

Business Models of the Collaborative Economy

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Abstract Collaborative business models are often equated with disruptive commercial endeavors, epitomised by a handful large global sharing platforms. They represent a certain archetype of business model, extracting profit from market-mediated peer exchanges. A narrow focus on for-profit models obstructs coming to terms with the full scope of the collaborative economy phenomena, driven by purposes and actors beyond commercial market domains. This chapter attempts to broaden this perspective by reviewing alternative value creation mechanisms and presents emerging business model archetypes.

Keywords Collaborative economy • Business models • Value creation • Value platforms • Communitarian business model • Profit extractive business model • Collaborative lifestyles • Place based cooperatives

1 Introduction

Airbnb. Vayable. Getmyboat. OffWeFly. EatWith. Gearshare. Travelbuddy. Collaborative business models are becoming attractive within tourism, encompassing a wide range of digitalised platforms where people can share or swap tangible resources, services, expertise and experiences. A wide range of assets are made accessible to meet the needs and demands of potential tourists, opening up collaboration on multiple levels and networks. Collaborative platforms tap into the capacities of peer travellers and local community members simultaneously. They are empowered (or involuntarily made) to play new roles and take responsibilities previously carried out by commercial and public actors. Consumers become part-time marketers, intermediaries and quality supervisors. Citizens undertake the role of part-time destination ambassadors and suppliers of a range of tourism products and services. Take the example of free guided tours in metropolitan cities, which are often run by self-employed expats, bypassing not only industrial operators, but

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also local regulative and control systems (addressed by Megeed & Dissing, 2017; Leal Londoño & Medina, 2017). Nevertheless, the business model of free guided tours is fundamentally different from that of rideshare and peer accommodation rental, not only in terms of purpose, alternative recruitment and distribution systems, but also in terms of the benefits and impact they generate.

It is important to acknowledge the diversity of value creating objectives, mechanisms and the disruptive scope of various collaborative phenomena. In order to provide a clear understanding of the different types business models that co-exist in the collaborative economy, this chapter contributes threefold. First, it condenses the main tenets of the business model literature; second, it reviews early attempts to categorise collaborative and sharing business models and; third, based on these, it identifies generic criteria along which we can distinguish collaborative business endeavours in tourism.

2 Business Models and Value Creating Mechanisms

Since the turn of the millennium, the business model as a conceptual tool has received increased attention in a range of subfields in management (strategy, sustainable production, e-commerce, technology and innovation) and among practitioners. The network school of strategic management enables us to rethink competitive advantage and value perceptions along more porous firm boundaries and dynamic capabilities. It has been acknowledged that value is not created autonomously by a firm, but rather in collaboration with other firms and market players (Beattie & Smith, 2013; Zott, Amit, & Massa, 2011). Although definitions differ, there is broad agreement that the business model is a new unit of analysis, distinct from the product, firm, network or sector. By focusing on collaborative ties and value co-creating activities between firms and their stakeholders, business model analysis takes a holistic approach to explaining “how firms do business” (Zott & Amit, 2010).

Business models capture the essence of a firm’s competitive strategy by defining three key components; its value proposition (benefits offered to target segments), its value creation mechanisms (resources, supplier and distribution channels and partners) and value capture (cost structures and revenue models) (Osterwalder & Pigneur, 2010). This framework enables us to take firm-level and system-level perspectives simultaneously, and address firm performance both in terms of corporate strategic goals as well as its impacts on stakeholders, environment and society. As such, a structured analysis of business purposes, value creation processes and revenue streams may help to categorise novel concepts on the market into distinct types of business models. For instance, by reviewing a multitude of cases on sustainable innovation, Bocken, Short, Rana, and Evans (2014) developed eight sustainable *business model archetypes*, entailing three technological, three social and two organisational innovations. Archetypes capture the essence of the value proposition, e.g. “maximize material and energy efficiency”, “create value from

waste” or “deliver functionality rather than ownership” (ibid.). Some of these archetypes are not operated by firms in the traditional sense, but rather through new socio-economic arrangements, public-private partnerships and entrepreneurial initiatives.

3 Early Categorisations of Collaborative Business Models

Developments in digital technologies and interactive communication platforms in the past decade opened up fundamentally new ways to create and deliver value. This has led to rapid expansion of new transaction architectures and unconventional exchange mechanisms, for instance along the fusion of e-commerce and social networking sites (Amit & Zott, 2001; Sigala, 2015). The novelty of collaborative business platforms lies in their hybrid networking functionalities, which may simultaneously serve commercial and social purposes. Some of the new platforms are built around genuine sharing and pooling of resources while others facilitate monetised exchanges among strangers. For instance, Schor and Fitzmaurice (2015) differentiate between four types of sharing: recirculation of goods, swapping services, optimizing the use of durable assets, and building social connections. This hybridity confuses the conceptualisation of new business phenomena, as long as we try to approach them along a classic value chain framework or conceptual dichotomies, such as buyer-seller, user-provider, host-guest or citizen-foreigner. Acknowledging that there are fundamental differences between facilitating sharing among strangers to members of a neighbourhood or an interest community, we must scrutinise various mediation (brokerage) solutions. Platform mediators play a significant role in building and commodifying trust and maintaining social control through the reliance on digital technologies.

Established definitions keep on adopting one particular business model archetype, conceptualising the collaborative economy as a peer-to-peer *marketplace*. For instance, the European Commission defines the collaborative economy as “a complex ecosystem of on-demand services and temporary use of assets based on exchanges via online platforms” (European Commission, 2015, p. 3). Overt focus is given to digital platforms that match people who want to buy, rent or share products and services in the most cost effective way. Operators do not own the property or assets that are traded on their platforms, but they provide immediate, virtual access to assets on a large scale. Such collaborative business models thrive on density and volume, and their success will depend on the enduring availability of a broad supply of goods and/or services (Bardhi & Eckhart, 2012; Gansky, 2010). Capturing a critical volume in the market is determined by two central factors: a broad and far-reaching scaling and a dense and collaborative community (Smolka & Hienerth, 2014). Accordingly, the most significant growth of collaborative business phenomena takes place in cities and urban areas, with a high concentration of resources (capital, property, skills) and year-round demand with high purchase power.

Peer accommodation rental operators (Wimdu, Airbnb, Flipkey and HomeAway) are up-scaled global models of a particular business setup, where profit is extracted for the benefit of the private firm. On these digital platforms, value is generated by members of the public who are neither employees (hence, lacking labor protection), nor have shares in the private firm. This has come to be referred to as platform capitalism or the extractive collaborative economy. However, the collaborative economy also counts other constellations that are mobilised by social capital and generate value in other ways. Carpooling and ridesharing platforms, voluntary welcome services (e.g. Global Greeters) and peer traveller information sites (backpackr.org) facilitate peer collaboration and communication where transactions are not necessarily monetised and captured by single businesses. These models are broadly known as communitarian models of collaborative economy or platform cooperativism. In the broader mapping of collaborative business models we must therefore acknowledge the existence of both platform capitalism and platform cooperativism respectively (Scholz, 2016). In line with this, two generic collaborative business model archetypes are reviewed.

3.1 Corporatised Extractive Models

Koopman, Mitchell, and Thierer (2014) identify five ways in which collaborative businesses create and capture value. First, they mobilise “dead” capital by utilising idle assets (empty apartments, inactive labour, excess knowledge). Second, peer market exchanges are made instantaneous and effective by bringing together multiple buyers and sellers through a simple, standardised mediation process. This lowers transaction and bartering costs, yielding more competitive prices, thereby making collaborative offerings available to previously marginalised customers (Rifkin, 2015). Third, trust between buyers and sellers is enhanced through the transparent peer rating system, which aggregates the evaluation of past consumers. Fourth, reputational feedback mechanisms represent a more direct and instantaneous quality assurance system, that replaces traditional third-party quality control mechanisms such as star classifications. Fifth, the demand-driven setup enhances new innovations and may optimise service and delivery processes. As demonstrated below, competitive advantage is created across all elements of the business model; the value proposition, value creation mechanisms and value capture processes.

Corporatised extractive models are designed along market mediated transactions embedded in strict social control mechanisms. The commercial intermediary secures a powerful position to capture value along the entire process. In order to avoid bypassing the intermediary, full contact addresses are only delivered after payment. In most cases the price is charged at the time of booking, but first transferred to respective hosts 24 hours after departure. Platform operators typically charge 15% to cover transaction and administrative costs, including verification procedures, quality assurance and instructions of the hosts. Furthermore, when

taking a closer look at these companies' disclaimers, responsibilities are devolved as far as possible to the parties involved. There is no explicit insurance policy protecting either hosts or guests. The illustrious guarantees (amounting to one million dollars on some platforms) only apply in extreme cases of misconduct, should the company "decide in its sole discretion". Apart from this, the corporate sharing platforms disclaim all warranties regarding the correctness of information provided by the hosts, including the availability, reliability or quality of rented assets or compliance with local laws and regulations. Such disclaimers elegantly bypass the lack of control over health and hygiene, and personal and labour security, which points to multiple problems in the operating and regulating of footloose commercial enterprises across the blurred boundaries of private and commercial hospitality.

These blurred boundaries become controversial as we focus closely on the mass-customised, but allegedly "intimate and authentic" host-guest encounters among strangers. The modular design of market-mediated platforms evokes the design of contemporary digital dating apps, ensuring near or perfect matches between hosts and their guests beforehand. In the business models of peer accommodation rental and social dining, hospitality itself is conditioned and reduced to a number of transparent parameters, elegantly organised along a searchable and bookable menu. As such, the menu operates as a mediator and a buffer between the individual autonomy of customers and structures of power (Korczyński & Ott, 2006). The enticing website listings of hosts appeal to guests' sense of freedom to choose the optimal accommodation or meal experience and the disguised payment through a third party platform enhances the illusion of private hospitality.

The ritualised, selected and standardised presentation of welcoming, service-minded hosts upholds the enchanting myth of guests' sovereignty. Guests are simultaneously reminded and exempted from culturally established hospitality practices; for instance, they are encouraged, but not obliged to bring small gifts for their hosts. On the other hand, they are automatically prompted to use peer rating systems, designed along other online market valuation platforms, like Tripadvisor. Affiliated hosts are evaluated by their patrons subsequent to their visit along a few parameters (e.g. overall experience, welcome or cleanliness). Over time, the peer rating system results in social control and a virtual social hierarchy, where hosts with the highest scores are elevated to a differentiated status (e.g. Airbnb's "superhosts").

This crude meritocratic system is a double-edged sword that mostly benefits the customer. It may simplify the selection process of accommodation providers in the same location, but negative reviews may also expose hosts and their reputation in the long term. The extractive platforms do not protect hosts against biased criticism, let alone invest back into the providers' assets, product or labor. It has been claimed that collaborative economy businesses offer benefits for society on all levels: consumers, citizens, unemployed, entrepreneurs. While sustainable business models have adopted triple bottom line approaches to demonstrate their wider impact, the annual reports of global sharing platforms do not provide a systematic, detailed documentation of their societal, environmental and economic footprint. As

such it has been argued that they are merely extracting wealth rather than generating sufficient new value for a community to thrive, be socially fair and sustainable (Slee, 2015).

3.2 *Communitarian or Commons Models*

At the other end of the spectrum, an alternative to the extractive model is a commons model of the collaborative economy where peer-to-peer mediated sharing is powered by solidarity, mutuality and co-ownership, and where benefits are returned back into building the capacity of users or to the commons (Scholz, 2016). If a surplus is generated, it is invested back to the people who contribute or in the maintenance of the platform itself. Communitarian business platforms models are often a result of bottom-up initiatives and are typically locally-owned (e.g. a municipality, housing cooperative, or potentially even a destination marketing organisation). For instance, neighbourhood help, gear swapping sites or voluntary visitor greeter services are cooperative marketplaces that offer sharing options similar to global platforms but profits would be invested into city projects and community facilities, or distributed amongst participating residents.

The value creation processes of communitarian collaborative business models are fundamentally different from extractive ones. Strong communal ties and mutual consent with the core values of the group implies that trust mechanisms differ from those in extractive models. Trust is paid forward and assessed through commitment, rather reputational capital alone. For instance, to get access to the collective pool of resources, members of communitarian platforms must contribute with in-kind assets (e.g. a room, couch or apartment), reciprocating the contribution of other members. The Couchsurfing community requires all members to be prepared to let their couches out for fellow couchsurfers, hence trust is embedded in a boundary-defining membership (Molz, 2013). The medium of exchange is nonmonetary; couchsurfer hosts offer their time, private property and local knowledge in return for virtual reputation and member endorsements. Another distinct feature of the communitarian model is its auto-mediated organisational setup. Instead of a commercial intermediary, cooperative platforms are either owned and managed by the group itself, or mediated by a public or nonprofit body. For instance, a Danish museum has recently enhanced a regional pilgrimage trail by hosting a digital platform on which hikers may directly connect with local citizens and book experiences ranging from private dinners to birdwatching and berry-picking. The platform, Camønoen.org neither charges for intermediation, nor is responsible for vetting procedures. As the market overtakes quality control mechanisms, the trustworthiness (and ultimately, the survival) of the platform will depend on the volume and support of contributing members.

Communitarian models may also be built around a certain cause or interest such as subcultures, or consumer tribes (backpackers, film fans or foodies). For instance, the Social Dining Network in Cornwall is connecting gastronomy enthusiasts,

where the platform not only enables dinner dating but also the exchange of recipes and cooking experiences. The communitarian model thrives on the commitment of its members and reciprocal relationships among them. Collaborative communities create network and information spillover effects and economies of scale, and can best be described as ecosystems with high social impact (Smolka & Hienerth, 2014). As Hardy (2017) points out, collaborations among RVers are built around sharing intangible or immaterial assets (e.g. skills, experiences), where value is not necessarily monetised or bound to discrete one-to-one exchanges. This implies that some communitarian, auto-mediated models are not purely functional transaction sites but also sites of convergence. The value proposition of “promoting a collaborative lifestyle” is enabled on virtual meeting platforms offering diverse interaction opportunities other than market exchanges.

4 Collaborative Business Model Archetypes in Tourism

Based on the generic categories of extractive and communitarian business models it is possible to identify some common features along which collaborative economy business endeavors in tourism can be described and distinguished (Table 1). These are: (1) global peer-to-peer marketplaces to enable temporary access of idle assets; (2) place-based cooperatives enabling small local providers to provide tourism

Table 1 Comparing and contrasting collaborative business models along key characteristics

	Global peer marketplace	Place-based cooperative	Virtual community meeting place
Main purpose	Commercial redistribution system for market exchanges among peers	Trading ecosystem among local community members	Site of convergence for interest communities (tribes)
Value proposition	Optimal use and access to idle durable assets and skills	Recirculate goods and swap services	Promoting a collaborative lifestyle building social connections
Value capture	Extractive: surplus extracted by commercial mediator	Communitarian: surplus recirculated into neighbourhood	Communitarian: recirculated among community members
Scope of collaborative community	Strangers—anyone can participate	Neighborhood or local community (membership criteria apply)	Interest community (membership criteria apply)
Strength of communal ties	Loose	Semi-loose	Strong
Mediating mechanisms	Market-mediated	Publicly mediated	Automediated
Examples	Airbnb Boatflex Free walking tours	Global Greeters Camøno Yays	Couchsurfing Gearshare

services and experiences and finally, (3) virtual community platforms where interest communities converge. Each archetype differs in terms of purpose, value proposition, value capture, scope of the sharing community and the strength of communal ties among members as well as mediation/brokerage mechanisms.

5 Conclusion

Collaborative business models are new structures that cross-appropriate old forms of sharing (e.g. building social connections, recirculating tangible goods, swapping services and intangible assets) with effective digital intermediation to extract value from idle capacity and assets. Business models in the collaborative economy can vary significantly. However, tourism scholars and practitioners have so far mainly been concerned with profit-extractive models even though communitarian models of collaborative economy are well-established in various contexts (see chapters by Cannas, 2017; Clausen & Velázquez, 2017; Hardy, 2017). The extractive model, manifested in a small number of strong global platforms, has tended to dominate the marketplace, facilitated by media coverage and scholars keen to identify and claim lead status in the next “big research theme”. This chapter has offered a broader mapping of collaborative models, and has contributed much needed insight by sketching three archetypes with distinct features, scope and value creation mechanisms. A more nuanced typology may shed light by highlighting the existence of alternative, communitarian or commons-based businesses in tourism. These can potentially mobilise resources and communities not only in urban, but also in rural and coastal destinations, usually under-prioritised by industrial investments and development opportunities.

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