made possible in a simpler way.

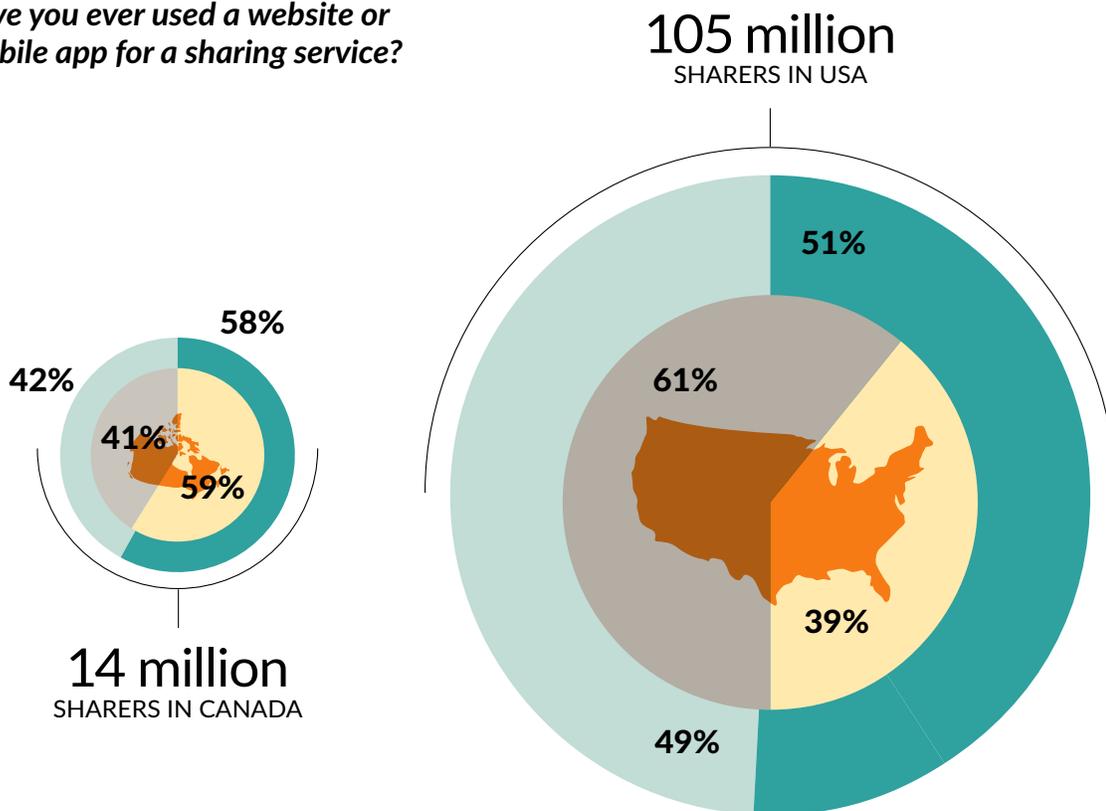
# THE COLLABORATIVE ECONOMY IS GROWING—FAST

More than 110 million North Americans are now part of the collaborative economy. Participation has grown by 25 percent in the past year: for every four people who were sharing a year ago, the collaborative economy has attracted one new recruit.

Part of that growth came from people who broadened their sharing from buying and/or selling pre-owned goods to trying the next generation of sharing services. Last year, 16 percent of American sharers engaged only in buying and selling pre-owned goods; this year, that's down to 10 percent, as more people try a broader range of sharing services.

**SHARERS SPEAK:**  
 Almost every AirBnB experience I have ever had has been great. Friendly hosts and clean living spaces at a fraction of the cost of a hotel.

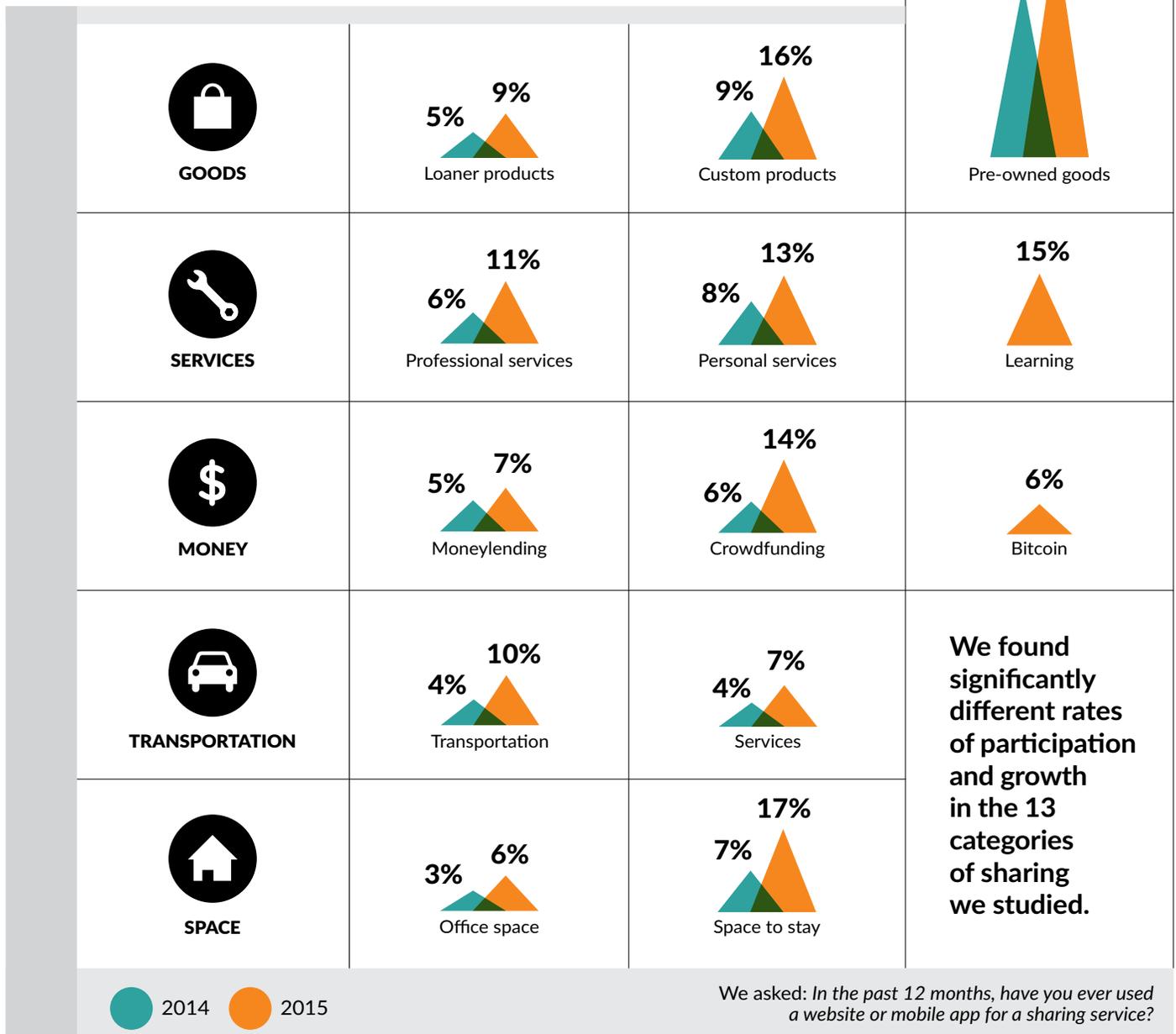
*We asked: in the past 12 months, have you ever used a website or mobile app for a sharing service?*



● SHARERS 2015  
 ● NON-SHARERS 2015  
 ● SHARERS 2014  
 ● NON-SHARERS 2014

# SHARING BY CATEGORY

The collaborative economy describes a set of technologies and market forces that encompass very different kinds of behaviors and transactions. This report covers 13 different categories of collaboration. Eleven of these were included in last year's study; this year, we added two new categories, online learning and Bitcoin, which have assumed a key place in the collaborative economy.



# EXPERIMENTATION AND EVOLUTION

Now that sharing is well established, we were also able to ask people about forms of sharing that they've stopped using in the past 12 months. In every category of sharing, about 2 to 6 percent of sharers report skipping that form of sharing in the past 12 months, even though they'd previously tried it. Is this a sign of disenchantment with specific forms of sharing, or a drift away from the collaborative economy as a whole?

Neither, as it turns out. In more than 70 percent of the instances where people have used a given form of sharing—but not in the past 12 months—they say they're likely to try that form of sharing again in the future. They haven't abandoned that form of sharing; they just haven't used it recently. Indeed, people who've dropped out of one or more categories of sharing are the people most likely to be engaged in other forms of sharing, so what we're seeing isn't disenchantment; it's just a process of experimentation.

People are as likely to give up on a type of sharing because they have less financial freedom as they are to give up on sharing because they have more financial freedom. They're no more likely to say they are worried about safety than to say they just tried that form of sharing out of curiosity in the first place. As a few people said in clarifying why they don't plan to use a particular form of sharing again, "service no longer needed."

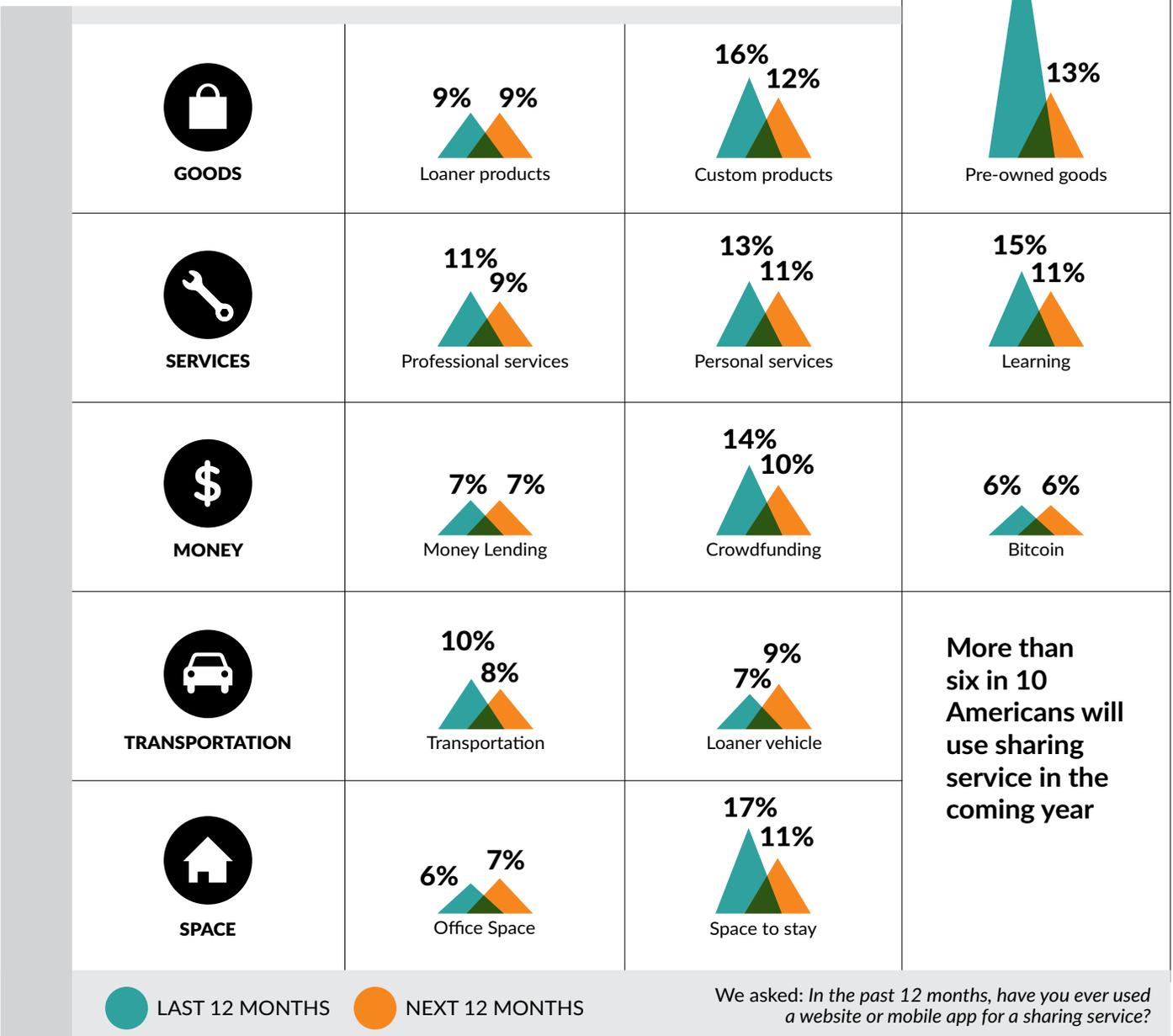
Most notable, abandoning a category of sharing is very rarely explained by unhappiness with a past transaction or experience: among instances in which a sharer has given up on a form of sharing in the past year, only 2 percent of those instances reflect sharers permanently abandoning a form of sharing due to a bad experience. If you've been waiting for sharers to get disaffected by the collaborative economy, and come flooding back to their traditional buying habits, you'll be waiting a long time. Sharing is here to stay.

People are as likely to give up on a type of sharing because they have less financial freedom as they are to give up on sharing because they have more financial freedom.

**SHARERS SPEAK:**  
I've sold various unneeded items for more cash and less aggravation than holding a garage sale, or just donating them. Most experiences are the same—post the item, someone comes to look at it and gives you all (or most) of the money you ask for.

# FORECAST

At current rates of growth, more than six in 10 Americans will use a sharing service in the coming year, and by 2017, eight in 10 Americans will be part of the collaborative economy. The continued, rapid growth of collaboration means every business needs to think about how to combat, complement or compete in this space. Our analysis shows three paths companies can take: price, convenience and brand.



**PRICE**

# DRIVING BUSINESS WITH SAVINGS

Sharing is saving. Eighty-two percent of sharing transactions are at least partly motivated by price—making financial savings one of the top drivers of the collaborative economy.

To understand how price drives sharing transactions, we asked about a series of scenarios in which people could choose to share or buy: finding a place to stay, buying home furnishings, getting a wedding gift for a friend or renting a car. The results show that in most scenarios, even sharers and buyers typically default to buying. Young people are a little more likely to default to sharing: 33 percent of people aged 18 to 34 initially choose the sharing option, compared to just 27 percent of people 55 and up. (There's absolutely no gender difference in how likely people are to pick sharing as their initial choice.)

But that initial choice is just the beginning of the story. More than half of traditional purchasers will consider the collaborative economy, if it can save them 25 percent.

Cost savings are even more persuasive for younger customers, who are overwhelm-

**FOR COMPANIES THAT USE THE COLLABORATIVE ECONOMY TO REACH PRICE-SENSITIVE CUSTOMERS, THE BENEFITS INCLUDE:**

**1**

A lower total cost of ownership for all customers—because they can factor resale value into the initial purchase price.

**2**

Customers are able to access your products by using expensive goods for fractions of periods, with other value-added services.

**3**

Customers are brought back into your store—where you can sell them other products, too.

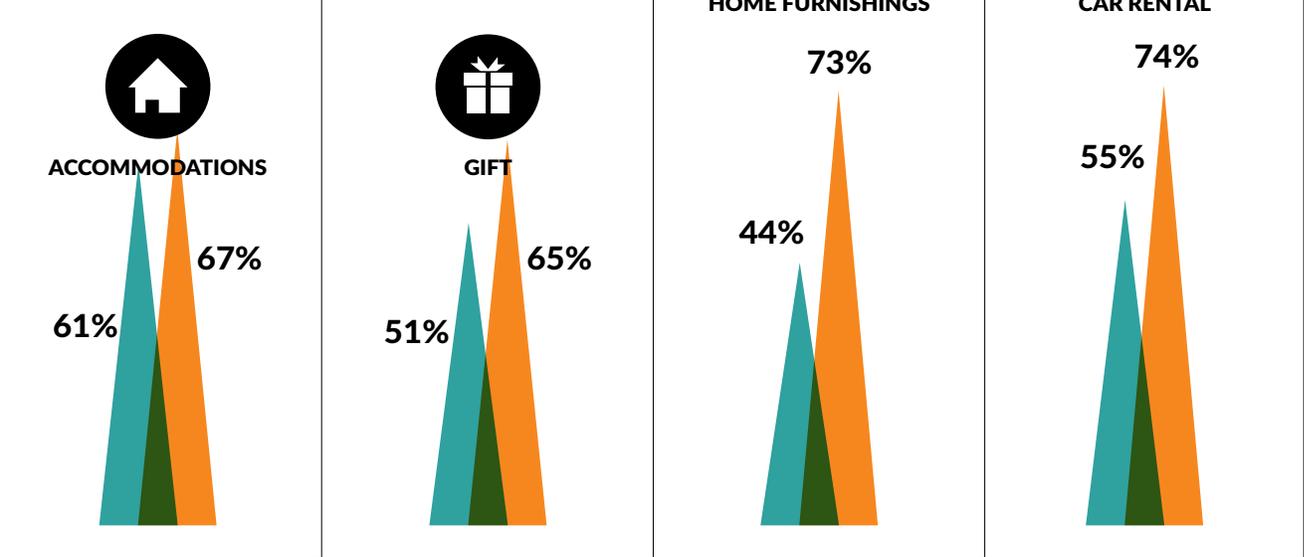
**SHARERS SPEAK:**  
 We have bought two vehicles, and sold two vehicles on Craigslist and we loved it. We got exactly what we wanted for a super price, and so did the people who purchased vehicles from us. We love buying and selling without the government getting involved with taxes and restrictions, etc.

## How many people default to buying, and how many to sharing?

WHICH OPTION ARE YOU MOST LIKELY TO CHOOSE IF...	TRADITIONAL BUYING	COLLABORATIVE ECONOMY
You are visiting a new city?	77% would stay at a hotel	23% would rent a home
You are buying a coffee table for your living room?	54% would buy a new table from a nearby home furnishings store	46% would buy a pre-owned table from a sharing site
You need to buy a wedding gift for a close friend?	71% would look for a gift in a local retail store	29% would order a custom-made gift online
You are on vacation and you need to use a car at various points during your week-long trip?	80% would rent a car from a well-known car rental agency like Budget or Hertz	20% would use on-demand loaner cars

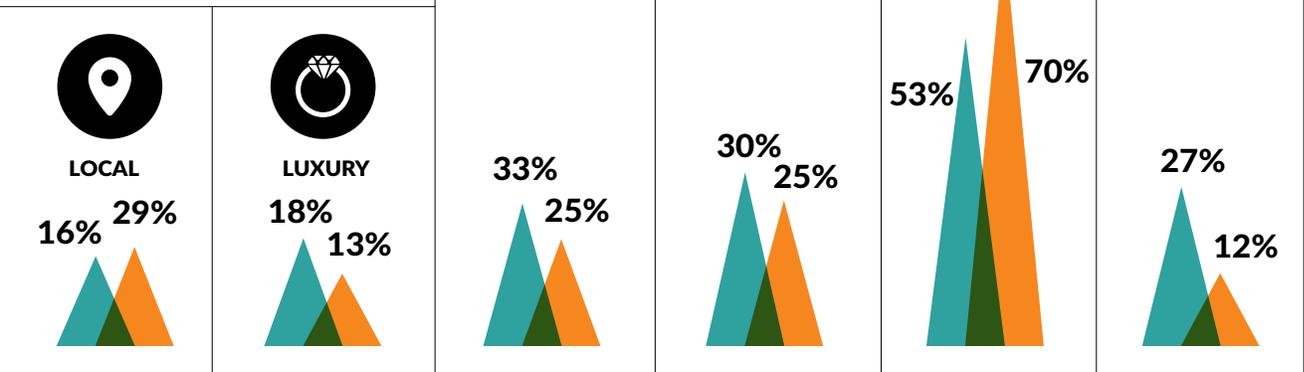
*Base: people who have engaged in at least one sharing transaction in the past 12 months.*

More people will choose to buy if it means they can save 25 percent



● SWITCH FROM BUYING TO SHARING ● SWITCH FROM SHARING TO BUYING

Factors that influence the decision to choose sharing over buying



● WHAT MAKES BUYERS CONSIDER SHARING  
● WHAT MAKES SHARERS CONSIDER BUYING

We asked: You said you would prefer to share [buy]. What would make you consider buying [sharing] instead?

ingly willing to switch to sharing if it can save them 25 percent. Once they make that switch, you may never get them back.

In the overall population, an even larger share of sharers are willing to switch back to buying. This is good news for traditional big brands. When we combine the responses to all four scenarios, it turns out that 70 percent of people who initially choose the sharing option would consider buying instead, if the buying option were less expensive.

Together, these results show that price is the most important driver in switching buyers to the collaborative economy—or back again. And we know that price isn't just important in hypothetical scenarios: when we asked people about their latest sharing transactions, we found that getting a better price was an extremely or very important factor in 68 percent of sharing transactions.

Companies don't need to compete with sharing startups by simply lowering prices. You can tap the power of the collaborative economy by creating a peer-to-peer marketplace: a web-enabled service that lets customers buy and sell pre-owned goods purchased at your store or from your brand.

## Big brands are successfully launching peer-to-peer marketplaces

### FORD

The car giant offers a creative financing program to encourage new buyers to rent their new Ford car to peers on Getaround, a P2P online marketplace. This significantly reduces the cost of ownership.

### HOME DEPOT

The hardware chain offers a rental service for tools and heavy equipment, including trucks, so customers don't need to buy expensive, infrequently used goods. This enables people to get access to tools while reducing cost of ownership.

### WALMART

The retail behemoth created an aftermarket for videogames, called Trade In, which enables customers to sell back cell phones and other electronics, enabling a used goods marketplace in their own stores and online.

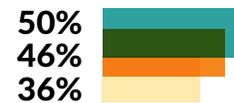
**Respondents, by age, who would consider sharing instead of buying to get a 25% savings**



#### ACCOMMODATIONS



#### HOME FURNISHINGS



#### GIFT



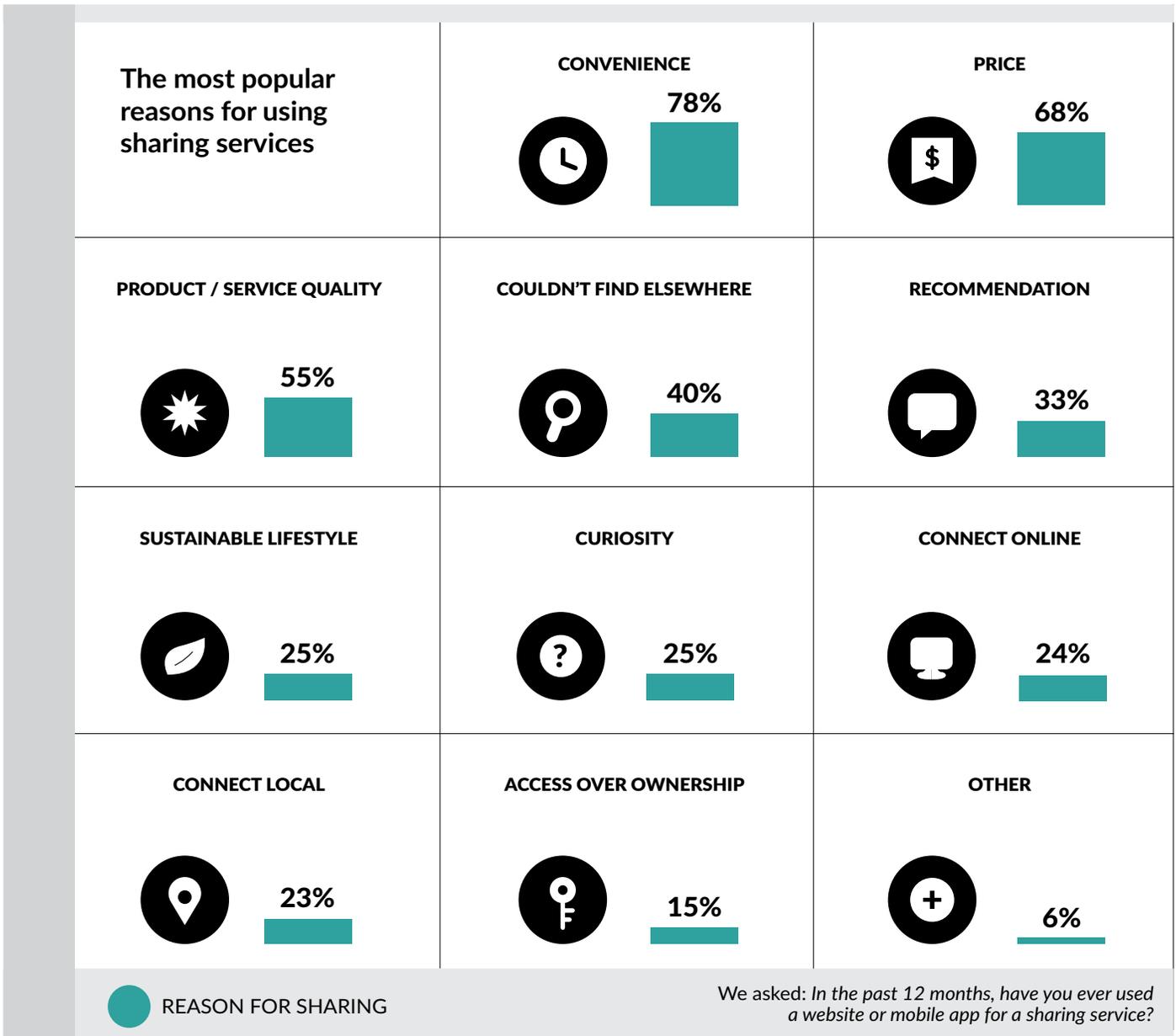
#### CAR RENTAL



**CONVENIENCE**

# DRIVING BUSINESS WITH FEATURES AND SERVICES

While price may be the number one factor that affects hypothetical choices between sharing and buying, convenience is the factor most often cited in explaining customers' latest sharing transaction. Convenience matters across all sharing categories.



It's a lot harder for traditional companies to compete with sharing services on convenience. It's easy to get sharers to consider buying by offering them a lower price; but when it comes to convenience, it's more likely that existing buyers will convert to sharing. And that holds true across age groups: unlike price, there's very little age gap when it comes to the importance of convenience.

Across all age groups, about a third of would-be buyers are swayed to consider sharing services if they offer conveniences like custom furniture refinishing, next-day delivery or (in the case of on-demand cars) pick-up and delivery plus a concierge to provide directions and advice.

Somewhat fewer would-be sharers are swayed by the prospect of conveniences that could come from buying: conveniences like a hotel that offers on-demand access to loaner bikes, workout gear and meeting rooms; a home furnishings or gift store that offers personal shopping and delivery; or a traditional car rental agency that offers pick-up, delivery and an on-call concierge.

Convenience poses a major challenge to established companies, because it's exactly where sharing startups have a structural advantage. The whole value proposition of sharing services lies in their ability to provide on-demand, web-enabled, instant access products and services. To compete with that kind of convenience, companies need to develop their own on-demand offerings, by offering brand as a service.

**SHARERS SPEAK:**  
I really love Uber. The app is easy to use, I like having the purchase completely through the app, I can easily get my receipt, the rides are usually reasonably priced, and the drivers are nice.

## Leading companies are successfully offering their customers the convenience of brand as a service

### WAFFLE HOUSE

The restaurant chain partnered with P2P Roadie couriers to enable easy drop-off locations for parcels. Roadie, which enables the crowd to delivery packages to each other, partnered with Waffle House to be a drop station for exchange of goods while on the road. This makes the exchange social, easy, and safer for both parties.

### WHOLE FOODS

The premium grocer enables final-mile delivery by partnering with Instacart for one-hour delivery in key cities. By giving crowd-based couriers access to store data, and having a dedicated Instacart fridge in stores, these workers quickly bring food to customers homes, expanding the value promise to easy doorstep delivery.

### NORDSTORM

The venerable department store chain resells maker goods from Etsy in its retail stores, making it easy for shoppers to quickly see the products and purchase them, rather than just seeing online. This enables customers to get unique hand-made gifts while shopping for other fashion goods.

## For companies that use the collaborative economy to reach convenience-seeking customers, the benefits include:

### EFFICIENCY

Helping the crowd be more efficient and benefit from upsell. By enticing crowd-based delivery workers to meet at Waffle House locations, they made it easier for these workers to connect, with the opportunity to consider dining at their establishments.

### PARTNERSHIPS

Extending your brand promise by partnering with crowd-based delivery services. Many clothing retailers have partnered with a number of startups including Postmates, Deliv, Uber, Sidecar and more.

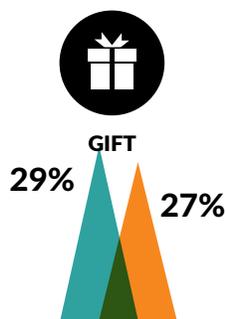
### AUTHENTICITY

Bringing a bespoke experience into your store. By bring the local and customer made maker goods into your own store experience, you prove your connectedness at the neighborhood level.

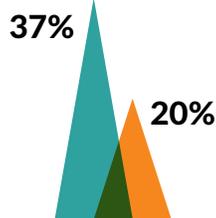
### SHARERS SPEAK:

The apartment we rented was just as described and filled my requirements. The contact people were very accommodating. I recommend AirBnB to everyone now.

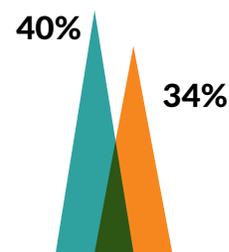
People are more likely to switch to sharing if it's more convenient



HOME FURNISHINGS



CAR RENTAL



- SWITCH FROM BUYING TO SHARING
- SWITCH FROM SHARING TO BUYING

We asked: You said you would prefer to share [buy]. What would make you consider buying [sharing] instead?

BRAND

# DRIVING BUSINESS WITH TRUST

While it might seem like the move to a peer-to-peer economy would make branding irrelevant, big brands actually matter more than ever. The whole point of a brand is to serve as a promise for product or service quality. In the collaborative economy, customers turn to brands to determine whether a transaction is trustworthy.

We see the importance of brand in the remarkable consolidation of the collaborative economy: even though this is still a new space, every category of sharing is dominated by just one or two big players. While it's not too late for disruptive entrants, these big players are at a huge advantage due to their early, strong entry into the market.

When we asked customers which services they used for their latest sharing transaction, just one or two companies accounted for more than half of the activity in each sharing category. Craigslist came out on top for people looking for professional services, while eBay ruled the pre-owned goods world and Airbnb the services that facilitate places to stay. The lesson: there's a close relationship between brand recognition and market dominance. More than 40 percent of North Americans have heard of big collaborative economy players like eBay, Craigslist, Etsy, Uber and Kickstarter. Many of the top sharing players have hugely positive reputations: Etsy, eBay and Kickstarter have five times as many enthusiasts as detractors; Car2Go, Indiegogo and Airbnb have three enthusiasts for every detractor.

But it's not just sharing brands that matter. Across all age groups, brand is as important as convenience in determining whether a customer will consider sharing or buying.

A quarter of would-be sharers will consider traditional buying if it means doing business with a reputable or well-known brand (like Westin or Marriott in the hotel scenario, or Williams-Sonoma in the gift-giving scenario.) The exception is the car rental scenario: only 14 percent of people who prefer on-demand car rentals are more likely to consider a car rental agency if it offers the same make and model they usual drive.

Brand has an even more powerful effect on moving traditional buyers to consider sharing. More than a third of traditional buyers will consider home sharing or pre-owned home furnishings if it comes with certification by a reputable brand; more than

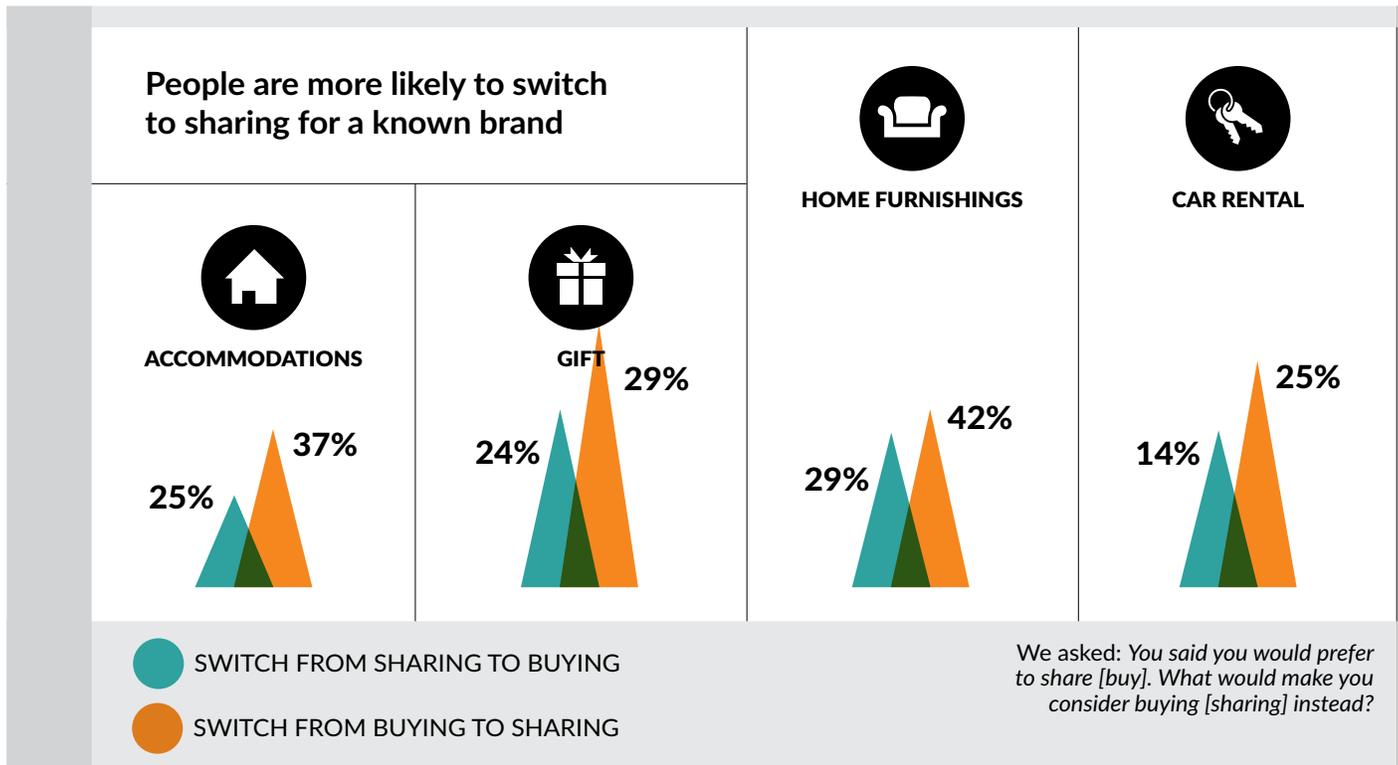
**More than 40 percent of North Americans have heard of big collaborative economy players like eBay, Craigslist and Uber.**

a quarter will consider custom products or on-demand cars that involve a known retailer or their usual make and model of car.

Notably, it's trust that affects whether buyers are willing to consider sharing, suggesting that what matters is the way a brand conveys trust—not the pursuit of higher-end experiences. There are only a few scenarios in which luxury affects sharing the way brand does, most notably when it comes to choosing a place to stay: one in five sharers and one in three buyers will switch their initial choice of a place to stay if it means staying somewhere more luxurious. And one in five people who initially choose to get their hypothetical wedding gift from a custom products site will consider buying from a store instead, if that store offers high-end, luxury brands.

Since very few traditional buyers will switch to sharing in pursuit of luxury brands, luxury brands are far less likely to lose customers to sharing startups. For most companies, however, the role of brand as a driver in the collaborative economy presents risk and opportunity. It's imperative to bring customers closer to your brand by using collaborative mechanisms to make them identify strongly with your business.

**Across all age groups, brand is as important as convenience in determining whether a customer will consider sharing.**



To gain an advantage in the collaborative economy, traditional companies are using new technologies to work more closely with customers to develop and refine products and services. Companies that have adopted this strategy to build brand equity include:

1

Insurance companies such as USAA, Farmers Insurance and Geico offer insurance programs for ridesharing passengers and drivers. These established and trusted insurance brands provide a level of brand trust to the nascent ride sharing companies.

2

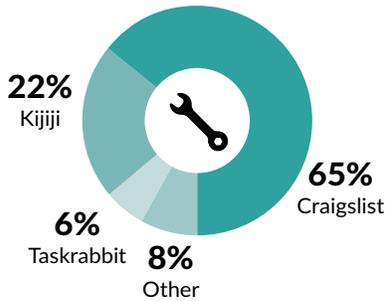
BMW's DriveNow service, which offers urban luxury cars as a membership model. Instead of dealing with insurance, parking and maintenance, customers can rent a 1-series electric vehicle at a designated lot in urban areas, and drive the car to another location, then promptly leave the vehicle for another person to access.

3

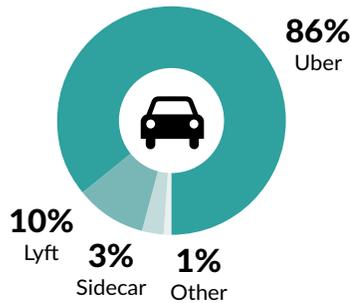
Hyatt, which invested in home sharing platform OneFineStay and has integrated their hospitality experience by allowing guests to use Hyatt premier properties as a resource for guests staying in luxury home properties. This shared brand gives OneFineStay guests the promise of the dependable Hyatt brand.

# PEOPLE PREFER KNOWN BRANDS

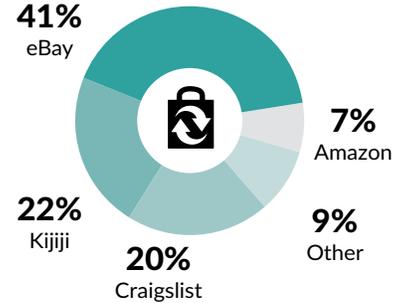
## PERSONAL SERVICES



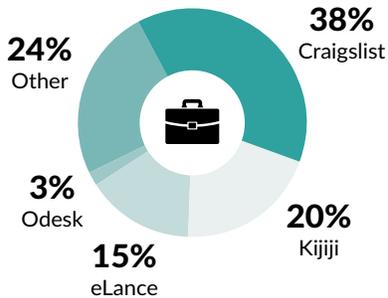
## TRANSPORTATION



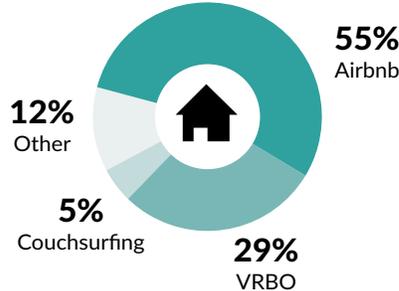
## PRE-OWNED GOODS



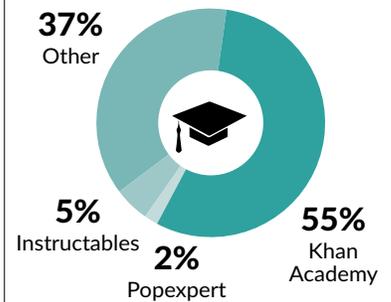
## PROFESSIONAL SERVICES



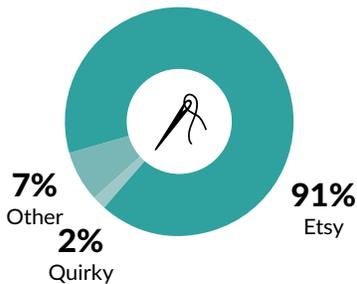
## ACCOMMODATIONS



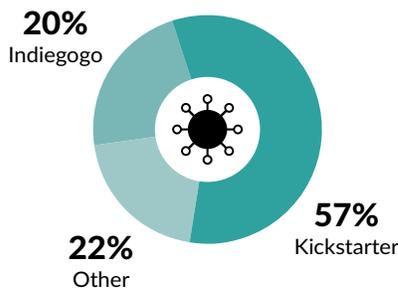
## LEARNING



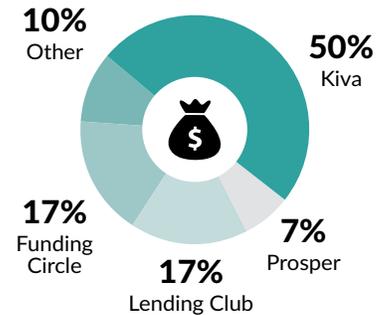
## CUSTOM PRODUCTS



## CROWD-FUNDING



## MONEY-LENDING



We asked: Please indicate which service you used for your latest sharing transaction

# NAVIGATING THE RISKS OF THE COLLABORATIVE ECONOMY

The rapid growth of the collaborative economy has created risks that established brands need to manage, or even exploit. These risks are closely tied to the three drivers of the collaborative economy: price, convenience and brand.

News reporters have been transfixed by a handful of notorious stories within the collaborative economy: Uber drivers attacking riders, Airbnb homes being trashed during wild parties, and crowdfunding projects that fail to deliver. At the same time, the sharing economy has created new questions about workers' rights, and the role of unions and governmental regulations. Critics are concerned that the startups are growing in power, smothering workers' rights, while entrepreneurs and venture capitalists become wealthy.

## 1. COMPETE ON PRICE

The collaborative economy is a highly price-sensitive marketplace. As we showed in our discussion of price, more than half of customers can be swayed between sharing and buying by the prospect of a 25 percent cost savings, and three-quarters of sharers cite price as a very or extremely important reason for choosing sharing in their latest transaction.

But those savings have to come from somewhere, and in a peer-to-peer economy, they typically come from sellers. When we asked sharers to rate their satisfaction with their latest collaborative economy transaction, the biggest satisfaction was on value/earning: while more than eight in 10 recipients were "very" or "extremely" satisfied with price or value of their purchase, barely six in 10 sellers were similarly happy.

One of the concerns heard by critics of this new economy is the trampling of workers' rights, benefits and fair pay. As startups and their wealthy investors increase their valuation into the millions and billions, sharing companies create a new kind of digital economy feudalism.

While there are profits to be had from maximizing the price/earnings gap, those profits post a direct risk to sharing services. In the collaborative economy, a steady and growing supply of high-quality, responsive providers is essential to the success of any service: too few products, too few drivers or too few available spaces means fewer and fewer buyers. Just as fee-for-service web services have seen their markets undercut by free (typically ad

**Established brands  
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supported) services, sharing startups that profit from a high price/earnings spread stand to see their supply undercut by entrants who offer better value to providers.

Established brands with broader revenue bases are well positioned to compete by offering greater value to providers. By narrowing the gap between what buyers pay and what providers receive, they can attract more providers and use their brand power to attract more buyers, too.

## 2. COMPETE ON CONVENIENCE

The technologies that underpin the collaborative economy decouple convenience from location to an unprecedented degree. Before the advent of the collaborative economy, the quickest way to get something was to obtain it from a local provider: today, sharing services make it easy to find the product you're looking for across town or across borders. If you need some help with a project, you're no longer limited to your local labor market; it's just as easy to hire someone on the other side of the world. If you've got a formal event, you don't have to borrow a dress from your neighbor or sister; you can borrow it from Rent The Runway.

In decoupling convenience from location, however, sharing services are failing to meet one of the key aspirations of sharers: the desire for local connection and community. Nearly a quarter of sharers say that their latest sharing transaction was at least partly motivated by the desire to connect with people in their local community. That's particularly true of the youngest sharers: nearly one in three sharers aged 18-34 cites the desire to connect locally as a reason for sharing, while fewer than one in five sharers over 55 shares that motivation.

But the craving for local experiences doesn't necessarily drive people to sharing alone. When we asked people whether they'd consider switching from sharing to buying (or vice versa) in pursuit of local flavor, the desire for local goods was more powerful in driving sharers to buy than in driving buyers to share. Among people who initially chose to buy their wedding gifts from a custom products site, nearly half were willing to consider a local retailer if that retailer offered a range of locally-made gifts designed by people in their community; nearly a third of those who initially chose to buy pre-owned furnishings online said they'd consider buying from a retail store that offered furnishings that are designed and made locally by independent artisans and furniture makers.

These results show that even though convenience is no longer dependent on location,

**Nearly a quarter of sharers say they're partly motivated by the desire to connect with local people.**

local content continues to have enormous value to sharers. Particularly as sharing services become increasingly identified as large, global powerhouses—rather than associated with the local community of buyers and sellers—traditional businesses may be in a better position to provide the local goods that appeal to community-minded sharers.

### 3. COMPETE ON BRAND

Some sharing economy startups are under scrutiny, and our research indicates they're not as universally loved as established companies. In France, Uber executives have been arrested for running an illegal taxi service. In cities like San Francisco and New York, municipal governments have moved to limit or ban Airbnb. These developments reflect a key vulnerability of the collaborative economy: as sharing companies have taken off, they've come in for a lot of criticism as well as praise. And that is having an increasing impact on some key collaborative economy brands.

While the growth of the collaborative economy means that a number of sharing brands (eBay, Craigslist, Bitcoin and Uber) are now recognized by the majority of North Americans, that recognition isn't always positive. Three of the four most recognized sharing brands—Craigslist, Uber and Bitcoin—are more likely to be seen negatively than positively; Lending Club, while far less familiar (only 13 percent of respondents had heard of it) is in the same boat.

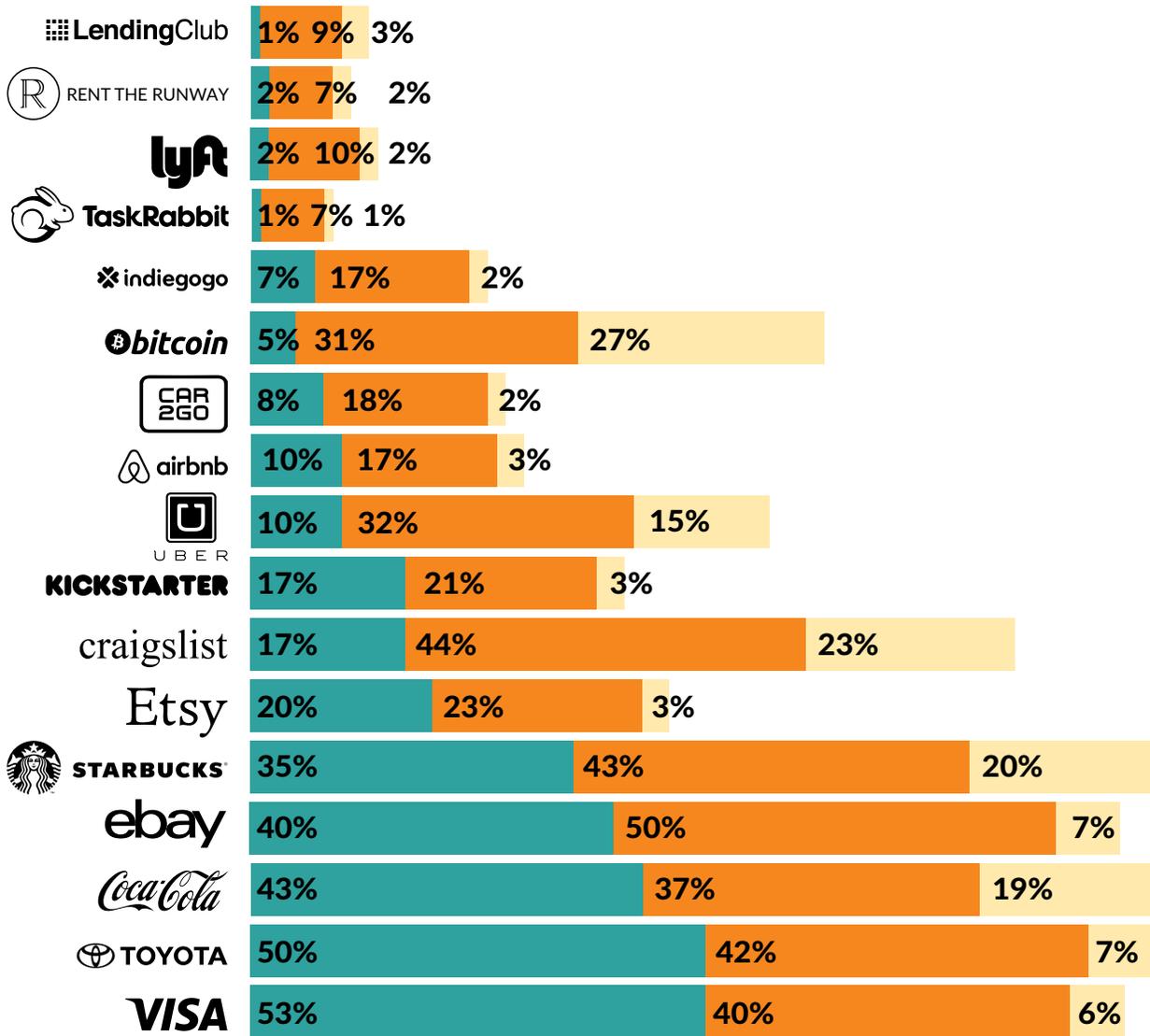
As these numbers suggest, brand recognition brings risk: as sharing services become better known, they can attract negative as well as positive sentiment. And that risk is much greater for sharing brands than for conventional brands, because so much of the sharing experience depends on the users themselves. One messy host, dangerous driver or deceptive seller can lead to a disenchanted customer, who can share his or her dissatisfaction far and wide through social media.

But traditional businesses can't afford to take a watch-and-wait attitude. While some sharing brands have deteriorated over time (most notably Bitcoin: 29 percent of sharers report that they have a worse opinion of Bitcoin than they did a year ago), sharers are still overwhelmingly delighted with their experiences. Established brands should take the disparity and volatility among sharing brands as a reminder to put care and attention into their own sharing efforts. As established companies venture into this space, they need to take care to provide the caliber of customer experience that assures the continued strength of their own brands.

**As sharing services become better known, they run the risk of attracting negative sentiment.**

# BRAND RECOGNITION MATTERS

The leading companies of the collaborative economy have as much—and in some cases more—brand recognition as the biggest brands of the traditional economy



● POSITIVE 
 ● NEGATIVE 
 ● NEUTRAL

Size of bar represents total brand recognition. We asked: Please indicate if you feel positive, negative or neutral about each of these brands

# CONCLUSION AND RECOMMENDATIONS

Each of the three paths to success is particularly well-served by one of the emergent business models in the collaborative economy: marketplaces support competitive pricing, offering your brand as a service provides convenience, and enabling a platform helps build your brand.

But that scarcely exhausts the ways in which brands can harness these drivers. Indeed, each business model can serve any one of our three key paths, as can partnerships with sharing startups. Your company's best play lies at the intersection of the path that is most relevant to your customers, and the business model that is most salient and achievable for your business today.

## PRICE

Price is the most obvious path for value-driven businesses with a price-sensitive market.

## CONVENIENCE

Convenience is a promising path for companies serving affluent, professional customers who place a premium on their time.

## BRAND

Brand is the most useful path for companies with strong brand recognition and positive brand sentiment, particularly in markets where customers are sensitive to risk.

To compete in the collaborative economy, established companies need to recognize the role of price, convenience and brand in driving traditional buyers towards sharing. But each of these can also provide a path to wooing customers back to your company—particularly if you tap into sharing models to serve your customers in new ways.

### IDENTIFYING THE MOST VIABLE COLLABORATIVE ECONOMY BUSINESS MODEL REQUIRES MORE NUANCE:

1

Creating a peer-to-peer marketplace can work for both goods and services, and for B2B and B2C companies. It's best for companies with a proven track record in creating successful customer platforms (like online communities or active e-commerce sites).

2

Offering brand as a service works for products that can be offered on access model; it doesn't make sense for products with a low unit price. It's also an option for services companies that already have strong brand equity.

3

Enabling a platform is effective for companies with a strong R&D culture, in a maker industry, and/or a passion for engaging with customers. Bringing your customers closer to your innovation process is a great way to become a more customer-centric company.

4

Partnering with sharing startups makes sense for companies that aren't yet ready to launch their own sharing initiative. It's a good way to build your comfort and capacity for collaboration.

## ABOUT THE AUTHORS



**Jeremiah Owyang** is the Founder of Crowd Companies, which focuses on how large companies tap the collaborative economy, maker movement, and customer collaboration. He was a founding partner at Altimeter Group and an industry analyst at Forrester Research covering social computing—the first phase of digital making and sharing. His site, “Web Strategy” is one of the premier blogs on how corporations connect with their customers using Web technologies. Jeremiah is frequently quoted in top-tier publication and cited in books and press and media. He was featured in the “Who’s Who” in the Silicon Valley Business Journal, and his Twitter feed was named one of the top feeds by *Time*.



**Alexandra Samuel** is an independent technology researcher and the former Vice President for Social Media at Vision Critical. Her 20 years of online community experience include leading a three-year research program on digital government for Don Tapscott, investigating online social capital for Robert Putnam’s *Bowling Alone* and founding one of the world’s first social media agencies. She is the author of *Work Smarter with Social Media* (Harvard University Press, 2015) and is a regular contributor to the *Wall Street Journal* and the *Harvard Business Review*. Alexandra holds a Ph.D. in political science from Harvard University and blogs at alexandrasamuel.com.

## METHODOLOGY

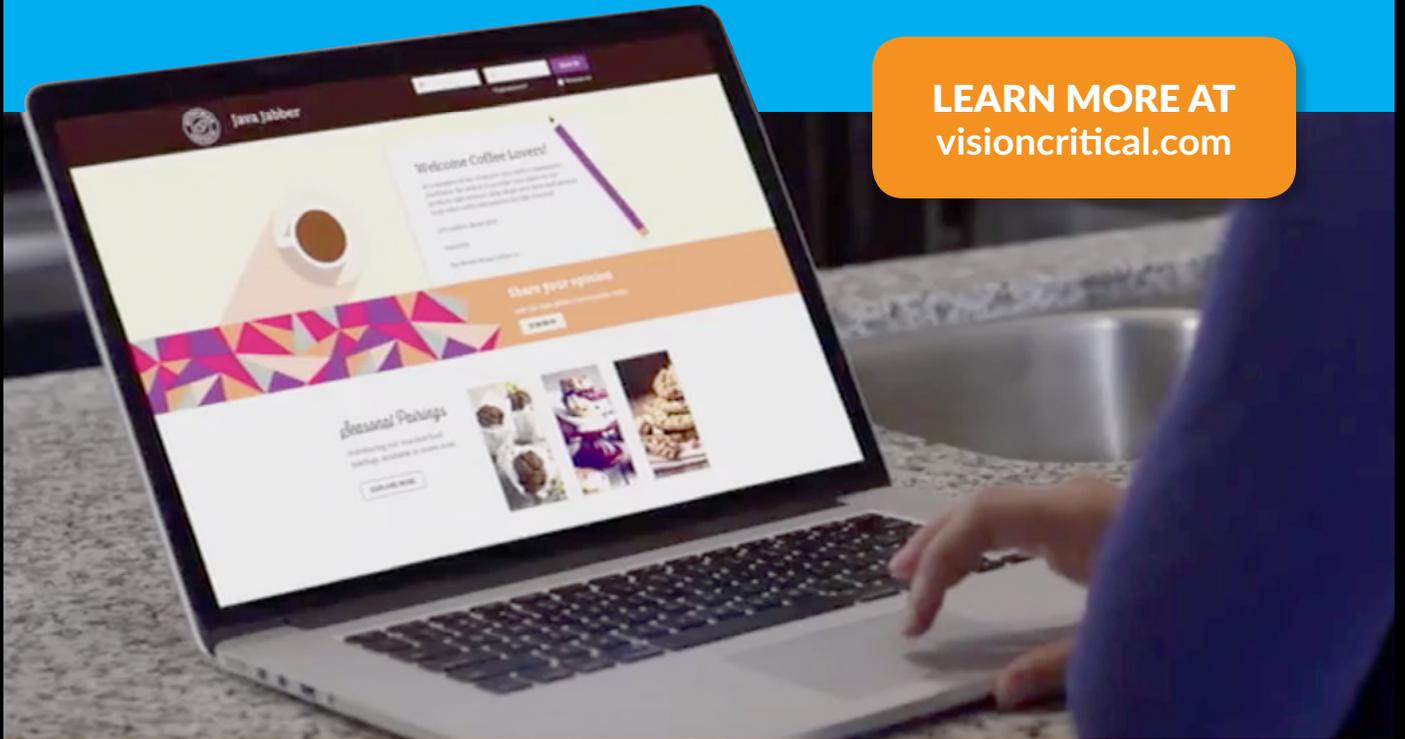
This report is based on two surveys conducted between February 2015 and May 2015 by Vision Critical's Voice of Market with participants from the U.S. and Canada ages 18 and over. The initial survey of 51,078 respondents provided data on the overall incidence, frequency and nature of participation in the collaborative economy. The questions regarding the collaborative economy were imbedded in a general omnibus survey covering a variety of topics. The topic of the collaborative economy was not mentioned in the invitation to the survey. A follow-up survey of over 2,000 sharers provided deeper insight into the nature of participation in the collaborative economy and in particular, on respondents' most recent sharing transactions.

The data is demographically representative of the adult (18+) populations of the U.S. and Canada. The results were weighted by age, gender, region and education, to be representative of the demographics of each nation. The margin of error—which measures sampling variability—is +/- 0.4% for the sample of 51,078 and +/- 2.2% for the sample of 2,003, 19 times out of 20. For more information on the survey methodology, please contact [media@visioncritical.com](mailto:media@visioncritical.com).

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