**Collaborative consumption or the sharing economy explained in 4 minutes!**

Tom and Anna are going to Paris using Airbnb, an app that connects people with available short term accommodation. The apartment they find belongs to Julie, who rents out her guestroom when she doesn’t need it. This economic exchange is called collaborative consumption. It’s also known as the sharing economy for access-based services. A few years ago it didn’t exist but now services such as Airbnb ,Uber and others are making headlines .

Let’s answer a few questions to figure out what makes collaborative consumption so revolutionary.

How is it different from buying, renting or sharing?
First, collaborative consumption always involves three actors :a customer, in our case Tom and Anna , a peer service provider Julie ,and a platform provider like Airbnb .
Buying or renting generally only involves two actors: a company and a consumer .Second, in collaborative consumption, access to goods is only temporary. Julie owns a flat and gives Tom and Anna the right to use it but only for the weekend. There is no transfer of ownership.  Finally collaborative consumption uses the market as opposed to social mechanisms. If Tom and Anna were friends with Julie they wouldn’t pay for the room.

Why do Tom and Anna and Julie and the platform-provider participate in this exchange?

For the customers, the main motivation is cost. Julie’s room is cheaper than a hotel room of the same standard .Tom and Anna also enjoy Airbnb‘s sense of community.  In fact their travel experience is more authentic. Plus they bear none of the risks of owning such a flat. Overall quite a sweet deal for Tom and Anna and for the platform service provider!
For the peer service provider the motivation is gaining extra income from an underutilized asset.
Additionally Julie benefits from the freedom to choose which days she rents out her room and how she wants to do it and she gets to meet people from around the world.
For the platform provider the main motivation of course is profit. The platform providers may also enjoy reacting to market trends, building networks and co creating socially innovative products with their users. That is the how and why of collaborative consumption.

Now what are the actors expected to do in these transactions?

Tom and Anna are expected to obey Julie’s apartment rules. This will keep Julie and Airbnb motivated to provide the flat to other customers. Tom and Anna are also expected to provide a detailed user profile and to interact with Julie and the platform to foster trust and build the community. Julie on the other hand must own an asset but Julie also needs good social skills. She needs to be a welcoming host, who can offer a personalized service and can foster trust. This is very important to preserve Julie’s and Airbnb’s reputation. Finally the Platform providers are expected to fulfill its role as matchmaker. They need to provide the app but they must also ensure that the supply and demand continues to benefit both sides. The platform provider will rely on its market knowledge and its ability to mobilize a broad range of people inside and outside of the platform.