

The Challenges and Opportunities of the Sharing Economy: The Case of a Developing Economy

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Abstract: Globalization, new technology and the standardization of the way of thinking in developed, emerging and developing countries give the sharing economy a huge opportunity all over the world. The economy of sharing is spreading in all domains and activities. Many economic sectors are facing challenges and competition from a new business model and new ideas based on digital platforms and spreading rapidly across all societies. The volume of this economy is increasing yearly and the defenders of the sharing praise the benefits of this phenomenon. The debate is open about the reality and the consequences of an economy evaluated to several billions of dollars and will be able to disrupt the life of millions of persons globally. In our paper, we analyze the sharing today and tomorrow, the benefits and the challenges of this economy. We explore the human implications, the assumption of sharing on the job market and on the nature of work today and in the near future. Our methodology is based on a literature review of the subject and on an analysis, using three conceptual models considered the most appropriate regarding the sharing economy: The Diffusion of Innovation Theory (DOI, Rogers), the Creative destruction (Schumpeter) and the Social exchange theory (Homans and Blau). We conduct a survey on university students in order to identify, analyze and study their motivations concerning the sharing.

Key words: sharing economy; digital platform; new technology; globalization

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1. Introduction

The collaborative economy changes the pattern of production and consumption of goods and services. New technologies through digital platforms disrupt the links between supply and demand. All sectors are concerned through exchange relations based on mutual trust. In addition to presenting this new economic model, our paper seeks to study the motivations of graduate and undergraduate business students concerning the concept of sharing.

Collaborative and/or sharing economy is spreading at a high speed across all northern countries, affecting all industries. This trend is no longer limited to rich and developed countries, but it is also spreading in the countries of the South, of course, following different paths. The new consumer logic, the financial crises, the proliferation of Internet and the weight of social networks open the way to new ideas for the sharing and consumption of all kinds of products and services.

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Our paper aims to analyze the functioning and the new trends of this economy, which arouse interests and fears. The over-valuation of what is owned should generate new revenues for individuals bypassing most of the time the traditional exchange system. Collaborative economy is affecting several market sectors. Born among grassroots to be essentially collaborative and sharing, it gradually became a big business. The wave of collaborative economy also affects the Arab countries and Lebanon. In this article, we will study the evolution of this trend in Lebanon.

2. The Sharing Economy Yesterday and Today

2.1 Can We Define the Sharing Economy?

Few literature and researches of collaborative economy are available. The modern foundations go back to 1978 in the writings of Marcus Felson and Joe L. Spaeth who wanted to bring answers, solutions and alternatives to the stakes of unrestrained consumption with consequences on economic, financial, social and environmental levels. The definitions of collaborative economy are varied and multifaceted, but they all come together. An economic and consumption model essentially based on the exchange, sharing, rental of goods and services that favors the use rather than the ownership (Botsman, 2014). Sharing is considered as a phenomenon that connects consumers with each other in order to consume. Indeed, the new technologies through the digital platforms have come to increase the links and the contact of the people who wish to exchange all kinds of products and services. There are several words that designate this new form of consumption: “economy of sharing”, “peer-to-peer economy”, “collaborative consumption”, “collaborative economy”. The purpose of all these denominations often follows the same logic, in this case exchange and sharing, but there are differences concerning types, modalities, vocations and exchange systems.

The main characteristics of the collaborative economy are:

- (1) Merchant or non-market transactions between suppliers and users;
- (2) Suppliers are individuals, professionals and non-professionals;
- (3) The link between transactions is a digital device (platform).

2.2 The New Forms of Consumption

2.2.1 Collaborative Economy

An economy built on the networking of people and communities with connected centralized institutions with the aim of: Transforming the way we can produce (linking inventors with companies, ex: Quirky), Consume (optimization of the use of products through efficient models of redistribution and shared access ex: Zipcar, Airbnb, Lyft), Subscribe to financial services (direct relationship between individuals or companies for non-intermediated loans, ex: Kickstarter, Pave), Learning (connecting teachers and students throughout the world, democratization of teaching ex: Coursera, Skillshare).

2.2.2 Collaborative Consumption

An economic model based on the sharing, exchange, trade or rental of products and services favoring the usage rather than the ownership. This model reinvents not only what we consume, but also the way we consume. We can cite three models: the collaborative lifestyle with the exchange of the use of products and services (Zipcar, Airbnb, Lyft), the redistribution of unused or underused products (ebay) and a system of products and services, rental of clothes (Run the Runway).

2.2.3 The Economy of Sharing

An economic model based on the sharing of underutilized assets against monetary and non-monetary benefits. It is largely focused between individuals (Airbnb, couchsurfing, lyft, Getaround,...).

2.2.4 Peer-to-Peer Economy

The peer-to-peer economy facilitates the sharing and direct exchange of products, it is a service based on peer trust (Airbnb, couchsurfing, lyft, UberX, Kitchensurfing, Etsy). Most of the digital platforms of the collaborative economy have emerged in the United States, the sharing economy has now spread all over the world, it has become a global phenomenon, thanks to the expansion of new technologies and platforms to other countries, as well as new ideas for consumption. Platforms are proliferating in many countries, where cities are increasingly “sharing” centers of practice. Paris, for example, has become the center of the sharing economy in Europe. Colombia, the most Anglo-Saxon country in Latin America, has become a hub for Latin America. In Asia, Seoul, which is a smart city, is considered as a very important sharing center. Last year, the Ecuadorian government launched Buen Conocer, an initiative to reinvent the economic system based on the principles of open sharing networks, open production, and an economy of common goods. Even the Arab world has started to share economies through a multiple platforms and actions that bring citizens closer to each other. According to a global online survey conducted by Nielsen, 68% of consumers are willing to share or rent their personal belongings in exchange communities or for monetary income.

3. A New Economic Model or a New Economic Theory

3.1 A New Exchange Model

Power is moving from centralized institutions and organizations to individual and community networks. The distribution of products and services is no longer the sole monopoly of companies, the power of distribution has radically changed. From the status of the passive consumer of the 20th century, today’s consumer has become at the same time creator, collaborator, financier, producer, supplier and inventor. Collaborative economy gives a new dimension to the uses of assets, it allows valorizing a sleeping wealth and the resources underused, it creates a link between what one possesses and what the others want to use. Efficiency and trust are the basis of this economy.

Collaborative economy makes our society more horizontal and less hierarchical; peer-to-peer relationships promote individual and collective emancipation; the transaction may seem less formal, even if sharing and information are the basis of exchange. The institutionalization of exchanges was done through the intermediary of the digital platform (the website) which serves as a store or a retailer and which ensures the link for the transaction. Its virtual concept characterizes the transaction because the two parties do not know each other and then it is achieved either by the connection between the supplier and the applicant or by a meeting to exchange the good or the product, or by sending the coordinates to conclude the transaction.

The digital platforms considered the driving force of the collaborative economy must face today a supply that is becoming more professional and more demanding, their roles are:

- define the relationship between suppliers and applicants;
- linking effective triangular (platform-supplier and applicant).

3.2 Old Theories, New Model

3.2.1 The Diffusion of Innovation Theory: a Customer and User Analysis

The sharing economy may be analyzed in the context of the Diffusion of Innovation Theory (Rogers, 1962), because the product or the service offered to consumer, client or user is done in a new manner. Even if the finality

of the consumption and the usage of the product or the service is, the same. The concept of innovation is defined as any object, idea, technology, or practice that is new. The diffusion of innovation accomplished through communication to explain how, over time, an idea or a product gains momentum and spreads to a specific population or social system. The Diffusion of Innovation (DOI) Theory is to be applied in the case of the users or clients more than regarding providers of the product or the service. According to DOI Theory, we can distinguish five established adopted categories: innovators, early adopters, early majority, late majority and laggards.

DOI analyses five factors that enhance and influence the adoption of innovation or new idea:

- Relative Advantage — The innovation should be considered as better than the idea, service, or product it replaces.
- Compatibility — The innovation must be adequate and compatible with values and demands and of the future adopters.
- Complexity — The innovation should be easy to use and understandable.
- Triability — The adopter likes to be sure that the new idea is already tried and experienced before adopting it.
- Observability — The adopter wants serious results from the innovation in order to accept it.

The major firms of the sharing economy have gone through all the stages. Airbnb, Uber, Lyft, Blablacar, etc... experienced all these steps differently. The success (or the failure) can be analyzed through this theory because the sharing concept was considered when launched as an innovation using new channels of distribution, buying and selling products, programs and services. These offers already existed but the way of promoting and distributing is very new. Digital platforms are the fruit of technology. Rogers considers technology and innovation as synonyms, "*A technology is a design for instrumental action that reduces the uncertainty in the cause-effect relationships involved in achieving a desired outcome*". Because all the firms of the sharing economy are essentially based on the technology and cannot work or function without a digital platform, the product or the service offered needs a high value of technology and reliability in order to be considered as new innovation. As such, the product or service is not a real innovation; the context of its diffusion gives a new futuristic aspect.

3.2.2 The Creative Destruction: Corporate and Job Challenges

Capitalism must reinvent itself all the time; otherwise, it could never ensure sustainability. The sharing economy disrupts many sectors and jeopardizes the job of millions of workers all over the world. A growing number of workers in the developing, developed and emerging economies begins to worry about the future (Sundararajan, 2016). Because we are in the globalization era, the fast spreading of this concept affects simultaneously companies and workers in developed, developing and emerging countries. The destruction of jobs is accompanying the evolution of this economy. The Creative destruction (Schumpeter, 1942) can be totally applied today to the sharing economy. The innovation of products, services and process will automatically endanger and eliminate many sectors. The collaborative economy is accused of creating precarious jobs, without social protection and escaping labor market regulations in the countries where it operates. Indeed, we may wonder whether it is really the vocation of this new economic model to create jobs or only to maximize profitability by inventing a new form of work. These criticisms and misunderstandings are merely a reflection of the change that globalization and new technologies bring to the conception of work. The labor market changes, today we are seeing a transformation of the economic system and capitalism, which primarily affects workers and employees. It is legal and legitimate to fear a new vision of work that threatens the existing order.

3.2.3 The Social Exchange Theory: Trust and Sharing

The trust is a key element behind exchange and sharing. We witness a trust on two levels: the digital platform and the providers of the product or services (Airbnb, Uber, Zipcar,). Our open world, globalization and technology facilitate the interaction and the trust between people and strangers; we are bypassing big corporations and traditional institutions to realize exchange. Trust is shifting away from governments and big institutions into the hands of all of the population, technology and the world wide web are enabling trust between people (Botsman). The sharing economy is opening a new trust era, the main challenge today is more about trust than technology, and the individual social exchange imposes to all of us to trust each other because our personal reputation can be positively or negatively affected. The shift in trust from institutions to individuals represents the new way of exchanging and doing business and will transform many economic sectors in the near future all over the world.

4. Survey

A survey conducted on 117 university students gave us several elements about the awareness and the perception of the sharing economy.

The main answers were as follows:

- More than 7 out of 10 of the respondents know what does the sharing economy means. This answer reveals that the awareness is high but in the same time, we can consider it as not sufficient because the majority of the university students are supposed to know this economy. The reason is the non-generalization of the phenomenon in a developing or emerging economy such as Lebanon.
- The answers concerning the knowledge of four name of branded sharing economy platforms tell us that Uber is the most well-known, the vast majority of respondents already heard about, followed respectively by Airbnb (53%), Blablacar (33%) and Couchsurfing (4%). Many reasons lay behind these answers. If 97% are aware of Uber, it is because of the presence in the media of this company, the availability of these services in most big cities all over the world and sometimes because of the controversy of these platforms. Airbnb comes in second place because it is less mediatized compared to Uber and with less worldwide problems. Blablacar, which is less present in the world than the two others platforms. As a European service and because the habit of carpooling is not so developed media, Blablacar even if it is the leader in its field, remains less well known globally than Uber and Airbnb. Couchsurfing that is the real sharing is ignored by respondents because no large organizational structure manage their operations and because the aim of the service is strictly free of charges so less incentive for offers.
- The potential of the sharing is promising, two third of the respondents plan to use these services in the future. It means that the trend is very strong especially among young people because the majority accepts this concept.
- Trust is crucial when it comes to the sharing economy. Three out of 4 of the respondents consider trust as the main concern for this service followed. Trust remains an important criterion because the core of this economy is exchange with strangers.
- Three out of 4 estimate that these services have a future. The high rate of answers considering the sharing economy as promising reveal that people really believe in this new economic and business.

5. Conclusion

The sharing of physical objects, services and spaces will increase in the next few years. Sharing becomes today an important part of our life. This concept is rapidly spreading all over the world. People in developed, emerging and developing economies are exploring and working on new idea. In order to use goods, services and spaces more collaboratively. The economy of sharing is accompanied by the birth of a new language and vocabulary such as access, social values, exchanges, user, borrowers, lenders and contributors. This new economy disrupts the life of millions of persons across the world but, at the same time, it opens new horizons and creates opportunities for all of us. The future of the collaborative economy in emerging countries is not different from that of others markets. Four variables might influence the use of platforms by consumers: use of technology, trusting strangers, saving the service fees and looking for environment protection; these variables could be related to the age and the gender of the users. The result of this research will highlight the diffusion of innovation for services based on the sharing economy in third world country and inform the actual service providers in sectors affected by the sharing economy about the risks they will face in the near future. Entrepreneurs that might exploit this new phenomenon will benefit from this new type of business while those working in the old system will be affected and penalized if they will not adapt to this new and challenging reality. The use of platforms may seem different at times, but goals tend to meet. It is natural that the slow adoption of this type of exchange, the lack of confidence and the desire for possession, still limit the adoption of this new economy by emerging countries. Millennials born with the new technologies will welcome this type of exchange. Indeed, we note through the part in which we speak about the birth, the evolution, the challenges and the promises of the economy of sharing, a growing enthusiasm of the population.

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