How do Sharing Service Providers Create Value?

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Abstract

The behavior of customers has changed from total consumption to collaborative consumption in the past decade. Sharing services are now becoming a major part of our daily lives. From the view of customers, they have both benefits and risks. They offer benefits such as saving money and protecting the environment, but they also have non-negligible risks, such as the risk of becoming involved in injury cases in the worst-case situation. Therefore, it would make sense for people to choose not to use sharing services since human beings are risk averse by nature. Nevertheless, why do people choose to use sharing services? In this paper, we present a hypothesis to answer this question. We conjecture that a successful service provider always bears the sharing risks that otherwise would be borne by the customers. Thus, the customers of sharing services could reap the benefits of sharing, and this explains the recent rise in the popularity of sharing services. We also restate our conjecture from the view of service dominant logic, especially in the context of value co-creation.

Keywords: service value, sharing service, risk and benefit, risk management, value co-creation

1 The service age

The Internet has changed and is still changing our lifestyles dramatically. For example, let us consider making a hotel room reservation. Just a short time ago, you had to make several phone calls until you found a vacant room because there was no way to see whether a room was available before you called the hotel. Now the Internet has changed the situation completely. You can see the availability of hotel rooms on an online map, and all you need to do is pick one from the map (Figure 1). This is a simple but illustrative example of service in the Internet age. The development of ICT is a key driver for the skyrocketing growth of services in the Internet. Our current world cannot exist without ICT.

As shown in Figure 2, there were just a few technology stacks in 1995. You had to prepare the rest of the technologies by yourself to start even just a simple service. Now that ICT has developed enough, you can start your own service at low cost or even free of charge. Cloud computing is accelerating this change. You could even start your own business today. This means that we are in the age of idea first, technology second.

Figure 1. Change of way of making hotel room reservation

Figure 2. Changes in service infrastructure

1 ICT stands for Information and Communications Technology
The development of the Internet has opened the door to a new movement. Sharing services are changing our lifestyles slowly but surely [1]. This movement will affect not only our personal lives but also business enterprise activities because it will force enterprises to transform their business models into consumption economics-based business models [2].

This paper discusses sharing services in detail. We seek the reason for the increasing popularity of sharing services. We also restate this from the view of service dominant logic, especially in the context of value co-creation [3].

2 A new trend: sharing services

2.1 Collaborative consumption

The behavior of customers has changed from total consumption to collaborative consumption in the past decade. Sharing services are now becoming a major part of our daily lives.

In the 20th century, people were competing for the ownership of brand new products, but at the beginning of the 21st century, people have just been learning that this way of living is no longer sustainable. This changing of the minds of people is advancing the penetration of sharing services in our daily lives.

2.2 Sharing services

Table 1 shows some real-life examples of sharing services. The first column shows the sharing service, and the second column shows the shared object of that sharing service. The third column shows the sharing type, either simultaneous use or sequential use.

For instance, for room/house sharing, the shared object is immovable estate (room, flat, house,…), and the sharing type is simultaneous use when, for example, a group of people live together in the same room, flat or house. For another instance, for car sharing, the shared object is moveable asset (car), and the sharing type is sequential use. People can only borrow cars when they are not reserved and are not being used by others.

In ride sharing, a car owner rides with other people to make use of unoccupied seats. In money sharing, a person with some money lends the money that is not being used directly to the person who really needs the money, understanding that the borrower needs the money.

In knowledge sharing, a person transfers his or her expert knowledge to another person who has a problem to be solved. Solving problems with open source development is an example of knowledge sharing. In skill sharing, a person works with another person who has a task to be finished. So-called pro bono work is an instance of skill sharing where a worker undertakes voluntary work without pay, for example, on weekends or public holidays.

We chose two representative sharing service providers: Zipcar2 and Airbnb3.

Zipcar is a leading car sharing service in the US. It is a self-service car rental service for people to borrow a nearby car as soon as possible. It is easy to borrow a car if you are a member of Zipcar (Figure 3). You can reserve the nearest available car using your smartphone and obtain the map that indicates the location of the car. You can even unlock the car door using your smartphone.

Airbnb is the leading room sharing service in the world. It matches hosts and guests, and the accommodation ranges from apartment rooms to

<table>
<thead>
<tr>
<th>Sharing Service</th>
<th>Shared Object</th>
<th>Sharing Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room sharing/</td>
<td>Immovable estate (room, flat,</td>
<td>Simultaneous use</td>
</tr>
<tr>
<td>House sharing</td>
<td>house)</td>
<td></td>
</tr>
<tr>
<td>Car sharing</td>
<td>Movable asset (car)</td>
<td>Sequential use</td>
</tr>
<tr>
<td>Ride sharing</td>
<td>Means of transportation (car)</td>
<td>Simultaneous use</td>
</tr>
<tr>
<td>Money sharing</td>
<td>Means of purchase (money)</td>
<td>Sequential use</td>
</tr>
<tr>
<td>Knowledge sharing</td>
<td>Means of problem solving (knowledge)</td>
<td>Simultaneous use</td>
</tr>
<tr>
<td>Skill sharing</td>
<td>Means of problem solving (staff)</td>
<td>Sequential use</td>
</tr>
</tbody>
</table>

Figure 3. Steps for borrowing car by using Zipcar

2 The “zip” in “zip-car” means “speed.”
3 The original name was “AirBed&Breakfast.”
mansions and even castles. Note that this type of sharing is not always strictly simultaneous because the hosts may not stay with the guests for the period of stay. The hosts may lend their rooms or houses to the guests (tourists) while they are gone.

It is easy to find accommodation if you are a member of Airbnb (Figure 4). You first need to post your profile including your face photo. After doing this, you can find and book adequate accommodation.

3 Anatomy of sharing service

3.1 Risks and benefits

From the view of customers, a sharing service has both risks and benefits. Table 2 lists up the risks and benefits of Zipcar and Airbnb. As you can see, sharing services have non-negligible risks, such as the risk of becoming involved with injury cases in the worst-case situation. Thus, it would make sense for people to choose not to use sharing services since human beings are risk averse by nature.

Then, why do people choose to use sharing services? We conducted an interview to find out the answer to this question.

3.2 Managing risks

We interviewed one of management personnel of Zipcar, and it was found that Zipcar had intentionally built up a customer support infrastructure to reduce the risks of sharing [4].

The infrastructure is a combination of guidelines and call centers. It helps the company to keep good-mannered customers by filtering out bad-mannered ones who make the cars dirty or return the cars late. The members of Zipcar are gently requested to report any problems to a call center. Thus, the call centers can discriminate between good-mannered and bad-mannered members (Figure 5). The important point is that the reports are almost mandatory because the customer will be falsely charged for a dirty car and/or late return of a car if they do not report the problems.

3.3 Remaining benefits

The benefit for good-mannered customers is that they can avoid encountering a dirty car and/or late return of a car because bad-mannered customers will have their membership revoked and will no longer be able to borrow cars. This is one of the service values that Zipcar is implicitly

Figure 4. Steps for reserving a place to stay by using Airbnb

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Table 2. Risks and benefits of sharing

<table>
<thead>
<tr>
<th>Risk/Benefit</th>
<th>Zipcar</th>
<th>Airbnb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks</td>
<td>• Cannot make reservation for desired time</td>
<td>• Cannot make reservation for desired time</td>
</tr>
<tr>
<td></td>
<td>• Car is not there even though you have made reservation</td>
<td>• Becoming involved in injury cases</td>
</tr>
<tr>
<td></td>
<td>• Car is dirty</td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>• Low cost compared to cost of private car</td>
<td>• Low cost compared to cost of conventional commercial accommodation</td>
</tr>
<tr>
<td></td>
<td>• Sense of satisfaction due to contributing less to global warming</td>
<td>• Chances to meet people and to have good communication</td>
</tr>
</tbody>
</table>

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3 One of the six simple rules is as follows: “Before you drive away, inspect your Zipcar inside and out. To report damage, a dirty car or low fuel, call 1-866…”
offering to its customers (Figure 6).

From the service provider’s view, this means that the company should invest a lot of money to bear the sharing risks that otherwise would be borne by the customers. Thanks to this investment, the customers of a sharing service can reap the benefits left of sharing solely.

4 Value co-creation in sharing services

4.1 Eliminating sharing risks from customers

A sharing service consists of several components, and thus the customer’s experience of the service is affected by all the components. This means that the value of a service could be a (weighted) mean value of all the values of the components. This implies that you could increase the value of a service if you increase one of the components that has a smaller value than the mean. This was the idea behind the success of Zipcar: it has invested in infrastructure to reduce the number of dirty cars and cars returned late.

By generalizing this, we conjecture that a successful sharing service provider always bears sharing risks that otherwise would be borne by the customers.

4.2 Value co-creations in sharing services

Next, we think about the business models of the successful sharing service providers from the view of service dominant logic, especially in the context of value co-creation.

Value co-creation is “a resource integration process by the actors involved to view value or experience” [3]. In non-sharing services, it is enough to see the value co-creation between a service provider and a consumer (Figure 7).

However, in sharing services, we need to look at the triadic value co-creations among a service provider and two consumers (Figure 8). The point is that the value co-creation between two actors is realized under the supervision of the third actor.

When using Zipcar, one expects that clean cars are always available whenever necessary in exchange for keeping the borrowed car clean and returning the car on time, and this is intentionally achieved with the guidelines and the call centers as described in Section 3.2. In general, the value co-creation between consumers is directly or indirectly protected by the sharing service provider (Figure 9).

In summary, value co-creation that is difficult to realize with just two actors could be realized under the supervision of the third actor that is known to the other two actors. In the terms of our case, value co-creation in sharing services is
characterized by triadic value co-creations, where value co-creation between two consumers is realized under the supervision of a sharing service provider.

5 Future work

The 21st century is the service age, and the use of sharing services is a remarkable new trend at the beginning of the century. This paper proposed a hypothesis to answer the question, “Why do people prefer sharing services now?” Moreover, it restated the hypothesis from the view of service dominant logic, especially in the context of value co-creation.

However, the hypothesis needs to be tested. It could be performed in three steps. First, the analysis of risks and benefits of sharing (as shown in Table 2) will be conducted with as many business cases as possible. Second, to reduce the risks of their services, investigations of the providers’ policies or strategies will be performed. It could be performed through analyzing documents of the services or interviews with the providers. Third, the questionnaires or experiments of the services will be conducted with customers to find out how the they evaluate the policies or strategies and what types of sharing services are really preferred.

References