Sharing Economy

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Definition: Sharing economy is a new type of economic performance with its main characteristic being the sharing among peers. This can be regarded as a new economical approach with the individuals sharing their remainder resources. In this way, there is less need for the possession of resources leading to a decrease in redundant production. However, many implications arise from this type of economy.

Keywords: sharing economy; COVID-19 impact; global economy

1. Introduction

Sharing economy (SE) is a relatively new field of economics, gaining more and more attention from academia and industry, as well. It has many applications, for instance in materials, hospitality, transportation, sharing of information and knowledge, and is related to many economic and environmental aspects, e.g., circularity, sustainability, environmentally friendly practices, less production, and more responsible use of resources. The sharing economy is linked with sustainability, and it is regarded as an economic opportunity, a more sustainable form of consumption, and a pathway to an equitable and sustainable economy [1,2].

It is also regarded that it can bring people closer, uniting communities, also affecting the relationship among many people. In this context, since big-town life has been characterized as a destroyer of community, SE has been seen by many individuals that utilizes its properties as a romantic return to small-town or even village life [3].

SE can also be regarded as a “social revolution” because it allows the transfer of power from a few large firms to many connected actors [4]. The former financial crisis made many people seek alternative sources of employment and income. In this way, the sharing economy enabled those interested to make money on their assets that were previously in an idle condition [4].

However, even though the sharing economy is an innovative practice, the principle of sharing resources is not new [5]. More precisely, it had been known for many years in business-to-business domain, for instance, in the sharing of machinery in forestry and agriculture. Furthermore, another domain that utilized the sharing practices is the business-to-consumer, for instance, video rental, self-service laundries, car rental, public libraries, and even pools. Recently the sharing practices increased in the consumer-to-consumer transactions [5].

However, sharing economy is not only related to positive benefits for the society and environment, since it has many implications and negative aspects, or can be dysfunctional during periods of specific crises, for instance, the COVID-19 pandemic, during which the sharing practices decreased, or were even abandoned, due to the fear of the virus spread.

The present entry provides a literature review of the main findings regarding sharing economy and the implications that emerge from its practices. Moreover, the entry describes the effect of COVID-19 on the sharing economy practices, and, finally, concludes
with comments regarding its nature and its evolution, also proposing better utilization of its capabilities.

2. Sharing Economy

In this century, many problems have emerged regarding over-consumption, excessive production, non-optimal resource utilization, etc. This has led to the emergence of many alternative practices, focusing on the power of peers, and not on the economic system, the production, or the consumption. Such practices include crowdfunding, sharing a shelter, sharing means of transportation, tools, knowledge, a meal, or even someone’s time. In this context, sharing economy has emerged as a field of study with unique characteristics.

Sharing economy as a term is traditionally known as a “remedy for a hyper-consumerist culture” [6]. It is related to social and economic reformation [7], aiming at the reduction of environmental pollution [8], better value distribution of supply chains [9], technological advancements, change in people’s attitude towards possession and ownership, and the need for social connection with others, mainly peers [10]. Many researchers argue that SE can reform the tourism and hospitality industry [11,12].

Based on Richardson [13], the emergence of sharing economy can be regarded as a merge of two contexts, namely, the diverse economies and the cybercultures. Regarding the diverse economies, practices of sharing might be seen as central to the theory and practice of post-capitalist economies [14,15]. On the other hand, the practices of cybercultures are understood as the practices associated with computing and resonate with the political projects of diverse economies.

According to Tambovceva [16], sharing economy is based on “access-based consumption”, and more precisely, instead of purchasing and owning things, sharing economy consumers tend to have access to these goods, preferring to pay for the experience of temporarily accessing them. There are many ways for the sharing economy to perform, most of them being through a community, access, or collaboration [13]. The technological aspect of the sharing economy has some specific characteristics, and to be more precise, these are the temporary nature of the access, the platform mediation, the transferring of economic value, the crowdfunding supply, and the expanded role of consumers.

In general, the sharing economy includes many practices. Some of them are known to be traditional government-to-peer, for instance, transportation, public libraries, parks, land, business-to-peer, and peer-to-peer or collaborative consumption-based activities [17]. SE can be regarded also as a disruptive innovation that challenges the mainstream business models in many ways [18], with its firms operating in many forms, with diverse business models, for instance, partnership, sponsorship, acquisition, and investment [19]. SE also overlaps with many concepts, for instance, collaborative economy and consumption, platform economy, community-based economy, and access economy [20].

In the context of sharing economy, three main drivers are known to facilitate its development [5,21,22]. First, the change in consumer behavior, meaning that even though owning was a dominant practice in the past, recently, the temporary usage is gaining momentum for many consumers [5,23,24]. Second, the electronic market platforms and the social networks, since networking among peers is nowadays globally evidenced through social networks [5]. In this way, many consumers can communicate in this network, regarding the sharing of goods among each other. Electronic market platforms reduce the search and transaction costs, creating mechanisms for trust in anonymous markets, mainly through ratings and feedback, offering payment functions, for instance, social media payments, which can provide compensation for using the sharing services [5]. Third, mobile devices and electronic services, since a new term is emerging, known as the “app economy” [5,25], enabling the on-the-go services, mainly through mobile devices, such as smartphones and tablets.

The sharing economy has substituted the traditional middlemen, who were known to associate with higher transaction costs and fixed costs of holding capital and labor. With the replacement of those intermediaries, mainly by digital platforms, better matching of supply
and demand and lower transaction costs have been evidenced, since digital platforms are known to have no fixed costs related to owning, being able to offer a lower price [4].

The three most dominant kinds of services regarding SE are hospitality (43%), transport (28%), and education (17%), according to Slee [26]. Maybe the most well-known sharing practice is the sharing of space and hospitality, enabling verified users on specific platforms to book and provide accommodation [13], with revenues of great significance [27].

Additionally, there are also many other sectors related to sharing economy, some of them being transportation, time, and skills [28]. Furthermore, according to Owyang [29], other practices include crypto-currencies, crowdfunding, money lending platforms, and goods (peer-to-peer marketplaces, etc.). Some SE practices indirectly promote health and physical activity, for instance, bike-sharing, and in general, sports sharing [30]. Most sharing economy practices require the presence of a platform through which the peers connect, book the services or goods, and finally leave comments and rate the peers [13]. In this way, more people can interact and communicate, the costs of connecting decrease, and finally the ratings help people compare and choose, forcing providers to perform ethically and in the best possible response.

SE has many implications and faces many challenges [31]. However, it has managed to affect the economy positively through job creation and economic growth [13,32], reducing excessive spending and purchasing habits [23,33]. It also contributes to the protection of the environment, adopting sustainable consumption practices [34], and creates a tendency for the establishment of social relationships with the local community [35], positively affecting the society in this way. Safdar et al. [36] argue that in the past two decades the practice of car-sharing has emerged as a solution to facilitate mobility, reducing air pollution and traffic congestion.

As for mobility and SE, they are linked in many ways. Sharing mobility can affect many aspects of society. More analytically, ride-sharing has a social character, with many environmental contributions, some of them being the traffic congestion reduction, the decrease in the CO₂ emissions [37], the sustainable production and resources optimization, and many others. According to Hossain and Mozahem [38], the drivers’ perceptions regarding SE firms, customer hassles, and driving distress can provide insights into the sharing mobilities. The authors argue that there are incentives for these drivers to engage with SE, rating customers, and also being rated by customers, as well. Based on this field’s importance, it should not be surprising that many novelties, service improvements, and many new models are introduced to render this field more innovative. SE can transform the heavy transportation companies and the heavy users of transportation, as well, with the emergence of a new transportation ecosystem [39]. However, not all sharing mobilities demonstrate the same innovation adoption, for instance, bike-sharing services are found to be the most “open”, while car-sharing service providers are the least [40]. The sharing mobility demonstrates international and intercity services [41], demonstrating more and more features, services, etc. [42].

Moreover, SE has an important relationship with marketing [43]. The same authors [43] indicate three key foundations of marketing related to SE, and more analytically those are institutions, processes, and value creation. SE and marketing are also related through consumer behavior [44], consumer culture [45], strategy [46], empirical modeling [47], and analytic modeling [48].

Based on empirical evidence, many characteristics, mainly of a socio-economic nature, seem to render some people more apt to sharing practices than others. Buda [49] argues that economic status, education, and generation are some important parameters that affect the tendency of someone to participate in the scope of sharing economy. Moreover, gender is also a factor that seems to play an important role, since women are more apt to adopt sharing practices [50–52].

Furthermore, with the penetration of many factors in SE, some of them being of capitalistic origin, SE is transforming dynamically at a very rapid rate. In this way, some categories are formed based on a profit versus non-profit character and a peer-to-peer
and business-to-peer provider [53]. Other categorizations are based on the skills needed, e.g., low or high, and capital investment [3].

According to Botsman [54], in the context of sharing economy, a decentralized form of trust emerged and scattered through sharing networks in the form of rating systems. However, on the other hand, Gandini [55] argues that platform ratings may not be the best way to inspire trust in this specific system.

In the same context, innovation, especially digital innovation, and enterprise are closely related to the sharing economy practices, transforming the entrepreneurial practices, the beliefs, attitudes, and behaviors of consumers, and the technological landscape in general [56]. According to Benoit [57], SE is known to be linked with business model innovation, however, even though many other types of service innovation are linked with SE, they are not thoroughly examined. Similarly, Belezas and Daniel [58] argue that new social actors engaged in innovation activities are necessary for the SE performance, with some possible relevant emerging topics for research being network-based process innovation, co-creation of product innovation, evasive innovation, and technology-based service position innovation. Based on the aforementioned, innovation is very important for the viability and well-functioning of SE activities.

Moreover, SE can also contribute to and totally transform the educational system in many aspects. More analytically, school districts could be organized into local responsibility centers, encouraging local participation in this way, also being able to measure their performance. In this way, SE can provide insights into the possible ways of the educational system’s transformation [59]. As for higher education, to have the greatest possible outcome and a long-lasting effect, better course content with good teaching methods and more effective use of certain innovative instructional and sharing technologies can provide better learning environments and also better educational programs with accredited certifications [60].

Additionally, the impact of SE on society is of great magnitude [61]. Han et al. [62] argue that a reduction in home-sharing listings can lead to a general decrease in crime. Moreover, SE promotes social sustainable development in various ways [63], one of them being the solving of the unemployment problem [64]. Furthermore, certain SE practices can contribute to social and ecological well-being [65], and SE can establish collective and more lasting sustainable behaviors [66].

On the other hand, SE is not only associated with positive traits. In this context, many problematic conditions arise from the practice of sharing economy. Even though its initiation lies in the sharing among peers as an answer to the capitalistic system, many capitalists, landlords, great owners, etc., took the opportunity to reap the benefits from such an initiative by “sharing” their property. The problem regarding this situation lies in the fact that sharing economy is an answer to the capitalistic system, however, many capitalists find a way to use it against its cause. That is why more and more measures are being taken from sharing platforms, for instance, the number of houses, cars, etc., one provides for rent. In this context, Madrigal [67] suggests that capitalists can subsidize the emergence of platforms for low-paying labor, in order to provide on-demand servant services to rich individuals, simultaneously subjecting all parties to increased surveillance. According to Slee [26], considering many perspectives, SE is not as diverse as it may appear, and even if it is related to altruism and generosity, SE has been overwhelmed with commercial organizations. The author also gives some numbers, indicating that out of 70 peer partners, over 60 are for-profit companies.

Furthermore, it also affects the mainstream industry, since many hotel investments have cited a reduction in their revenues [47,68,69]. Moreover, the productivity derived from the sharing economy is not fully captured in official statistics, and thus a change in the productivity due to the sharing economy is difficult to be measured [4].

SE lacks a well-established and globally accepted policy and regulation [70,71], while the insurance and licensing are also in their initial stages [72]. However, SE makes more paces toward its official establishment every year, by all means. Moreover, in some cases,
there is neither a guarantee for the customer nor insurance for the provider. This can make things very tricky, since there are some cases where the service providers could be asked to do things that are unhealthy, or an accident could happen [3]. This does not mean that all services operate in this way, since there are platforms that provide insurance or a guarantee.

Furthermore, Compagnucci et al. [73] state that there are many aspects of the sharing economy and its decentralized character that make the legal context challenging. For instance, sharing economy can play an important role in the governance of cities, necessitating the consideration of the EU General Data Protection Regulation (GDPR), and its relationship with blockchain technology and cryptocurrencies. Many legal implications arise, especially with the utilization of artificial intelligence in autonomous vehicles, paving the way for a better-established legal system regarding sharing economy.

Moreover, the various activities in the scope of sharing economy can be provided both globally and locally. More analytically, some services can be provided by workers on a local scale, while others can be provided by workers being far away. This can be problematic for specific communities, since there may emerge constraints on the labor supply in certain regions as demand may increase for locally provided services. As a result, many sharing economy practices necessitate the mass of service providers, leading to the dense urban areas being more capable of sharing economy utilization [4]. In this context, many cities are becoming a natural environment for the sharing economy, due to the increase in users and also in the available goods and services. These cities are known as Smart Cities [74]. However, there is neither uniform distribution of sharing economy practices among the various regions of the world nor the same benefits for all kinds of workers and service providers. This can lead to the maintenance of probable inequalities.

Another concern regarding SE is the fact that it is not evidenced to provide new stable jobs for everyone. On the contrary, it is known to provide short-term employment, often paying wages being lower than the market [4]. This can make matters worse for the case of income inequality. Furthermore, the fact that not all individuals have specific needed skills, knowledge, and capital (house, cottage, car, etc.) renders the inequality in an even more problematic condition. In this context, localism or even racism could emerge, since in the case that a community performs in a specific way, based on the sharing economy, they can view outsiders as enemies. This has its origin in the fear of intruding and distorting or even destroying the community or the way the community performs. This can be the case for very short communities, with a probable obsolete and specific performance. As a result, even though sharing economy has many strengths, caution is needed.

With excessive digitalization, there is a downward price trend. However, since goods that can be digitalized follow a downward price trend, the goods that cannot be digitalized will remain the same [4]. This means that not all goods will benefit from the sharing economy practices, and moreover, not all practices will lead to sustainability. In this context, a concept has emerged regarding digitalization, known from 1981 by Rosen [75] as “superstar biased”. In this way, a winner takes all the revenues, because the marginal utility derived by consumers when using a specific digital platform increases with the number of consumers in general that use this platform, leading to the rendering of this platform as unique, directing even to its monopolization [4]. In other words, there is perfect competition in the scope of a digital platform, but a monopoly between these platforms.

3. The COVID-19 Impact on the Sharing Economy

The COVID-19 pandemic had an important effect on the global economy, affecting many of its dimensions, some of them being health services [76], transportation [77], tourism [78], and many others. SE was also an aspect of the economy that was severely impacted [79]. The fear of the COVID-19 spread, and the lockdown measures caused panic, making many people abstain from sharing practices, as means of virus contraction, especially those perceiving sharing practices as a health threat, abstaining from vacations [80], with many cancellations regarding house sharing [79], or abstaining from commute or ride-sharing transport mobilities [81], which affected, even more, the SE field. Finally, the
fact that not all SE facilities were eligible in gaining financial aid rendered the SE peers helpless [79]. In this way, the pandemic unveiled the vulnerability of the current SE practices, highlighting the need for better organization and in-depth and careful structure and planning of SE.

In this context, COVID-19 raised many concerns, regarding the SE’s viability and its well-functioning [82], with people engaged in these activities being highly petrified. Most of the stakeholders’ concerns were related but not limited to hygiene and safety, anxiety, cancelations, job loss and income reduction, with many implications, as already examined by Hossain [82]. However, based on empirical evidence, through a Google trends approach, Batool et al. [83] argued that not all SE industries were affected in the same way and magnitude. More analytically, transportation and accommodation sectors were negatively impacted by the COVID-19 lockdown measures, while on the other hand, other sectors of the sharing economy, such as streaming services, online deliveries, and freelance, showed a positive interest. The authors propose that during such crises, people engage in such activities to reduce unemployment, being capable of switching from one SE industry to the other. Similarly, based on the research study performed by Chen et al. [79], the pandemic resulted in a high percentage of income loss for certain SE activities, with service providers suffering many times more than the platforms.

It is very important to point out that institutional and government regulations can contribute to the improvement of the sharing economy business models, providing not only insights into the problems that emerge in SE crises, but also can lead to solutions [84]. In this context, many service providers were not eligible for financial aid, making matters worse, unveiling the vulnerability of SE during the COVID-19 era. In this way, many concerns arise regarding social protection and taxation of informal employees [79].

Similarly, the pandemic unveiled some drawbacks in the way society was organized, also demanding the need for societal changes. For instance, the need for more physical activity, spending time at home, or in a natural environment, with one’s beloved persons, and working remotely emerged as possible alternatives in the classical methods of performing and spending one’s free time. In this way, people can organize their lives more efficiently, also becoming more prolific. A fact that strengthens this point of view is the fact that many individuals turned to walking or biking as a means of transportation [85], especially when on vacations [86], and preferred to spend time in a natural environment [87].

Even though mobility usage decreased during the pandemic, the various means of transportation were affected differently. To give an example, bike-sharing demonstrated a lower decrease in its usage than that of the subway [88], and on the other hand, the average duration of the bike-sharing usage activity increased, rendering it more resilient than the subway [85]. Another mobility that emerged during the pandemic was walking. Based on these facts, even though the pandemic negatively affected the mobility of individuals, some of them preferred to continue to use mobilities that were considered less risky, and even healthier. This changed their habits, turning to a healthier lifestyle.

Finally, the effect of COVID-19 on the sharing economy practices was huge, but it was not only negative. It allowed the SE practices to re-organize themselves, move individuals towards healthier practices, and gave the opportunity to rethink their purpose, motives, and scope of performance.

4. Conclusions

As stated above, SE is an emerging field of the global economy, affecting the socio-economic environment in many ways. It provides more sustainable consumption, reduces disposable production, gives a repurposed manner to idle assets (e.g., a cottage, a vehicle, etc.), and gives value to things that in other circumstances would not have any. There are properties that render SE sustainable, and according to Curtis and Matthias [89] those are non-pecuniary motivation for ownership, temporary access, ICT-mediated, rivalrous and tangible goods, promoting sustainable consumption compared to classical market-based exchanges.
The SE emerged as a movement towards more responsible use of resources, environment protection, and connection among peers. It can be regarded as a movement opposed to capitalism, with the empowerment of the crowd, and, more precisely, of the peers. Digital platforms that enable peers’ access to goods and services facilitate this role through the connection of the peers, giving more value to the performance of the sharing economy.

However, sharing economy leads to a paradox, since for some researchers it is regarded as a response to the capitalist economy, viewed as an alternative to that, and on the other hand, other researchers regard it as part of the same system [13,90]. This unambiguous nature of the sharing economy leads to the bi-directional question: how is it capable of constructing diverse economic activities and simultaneously inviting the reformation of ongoing practices of dominance? [13].

In this context, some researchers indicate a “dark side” of the sharing economy [91,92], which includes underlining legal, regulatory, political, and other battles, increased precariousness, and risk shifting [93–96]. There are also some related practices via which one can avoid paying taxes, and in some cases, individuals may even break the law [97].

SE changes the way people work and collaborate, but in cases where there are no policies or workers may be in jeopardy, there are solutions that could diminish or even totally solve these problems. For instance, programs and policies can be implemented that can address the need for workplace flexibility while also protecting workers [3]. In this way, it is feasible to reap the benefits of SE and simultaneously diminish its drawbacks.

The sharing economy leaves an open question of what its true purpose is, paving the way for both opportunity and critique [13]. In this context, Eckhardt and Bardhi [98] argue that we cannot account for a true sharing economy, but more of an access economy. Similarly, Schneider [99] highlights the failed promise of a liberating Internet as an opportunity for everyone, also paving the way to the dominance of a few colossal companies, monopolizing the commons by diluting privacy, tweaking terms of service, and charging fees for essential features [92].

Breakthrough in the SE is expected to emerge from a collaboration of scholars with different skills, expertise in different domains, and different types of data [43]. This is very important, since collaboration is at the core of the SE, and only by utilizing this can we contribute to sharing economy’s better performance.

Concluding, as urban environments are becoming more and more crowded, causing a steadily decreasing quality of life, cities and governments, together, should try to become more shareable [100]. However, only by performing a fundamental rethinking of the way they plan and govern, and through radical changes, can the true potential of the sharing economy be unlocked [100]. This transition towards sharing practices should have pure incentives in its core, and not the profit as a capitalistic origin, in order to become sustainable and more efficient. Although it is difficult, it can be more than a romantic dream.

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