

## COLLABORATIVE CONSUMPTION IN A SHARING ECONOMY

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**Abstract:** This paper deals with the collaborative economy – an increasingly quickly developing phenomenon. The author indicates the complexity and diversity of the activities that are understood under this notion, as well as terminological problems associated with them. Factors determining the development of this concept and typical forms of implementation have been discussed. The paper also includes an analysis of both positive and negative processes that can occur in the economy as a result of popularization of collaborative consumption.

**Keywords:** collaborative consumption, collaborative economy, sharing economy.

### 1. Introduction

In 1899, Thorstein Veblen, an American economist and sociologist of Norwegian origin, wrote about a "leisure class". He used this term to define the newly rich, i.e. a group of people who spent their money to stress their own status and satisfy their vanity (Veblen, 1971). They ostentatiously bought expensive and luxurious goods without analyzing their usefulness and consequently repeatedly brought themselves to waste. The turn of the 19th and the 20th centuries was also a period of a dynamic growth of individual consumption in the United States. People noticed that apart from necessary products, they could also possess products that they simply wanted to have. Due to this fact, mass consumption quickly turned into hyper-consumption and lasted for the 20th century.

The possession of goods, i.e. ownership-based consumption, was in those times, practically the only way of consumption. Ownership was perceived as a means of capital accumulation and a manner of providing a sense of independence and safety. Indeed, nobody considered other forms of consumption until the economic crisis in 2008, which was a breakthrough. After this point in time, people began to be interested in consumption based on access (access-based consumption). This previously was deemed a considerably worse and marginal variant, suitable for the young or the poor.

Subsequent to this, new alternative forms of need satisfaction were popularized. One was collaborative consumption. This term was used for the first time in 1978, by M. Felson and J.L. Spaeth (1978), who defined it as a process in which one or several individuals consume goods or services by being involved in shared activities with other people. It can be claimed that collaborative consumption occurs as part of the collaborative economy, a wider notion meaning an economy built on dispersed networks of connected individuals and communities, in contrast to centralized manufacturing organizations (Botsman, 2016).

More and more frequently in this context the notion of "sharing economy" also appears. This too is perceived as being "collaborative consumption". Herein, key processes are sharing and shared use (Sobiecki, 2016). This term was used for the first time by the economist Martin Weitzmann in a book entitled *The Share Economy* (Weitzmann, 1984). It presents an economic model based on barter contracts, i.e. goods and services exchange, or on lending or sharing resources and services that are infrequently and not fully used for a fee or for free (Botsman, and Rogers, 2010).

For the past 10 years, the literature of the subject has introduced a great number of other notions connected with the trend of collaboration, e.g. peer economy, owner-less economy, non-ownership economy, on-demand economy, access economy, circular economy, gig economy, gift economy, rental economy, moving away from private property, yet referring to the idea of sharing, availability on demand or reusing particular goods. These notions partly intermingle, lots of researchers use them interchangeably, others (Eckhardt, and Bardhi, 2015; Malinowski, 2016) persistently strive to bring order to the conceptual system. Allowing for the multidimensional nature of these notions, these were classified by Botsman (2016), while Sobiecki (2016) provided commentary.

Designing a shared conceptual system, adequate to the discussed phenomena, is essential because it allows more precise understanding and facilitates mutual communication. Unfortunately, the mentioned ideas of economy still do not have an established position in the theory of economic sciences due to their early developmental stages and their lack of verified research system. Additionally, in consideration of the quickly developing evolution of enterprise forms that are fulfilled within their framework, the lack of any explicitly and universally accepted definitions in this area, will still be experienced for a long time.

This paper aims to discuss the idea of collaborative consumption, to identify the incentives that contribute to popularization of this model, and to analyze the potential positive and negative changes that it brings with it. In the analysis, it is worth mentioning other concepts that are developed on the basis of the collaborative economy, namely crowdsourcing (Caputa, and Paździor, 2018) and crowdfunding, which is one the forms it takes (Macios, 2018, Liebert, and Trzeciak, 2017).

## 2. Factors of the development of collaborative consumption

The collaborative economy and collaborative consumption are not new ideas as such. People have always shared possessed goods and helped one another, however, this was limited to immediate family members or neighbors. At present, this collaboration has entered into a new and wider dimension, encompassing bigger communities and making essential changes in their mentality and their perception of consumption.

Key factors which affected the intensive heyday of this idea are as follows:

- a breakthrough was caused by the above-mentioned recession, which in many countries caused a decrease in wages and unemployment, and showed difficulties with repayment of bank loans. The crisis forced consumers to reconsider their behavior, limit their expenses and seek for other ways to fulfil their aims and satisfy their needs (Krzyżanowska, and Tkaczyk, 2010; Burgiel, 2014a);
- due to increased interest in the natural environment, there appeared an aspiration for more balanced consumption. Consumers began to notice a progressive deterioration of the environment and a limited access to resources (Kaiser, Wölfing, and Fuhrer, 1999; Gatersleben, Steg, and Vlek, 2002; Reisch, and Røpke, 2004; Brown, and Kasser, 2005);
- voluntary lifestyle simplification and reduction of overconsumption are caused by mentality changes. The prudent consumption trend means awareness of the consequence of customers' purchase decisions and paying bigger attention to the manufacturing process and the product life cycle (Rudawska, 2016). Acquisition becomes more deliberate and the anti-consumption trend causes that once acquired goods become repeatedly used, they can change their owner until they lose their usefulness or they are replaced by another product;
- the dynamic development of the information society, the general digitization of the world, the Internet access, easy access to current and reliable information on services and products – all those factors favor development of platforms and services which allow matching individuals who want to sell, buy or exchange certain goods, or are willing to share certain goods. The dynamic IT development has significantly affected the growth of the comfort, the speed and the scale of contracts as part of the collaborative economy model. Moreover, it allowed a considerably easier access to offers and improved their transparency, legibility and visualization; it improved matching individuals interested in renting, exchanging or sharing; it also lowered transaction costs, which contributed to the mass scale of such solutions. The previous has been confirmed by the findings of the research by Bauwens, Mendoza and Iacomella (2012) and John (2013). The global scale of changes makes consumer trends which appear in one country or even in narrow social groups, spread quickly, inspire other groups of buyers and make further changes (Burgiel, 2014). This is how a formative environment favors the bloom of collaborative consumption;

- more and more frequently, people share resources driven by a wish to get to know new people, places and establish new relations. Holiday house exchange, sharing utility spaces or even if shared, commuting to work, favor narrowing of contacts. Close relations with others give people a sense of belonging that often satisfy a need for being accepted and useful. They also provide development opportunities, e.g. learning foreign languages or exploration of new places, stimulate creativity, are open to dissimilarity and teach tolerance;
- social issues, a fad for charity, altruism or a wish of help others - those factors also can affect the development of collaborative consumption and, within its framework, particularly the “sharing economy”. However, frequently in the background there is a need for saving juxtaposed with a wish to make a profit. The growth of the non-commercial sharing scale results in quick emergence of mediators to facilitate transactions in exchange for measurable advantages (transactional charges). These processes happen in the market economy, in which profits play a very important role.

### **3. Forms of collaborative consumption within collaborative economy**

The increasing number of supporters of the collaborative consumption model reveal behavior typical for this form of need satisfaction, i.e. such activities as selling or swapping used goods, sharing possessed resources, lending/borrowing products necessary for a short time instead of buying them, or finally getting rid of items which are no longer needed, by transferring them to those who still can use them, instead of throwing them away.

Examples of collaborative consumption observed in practice differ in their scale, maturity and purpose. However, Botsman and Rogers (2010) demonstrated that they can be classified to one of three subsystems:

- Product service systems (PSS) (Zalega, 2010).

One of the basic changes in the worldview and mentality of people interested in collaborative consumption is preference of access to services provided by means of products instead of possessing those products. Therefore, consumption in this model will occur as part of the accessibility economy. In other words, product service systems allow using from the product advantages without having to possess them. Hence, the purpose of the product used as part of PSS solutions is different from the product purpose in classical business models. In product service systems, products are used as a means of offering services. Consumers focus on the product utility, on the purpose it fulfils, and not on the product itself. There is a need for using the product to fulfil the aim instead of possessing the product as an aim in itself. According to this philosophy, a consumer does not need a hammer, but needs to have a nail driven into the wall and does not need to possess a mower but would like to have the grass

mown. In other words, the consumer concentrates on the functions that the object fulfils and not on possessing it.

- Redistribution markets.

This notion involves renewed goods distribution. This most frequently occurs through goods exchange (reciprocity) or unwanted goods resale (not necessarily at the market price) in order to reuse them by another owner (market exchange). Therefore, it is the economy of cyclic goods utilization (circular economy). It appears that traditional channels such as market places, bazaars, flea fair, swap parties or second-hand shops are good agents here, but the agents which gain growing significance are online platforms, e.g. allegro.pl, olx.pl, ebay.pl, finta.pl, gratyzchaty.pl, wymieniajmy.pl. The exchange and sale of second-hand goods is no longer labelled as “shame”. Lengthening the life of used things means caring for the environment, and, therefore, it means being eco-friendly and entails quite big savings in the household budget. Practically every used thing can be bought on online platforms, however, products most frequently exchanged or transferred for further use for free or for a small fee include clothes (clothswap, clothcrossing), toys (toyswap, toycrossing), books (bookswap, bookcrossing) and intangible goods (films, music, games, e-books, audio-books).

- Collaborative lifestyles.

Shared lifestyle means situations when two or more individuals use not only the same material goods, but also share immaterial resources such as time or skills. Consumers share e.g. housing space: communities, students flats, joining independent flats with shared usable space, for example with a kitchen, a laundry, a playroom, a guest chamber, i.e. so-called co-housing or simply swapping houses or flats for holidays (home swapping). Often they share car park space or company space (coworking, office-sharing) by renting rooms for work. This form of collaborative consumption is especially popular among freelancers and individuals working remotely for companies. Moreover, individuals “sharing their lifestyles” make seats in their cars available for one another, plan and do shopping together and then share those goods, e.g. gardening tools, more expensive household equipment, electric tools and appliances. They take turns to look after their own children and their neighbors’ children, clean up, go shopping, walk their dogs, prepare meals for their family and their neighbors’ family), learn together hiring one tutor and share their clothes or toys. This behavior is typical for the sharing economy, it refers to “giving somebody something” whereas the sharing subject owns a resource or has the right to use the resource that is shared. This type of “transaction” does not involve any changes in the ownership of the resource.

#### 4. For and against of collaborative consumption

The dynamic development of collaborative economy creates a great number of opportunities and possibilities for the society, but it can also lead to undesirable phenomena from the macro- and microeconomic point of view. Positive symptoms include:

- enabling a considerably more effective utilization of goods, leading to popularization of the balanced consumption model; more effective resource management is possible thanks to better demand and supply matching, which in effect leads to satisfactions of both parties to the contract and translates into global savings involving money, place and time;
- reducing the environmental deterioration by minimizing the quantity of waste and surpluses created by overproduction,
- allowing access to the market of exclusive goods and services to groups who so far have been excluded from it,
- providing a possibility of “on-demand” consumption, i.e. exactly when a need arises. This is possible due to the technological aspect of the business model of collaborative consumption, i.e. modern IT tools;
- building social capital thanks to shared fulfilment of needs. Collaborative consumption definitely favors establishing new relationships, maintaining and supporting them, strengthening social bonds. It translates into a wider group of friends and, consequently, a wider look at the world; new opportunities appear;
- permitting an increase in the number of non-cash transactions, which hinders the formation of a black or grey economy.

Advantages for enterprises functioning in this model include, first of all, higher competitiveness thanks to redefining the way in which they run their business activity. Most of these enterprises use modern IT tools, including cloud technology, and are based on versatile platforms, which allows significant reduction of retrieval and transaction costs. These enterprises have relatively low fixed costs in comparison with traditional forms of management, and minimum marginal costs (Poniatowska-Jaksch, and Sobiecki, 2016). They are characterized by showing higher flexibility and efficiency, and are easier to be scaled. The employed technology allows quick reaction to changes in the environment and quick contact with customers and business partners. The key resources are communities and the network effect they generate, i.e. a situation in which present consumers of goods are benefited when there is an increase in the absorption of those goods by new users. So, creating a value for a customer is based on values delivered by other users. Image management is based on confidence and unification of users of the shared welfare.

However, the development of enterprises in the collaborative consumption model can bring negative results as well. By changing the competition conditions and evading the rigidity of

legal regulations (when these are applied to new circumstances), they lead to conflict with traditionally functioning enterprises, and in extreme situations, to their collapse. While attaining critical mass, i.e. big enough number of users, they create an effective entry barrier on the market, causing its monopolization.

There are changes also on the labor market. It is difficult to forecast nowadays which way transformations will go. As regards demand for goods, two trends should be noticed. On one hand there can appear a decrease in demand for goods in connection with the growth of the efficiency of their utilization, on the other hand, however, demand for goods can rise because, firstly, they will become available for a greater number of individuals who will jointly purchase a commodity which they could not afford before, and secondly, that more intensive exploitation of a given commodity will require its quicker exchange for a new copy. Simultaneously, according to the foundations of the collaborative consumption model, there will occur a growth of supply of services, especially those connected with used goods. The enlarged availability of services will cause a decrease in prices and consequently an increase in demand. The increase in demand for services, and probably also for goods, will mean an increase in demand for work, and, therefore, a decrease in unemployment.

In spite of the growth of the labor market, opponents criticize this model, maintaining that this will be mainly flexible work, offered in a non-standard way, with lower wages than in traditional enterprises of a given sector. It can be expected that the number of self-employed will rise, however, their earnings will be low and opportunities of development and professional advancement limited in comparison to employed workers. However, supporters of collaborative consumption are convinced that the supply of work in this model is generated mainly by including excluded individuals who do not have other sources of income, and also those who are employed and for whom this is the only additional earnings (Skrzek-Lubasińska, 2016).

Another problem is caused by lack of legal regulations of this form of enterprise. According to the opponents of collaborative consumption, this model is based on unfair competition. It is not regulated by either central or local requirements of the labor market. Such enterprises do not have to obtain any permissions or licenses, and workers neither have to possess any licenses nor have any training. Frequently, this allows them to offer much lower prices, which in the longer period of time can contribute to eliminating traditional enterprises from the market. Moreover, the network effect, possible thanks to using technology, permits them not only to dominate, but even to monopolize the market, as previously stated. In addition, the amount of wages and the financing mode in the model offered by online platforms will not be sufficient to provide workers with basic social protection in time of diseases and pension, based on provisions of the labor law. Hence, what becomes increasingly significant is that all stakeholders are involved in consultations and the legislative process, not only businessmen working in the "traditional" manner, but also suppliers of services and resources and the entire community of platform users. It is essential, therefore, to introduce regulations that would be

able to level the negative results of the new forms of business without destroying it at the same time.

Although, as indicated by the name itself, the foundations of shared economy involve collaboration and trust, at least in the initial development phase, it must face a large amount of distrust of the environment, and on the other hand, users' uncertainty and doubts resulting partly from their ignorance of its logic. It is assumed that contracts within the collaborative economy are effected to the satisfaction of both parties to the transaction, but due to the fact that the business model of collaborative consumption is set, from the economic view, to reduction of costs, the scope of responsibility is also minimized. Not all transactions will run according to the expected standards and will guarantee the expected quality. Not all models involve guarantee systems or insurance of the contract. Users are based on other users' opinions, reputational systems and available rankings. The good name of an enterprise can be discredited, which will automatically affect the fall of confidence to other platforms. The adjustment and acceptance of a certain risk model takes time, similar to gradual levelling coordinative and organizational imperfections of the market, which can be achieved through development of services verifying the reliability of contracting parties and qualifications of suppliers and the development of mediation services in dispute settlement.

## **5. Conclusions**

The collaborative economy and collaborative consumption seem to be an ideal solution combining practicality and utilitarianism with saving and care for the environment and with a quick and accurate needs satisfaction. Such an economy model is undoubtedly an opportunity to increase economic activity, especially for individuals with low earnings.

The inclination to accept the foundations of the collaborative consumption model depends on many factors, including the consumer's personality traits, the friendliness and the scale of supporting institutional solutions, availability of the services and products offer and the quality and safety of contracts concluded in this model.

Time will show if this is to be only one of many trends in economy that will be beneficial only for a certain group of consumers, or if it becomes a revolution on a wider scale, transforming the existing consumption model. Anyhow, collaborative consumption is part of new trends in consumer behavior (Rzemieniak, 2018), whose rapid recognition is crucial from the point of view of each enterprise.



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