

**11th International Conference of the European Society for Ecological Economics, University of Leeds, UK 30 June – 3 July 2015**

*Session 5: New business models and understandings of human behavior; Topics: 5.1. Business models, organisations, and alternative valuation; 5.3 Product-service systems and transition to a circular economy*

**Title: Urban Sharing: From Anecdotal Practice to Business Models**

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## **SUMMARY**

Global urbanisation aggravates environmental and social challenges but cities offer innovative solutions to unsustainable consumption. While urban sharing is a well-known phenomenon, the role of sharing business models for more sustainable living was not studied sufficiently. This article provides a better understanding of the “sharing city”, its role in enabling sustainability transitions and institutionalisation for urban sharing. Case studies include San Francisco, Berlin and Seoul. Data is collected via literature analysis and ten semi-structured interviews. Data analysis is guided by neo-institutional theory, and explores the legitimacy levels of sharing in each city. Reasons for emergence of sharing include global economy shifts, changes in attitudes to consumption and ownership, and ICT development. Urban sharing can benefit economic, environmental, social and democratic dimensions of urban communities. While a viable strategy for institutionalisation of sharing is through gaining cognitive and socio-political legitimacy, a precaution must be taken when scaling up sharing business models.

## **EXTENDED ABSTRACT**

**Background and research problem:** Today 54% of the world population lives in cities, and the number of urban residents grows by 60 million each year. The urban population is projected to increase by another 2.5 billion in 2050 and constitute 66% of the world population (United Nations 2014). While the cities become more and more economically productive, the urbanisation trends lead to even further deterioration of natural resources and aggravation of environmental problems due to unsustainable lifestyles and consumption patterns and levels, as well as pose new social challenges such as poverty and inequality for the cities to face.

At the same time, the amount of existing equipment and infrastructure in urban areas that is barely used is significant. For example, 29 million personally owned vehicles are used on average one hour per day (Botsman and Rogers 2011). Cities are recognised as ‘a battlefield for sustainability’ since they can become generators of innovative solutions to unsustainable consumption trends. Such solutions transform urban metabolism by offering new platforms and spaces for service provision, and thus become meaningful enablers of new business models for sharing and collaborative consumption and production.

“Sharing city” is a recently articulated concept (c.f. Agyeman, McLaren, och Schaefer-Borrego 2013), which combines the benefits of a sharing economy and collaborative consumption with

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urban development and community building. While the notions of urban sharing are well-known (Voytenko and Mont 2013), research is needed on the role of new sharing business models in catalysing transitions to sustainable living in urban areas.

**Research questions (RQs):** This study aims to provide a better understanding of the “sharing city” concept, and its role in enabling urban sustainability transitions. The research questions include:

- Why does the urban sharing emerge and what role does it play in urban sustainability transitions in cities?
- How might urban sharing business models become institutionalised?

**Theory:** Sharing and collaborative consumption initiatives are viewed as innovative ways of value creation, which often emerge outside established systems of service provision (e.g. incumbent business models) but have a potential to embed into or disrupt such systems, and thus become institutionalised. The part of neo-institutional theory, which explores the emergence of new ways of doing business, is applied to explain how the new sharing business models can successfully penetrate mainstream markets (Aldrich and Fiol 1991). We argue that once the sharing in cities gains both cognitive (i.e. the understanding and knowledge of urban sharing schemes by the city dwellers, who are both potential users and initiators of such schemes) and socio-political legitimacy (i.e. the acceptance of urban sharing schemes primarily by the policy makers and municipal leaders, who can provide political support through legal frameworks, subsidies and enabling infrastructure), it will become institutionalised and embedded into existing urban social-technical regimes.

**Methodology:** This work applies qualitative methodology to data collection and analysis, which is preferred when the investigator seeks to answer “why” and “how” questions (Yin 1994). It is used when a researcher has little control over events and when the focus is on a contemporary phenomenon (new sharing business models) within real-life context (urban areas). The qualitative approach is used as it aims to explore the conditions under which specific outcomes occur (e.g. sharing business models emerge), the mechanisms through which they occur (e.g. mechanisms to penetrate/disrupt established markets and ways of doing business), “rather than uncovering the frequency with which those conditions and their outcomes arise” (George and Bennett 2005).

Methods for data collection include a literature analysis, five semi-structured interviews and five expert consultations. The Kipling Method (2001) is used to rationalise data from the general literature review and the three case studies. The questions in the framework seek to collect data on *when* the sharing became a part of an urban landscape, *why* it occurs in a city, *what* is being shared, *who* shares it, *where* the sharing happens within the city and *how* the sharing is perceived by urban actors. The case studies include the cities of San Francisco, Berlin and Seoul, which represent three continents, three different population sizes and three different driving forces behind sharing. These cities are chosen as they display a variety of present or emerging sharing initiatives and business models. Data analysis is guided by the neo-institutional theory, and explores the levels to which the urban sharing practices have or have not gained cognitive and socio-political legitimacy in each case study. In-case analysis guided by

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theoretical framework is performed followed by a cross-case comparison. Work by Yin (2009; 2003) serves as a guidance for the case study design.

**Results and conclusions:** The key reasons for the emergence of urban sharing include major shifts in global economy such as the recent economic recession, changes in attitudes towards consumption and ownership, and the development of Information and Communication Technology (ICT), which enabled the creation of new markets and sharing platforms. It is found that urban sharing can benefit economic, environmental, social, and democratic dimensions of an urban community.

When analysing acceptance and understanding of sharing practices in the three case studies, it is clear that in Berlin case, value creation through sharing is delivered by the enthusiastic population and thus has gained cognitive legitimacy while any political support of such initiatives is currently missing, and no formal structure of sharing exists. In Seoul, on the opposite, socio-political legitimacy of sharing has been acquired through a strong support by the city government resulting in 20 sharing programmes and policies. At the same time, knowledge about sharing possibilities in Seoul is still thinly spread among its residents, i.e. the sharing initiatives lack cognitive legitimacy. San Francisco is a home city to two institutionalised/successful sharing business models: AirBnB and Uber, and a variety of sharing initiatives in transportation, food and housing sectors. San Francisco is a clear example of sharing practices acquiring support both from the municipal government through changes in its planning and land use codes and supporting pilot sharing schemes (i.e. socio-political legitimacy) as well as its citizens, who are the users and co-creators of these schemes, as well as their active promoters (e.g. through online ratings), which even further increases cognitive legitimacy of sharing.

While this study shows that a viable strategy for sharing business models to enter mainstream markets and become institutionalised is through gaining both cognitive and socio-political legitimacy, a precaution should be taken when one is to consider scaling up those schemes. One risk of the commercial expansion of sharing is in the previously 'private' life spheres with intrinsic social benefits becoming excessively marketed, which exposes many areas of life to commercial exchange.

**Keywords:** sharing city, new business models, sharing economy, collaborative consumption, sustainable consumption and production, sustainable urban transitions

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