

# Sharing economy

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**Abstract** — By definition, sharing economy is a socio-economic ecosystem built around the sharing of human, physical and intellectual resources. It includes the shared creation, production, distribution, trade and consumption of goods and services by different people and organizations. The internet technologies provided platforms for sharing businesses models. Also the social, consumption, living and economic lifestyles of the Millennials strongly support this new economy.

It is argued that sharing economy is one of the concepts that will change the world. This paper offers a brief review of the sharing economy definitions, key features, drivers, critics, and e-business models, its pioneer businesses on the global market and the first several sharing business models in the Republic of Macedonia.

**Keywords** — *sharing economy; P2P economy; business model; developing countries; Republic of Macedonia*

## I. INTRODUCTION

The sharing economy concept is a way of direct exchange of goods and services using online market places over the Internet. This concept, also known as “collaborative consumption”, “on-demand economy,” “gig economy,” “access economy”, “access-to-excess economy” or “peer-to-peer (P2P) economy”—refers to a hybrid market model of peer-to-peer exchange and has noticed extremely large growth in the last few years.

Scholars and practitioners agree on little about this economic model, as it has provoked fierce controversy. On one side of the spectrum are the sharing economy ambassadors, claiming that this is an economic model of the future, innovative, transformative and choice-enhancing, also altruistic, communal, and environment-friendly. On the other side, its opponents argue that it is an enjoyable way for greedy capitalists to monetize the desperation of people in the post-crisis economy while sounding generous; others file lawsuits concerning labor law violations or zoning regulations, confront P2P companies with huge demonstrations across the globe, and pressure governments for direct regulation. Government responses vary from non-intervention, to creating new regulatory regimes, to

sporadically cracking down on some of these services, to complete bans [1].

In 2015, PwC conducted large-scale survey [2] on the sharing economy and proclaimed it's here to stay. According to them, the online sharing economy will be worth \$335 billion by 2025, if you consider the offline or physical sharing economy it comes to more than \$1 trillion. Several P2P companies are getting close to the largest incumbent competitors on traditional parts of their markets. AirBnB, for example, is worth about \$10 billion, getting close to Hilton (\$25 billion) and Marriott (\$20 billion) or surpassing Intercontinental Hotels Group, an owner of Holiday Inn chain (\$9 billion)[3].

The governments around the globe are balancing between the two kinds of potentials of the sharing economy – trying to protect the traditional, incumbent companies on the markets that are threatened by the new P2P companies, while at the same time trying to produce the regulatory environment that will capture potential economic gain from the sharing economy [4].

In that manner, the European Commission, seeking to examine the sector's aggregate economic contribution and the current social and legal state of play regarding the sharing economy in the European Union, in January 2016 has launched a formal assessment of the sharing economy, with a self-explanatory name “The Cost of Non-Europe in the Sharing Economy”. Their findings are the following: “The assessment of existing EU and national legislation confirms that there are still significant implementation gaps and areas of poor economic performance. The subsequent examination of areas where it was believed that an economic potential exists highlighted that substantial barriers remain, hindering the achievement of the goals set out in the existing legislation. Moreover, some issues are not or are insufficiently addressed (e.g. status of workers employed by sharing economy service providers). Consequently, more European action would be necessary to achieve the full economic potential of the sharing economy. In doing so, policy-makers should seek to ensure an adequate balance between creative freedom for business and the necessary regulatory protection” [4].

The European Commission prefers to use the expression 'collaborative economy', unlike the U.S. Department of Commerce that uses the term "digital matching firms" [5].

There are scholars that argue that sharing economy will need new metrics. For example GDP, as being classical metric of monetary value of all the finished goods and services produced within a country's borders in a specific time period, takes into consideration only newly produced goods. The sharing economy creates value from existing assets, so it cannot be captured by conventional economics. The questions we need to answer are how can we measure the sharing economy and its benefits? How can we measure both the positive and negative spin offs for the society [6]?

In this paper, we will explain the history of the sharing economy, its features, its advantages and disadvantages, the business models of sharing economy; we will present a few pioneers whose international success is due to this concept, and list several newcomers in the P2P business in Macedonia.

## II. THE SHARING ECONOMY

It is not a coincidence that sharing economy started to grow exponentially after the world's biggest financial and economic crisis in 2008. In 2004, the US President Bush won re-election in part by proclaiming an "ownership society": "The more ownership there is in America, the more vitality there is in America." But, the ownership society, pushed by the major banks and their subprime mortgages and the credit-default swaps, collapsed in 2008. "Ownership hadn't made the U.S. vital; it had just about ruined the country." [7]

Historically, sharing economy is not a completely new phenomenon. It has its predecessors in bartering from ancient times, and in more recent forms of organizations and activities such as cooperatives, mutual societies, associations and foundations, tontines. These practices have remained from very early times thanks to the working class, poor people and minority communities. The technological predecessors of the sharing economy concept are companies like eBay (1995), Wikipedia (2001), PayPal (1998), Facebook (2004), YouTube (2005) and Couchsurfing and Freecycle (both 2003) etc.

The sharing economy of the 21<sup>st</sup> century does not innovate the types of services and goods that are exchanged, but rather the way and the scope of doing the exchange. The P2P economy's innovation lies in its process of connecting consumers and providers—and in the social benefits that the transactions confer. It started as a concept of sharing unused resources between individuals, to later evolve into "consumer-to-consumer" and "supplier-to-consumer" collaboration. Common threads of the sharing economy are disintermediation, the sharing of excess capacity, and increased productivity [8].

The motives for being a part of the sharing economy are different, which is not surprising given the diversity of platforms and activities that the concept offers. Web sites for doing e-business and applying the concept of sharing offer generally lower prices than other market alternatives. The goods and services that are offered can be distributed through the supply chain to producers or consumers very easily and away from the so-called "mediators" and therefore the costs of this type of trade are lower. The main technological enablers of the sharing economy are mainly Internet-related and some of them are: cloud databases, online data analysis, the usage of social media and mobile devices [8].

## III. FEATURES OF THE SHARING ECONOMY

The sharing economy as a concept consists of a number of features. We will consider six of them: people, production, values and systems of exchange, distribution, communications and culture [9].

### A. People

People are at the heart of a sharing economy; it is a peer-to-peer, person-to-person (P2P) economy. Cooperation is central to this concept; people connect as creators, collaborators, producers, co-producers, distributors and re-distributors. Within business, people – both co-owners, employees and customers – are highly valued, with their opinions and ideas respected and integrated into the business at all levels of the supply chain, organizations and development. Sharing economy is strongly supported by the Millennials, with their social, consumption, living and economic lifestyle. Millennials trust people over brands and value more having the experience over ownership.

### B. Production

In a sharing economy, people, organizations and communities as active participants produce or co-produce goods and services collaboratively or collectively or co-operatively. Internet technologies and networks support collective development of products and services, both locally and globally. It is valued that production has positive or minimal environmental impacts, with the available natural resources, not at the expense of the planet.

### C. Value and systems of exchange

Value is seen not purely as financial value, but wider economic, environmental and social value. The sharing economy is based on both material and non-material or social rewards and encourages the most efficient use of resources. In a sharing economy, waste has value; it is viewed as resource in the wrong place. It enables 'waste' to be reallocated where it is needed and valued. Social responsibility is strongly supported.

#### *D. Distribution*

In a sharing economy, resources are distributed and redistributed via a system that is both efficient and equitable on a local, regional, national and global scale. Shared ownership models such as cooperatives, collective purchasing and collaborative consumption are highly valued. Idle resources are re-allocated or traded with those who want or need them to create an efficient, equitable, closed loop or circular system. Recycling, up cycling and sharing the lifecycle of the product are features common to a Sharing Economy.

#### *E. Communications*

In a sharing economy information and knowledge is shared, open and accessible. Good, open communications are central to the flow, efficiency and sustainability of this economic system.

#### *F. Culture*

The Sharing Economy promotes a collectivist culture where the wider community and the greater good are considered. Business culture is based around the most efficient use of resources. Conscious business, social business, sustainable business, ethical business, social enterprise, business as a force for good are also features of a sharing economy.

### IV. ADVANTAGES AND DISADVANTAGES

#### *A. Advantages*

Supporters of the sharing economy believe that the concept sooner or later will bring impressive results. They believe that the sharing economy has the potential to become a new socio-economic system that is based on sharing and collaboration and will lead to a fair distribution of values, democratic organized businesses and raising awareness of people by linking them through many different ways and forms of sharing. Also, the companies that apply sharing economy improved in offering lower prices and have the potential to liberate society from so-called "hyper-consumption". The concept offers a new way in the process of sustainability through more efficient utilization of resources, the benefits it brings to the environment by reducing the economic and increase entrepreneurial activity, increasing equity and a fair distribution of goods and services [10].

#### *B. Disadvantages*

The main arguments against the sharing economy are an unclear regulatory picture and the lack of a legal framework to regulate the concept, and the disruption of the traditional economy. Also, people who argue against the sharing economy concept only see an opportunity to make personal economic gain and are not interested in using the advantages and the opportunities offered by it. Sharing economy opponents argue that even if there are some altruistic or communal motives among those in the P2P economy, the heart of the industry is financial gain and not altruistic exchanges. All sides to the transaction are motivated, to some extent, by individualism and pursuit of self-interest. Facilitators gain from the increasing number of dealings, as they take a slice of each transaction [10].

### V. BUSINESS MODELS OF THE SHARING ECONOMY

A business model consists of many different components that describe the way the company creates, delivers and receives certain values. Key features of the sharing economy business models are: usage of inactive resources, economy of excess capacity, meeting the needs and desires of consumers, fulfilling expectations through dynamic pricing, its regulation and the revolution that can bring [11].

Some of the business models that comprise sharing economy are not profit-based businesses, they are part of the social economy; others are for-profit companies that have higher ethical goals, and they are part of social entrepreneurship. Others are classical for-profit business, as in the example of exchange platforms, that do not have distinct organization, but they share the objects of their activity. The typical transaction in the P2P economy includes three parties: the provider (supplier), the user (consumer), and the facilitator (the website platform). The predominant business models of a sharing economy are: access based models, services, subscription, rental, collaborative and peer- to-peer models. Disruptive innovation, sharepreneurship, creative entrepreneurship, intrapreneurship and micro-entrepreneurship are common features of a sharing economy business models.

### VI. PIONEERS OF THE SHARING ECONOMY

Today, the list of businesses that are founded on the concept of sharing economy grows with rapid pace. The website ThePeopleWhoShare.com lists more than 4.000 "amazing services that will transform your everyday life through sharing..." [12] grouped in six categories: Places to stay (603), Transport (807), Communities and Networks (1223), Finance (888), Food and Drink (597), Pets (32).



Fig.1. Sharing economy platforms

In this section we will briefly analyze the several well-known companies that are called “pioneers” of the sharing economy.

1) *Uber*: It is a platform that serves to connect passengers and drivers. The Uber company does not own any of the vehicles it offers. It works through a mobile app that facilitates the coordination process among the independent drivers and passengers who need transport. The company also have platform called UberRUSH, which is a service that is a form of “supplier of the products”. There is also a service called UberBOAT that allows users to request so-called “water taxis” [13].

2) *Airbnb*: It is a platform for networking and coordinating the people who want to rent property in the short period of time, and those who have property for rent. The so-called “hosts” of the platform offer apartments, rooms, castles, houses and even igloo. On the other hand, people who travel can register on the site and search accordingly. The platform does not own any of the assets offered [13].

3) *Open Shed*: It is a platform that serves to facilitate the process of renting used tools among individuals. The platform includes various tools for rent such as projectors,

machinery and tools for agriculture, trailers, electronic tools and so on. Both parties included in the process of sharing are owners and renters of the tools [13].

4) *Zopa*: It is an app for the exchange of funds between two parties which operates by “user-to-user” model. Both sides are lenders as well as the ones who lend. This app allows users to skip banks that act as intermediaries in the process of taking a loan and make direct transactions personally i.e. to generate cash loan from individuals, avoiding the traditional and costly banking systems [13].

5) *Kickstarter*: It is a website that serves to connect investors with potential projects owners. People who offer projects for financing are publishing them on the website, with the aim to come up with funding for their implementation. If the project funded by the investors achieves its goals, all the investors receive a certain reward [13].

6) *Airtasker*: This platform facilitates the exchange of daily tasks between individuals and businesses. The website of the company allows many individuals or businesses to set tasks that need to be completed, their deadline and price. People who think they can complete the tasks on time, and are satisfied with the price, apply to get the job. There are no prerequisites to apply for a specific task [13].

7) *Getaround*: A platform which serves to connect people who need a rental car. The app allows users to rent cars from private owners who rent their cars for a certain amount. Car owners set the rental price, and receive 60% of the amount paid for renting [14].

8) *DogVacay*: The company through its website allows people to find other people who will take care of their dogs while they are on vacation or busy with work. The people who apply share past experiences and information about themselves, and they are validated through personal interviews [14].

9) *Poshmark*: It is a mobile and web app that serves as a market of fashion for women. The company goal is selling clothes and other women accessories. The people only need to have profile on the website to start with clothes selling, and those who need it can also buy [14].

## VII. SHARING ECONOMY IN MACEDONIA

The concept of the sharing economy is still ascending in Macedonia. There are few platforms, with even fewer users. Some of them are following:

1) *Avto-stop*: A platform that serves as a carpooling aid. The application is good for the people who are traveling with their own vehicle as they will reduce their costs, and for the people who need to reach the same destination in a way cheaper than traditional forms of transport [15].

2) *Brainster*: A platform for offline classes where the

people can teach and learn skills from digital marketing and design, to entrepreneurship and technology. The platform enables professionals to share their knowledge with the community and each individual to be able to enrich their practical knowledge, using it in their search for work [16].

3) *Vozime*: Another platform in Macedonia that is created in order to facilitate and simplify the process of sharing transport. The platform serves to help people save travel costs and to raise awareness about air pollution. It connects people who need cheaper transport to certain destinations with the drivers who offer their vehicles [17].

These platforms have not yet achieved a major success in Macedonia and the main reason for that is lack of budget for running a successful advertising campaign which is a key factor for penetration of existing or create new markets. Brainster can be singled out as the most successful since many young people manage to find their dream job position, and the knowledge they gained was through this platform.

## VIII. CONCLUSION

As the sharing economy ambassadors claim, sharing economy is very likely to be an economic model of the future. Some of them claim that it is a part of the Fourth Industrial Revolution that will enable the least developed regions to leapfrog the developed world. Of course, there are even more obstacles for the sharing economy in the developing countries: lack of knowledge and distrust of these new collaborative business models, limited access to finance for these start-ups, few platforms that allow secure payment. In the former socialist countries, there is a culture of “entitlement” - individuals expect the government to solve their or their community’s problems, lack of initiative for self-organization and community organization as well as lack of entrepreneurship initiatives.

The developing countries, including Macedonia, should pose the same question as the EU does – what would be the cost to Macedonia if it does not partake in the sharing economy?

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