A strategic framework for a profitable business model in the sharing economy

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ARTICLE INFO

Keywords:
Sharing economy
Two-sided market
Churn
Customer development
Firm performance
Multigenerational marketing

ABSTRACT

There is an increasing interest in the rapid rise of the sharing economy, from both academicians and practitioners. Recent research has focused primarily on the relationship between sharing economy firms (service enablers) and customers. Moreover, service enablers have primarily allocated their resources to acquire a critical mass of customers. This study takes a balanced two-sided customer relationship approach toward understanding the dynamics of this triadic business model (service enabler – service provider – customer). To maintain this emerging economy’s fast-growth pace, service enablers should strive to acquire, retain, and win-back profitable service providers and customers simultaneously.

We propose a conceptual strategic framework for the development of service providers and customers considering multigenerational aspects based on inferences from the literature, popular press, and interviews with members of the triad in the sharing economy. Based on our investigation, the sharing economy services are mostly adopted by Generation Y, whereas other generations are still in the early phase of adoption. Additionally, customer and service provider churn is high. We argue that this double-sided customer relationship framework will help firms take appropriate measures to keep all the actors involved in the process satisfied, loyal, and profitable in the long run.

1. Introduction

Businesses of the future will continue to be challenged by the dynamic forces of the economy in which they operate. These effects include the enhanced complexity of predicting customer demand, consumerization of digital technologies, as well as economic and environmental constraints. Therefore, firms need to adapt their business models to meet customer expectations in a more efficient, convenient, and sustainable manner.

Led by the shift in customer needs, a new business model termed as the sharing economy has emerged wherein the salesforce in the traditional B2B2C sector is substituted with micro-entrepreneurs who we call service providers. In the sharing economy, three participants create a triadic platform-based B2B relationship: service enablers (e.g., Uber, Airbnb, Luxe), service providers (e.g., driver, host, valet), and customers (e.g., rider, guest, user). Here, the customer can either be businesses (B2B) or individuals (B2C). Similar to other triadic business structures, such as e-commerce firms, the strength of the interaction between the service provider and the customer determines the sustainable success of the service enabler. The long-term success of the sharing economy from the service enabler’s side rests on the well-balanced acquisition, retention and win-back of profitable service providers and customers.

Why should we care about the sharing economy? It has disrupted well-established fields, such as the taxi and hotel industry, by providing low-cost convenience without the responsibility of ownership (Eckhardt & Bardhi, 2015). Further, the sharing economy is estimated to be worth $15 billion and is expected to rise to $335 billion by 2025 (PwC, 2015). This new business model is being adopted across various industries by many companies such as Uber (ridesharing), Airbnb (accommodation), TaskRabbit (on-demand freelance labor), Lendico (peer-to-peer (P2P) lending), Machinlink (farming equipment), and Gwynnie Bee (used clothes). Uber, the torchbearer of the sharing economy, is currently the highest valued start-up, valued at $70 billion (Beales, 2016). Airbnb, another shining star of the sharing economy, is valued at $31 billion (Thomas, 2017).
This paper attempts to answer the following research questions, pertinent to academics and practitioners:

- Why does the sharing economy, as a two-sided market, need to be investigated separately from its traditional counterparts?
- How should service enablers balance their focus and resources among service providers and customers to manage, grow, and sustain a double-sided customer relationship business model profitably?

The paper is organized into three sections. The first section, study context, takes a deep dive into the semantics of the sharing economy given the nascent stage of the phenomenon. It also exhibits the uniqueness of the business model along with its success factors. The following section sets the base for the conceptual background based on the insights from literature and practice. Further, we discuss the threats and opportunities of the business model regarding all parties involved that determine its long-term success. In the next section, we propose a strategic framework for customer development, addressing the identified internal and external threats. This proposed strategic framework helps to build a strong service provider and customer base complementing each other to ensure sustainable business practices. In addition, we provide strategies on how service enablers can utilize multigenerational segmentation for acquiring and retaining profitable customers and service providers for a sustainable business model. We conclude the final section by discussing the managerial relevance, limitations of the study, and directions for future research.

2. Study context

2.1. What is (and is not) the sharing economy?

Academic literature does not have a consensus regarding the definition of ‘the sharing economy.’ The action of sharing involves “the act and process of distributing what is ours to others for their use and the act and process of receiving or taking something from others for our use” (Belk, 2007). The sharing economy has also been referred to as ‘collaborative consumption’ or ‘collaborative economy’ which is defined as a socio-economic model based on the shared usage of underused or unwanted commodities (Botsman & Rogers, 2011). Botsman and Rogers (2011) further argue that such a collaborative system counteracts the wastage and underutilization of resources associated with the unequal distribution of wealth and resources. Reducing the cost of accessing products or services and utilizing idle assets based on the consumer demand could help the system achieve the intended efficiency of operation. They feel that collaborative consumption is an antithesis to the trend of hyper-consumption, which leads to the increased waste of individual and social resources in addition to harming the environment. Sundararajan (2016) defines the sharing economy as crowd-based capitalism since there is a transfer of ownership through on-demand access. Thus, it has been argued that the sharing economy is more like an access economy as the sharing aspect in this context is only secondary, and is market-mediated by an intermediary firm (Eckhardt & Bardhi, 2015). Additionally, Belk (2014) defines collaborative consumption as “people coordinating the acquisition and distribution of a resource for a fee or other non-monetary compensation like bartering, trading, and swapping.”

We define the sharing economy as: the monetization of underutilized assets that are owned by service providers (firms or individuals) through short-term rental. Taking a business standpoint, the economic incentive – rather than collaborative lifestyle – has been given priority in our definition. Hence, companies like Couchsurfing, WeFarm, or Freecycle are not included within the scope of this study since they do not involve any monetary compensation. The other boundary condition is that the interaction between the dyads should be market-mediated. Hence, we do not consider traditional carpooling or the concept of giving a lift as it lacks an intermediary. Moreover, we are not including pure marketplaces (e.g., eBay) or recommerce systems (e.g., thredUp). These platforms enable market exchange for sales rather than rentals, which is against the nature of the “sharing” action. Further, the resources should not be owned by the service enabler as it defeats the purpose of peer-to-peer (P2P) economic systems. For this reason, we do not consider such firms (e.g., Zipcar, Redbox). Since the firm takes on the role of a service provider, the sharing aspect that Zipcar and Redbox offers is among customers, and there is no interaction between the sharing parties. An empirical study supports our separation of such firms as it is shown that Zipcar members do not have community bonds or the desire to share communal links with one another (Bardi & Eckhardt, 2012). Additionally, even though co-working spaces (e.g., WeWork) can be a part of collaborative systems, they are not a part of the sharing economy as the relationship consists of two dyads instead of a triad.

As the last characteristic of our definition, the sharing economy has a unique business model that maximizes the utilization of idle assets. It is important to note that it is not realistic to expect any asset to be fully utilized. For instance, a car is used only 4 to 8% of the time (Brook Porter, 2015, Sundararajan, 2016), with 25% occupancy on average (CSS, 2016). We understand that while higher occupancy of any asset will increase its productivity, it will also reduce its lifetime; and this should also be considered as a cost.

From a strictly theoretical economics standpoint, the immediate availability of an asset can also be considered a utility. For instance, having a car parked at work (versus renting it out during this idle time) provides flexibility for the owner to move around. However, we do not consider this type of utility in our definition. For our purpose, we view any asset that stays idle when it could have been used as underutilized. In this sense, it is similar to the concept of opportunity cost where there is a trade-off between foregone and gained (or potentially gained) utilities.

2.2. How does the sharing economy work?

The business model of the sharing economy consists of a firm, service enabler, which acts as an intermediary between the suppliers of a good or service (service provider) and customers who demand those underutilized goods and services (Fig. 1).

This triadic business model differs from the traditional B2B2C setting. In a traditional B2B environment, there is a dyadic sales relationship between the intermediary firm and the seller (or the buyer), without the need for a direct interaction or transaction between the seller and the buyer. Partners in the supply chain add value to the product or service as there is a transfer of the product or service in both dyads. For example, in a manufacturing context, Whole Foods’ suppliers and customers are not required to interact in order to function.
The sharing economy, as a two-sided market, is also different from its conventional counterparts, and presents a perspective on why it should be researched separately. Conventional two-sided markets have a product focus with a high variety of options, and the revenue is generated from sales. The sharing economy works through the short-term rental of one particular service (e.g., transportation for Uber, accommodation for Airbnb). Due to the service-focused nature of the sharing economy, service providers are expected to deliver higher quality service since they have a face-to-face interaction with the customers, while conventional two-sided markets thrive for higher product quality. Also, service providers in the sharing economy are not responsible for any marketing initiatives since this is conducted by the service enabler. Suppliers (e.g., sellers on eBay), on the other hand, are responsible for the marketing efforts for products they wish to sell. They can do so through promoted listings that appear on affiliate or service enabler websites. Additionally, the risks associated with participating in the sharing economy are much higher compared to the conventional two-sided markets. That is, service providers offer their valuable assets and are personally involved in the transaction. For example, the service provider could be involved in an accident or could be harassed by the customer. The case is completely different for suppliers in the conventional two-sided markets because there is a transfer of ownership and the interactions are primarily digital. Lastly, service providers can monetize their readily available and underutilized labor or capital assets as per their flexible timing without any supervision or pressure that traditional employment would possess.

The success of the platform depends on building a critical mass of service providers and customers, as well as the service quality (Rochet & Tirole, 2003). The sharing economy has spawned out of the platform-based two-sided markets where the goal is to get both parties to interact through the platform. Here, the power balance is of extreme importance since neither side of the platform will participate without the existence of the other (Hagiou, 2014). Rochet and Tirole (2003) provide further insight on the power balance: “One party is treated as a profit center and the other as a loss leader or at best financially neutral.” Our framework addresses this imbalance by adopting a double-sided customer relationship strategy.

Regarding the financial aspect, a service enabler is set up as an online P2P platform that charges a commission per transaction. Convenience and low cost are key for customers, and service enablers should act accordingly to increase the number of transactions (Mühlmann, 2015; Tussyadiah, 2016). There are multiple facets of convenience enabled by the consumerization of digital technologies in the form of user interface, ease of payment, availability of the product or service, and response time. The convenience offered by digital technologies steers the customers toward the service enabler’s platform. The service enabler also takes the responsibility of marketing, data security, and secure payment gateway. Most importantly, the demand for the service is generated by the service enablers. These factors draw the service providers to the platform. Thus, the supply (i.e., service provider) and demand (i.e., customer) sides of the economy are conveniently matched with each other.

3. Conceptual background

To fully grasp the development of the sharing economy, we need to understand the underlying theories of motivation and managerial insights that can explain why individuals – both service providers and customers – participate in the sharing economy.

3.1. Insights from literature

3.1.1. What are the theoretical underpinnings of the sharing economy?

Bellotti, Ambard, Turner, et al. (2015) look at the motivation for the participation in the P2P or sharing economy from the user’s perspective. The theories that form the fundamentals of motivation for using the sharing economy are social exchange, self-determination, and reciprocal altruism. Although these well-established principles are applied in the sharing economy context separately, we integrate them into our framework as they readily lend themselves to explaining the dynamics of the sharing economy.

Social exchange theory states that social and material exchanges are fundamental to human interactions, provided there is reciprocity of action (Emerson, 1976). It is relevant in the context of the sharing economy where service providers maintain a courteous and helpful demeanor during their interaction with the customer in an effort to earn a positive rating. Earning a favorable rating enhances the credibility of the service provider. Similarly, customers are also expected to display a polite demeanor, as it is a two-way rating system that dis-incentivizes the poorly-rated entity, whether they belong to the demand or the supply side of the sharing economy spectrum.

Service enablers use mutual ratings provided by both the customer and service provider to differentiate between the service interaction qualities. Reciprocal altruism approach states that people are obliged to extend mutual favors to unrelated individuals (Trivers, 1971). This theory is seen in practice in the sharing economy as the service providers can switch roles and become customers and vice versa. In their current form, rating systems of the service enablers are highly left-skewed; hence, lack diagnostic power. Social exchange and reciprocal altruism theories highlight one of the most important challenges service enablers face, that is, the ratings do not reflect the current performance. Thus, we emphasize on the need for service enablers to modify the rating system to accurately reflect the service quality and only then retain those that are above a certain quality threshold. This step is essential for building a strong customer and service provider base, which is an antecedent to their development.

Self-determination theory looks at the various levels of intrinsic and extrinsic motivations (Ryan & Deci, 2000). The study shows that the sole extrinsic motivation to participate in the sharing economy is the
monetary benefit received in exchange for the service provided, whereas intrinsic motivations are enjoyment, networking, or socialization. In our framework, extrinsic motivations facilitate the service enabler to attract and maintain a strong customer and service provider base.

Drawing on the social exchange and self-determination theories, the factors identified for satisfaction and intention to use P2P services are economic benefits, social benefits (sense of community and personal interaction), utility maximization, and convenience (Tussyadiah, 2016). In addition to these, familiarity, trust, and utility were factors for choosing the P2P service again (Möhmann, 2015). Service enablers can appeal to the extrinsic and intrinsic benefits to attract service providers based on their unique needs. Our study proposes customized strategies based on the multigenerational preferences. For example, Generation Y service providers might rely on the sharing economy to satisfy their monetary needs, whereas Baby Boomer service providers might be more interested in participating in the sharing economy for fulfilling their intrinsic needs.

3.1.2. What are the factors that led to the evolution of the sharing economy?

The macroeconomic turbulence of the late 2000s had unfortunate outcomes such as massive job losses, an increased wealth gap, and wage stagnation (Guichard & Rusticelli, 2010). Reduced consumer spending capacity forced consumers to be more cautious of their purchase behavior. However, this uncertainty provided an opportunity for the conception of the sharing economy. This new alternative economy works around the current economic and social systems and tries to bridge the gap between conscious capitalism and hyper-consumerism by focusing on cost savings and convenience for customers.

The emergence of this business model can also be attributed to the changing needs of young and tech-savvy generations, such as Generation Y, which is a vast and powerful segment that values mobility and foregoes ownership (Giffi, Vitale, Rodriguez, Gangula, & Schmith, 2014). Here, we investigate the factors that led to the evolution of the sharing economy from both the supply and demand perspective in further depth.

3.1.2.1. Supply-side factors. People joined the sharing economy as service providers to supplement their low paying or part-time jobs, or as a stopgap between jobs. Eighty percent of the Uber drivers were working full-time or part-time while partnering with the firm and another 8% were unemployed (Hall & Krueger, 2015). The customers were happy to join as they were conveniently getting the same service for a lower cost without the burden of ownership.

Another interesting demographic aspect of the sharing economy participants is that the majority of them fall in a particular age group. Data from the Hall and Krueger (2015) study shows that 49% of Uber drivers are below the age of 39. This statistic is not surprising since the sharing economy thrives on the mindset of Millennials. Generation Y (also known as Millennials) comprises of people born between 1980 and 2000 (GIR, 2015). Members of this generation prefer experiential jobs which do not hinder their freedom and mobility. They want to travel and experience different cultures, jobs, and places. Contrasting their predecessors, Generation X, or Baby Boomers, they are not as attached to their assets such as cars or houses. They prefer renting to owning due to the mobility factor and economic constraints (Giffi et al., 2014). Noted economist Jeremy Rifkin mentioned: “25 years from now, car sharing will be the norm, and car ownership an anomaly” (GIR, 2015).

This characteristic of freedom and independence is also responsible for why many Generation Y adults shun traditional employment because there is limited control over timing, work schedule, and location. Their creativity and innovativeness are inhibited by corporate guidelines and target-based goals. Nevertheless, they are risk averse and cautious as they have grown up in a difficult financial period (Morton, 2002). Being a service provider in the sharing economy is the perfect opportunity for them to explore themselves personally and professionally while being able to earn adequate, prompt compensation. Generation Y-ers appreciate the guidance and non-monetary compensation, yet strive for independence in decision making and work-life balance. These qualities of Generation Y individuals convey that they seek autonomy. The sharing economy enables them to turn into micro-entrepreneurs with a fraction of the risk associated with a traditional entrepreneur.

3.1.2.2. Demand-side factors. Generation Y customers are more likely to engage in switching behavior conditional to price and convenience (Dawar, Abuja, Larioa, & Saxena, 2016). Tech-savviness gives them access to information and price comparison instantly through the internet. This generation's heavy use of technology has exposed them to many opportunities and options. As a result, they have come to enjoy the freedom to choose from a sizeable choice set (Tapscott, 2009). In such a switching-behavior scenario, stickiness of customers can be achieved by enhancing the overall quality of the customer experience (Dawar et al., 2016).

As shown above, insights from literature and popular press suggest similarities among characteristics of generational clusters and their motivations to participate in the sharing economy. Illustrated in Fig. 2, we synthesize the behavioral and technological factors leading to the evolution of the sharing economy. Firstly, the various characteristics discussed above in the supply and demand side can be grouped under two headings – autonomy on the supply side and practicality on the demand side. Autonomy includes the attributes such as mobility, entrepreneurship, and independence. These components are related as they both signify the experiential side of the Generation Y service providers. The autonomous, creative, and innovative Generation Y micro-entrepreneurs are also self-governing in thought and action. They make their decisions after extensive consideration of the alternatives as they appreciate the variety and switching capability. This last trait of autonomy, switching behavior, can also be seen as practical. Practicality encompasses traits such as value-seeking behavior, access versus ownership, convenience, and ease of use. Motivations to participate in the sharing economy include cost and convenience, and it is reflected in our schema as value and convenience-seeking traits of Generation Y-ers (Möhmann, 2015; Tussyadiah, 2016). Lastly, the U.S. millennials value practical attributes such as efficiency, ease and convenience, and immediate gratification (Barton, Fromm, & Egan, 2012). The service enablers in the sharing economy have tapped into these qualities by cutting out bureaucracy, making user-friendly applications, and delivering services at a fast pace, which can be summed as ease of use.

The two qualities, autonomy and practicality, interconnected with the availability of consumer-originated mobile technologies, have led to the consumerization of digital technologies (Economist, 2011). Service enablers harnessed this technological development to deliver their services conveniently at competitive rates, which set the stage for the sharing economy to prevail. In the sharing economy, participants use these digital technologies to monetize their capital or labor assets by offering them to their peers as short-term rentals.

3.2. Insights from practice

3.2.1. What is the current state of the sharing economy?

To better understand the current state of the sharing economy, we conducted unstructured interviews with 90 customers, 43 service providers, and 8 service enablers in three major cities (Atlanta, Los Angeles, and New York) in the United States. It was designed to identify the concerns, threats, and opportunities presented in the sharing economy context. The concerns and threats were categorized under the headings of each of the actors – service provider, service enabler, and customer. Along with the threats, the opportunities for growth were recognized.
The questions with the customers and service providers focused on their experience, reasons for choosing a service enabler, level of satisfaction or dissatisfaction, and emotional connectedness with the service enabler. The interviews were conducted from August 2016 to March 2017. The response rates for the various parties were 45% (90 out of 200) for customers, \(^3\) 48% (43 out of 89) for service providers, \(^4\) and 80% (8 out of 10) for the managers of service enablers. On average, an interview took 15 min with a customer, 25 min with a service provider, and 45 min with a service enabler.

In the following section, we develop the threats in relation to each actor in the sharing economy from the unstructured interviews, inferences from the literature, and popular press review to enhance the rigor and relevance of our conceptual framework. As an extension, we observe the opportunities for growth drawn in a similar fashion. We address the threats through our strategic framework consistent with the relevant literature and requirements identified by the managers of the service enablers.

### 3.2.2. What are the threats to the sharing economy?

Despite its nascent, the sharing economy business model faces internal and external threats. Ironically, the system originated as a reaction to customer motives and convenience is not as responsive to the needs of service providers. For instance, Uber has consistently lost money even though it is doubling its revenue every six months (Mcqueeny, 2016). Simultaneously, the firm has been reducing the price per transaction to stay competitive with the end goal of increasing its valuation before its fervently anticipated IPO. Despite the fact that majority of Uber’s expenses are driver salaries (Solomon, 2016), there are several reports in the popular press where drivers in ridesharing systems earn less than the national average for taxi drivers. As a result, there is an annual churn of over 30% (Hall & Krueger, 2015). Consequently, dissatisfied Uber drivers have recently launched a campaign to get a minimum wage of $15 (Fiegerman, 2016).

The story does not end with Uber as 56% of the service providers in the sharing economy report an annual income of less than $40,000 (Pofeldt, 2015). Another leading service enabler, TaskRabbit, disclosed that an increasing number of taskers failed to show up for their tasks and neglected customers chose not to return due to this service failure (Newton, 2014). Service providers are thus paying the price in exchange for the convenience and cost efficiency it brings to the customers. Due to this dissatisfaction, service providers deliver low service quality, which is an antecedent of their lack of engagement. Further, since customers are looking for the best deal in the sharing economy, there is no established brand loyalty. Therefore, retaining customers is also a major concern. Table 2 summarizes the threats and concerns identified from the interviews and the relevant literature, and the respective opportunities from the service provider, customer, and service enabler’s point of view.

### 3.2.2.1. Service provider perspective

The starting point of a transaction in the sharing economy is when a customer requests a service. The service provider has the liberty to accept or reject a customer request. The acceptance or rejection typically depends on various factors such as customer rating, time of the day, fatigue, etc. However, service enablers usually stipulate a minimum level of customer requests that service providers must meet to maintain their status. This style is passive and enforcement-oriented, as opposed to the more proactive and empowerment-oriented one. The former approach may lead to dissatisfaction and churn, while the latter one creates an enabling environment where service providers autonomously choose to accept customer requests instead of being forced to do so.

The conducted interviews provided a deeper understanding of service providers’ concerns. Mainly, when service providers are unable to set the price, they are dissatisfied with their compensation. This discomfort is a result of the low-price strategy some service enablers adopted to outperform their competitors. Also, service providers dislike the fact that they are not involved in change management (e.g., pricing decisions). Since there is no face-to-face communication between service enablers and service providers, such concerns are not addressed by the service enabler. Another unaddressed concern is that the service providers have to purchase insurance when using their services or assets for the sharing economy commercial activity. Lastly, in certain
cases, service providers with idle assets do not have the time to utilize their assets (Table 2).

Overall, the exit barriers for the service provider are very few: there is a lack of an established sense of loyalty to any service enabler, the churn is high, and retained service providers are typically lower in overall quality. Reduced quality is further visible when we investigate customer complaints. The highest number of complaints against Uber drivers has been related to the quality of service providers (poor routes or lack of city knowledge, negative attitude, and driving quality) (Cook, 2015). Even though this may not be pervasive, it has a significant effect on consumers' choice and brand preference. Since most individuals are not seeking part-time work or fractional employment, service quality plays a particularly crucial role in the context of the performance of service enablers. Service enablers overlook that the service quality of their core performers is a critical factor in their business model, and it is largely dependent on how well service providers are treated and rewarded.

3.2.2.2. Customer perspective. Cost and convenience drive the consumer's decision to choose a service enabler. Here, it is important to note that both factors are imitable by competitors. That is, if one service enabler has a higher price than expected due to increased demand (i.e., surge price), customers easily switch to a competitor's service. Raised demand also causes lower availability of service providers. In the service enabler perspective, the customers, which results in them churning as well.

<table>
<thead>
<tr>
<th>Threats</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td>Dissatisfaction with the compensation</td>
<td>Performance-based compensation</td>
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<tr>
<td>Concerns are not being addressed</td>
<td>Direct communication channel</td>
</tr>
<tr>
<td>No asset or medical insurance for the service provider</td>
<td>Dedicated sharing economy insurance providers</td>
</tr>
<tr>
<td>Time constraint</td>
<td>Dedicated third parties for managing assets</td>
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<tr>
<td>Poor knowledge of city roads (ridesharing)</td>
<td>Improved navigation tools and training</td>
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<tr>
<td>Service provider being pushy, rude, or</td>
<td>Modify the rating system to reflect the true picture</td>
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<tr>
<td>unprofessional</td>
<td></td>
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<tr>
<td>High wait times and surge pricing</td>
<td>Higher availability of the service providers</td>
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<tr>
<td>Supply shocks</td>
<td>Participatory decision-making</td>
</tr>
<tr>
<td>High service provider churn</td>
<td>Strong customer base</td>
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<tr>
<td>High customer churn</td>
<td>Strong service provider base</td>
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<tr>
<td>Inconsistent service performance</td>
<td>Retention of only high-quality service providers</td>
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<tr>
<td>Business model easily imitable</td>
<td>Quality of service providers is a differentiator</td>
</tr>
<tr>
<td>Price-sensitive switching customers</td>
<td>High perceived overall experience</td>
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3.2.2.3. Service enabler perspective. In the sharing economy, service enablers have a significant influence on the functioning of the platform. This effect is exercised by selecting service providers, matching demand with supply and managing the commission charged while providing the compensation to the service provider. It is relevant especially in the case where the service enabler sets the price for the service offered. This ability to control the price-setting mechanism directly affects the demand and supply. This system is at risk of supply shocks. For example, Uber dropped prices up to 45% in 80 cities which affected a considerable number of drivers (Newcomer, 2016).

The other threat that service enablers face is the dependence on part-time labor or capital assets based on their availability. Service enablers can only influence service providers to participate, but cannot force them to provide the service at a given time because they are not employees. Most of the service providers associate with the sharing economy on a temporary or part-time basis (Hall & Krueger, 2015). The service enabler gains from the additional revenue generated through the increased number of transactions due to the greater availability of service providers. However, the positive macroeconomic environment in a given country will motivate the service providers to churn as they will have better traditional employment options leading to lower availability. Less availability will lead to higher wait times and rates for the customers, which results in them churning as well.

Service enablers have a limited role in monitoring the quality of capital or labor assets rented out by the service providers. In the service industry, strong brands help customers perceive the quality of their service offering (Berry, 2000). In the sharing economy, there can be strong service enabler brands; however, the services (either labor or capital assets) are provided by the service providers. Hence, the top priority of service enablers should be the quality of the service provider. In the case of ridesharing, a capital asset (i.e., car) is accompanied by a labor asset (i.e., driving). Low perceived quality of the asset can lower the trust in the service enabler which can affect its brand equity (Aaker, 1996; Ambler, 1997). Lack of trust in the system can lead to consequences such as customers shifting their business to a competitor.

The trust in the business captured through positive ratings can be linked to higher sales (Luca, 2011). However, approximately only 70% of customers report that they trust online reviews. Online reputation tools such as ratings are skewed because both users and consumers tend to give higher ratings online due to reciprocity, herding behavior, self-selection and strategic manipulation of reviews by firms (Mayzlin, Dover, & Chevalier, 2014; Zervas, Prospero, & Byers, 2015). Reciprocity or reciprocal altruism is the under-reporting of the negative review/rating in fear of a reciprocal negative review/rating in a two-sided review process (Fradkin, Grewal, Holtz, et al., 2014). Herding behavior occurs when a rater provides a biased evaluation based on prior ratings (Muchnik, Aral, & Taylor, 2013). Self-selection, where customers who are prioriy less fit to be satisfied due to their preference for the product or service, are the ones buying and rating the product/service (Li & Hitt, 2008). Social exchange theory also supports the lack of diagnostic power of ratings (Emerson, 1976). Due to the inconsistency of service quality and inflated ratings, customers cannot accurately build an expectation about service enabler's services. In the long run, all these factors lead to reduced trust in the perceived credibility of ratings and reviews among service providers and customers in 2015) have shown that customers enjoy very affordable prices (consumer surplus was found to be $6.8 billion in the U.S. in 2015 for Uber, and ranged from 0.8 to 6.6% for P2P rental markets) in the sharing economy.
Service enablers need to maintain a critical mass of service providers to fulfill demand. The demand in the sharing economy is of intermittent nature which is a challenge for the service enabler as there may be supply gaps. Conversely, as revealed by interviews with the service providers, developing the customer base is equally critical as service providers are attracted to platforms where they can have higher frequency even at the cost of monetary value per transaction. On the other hand, high service provider churn and inconsistent service provider performance threaten the success of the business model. These factors enable a higher level of risk for the service enablers, that is, the business model without the consistent high quality that can easily be imitated by a competitor. It is the crowdsourcing nature of the sharing economy that keeps the company assets to a minimum while simultaneously making it easy to imitate (Table 2).

In summary, the sharing economy enables value exchange by successfully matching time and money. Specifically, it saves time for customers through convenience, generates monetary value for service providers who offer their assets, and provides both time and money for service enablers. All of the aforementioned characteristics the sharing economy enables is a result of facilitating an environment without the need to heavily invest in business components such as human resources or capital assets (e.g., car fleets).

Fig. 3 illustrates the values generated in the sharing economy for each actor involved. Through the digitization of everyday tasks, time will become the most demanded asset. Service enablers such as Instacart began with the philosophy to provide customers ‘more time to do what they love’. Lyft enabled customers to request a variety of readily available transportation means with the option to schedule the ride, helping them save time in advance. The businesses that can successfully match value-seeking parties that do not have time with individuals in need of money and abundance of time will remain sustainably profitable (Kumar & Reinartz, 2016).

3.2.3. Opportunities for growth in the sharing economy

3.2.3.1. Service provider perspective. The service providers were primarily dissatisfied with the compensation received from the services they provided. This dissatisfaction can be addressed by implementing a performance-based compensation system rewarding higher activity and service quality. Another major concern service providers expressed was that their issues and complaints were not being heard by service enablers. To alleviate this concern, service enablers can open a direct communication channel. Service providers do not have any insurance to cover their assets or themselves while undertaking services in the sharing economy. Dedicated sharing economy insurance providers such as SafeShare or CBIZ, or optional insurance packages offered by the service enablers can help in this regard. Lastly, many service providers were interested in participating in the sharing economy but did not have the time. We address this in our strategic framework through third party management systems.

3.2.3.2. Customer perspective. In the context of ridesharing services, a major concern from the customers was that service providers' lack of knowledge in local language, road directions, and regulations. This drawback can be addressed through improved navigation tools and training. The customers also pointed out that even though service providers were pushy, rude, or unprofessional, they still ended up giving higher ratings. This inflated rating is potentially due to reciprocal altruism discussed earlier. Furthermore, several customers indicated that the asset was not depicted accurately in the listing (e.g., Airbnb shared space was different than pictured). As a solution, the rating system can be modified to better depict reality. The customers also complained about occasions where they had to deal with high wait times in the context of ridesharing. In several occasions, the wait time was due to surge pricing. We deal with this issue in our strategic framework by proposing an increase in the availability of high-quality service providers, so that the customers who are willing to pay more for a better experience will do so.

3.2.3.3. Service enabler perspective. Managerial interviews revealed that the service enablers suffer from a higher churn of service providers and customers, supply shocks due to an imbalance of active service provider participation, inconsistent service performance, and imitability of their business model. The appropriate way to deal with high churn is to have a strong customer and service provider base where churn is compensated by the continuous entry of new customers and service providers. Moreover, service enablers should ensure a large portion of the profitable customers and high quality service providers with longer tenure are retained. This approach can be a differentiator for the service enabler and attract better prospects to maintain the necessary critical mass.

As identified earlier and supplemented by the managerial interviews, the majority of customers in the sharing economy who display switching behavior are price sensitive. Nevertheless, service enablers can counter price sensitivity by offering differentiated services. Sethuraman and Cole (1999) show that customers, in general, are willing to pay a price premium if they perceive a difference in quality. Another study conducted in the service industry found that correspondence through staff or service interaction had a strong impact on customer loyalty and price premium (Osaki & Kubota, 2016), drawing on the three-component model of service product, service delivery, and service environment (Oliver & Rust, 1994). Satisfied customers are also more likely to tolerate a price increase to maintain the benefits they receive from the service (Anderson, Fornell, & Lehmann, 1994; Fornell, Johnson, Anderson, et al., 1996). All of the above points indicate that perceived quality of service, service interaction, convenience, and overall experience are important for the customers and they are likely to pay more for the service as long as it offers value for their money.

Furthermore, as mentioned earlier, a recent study (Cohen et al., 2016) found that the estimated consumer surplus for Uber in the U.S. market in 2015 was $6.8 billion. The study found: (1) consumer demand to be inelastic, and (2) the estimated consumer surplus to be twice as much as the revenues received by service providers, and six times larger than Uber’s revenue after the service provider share is accounted for (Cohen et al., 2016). These findings empirically strengthen our claims that consumers are willing to pay more, and the value captured from the sharing economy through efficiency could be more evenly distributed among the actors in the sharing economy system.

In the following section, we develop a strategic framework keeping all of the concerns in mind through which growth-oriented service enablers can develop a strong customer and service provider base. This framework will help address the majority of the service enabler concerns, as well as the service provider, and customer needs.

4. Strategic framework for customer development

Service enablers should strive to retain and extract more value from their well-performing service providers and profitable customers,
acquire more lookalikes of these entities, and expand their reach to other service provider and customer segments as a set of strategies for growth. Service providers and customers are both vital for the sharing economy to persist; hence, both are extensively acquired and retained. In this context, since they both have a direct relationship with the service enabler, both customers and service providers are ‘customers’ of the service enabler to develop. This growth strategy should consider the allocation of resources to the profitable customers and those with the highest likelihood of making purchases (Kumar, Venkatesan, Bohling, et al., 2008). This action plan for customer development is expected to help mitigate the problems arising from customer churn.

Knox (1998) defines customer development as a process to build a relationship with the best customers. In the B2B setting, customer development refers to the set of activities related to understanding the business, market, and processes of the customer firm (Hausman, Johnston, Sheth, et al., 2006). With reference to the sharing economy, we define customer development as a combination of acquisition, retention, and win-back of customers (i.e., here, customers entail both customers and service providers concerning a service enabler). Service enabler must simultaneously develop the two actors to avoid excess supply or demand. Acquisition begins with the consumer’s first interaction with the firm until the first repeat purchase and retention is the continuation of the relationship between the service enabler and the customer until it is terminated (J. S. Thomas, 2001). Staus and Fridge (1999) defined customer win-back as “a customer retaining strategy that aims at rebuilding the relationship with customers who explicitly quit the business relationship.”

In our framework, acquisition strategy alludes to reaching out and acquiring new customers across or within segments. Retention, on the other hand, is the service enabler’s ability to extract more business from the existing customer base, or continue a relationship with existing profitable customers. Finally, win-back strategy encompasses attempts to win valuable defected customers back. These components combined can assist in allowing the service enabler to remain profitable in the sharing economy.

Fig. 4 illustrates the proposed strategic framework for a profitable service enabler performance. Here, customer development is comprised of customer acquisition, retention, and win-back. Customer acquisition could be either across segments (e.g., multigenerational marketing) or within a segment. Customer retention should be based on profitable loyalty and extracting more value from these retained customers. Such strategies are readily available through metrics such as Customer Lifetime Value (Kumar & Rajan, 2009).

Win-back strategy needs extra attention to implement because of the ambiguity in the definition of a customer in non-contractual settings. Moreover, the dynamics of the business model makes the switching behavior effortless. Therefore, service enablers can use the average inter-purchase time for customers and average inter-usage time for service providers based on individual-level data, and analyze activity patterns to help define a customer.

After defining a customer, we can then identify those who churned and strive for winning them back. Empirical evidence suggests that the strength of the first-lifetime relationship determines the propensity to accept a win-back offer (Kumar, Bhagwat, & Zhang, 2015). Accordingly, service enablers can devise win-back strategies based on the first-lifetime behavior of a customer or a service provider.

Service enablers must focus on high quality and activity when acquiring, retaining, or winning back service providers who deliver exceptional service on a consistent basis. In this way, the service enabler can simultaneously develop a profitable customer base and a critical mass of service providers by addressing the sharing economy specific threats of high double-sided churn, inconsistent service, and business model imitability. Customer development will lead to profitable customer base given that the service enabler utilizes the practicality characteristics discussed in §3.1.2. Similarly, the service enabler can benefit from building a critical mass of service providers (i.e., ones of high quality) by nourishing their autonomous participation motives. As increased availability of (high quality) service providers attract more customers, and high demand (i.e., increased probability of transactions) drives service providers to join the system, these entities complement each other in a lead-lag fashion, which results in profitable service enabler performance.

4.1. Customer development in the B2C setting

4.1.1. Acquisition strategy

4.1.1.1. How to attract more customers within the core segment

4.1.1.1.1. Generation Y. As shown earlier, the sharing economy developed structure is based on several behavior patterns Generation Y (born between 1980 and 2000) individuals possess; hence, the majority of its participants belong to the Generation Y category. A recent study shows that 28% of the 18 to 29-year-olds and 19% of the 30 to 49-year-olds have used a ridesharing service, such as Uber or Lyft, in the U.S. (Smith, 2016). Therefore, it is critical that the service enablers do not lose focus on this major participant group through market penetration strategies. As per Laciana and Rovere (2011), in the case of new product or technology diffusion without any marked advantage over others, marketing strategy should focus on developing

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**Fig. 4.** A strategic framework for a profitable service enabler performance. (a Double-sided CRM approach).
Generation X individuals are the largest generational cohort by size with a population of 75.4 million in the U.S. This number is expected to remain steady over the next 20 to 30 years (Fry, 2016). Their average spending capacity of $47,113 is lower than Generation X and Baby Boomers (Henderson, 2016). As a result, they are cautious and prefer cost-efficient options and engage in utility-based brand switching. They can simultaneously operate multiple tasks. Other characteristics have been discussed earlier in § 3.1.2. Their financial position is expected to improve once they inherit wealth from the previous generation and experience growth in their careers.

4.1.1.1.2. Strategy and expected gains. Even though the service enablers are focusing on customer acquisition by volume to attain critical mass, it is important to target ‘lookalikes’ of existing profitable customers from the total customer base. As a prerequisite, the customers of the service enabler should be technologically savvy.

Service enablers currently have been acquiring customers and service providers by primarily utilizing word of mouth (WOM) and incentivized referrals (Kumar, Aksoy, Donkers, et al., 2010). Increased valuations due to venture capital investments have prompted some service enablers to add channels such as sponsorship, event partnership, digital advertising, and outdoor media to their acquisition methods. The stunning pace of growth of firms such as Uber, Airbnb, and Lyft has also resulted in additional publicity from traditional and online media.

WOM might be an effective strategy as it adds more long-term value to the firm (Villanueva, Yoo, & Hansens, 2008). Also, WOM communication leading to purchase is likely to occur between people with strong social ties, which in turn will help recruit more peers (Baker, Donthu, & Kumar, 2016). We propose that service enablers should expand the WOM to enhance online influence. This goal can be achieved by being active and responsive in social media, and utilizing company or influencer initiated blog posts. Generation Y-ers engage with a brand on social media, co-create future offerings, and trust a blog more than a traditional advertisement (Schawbel, 2015). This attitude will not only help the service enabler tap into the networks of current customers, but also serve as online feedback which is a customer service and branding tool (Dellarocas, 2003).

Service enablers should also explore affiliate marketing on websites or apps where their existing Generation Y customers may be present, such as Spotify, YouTube, Venmo, and Buzzfeed (McAlone, 2016). Some service enablers have used promotional stunts, such as delivering roses on Valentine’s Day, to gain visibility and create content for publicity and social sharing.

4.1.1.2. How to attract customers across segments. As the general adoption rates for the generations other than Y-ers are low, multigenerational marketing could be a logical segmentation strategy for the service enablers (Hall & Krueger, 2015). Firms need to come up with unique strategies to reach out to the different generations. Multigenerational segmentation strategy is based on assessing needs and providing solutions by generational groups. The relevant generations to this study other than Generation Y are Baby Boomers, Generation X, and Generation Z (Kotler & Keller, 2012). The members of these particular generational cohort have been exposed to similar economic, social, cultural and political events and conditions, so they behave in a similar manner. The various customer segments based on generations, their attributes, and suggested strategies are provided in Table 3.

The key success factor which service enablers should be cognizant of is that there must be a match between the characteristics of the generation member and the assigned role of either the service provider or customer. We discuss the characteristics, strategies and expected gains in detail unique to each generation below.

4.1.1.2.1. Baby boomers. Baby boomers were born after World War II up to 1964. They had to work hard to reach their life goals. Hence, they seek value in their products and services. They are not very price sensitive if they find the service to deliver its worth. Some of this generational cohort is nearing retirement and is financially stable. Baby boomers are the second largest generational cohort in the U.S. comprising of 75 million individuals. This generation controls nearly 70% of all disposable income in the United States consisting of accumulated wealth and long careers (USN and WR, 2015). They have a median income of $60,000 considering those who are still active in the workforce (PewResearchCenter, 2008). This income may not give the accurate picture as it does not account for accumulated wealth. The mean annual spending of this generation is $59,646 of which $18,320 is spent on housing (Henderson, 2016). Research conducted in 2013 found that they are responsible for 50% of all consumer spending, and yet only 10% of marketing budgets are apportioned toward targeting them (Bradbury, 2015).

4.1.1.2.2. Strategy and expected gains. Service enablers that can successfully attract profitable and value-driven Baby Boomers can benefit from their brand loyal behavior. Service enablers can provide their premium offerings to them due to their high disposable income. Members of this generation spend $120 billion annually on leisure travel which can be a great opportunity for service enablers such as Airbnb and VRBO (Lee, 2016). A service enabler should aim to market to them through online magazine blog posts or news channels as they depend on their trusted advisors for recommendations. Creative and useful editorials on websites related to finance, post-retirement activity, and travel may be a good place to start. Targeting local communities, influencers, and incentivizing WOM may improve their participation. For instance, local chefs operating as service providers for firms such as Mealsharing can organize a community get-together.

This generation has been open to adopting smartphones and the internet mostly for functional use, and they continue to be heavy users of cable and satellite television. A balance between digital and traditional communication channels will be required to have a wider reach and to encourage them to participate in the sharing economy. They can be a good fit as service providers because they have available time and flexible schedules. They would like to lead an active post-retirement life at least at the initial stage. Roles such as a P2P lender or an Airbnb host would be a great opportunity for them to socialize and earn compensation as their regular sources of income gradually diminish. Moreover, baby boomers prefer owning assets rather than renting; therefore, functioning as a service provider enables them to keep control of their asset (Table 3).

4.1.1.2.3. Generation X. Generation X-ers are the people born between 1965 and 1979. They want practical and useful products and services for a low cost which explains their low brand loyalty. They are skeptical toward company initiated messages since the members of this generation have been overwhelmingly exposed to marketing communication. They value brands which do not push their message, and trust brands that build a relationship with them in an informal style (Table 3). They do not like to indulge in material possessions, and they would rather volunteer for social and community benefit programs (Williams & Page, 2011). Members of Generation X are in the prime of their career and want to provide the best for their children. They like to research their purchases and educate themselves regarding the benefits of using the product or service. Currently, Generation X is a cohort comprising of 66 million members in the U.S. with a spending capacity of $66,981 on average (Henderson, 2016). This number is the highest among all the generations. Generation X-ers spend a considerable amount of money on transportation (Koski, 2017). This should attract firms that provide alternative transportation solutions such as ridesharing service enablers to this age group.

4.1.1.2.4. Strategy and expected gains. Service enablers in P2P carsharing (e.g., Turo) can attract Generation X customers by emphasizing the environmental benefits of using their services vis-à-vis utilizing personal vehicles. They have started adopting technology such as social media and smartphones. Currently, 88% of the American
Generation X-ers own a smartphone (PewResearch, 2017). However, 67% of them also use laptop or PC; therefore, having a multi-screen approach is likely to work well (Peralta, 2015). They are also an excellent resource as they can give valuable feedback to the service enablers, based on their research during the purchase decision-making process, for improvement. Direct communication methods such as email, direct mailers, and indirect methods such as word-of-mouth, social, and peer gatherings will work best to reach them because this generation is wary of traditional marketing communication channels such as television, print, and radio.

The Generation X cohort may not be an appropriate fit as service providers. They are in the prime of their careers and will soon inherit wealth from their earlier generations. Generation X-ers prefer stability as they invest on family needs in addition to servicing debts related to education and housing. Such Generation X-ers may prefer a traditional job with a fixed income along with health and medical benefits (Williams & Page, 2011).

4.1.1.2.5. Generation Z. This generation, born after 2000, is the most similar in characteristics to the Generation Y. However, unlike Generation Y-ers who adapted to technology, Generation Z-ers are digital natives that have been surrounded by technology for the majority of their lives and are continuously connected via multiple devices. As of 2014, in the U.S., 69 million members belong to this generation. (Fry, 2016). Even though a huge portion of the members of this generation are in high school and college, the service enablers should look to diversify and attract them as future customers. They are yet to join the workforce or own assets; hence, they are not readily available to be service providers.

Service enablers can tap into their tech-savviness and peer group affinity to customize offerings as shown in Table 3. For example, Airbnb can offer customized packages and group discounts in locations accessible to the Generation Z customers. Service enablers should focus on their content strategy to create shareable messages, images, and video. This objective can be achieved by incentivizing online influence. Service enablers also need to be active in various Generation Z specific social media channels.

4.1.2. Retention strategy
4.1.2.1. Extracting more value from existing customers. The other aspect of the customer development strategy would be to increase the number of transactions from the existing customers. This strategy will not only strengthen the customer base, but will also attract and retain more service providers who will consider the sharing economy as a viable mode of income. Aside from competing on cost and convenience with traditional providers of services, service enablers should focus on delivering consistent service quality and superior experience to the customers.

Many of the sharing economy firms failed as they were not able to provide low prices, reasonable waiting times, security, and consistent customer experience. However, the biggest problem was the failure to match supply with demand, leading to either oversupply or undersupply (Kessler, 2015). Thus, after sufficiently developing the customer and service provider base, the service enabler should incentivize customers to participate in the sharing economy through direct marketing activities with customized offers based on their needs. For instance, for a frequent business traveler, Uber can provide special offers or dedicated services across the cities that the customer visits regularly. Such services may include Uber arranging a driver to wait for the customer as he or she arrives in the pick-up area at the airport. Further, collaborating with other service enablers will stimulate an increase in demand for transportation. However, service enablers should be cautious to not overwhelm the potential high-value customers or service providers with marketing initiatives that can be perceived as an invasion of privacy.

4.1.2.2. Retention of profitable customers. One of the tenets of customer relationship management has been to identify the most rewarding customers. Reinartz and Kumar (2000) show that loyal customers may
not always be profitable in the non-contractual setting. Firms have since changed their approach to consider profitability while making decisions based on customer retention. In a triadic setting, service enablers should focus on the profitability of their service providers as well as their customers. Service enablers should rate their service providers based on a performance-metric score incorporating activity and service quality features.

Firms can assess the ideal customers through metrics such as customer lifetime value (CLV) and customer engagement value (CEV). CLV is defined as “the sum of accumulated cash flows discounted using the weighted average cost of capital (WACC) of a customer over his or her entire lifetime with the company (Kumar & Rajan, 2009).” Service enablers can compute it for a shorter period according to their industry characteristics (Kumar, Dogan, & Lahiri, 2016). By utilizing a forward-looking metric, firms can calculate profitability from direct contributions at the customer level. Customer engagement has been introduced relatively recently in the customer relationship management field. It considers the direct and indirect contributions a customer can provide. These contributions, namely incentivized referrals, influence in the form of WOM (online and offline), and offer feedback to improve the product or service and form new product or service ideas (Kumar et al., 2010).

As noted previously, some of the major threats to the success of the sharing economy lie in the gaps created by customer and service provider churn, and the inconsistency of customer experience from transaction to transaction. Literature shows that the concept of engagement can be used to calculate the total customer value (Kumar et al., 2010). However, the theory needs to be adapted to the service provider’s context given the unique nature of their non-contractual employment. In conclusion, following the approach founded on profitable loyalty and engagement, service enablers can attract and retain the best customers and service providers. As a result, firm performance will be positively impacted which gives them an edge over their competitors in this competitive industry.

4.1.3. Win-back strategy

The last strategy to consider within customer development is winning back lost customers. In the sharing economy, brand switching frequently occurs as it requires minimal effort to switch due to consumerization of digital technologies, and there is no established loyalty toward a particular service enabler from both customers and service providers (Hiebert, 2016).

It is critical to investigate the lost customer’s first-lifetime behavior to gauge whether it is worthy to re-acquire them. Such efforts could include the reason for defection, second-lifetime duration, and second-lifetime profitability (Kumar et al., 2015; Kumar, Leszkiewicz, & Christodouloupoulou, 2017; Lemon, White, & Winer, 2002) However, these papers focus on contractual settings where it is easier to define customers. In the sharing economy, defining a customer (as well as a service provider) is troublesome due to the non-contractual context (Reinartz & Kumar, 2000). At the very least, service enablers can use average inter-purchase time based on individual-level data, and detect unusual purchase patterns as a possibility of churn to help define a customer. Following successful identification of customer churn, service enablers can ask customers or service providers the reason for the churn. Win-back offers to attract profitable defected customers can be based on the churn reason, as it is empirically shown to have the highest impact (Kumar et al., 2017).

On the other hand, service enablers could offer subscription-based promotions or similar incentives to increase the barrier for customers to churn (or repeat churn). For instance, Lyft introduced a discount pass which would encourage influence customers to prefer Lyft over other alternatives (Kokalitcheva, 2016). Also, service enablers could incentivize service providers not to churn with compensation related incentives. Upon successful implementation of such initiatives, service enablers can prevent the sharing economy from becoming “the switching economy.”

4.2. Customer development in the B2B setting

Even though ‘sharing economy’ is a very consumer-centric term, similar principles on why individuals partake in the sharing economy apply to businesses as well. Specifically, cost and convenience benefits through on-demand scalable workforce are likely to bolster profitability and efficiency.


Due to their higher likelihood to use transportation and accommodation means, ridesharing and home sharing service enablers—such as Lyft and Airbnb—can focus on firms and institutions that require their employees to be mobile. In this B2B2B context, although both service providers and customers are affiliated with businesses, they are individuals. Service enablers could offer monthly subscription-based services to these businesses and generate a constant revenue flow. Additionally, since the employees are users of the services, service enablers could implement segmentation strategies in B2B settings based on the characteristics of the institution’s employees. That is, if most of the employees are members of a particular generation, service enablers can direct their marketing efforts accordingly. Also, the affiliation with the business does not have to be in the form of an employer–employee relationship. Businesses such as sports teams could team up with service enablers to provide faster and more efficient services for their fans after crowded events. For example, the Atlanta Braves partnered with Uber in a pilot study where they created an “Uber Zone” for the fans. In this dedicated physical area, fans can pick up any of the idle Uber cars using a personalized PIN code using the app (Hudson, 2017). Such partnerships could amplify the success of event marketing campaigns through high efficiency and customer experience.

4.2.2. B2B2B – firms using excess supply

On the other hand, B2B2B systems can also accommodate both service providers and customers that are businesses. Excess capacity, as a result of underutilized machinery in the supply chain, is common in manufacturing businesses due to factors such as seasonality, high churn, and macro-environmental shifts. Accordingly, service enablers such as Machineryl ink can target manufacturing firms to improve their supply chain efficiency. From this perspective, the collaboration aspect of the sharing economy is emphasized in comparison to the sharing or access aspect of it—which are salient features from a customer’s point of view. With the implementation of the sharing economy, B2B firms could benefit from the highly-customized assembly lines that can be flexibly terminated due to changes in demand without having to acquire these assets. It is an unprecedented opportunity for small firms or startups to have access to customized production.

Service providers in B2B2B setting will embrace the opportunity of monetizing underutilized assets since it is a win-win situation for both parties. In this scenario, the moderating role of service enabler gains even further importance since the protection of fair usage of the assets is critical for the sharing to occur sustainably. This business practice is different than outsourcing because the outsourcer directly deals with the outsourcer, while in the sharing economy there is a need for an intermediary firm that plays the vital moderating role.

4.2.3. Emergence of a new B2B model – third parties

Whether it be individuals or firms, service providers might have the assets but not necessarily the time to benefit from what the sharing economy has to offer. Currently, several firms offer services to these service providers to utilize this opportunity. Guesty and Pillow offer property management tools and professional cleaning services for Airbnb hosts so that they do not have to spend time on exchanging keys
or cleaning the property. Service enablers can also use this as a business expansion opportunity. They can take full control of the booking from the customers that own the assets, but neither have the time (e.g., working professionals who travel often) nor possess the tech-savviness (e.g., Baby Boomers) to use the service enabler's platform actively. Service enablers can acquire these companies or launch one on their own to harvest profits from this part of the sharing economy.

5. Discussion and managerial implications

Extant literature provided a variety of definitions about the sharing economy. We believe that some of these definitions overlap with other contexts that are unrelated to the core values of this new disruptive innovation. Specifically, through our definition, we take a business standpoint and consider monetary transactions, include short-term rentals due to the flexible and dynamic nature of the phenomenon, focus on triadic relationships, and emphasize on service provider ownership in an attempt to gather a homogenous cluster of firms. Consequently, we differentiate the sharing economy from its traditional counterparts.

To the best of our knowledge, this is the first paper that investigates the multigenerational aspects and their relationship with the development of the sharing economy. Literature and popular press mainly focused on the growth of the sharing economy. However, without identifying the problems relevant to the actors, sustainable profitability might not be achieved. Through the inputs from literature and practice, we identify internal and external threats, and propose ways for service enablers to act accordingly.

This study provides a strategic customer development framework catered to the business problems service enablers are currently facing. For a well-functioning business model in the sharing economy, concurrently developing customers and service providers is critical. To achieve this task, we first suggest service enablers conduct a detailed customer engagement value analysis of their core customer and service provider base. The gaps identified through this analysis can be filled by utilizing and carefully managing the customer development strategic framework based on catered segmentation strategies. That is, service enablers should first strive to extract more business from customers and service providers, and then implement strategies to retain the profitable ones. Second, service enablers should assess the costs related to the implementation of the acquisition strategy across or within generational segments and seek lookalikes of these profitable service providers and customers. Third, valuable defected customers (i.e., customers with high first-lifetime value) should be reacquired by investigating why they churned in the first place, and using the learned knowledge to prevent them from defecting again.

Moving forward, there should be incentives for the service providers to participate more in the sharing economy by rewarding their activity and service quality so that their goals are in line with that of the service enabler. Such incentives must be monitored on a regular basis for their benefits to bear effect. Acquisition, retention, and win-back efforts will be profitable only when there is a high level of activity by new and existing customers and service providers. This framework is likely to lead to a sustainable and profitable business model mitigating the effect of high customer and service provider churn.

6. Limitations and directions for future research

This paper is conceptual in nature and we did not test the strategic framework empirically. Customer development strategies have been successfully applied in the traditional setting. However, the results regarding firm performance in the sharing economy need to be tested.

While multigenerational segmentation strategy is one segmentation option, there can be many others. Firms have used segmentation based on demographics, psychographics, and loyalty behavior, among others with a varied degree of success. Service enablers can opt for any of the above strategies based on their goals. One of the problems that service enablers can encounter by following a multigenerational marketing strategy approach is that each generation is influenced positively or negatively by the presence of the other.

An interesting future stream of research could be empirically capturing the dual adoption of the service providers and customers by jointly modeling the diffusion and adoption of them as well as looking at the impact of utilizing mixed models (Putsis, Balasubramanian, Kaplan, et al., 1997). Furthermore, we can investigate if any actor is the lead versus the lag in this dual adoption process. Such studies have been conducted in the product diffusion literature across countries and the iterative estimation procedure for modeling interaction effect (Kumar & Krishnan, 2002). Another research question could be: “Is there a learning effect across markets?” If so, then it may be beneficial to introduce the services sequentially versus simultaneously.

A separate future research topic could be looking at optimal resource allocation strategy by the service enabler toward the dual actors involved to maintain a balanced triadic relation. The service enabler can devise a strategy to balance acquisition and retention of service providers as well as customers to maximize firm profits. Such studies have proved to be impactful in dyadic business models (Raman, Mantrala, Sridhar, et al., 2012; Venkatesan & Kumar, 2004). Lastly, scrutinizing the need for devising a profitable incentive system to hold on to service providers and customers might be a helpful future direction to keep the service enablers sustainably profitable.

Acknowledgments

We thank the editors of this special issue and the reviewers for providing valuable feedback. We also thank Bharath Rajan, Gayatri Shukla, Koray Cosguner, Nita Umashankar, Anita Pansari, and Alok Saboo for their comments on an earlier version of the manuscript. We thank Renu for copyediting the manuscript.

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