Upscaling in the Sharing Economy: Insights from the UK
Executive Summary

Vadim Grinevich[1], Franz Huber[1,2], Linda Baines[1] and Magdalena Eder[2]
[1]University of Southampton Business School (UK)
[2] University Seeburg Castle (Austria)

1.Context and Scope

1.1 Of the thousands of sharing platforms operating in the world, very few have become household names. Most sharing economy businesses appear to struggle to scale and expand across different locations.

1.2. With support from the University of Southampton Strategic Research Fund, this research project explores the enabling conditions and barriers to starting and upscaling[1] a sharing economy business. This report, which marks the completion of the project, develops a typology of upscaling models in the sharing economy across three key sectors: accommodation, transportation, and professional and personal services.

1.3. Based on interviews with 30 sharing economy businesses, the report also includes analysis of web-interfaces of 75 sharing economy platforms operating in the UK.

1.4 The platforms analysed fall under one of the following criteria:
- foreign sharing economy businesses who successfully expanded their operations in the UK;
- foreign sharing economy businesses who attempted to expand in the UK but later have to withdraw; and
- UK home-grown sharing economy businesses, expanding regionally, nationally or internationally.

1.5 The report advances current knowledge on the sharing economy, both conceptually and at an applied level. Aimed at academics, private businesses, investors and public sector bodies, a key finding of the report is that upscaling patterns of sharing economy businesses are only partially sector specific, and are not entirely attributable to particular type of sharing activity. This

---

[1] We understand upscaling as expanding the customer base and/or moving to new geographies.

represents a significant opportunity for collaborative action, cross-organisational and cross-sectoral learning amongst sharing businesses in relation to business strategy, operations, marketing and stakeholder relationships.

1.6 The report starts by applying a business model perspective to extract patterns of upscaling and the associated drivers and challenges. It then proceeds to a systematic analysis of one major concern identified for all upscaling models: how to enable trust building through platform design. It concludes with a discussion on the lack of open innovation amongst sharing businesses which we argue is a critical barrier to upscaling, and which could contribute to broader acceptance of the sharing economy by consumers and policymakers.

2. Emerging upscaling patterns

2.1 We have identified four ideal patterns of upscaling which are located along the three business model dimensions:
- the geography of value proposition;
- upfront fixed capital requirements; and
- the extent to which service provision is associated with complex and iterative interactions with customers and other stakeholders.

Type 1: **"Born global"** - sharing economy businesses whose value proposition is from the start designed for multiple countries. Type 1 businesses are internationally transferable and sustainable from the very beginning of operations, with demand and supply side of the market shaping up automatically.

Sectors: Accommodation, personal and professional services.

Examples: Home swapping, short-term accommodation-sharing; virtual freelancer platforms.

Strengths: Initial start up costs are relatively low. The interactions between the platform and the customers tend to be highly centralised, automated and standardised, with no need for "born global" businesses to be physically present in multiple international locations. Upscaling efforts are mainly about matching demand and supply via promotions and marketing campaigns.

Challenges: Developing data analytics capabilities; ongoing investment in technology development and public relations; interaction with policy regulators is increasingly important.

Type 2: **"Local value potentially global"** - sharing economy businesses whose value proposition can at first be sustainable on a regional and local level. These businesses may be viable internationally, but cannot be enabled automatically. They differ from Type 1 in that they require more local knowledge, local coordination and local testing in order to structure and grow a marketplace in a new location. This may also require having local and regional offices in place.

Sectors: Accommodation, transportation, professional and personal services.

Examples: Car- and ride-sharing; tools/equipment sharing, re-sale, handing over of redundant assets; business-to business storage sharing.

Strengths: Initial start-up costs are relatively low; having viable minimum product (MVP) before expanding.

Challenges: Ongoing investment in technology development, public relations, identifying local representatives, local partners /selecting service providers; balancing the standardisation pressures and community building; integrating national legal frameworks (labour laws; taxation; privacy and data protection); unstructured data analytics.

Type 3: "Local infrastructure as product services" - similar to Type 2 in terms of the geography of value proposition (regional/local). However, Type 3 businesses are unable to start providing their services without significant upfront capital expenditure and prior, often formal, agreement with local authorities and other infrastructure regulators. The same two factors affect the pace of spreading of this model in new locations.

Sectors: Transportation

Examples: Business-to consumer short term car rentals.

Strengths: Having minimum viable product (MVP) before expanding; highly centralised, automated and standardised interactions with customers; one-sided platform, i.e. no need to orchestrate both supply and demand, and therefore, less demanding in terms of technology development and organisational capabilities.

Challenges: Upfront fixed capital expenditure; formal coordination with local authorities, transport infrastructure providers; ongoing public relations expenditure; working closely with local and national legal frameworks.

Type 4: "Co-created services" - sharing businesses that deal with sensitive personal services or bespoke professional services. In terms of the geography of value proposition (regional/local), this type is similar to Types 2 and 3. Type 4 businesses require little upfront investment to set up, making it close to Types 1 and 2 on this criterion. What makes them stand out is a significant amount of complex social (human-to-human) coordination required on the part of the platform to engage with different types of platform users to co-create a service experience.

Sectors: Personal and professional services.

Examples: Childcare and housekeeping platforms; project outsourcing.

Strengths: Initial start-up costs are relatively low; having viable minimum product (MVP) before expanding.

Challenges: platform design; experimentation with standardisation and customisation; integrating online and offline channels of communication; high quality of traditional forms of communication required; ongoing investment in technology development, public relations, identifying local representatives, local partners/ selecting service providers; proximity to national legal frameworks (labour laws; taxation; privacy and data protection); unstructured data analytics.

3. Trust and platform design

3.1 Sharing economy businesses across all of the upscaling types identified the building trust and transparency as one of their main strategic objectives. Practical strategies to achieve this included a variety of platform tools and customer touch points, combining online and offline channels of communication and support. By carrying out service blueprint analysis on the web-interfaces of 75 sharing platforms, we visualised the steps that a platform user must undertake to gain access to and experience a platform service.

3.2 A key finding was that in comparison to the least upscaled platforms, the most upscaled platforms systematically offer more features, and require (and provide) more information and documentation that support a trustworthy and transparent process. This, we suggest results in a comparatively more collaborative user relationship. Examples of processes that encourage transparency and trust include explicit communication on quality standards, explaining insurance or additional guarantees, information around the rating system, announcements about communication rules, or providing standardised queries about a product/service or about the owner.

4. Little open innovation and sharing amongst the sharing

4.1 Few sharing economy businesses strategically use open innovation for their business development. Many sharing platforms are reluctant to signal that they may need to resort to external sources of knowledge, technology and services. While organised as a collaborative platform for delivery of their services, most sharing platforms do not adopt a collaborative approach when dealing with common intra-organisational challenges related to shortage of knowledge and capabilities.

4.2 The lack of knowledge and resource sharing between the platforms themselves and other organisations in the value chain affects the attractiveness of the sharing economy offering, by limiting opportunities for incorporating complementary activities and offerings of third party platforms. The apparent lack of mutual trust among competing platforms also translates into a weak inter--platform co-operation when it comes to dealing with local, regional and national stakeholders, which represents an important common component in upscaling strategy for the majority of the platforms.

5. Conclusion

A key question informing this report is whether sharing economy businesses will be able to "cross the chasm" from their currently niche position and upscale to attract mainstream customers. Our analysis indicates that this can be achieved through closer knowledge exchange and inter-organisational learning among sharing platforms in relation to the value of their customer proposition, technology and operations management, and stakeholder engagement.

Contact the Principal Investigators at v.grinevich@soton.ac.uk; franz.huber@uni-seeburg.at
Request the full report from: https://www.sbs.ac.uk/research/projects/scaling-up-the-sharing-economy