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COLLABORATIVE BRANDS – DIGITAL VALUE CREATION IN THE
COLLABORATIVE ECONOMY

Abstract
The collaborative economy is impossible to ignore; it is undeniably a global movement and represents a potential $335 billion market. The collaborative economy represents a new way of thinking about business, exchange, value and community. While its definitions are varied and parameters continue to evolve, activities and models within the collaborative economy enable access instead of ownership, encourage decentralized networks over centralized institutions, provide new models to unlock wealth and often do so to a wider group of stakeholders. They make use of idle assets and create new marketplaces.

The burgeoning peer-to-peer economy has also disrupted traditional business models and is extending to new and different types of markets and as such provides plenty of opportunities for entrepreneurial activity across different industries and fields. In the new realm, companies can explore how to provide value by enabling peer-to-peer sharing or company-enabled platforms for sharing. First-mover companies can benefit from the collaborative economy trend instead of seeing it as a threat to their existing business. Existing enterprises have clear assets, such as established brands, channels and financial muscles with which they can become the leaders in the collaborative economy if they only manage to rethink their business logic.

Brands are understood as “communicative objects that the brand manager wants consumers to buy into a symbolic universe as defined, in part, by the brand identity”. Consumers view brands as a key part of a product as they hold and convey meaning well beyond a product’s physical characteristics. Brands are a key element of the company’s relationships with its customers.

This paper will provide an extensive literature and example review of current examples of established brand businesses operating in the sharing economy. The examples will showcase how existing brands can be extended with elements of the collaborative economy. Another result of the paper is to highlight practical examples for existing businesses and brands on how they can start their involvement in the collaborative sphere and what kind of competitive advantage lies therein. We demonstrate that when established brands enter the collaborative consumption space, they can achieve a distinct competitive advantage that is extremely difficult to copy and thus sustains better leading to improved corporate performance and strengthened brand value.

Keywords: collaborative economy; brands; competitive advantage; engagement

Introduction
The collaborative economy is an economic model where commonly available technologies enable people to get what they need from each other (Owyang 2015). As a phenomenon and a global movement it is impossible to ignore. Already in 2011 TIME magazine introduced the sharing economy to be one of the “ten ideas that are changing the world (Walsh 2011) whereas more recently the World Economic Forum included the sharing economy in the “six technology megatrends shaping the future of society” (Brechlbuhl 2015). It is the next big trend in social commerce. Recent estimates by Forbes place the sharing economy at 3.5 billion USD in 2013 with a market growth rate of over 25% (Forbes 2013, Dervojeda et al. 2013). PwC estimated in 2014 the five key sectors of the sharing economy globally to be around USD 15 billion and expected to grow to USD 335 billion by 2025 (PwC 2014). The collaborative or sharing economy is surpassing any other markets in outlook and market growth.
The collaborative economy represents a new way of thinking about business, exchange, value and community. Activities and models within the collaborative economy enable access instead of ownership, encourage decentralized networks over centralized institutions, provide new models to unlock wealth and often do so to a wider group of stakeholders. They make use of idle assets and create new marketplaces. Van den Hoff (2013) amongst others, sees that this will lead to a situation and society where the traditional ways of doing business, existing rules and the current regulatory framework are challenged and questioned and to a vision of the society of the future dominated by new economic and social models. The peer-to-peer economy has also disrupted traditional business models (for example Eckhardt & Bardhi 2016) and upset the regulatory status quo. In the new realm, companies can explore how to provide value by enabling peer-to-peer sharing or company-enabled platforms for sharing.

The current growth of the collaborative economy is due to the emergence of new urban lifestyles, and more importantly, the development of digital platforms that enable new forms of collaboration, as well as the development of professional skills and services that allow the replication of individual collaborative solutions. Commercial collaborative economy solutions are more likely to complement, rather than compete with consumer-to-consumer or public-sector-to-consumer solutions. This is because the public sector is not likely to expand into new areas in the future. Nor are consumer-to-consumer solutions likely to grow unless they are professionally facilitated. This is because it would be too laborious and time-consuming for consumers to manage collaborative services on a large scale. We believe that extending purely non-profit collaborative solutions with a facilitator from the commercial sector is the dominant business model for large-scale collaborative economy solutions in the future.

The collaborative economy

The collaborative economy builds on distributed networks of connected individuals and communities. The rise of new forms of consumption is not constrained to individual actions of buying goods to satisfy needs, but includes collaborative consumption, focusing on: products as services; redistribution markets; and collaborative life-styles (Botsman & Rogers, 2010).

Currently a vast mix of terms is used in connection with the collaborative economy. Often synonymously used are collaborative consumption, the sharing economy and the peer-to-peer economy. Botsman (2013) emphasizes the need to distinguish between these and provides distinctions for the terms. The collaborative economy is built on networks of connected individuals and communities instead of centralized organizations and transforms how we produce, consume, finance and learn. Collaborative consumption is an economic model based on sharing, swapping, trading or renting providing access over ownership. The sharing economy is an economic model based on sharing underutilized assets whereas the peer economy includes marketplaces that facilitate the sharing and trade of products and services built on peer trust.

Owyang (2014) identifies the key forces shaping the development to be either societal, such as the desire to connect or the sustainability mindset, economic such as the financial climate or technology enablers such as the internet and mobile technologies. Botsman (2014) on the other hand sees the collaborative economy to be thriving based on five key problems of redundancy, broken trust, limited access, waste and complexity.

The sharing economy has the potential to provide a new pathway towards sustainability as a long-term goal (Heinrichs 2013). Collaborative systems can, in fact, be more environmentally friendly by increasing usage efficiency, reducing waste, incentivizing better products, and by absorbing the excess of production and consumption. These lead to declines in CO2 levels, noise and traffic congestion and natural resource savings through product life-cycle extensions and decreases in food wastage for example (Dlugosz 2014). Yannopoulou et. al. (2013) find references to a strong sustainability discourse and inter-personal exchange in collaborative consumption experiences such as Couchsurfing and Airbnb. The sharing economy makes fuller use of idle resources, allows decentralized production and consumption systems and provides an outlet for surplus or under-utilized personal goods. It has also been demonstrated to bring about social benefits through engagement, building trust and enhancing community values and cohesion for example. However, as Demailly and Novel (2014), Agyeman et al (2013) and others point out, the research on the actual, and not just the expected environmental impacts of the sharing economy have been very few and sporadic. There is no evidence
demonstrating conclusively that the collaborative economy is either good or bad as a rule in terms of environmental impacts. Rather, the impact is situational and can vary from very positive to very negative.

**Changing consumer behavior**

Consumer behavior is shaped by culture, affluence, personal attributes and a wide array of other factors. In addition, global megatrends, such as globalization of trade and commerce, digitalization, internet and social media and scarcity of resources have had and are having a profound impact on how consumers behave and how consumers wish to fulfil their needs. One recent megatrend is consumer engagement.

The concept of engagement has been used in various disciplines. It can be viewed as a process characterized by interactions and experiences between a subject and an object. Within marketing, engagement is taken to mean the psychological process through which customers move to become loyal towards a brand of their choice. (Bowden 2009, Brodie 2011a, Brodie 2011b). Hollebeek (2011) argues that the level of customers brand-related concentration (immersion), positive affect (passion) and the level of energy put in particular brand interactions (activation) together represent just how much the customer is prepared to exert cognitive, emotional and behavioral investments while interacting with the focal brand (Hollebeek, 2011).

Companies are inventing new ways of integrating consumers in their value creation processes to enhance the success of new products and services. At the same time consumers are creating novel ways of satisfying needs that often include collaboration with fellow consumers. (Blättel-Mink 2014). Research in the field of active consumorphism and sustainability distinguishes different types of consumer involvement, or active consumorphism: ethical consumption, prosuming of new type, user innovation and sharing economy. (Blättel-Mink 2014).

Research on consumer involvement in processes of value creation goes back to the 1980s. Alvin Toffler (1980) coined the term “prosumer” – a hybrid of producer and consumer. The term denotes consumers who are either actively involved in the creation of products and services for the market, or who take on some of the traditional functions of producers for their own use. Toffler anticipated that the spheres of consumption and production, that have been structurally decoupled in the era of industrial society, will move closer together again in the postindustrial, respectively the service society. The so-called prosumer economy integrates consumption and production. The phenomenon of “collaborative consumption and production” implies prosumership for the benefit of a community. Heimans and Timms (2014) point out that the change in consumption habits is transforming the consumer from a passive, traditional consuming role through sharing and funding towards an active producer or co-owning role where the individual has partial or complete ownership in related content or assets. They also argue that this change is reflected in new power models which are enabled by peer coordination and the agency of the crowd instead of the traditional power residing in organizations and structures (Heimans & Timms 2014).

Barkworth (2014) identifies six new trends that will change consumer behavior in the short- to medium term as:

<table>
<thead>
<tr>
<th>Multiplicity</th>
<th>We are increasingly expecting things to do more that involves interacting with all our senses, offers us a range of touch points to play with, and involves us entirely in new experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hyper efficiency</td>
<td>We are seeking and discovering ever-smarter and more efficient ways to solve age old issues—such as keeping fit, lack of space and limited resources. The results are sleeker, quicker and use things that have previously been ignored</td>
</tr>
<tr>
<td>The new industrial revolution</td>
<td>Science is no longer a closed world, just for geeks. Digital and technological advances are enabling us to create in new ways—leading to new creative forms and helping us see a new appreciation of the digital as a thing of beauty.</td>
</tr>
<tr>
<td>Escape</td>
<td>In a world of austerity and grown up responsibility, we are seeing the increasing desire to let go, to let loose and indulge in childlike freedom or sheer hedonistic joy.</td>
</tr>
<tr>
<td>Mindfulness</td>
<td>In a world full of buzz and surface interactions, people are seeking more depth and meaning. They are craving time away from the stimulus of the internet, making their leisure time more about self-development, and taking their own ethical responsibilities seriously</td>
</tr>
</tbody>
</table>
Super-personalized personalization has been taken out of the hands and tastes of consumers. This is not just bespoke you select – it is also bespoke that selects you. Advances in technology mean that products are able to read consumers and give them what they want – sometimes without even being asked.

It is clear to see that all the mentioned trends are in-line with active consumer engagement, enhanced value creation and collaborative consumption or smart consumption. Companies and cities need to embrace this shift in consumer behavior and recognize that instead of traditionally managing customers or citizens, for example with some sort of CRM tool, the role of the business and the brand as well as the city is to facilitate collaborative experiences and dialogue that customers value (Baird & Parasnis 2011). Consumers are tribal in nature and prone to influence. Cities and brands should take advantage of this opportunity that rises from consumers forming communities along mutual interests through social media.

Having an engaged customer and larger audience helps companies avoid the wastefulness of traditional media advertising. According to marketing agency Hubspot, the average banner ad has a click through rate of just 0.1%, for Facebook being even worse at 0.04% (Zwilling 2013). Clearly engaging customers and reciprocal relationship creating value for both the consumer and the company can increase the return on any marketing efforts manifold.

Currently, the consumer context involves the increase in environmental and social consciousness, which reflects in the adoption and the preparedness to adopt alternative forms of production and consumption. This notion of change indicates that consumers are able to take a more collective approach, where rather than consumers, they are citizens (Jackson 2007, Spaargaren & Oosterveer 2010).

**Digitalisation and social media as mediators**

The internet makes it cheaper and easier than ever to aggregate supply and demand. Smartphones with maps and satellite positioning can find a nearby room to rent or a car to borrow. Online social networks and recommendation systems help establish trust. People are looking to buy services directly when they need them, instead of owning an asset. Providing a secure platform for financial transactions is vital, but creating a trusting community is just as important when it comes to attracting users. Social media has reshaped both the nature of marketing communications as well as consumer behavior by completely changing the way in which consumers interact with brands and with each other (Berthon et. al. 2008).

Friedman (2005) and van den Hoff (2013) affirm that competition and collaboration at a global scale, among individuals and companies, are now cheaper, easier, less conflictive, more productive, and reaching an ever increasing number of people. Global society lives in an era where technology will literally transform the business world, life, and society in all aspects (Friedman 2005, Rifkin 2014). According to Friedman (2005), in the 2000’s a global playing field was created and, articulated through the web, made different forms of collaboration viable, meaning the sharing of knowledge and work at global scale. According to Belk (2007), sharing here can be understood as the act or process of distribution of what is ours for others to use, and/or the act or process of receiving/taking something that belongs to others for our own use. There are several on-line communities flourishing, and a trend towards collective production and innovation (Kozinets et al., 2008).

The advancement and dissemination of ICTs made possible new forms of sharing, and the ascension of platforms for collective practices that allow interaction, free access to information, knowledge exchange, creation and collaboration. In an organizational environment, these practices indicate new business models, new ways of conducting decision making processes, product development and collective learning for example.

**Benefits and challenges for big brands**

Brands are defined in a variety of ways. Important to note is that brands are intended to identify and differentiate the goods and services of one seller or manufacturer (for example Kotler and Keller 2009, Kapferer 2005). Consumers view brands as a key part of a product as they hold and convey meaning well beyond a product’s physical characteristics (Keller 2003, Kotler and Armstrong 2004, Kotler and Keller 2009). Brands are also argued to signal or convey an understanding of a quality level associated with the product or service leading to better customer satisfaction and thus lowering the threshold to choose the product again and
making the decision-making process easier in the face of uncertainty (Erdem 1998, Kotler and Keller 2009, Montgomery and Wernerfelt 1992.).

Brands are a key element of the company’s relationships with its customers. Brand equity; or the value of the brand, being either high value with strong brands and low value with weak brands, translates directly into the brand’s potential to create revenue, business success and competitive advantage for the company (Aaker 1991, Keller 2003, Kotler and Keller 2009, Erdem and Swait 1998, Ho-Dac et al 2013). Through brand equity; or the effect of the brand on the consumers’ response, loyalty and trust can be created (Solomon et. al. 2006, Kotler & Armstrong 2009). Laforet (2011) argues that the relationship between the brand and the customer is in large based on trust. The bond connecting the consumer and a specific brand involves feelings and has an element of emotional brand attachment. According to Mooney (2008) emotional aspects are how a brand can engage a consumer on the level of their senses and emotions to forge a deeper and lasting connection.

Brands are understood as “communicative objects that the brand manager wants consumers to buy into a symbolic universe as defined, in part, by the brand identity” (see Schroeder, 2009, p. 124). This traditional perspective fails to consider consumers’ active involvement (Schroeder, 2009). User-generated branding is defined as “the strategic and operative management of brand related user-generated content to achieve brand goals” (see Burmann & Arnhold, 2009). The characteristics of UGBs identified to date can be summarized in the following. Co-creation of value becomes central, as the focus is on how to actively engage consumers and staff members in the same activities (Vargo & Lusch, 2004). Individuals take upon a variety of roles, including that of producer, distributor, marketer and user of product (Pitt et al, 2006). In this way, resources are spread, while control is shared between users. UGBs foster a new lifestyle through collaborative consumption and peer-to-peer sharing economies. There is a noticeable shift towards the so-called ‘exchange economy’, with the introduction of numerous online brands, which allow consumers not only to purchase, but to also exchange products, services and skills. UGBs offer unique value to consumers with regard to identity formation and community building, that is not compromised by commercial motives, and thus can not be found in traditional brands (Hippel, Schroll & Fuller, 2011). This in turn appropriates new indicators of success such as user engagement, value creation, transparency and authenticity (Yannopoulou et. al. 2013).

Kotler and Armstrong (2004) view brand development strategies as a choice between pursuing growth through new or existing brand names accompanied by new or existing product categories. Belz and Peattie (2009, 2012) adopt this framework to study the potential for developing sustainability brands and Campher (2014) works further on the same framework to provide practical insights into developing sustainability oriented brands. The four approaches in this framework are Line extensions, multi-brands, brand extensions and new brands (Kotler and Armstrong 2004, Belz and Peattie 2009, Campher 2014).

<table>
<thead>
<tr>
<th>Brand name</th>
<th>Product category</th>
<th>Existing</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing</td>
<td>Line extension</td>
<td>Brand extension</td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>Multibrands</td>
<td>New brands</td>
<td></td>
</tr>
</tbody>
</table>

Figure 1. Brand development strategies (Kotler and Armstrong 2004)

With line extensions companies introduce new items, products or versions using the existing product category and existing brand name. Line extensions are overall the most common brand development strategy (Kotler and Keller 2009). With sustainability related brands this often refers to the introduction of a sustainable alternative to an existing product, such as an organically sourced alternative or one made paying close attention to human rights in the supply chain (Belz and Peattie 2012, UNEP et al. 2005). Line extensions often cater to
changing consumer behavior and show how the company is reacting to the shifting consumer landscape (Campher 2014).

Brand extensions are situations in which a company introduces products into a new product category but under an existing brand name with the intention of using the existing brand equity to grow (Aaker and Keller 1990, Tauber 1981). Sustainability brand extensions leverage the existing sustainability brand association to introduce new products in new categories, such as the growth of TOMS from the original shoes category into eyewear, coffee and water. Brand extensions are debated as in addition to the significant benefits, they entail significant risks related to dilution and deterioration of brand equity (Aaker 1990, Roedder-John et al 1998).

Multi-brands occur when a company has two or more similar and competing products under different and unrelated brands. While these brands might eat into each others' sales, multi-brand strategy does have some advantages as a means of obtaining greater shelf space and leaving little for competitors' products, saturating a market by filling all price and quality gaps and catering to brand-switchers users who like to experiment with different brands. Companies often introduce sustainability brands with the multi-brand strategy, such as exemplified by the abundance of large retail chain’s private label lines catering to different price and sustainability levels (Campher 2014).

Introducing a new brand in a new product category has the highest level of difficulty and requires most efforts, while on the other hand it perhaps has the lowest risk of negatively affecting existing brand equity. A new brand is either developed by an existing company or by a new company and they can potentially lead to transforming entire industries, such as the impact of the Prius or Tesla on transportation and personal cars. Many of the sharing economy examples are in fact new brands that are transforming the way we consume.

**Methodology and results**

In our research we took as a starting point established examples of brands that are involved in the collaborative economy and analyzed them through the brand development strategies framework, i.e. mapped all of the examples on the grid in the relevant spaces. The examples were determined into categories after careful examination, double-checking and evaluating the most prominent feature of the collaboration to judge whether the example exhibited a line extension, brand extensions, multibrands or new brands. We have analyzed and evaluated 223 of the 226 examples of existing brands with involvement in the collaborative economy as identified by Jeremiah Owyang (2016). The omitted examples did not in our view demonstrate involvement in the collaborative economy. We then classified all of the examples into the four brand development strategies categories. However, we found two specific additional categories, where companies were either experimenting with the collaborative economy through sponsorship (most commonly sponsorship of bike sharing schemes) or purely using the collaborative economy to engage with customer through crowdsourcing or crowdfunding that we viewed as not being examples of a brand development strategy according to the framework provided by Kotler and Armstrong (2004). These represent 19% of the examples. However, although not fitting into the given framework snugly, they might nonetheless provide valuable business and brand development support by making the brand critically valuable to consumers through the consumers investing their own time and resources in building it, which may also boost creativity and innovativeness. Engaging with customer and enabling this through a sharing economy platform is one of the benefits brands can reap from the sharing economy (see also Andjelic 2014, Fitter 2015, Duckler 2015). Figure 2 shows how all the examples are spread over the different alternatives.
Within the brand development framework, it is clear to see that most examples fall into either line extensions or brand extensions with a minority equally spread between multi-brands and new brands. The most common examples of the brand extensions are for example providing a service to accompany an existing product brand, such as providing a delivery service through a sharing economy platform for an existing product range or providing an additional value enhancing service to complement the product such as maintenance, financing or user support through sharing economy platforms. In this respect brands partner with existing sharing economy platforms to provide added value through convenience, easy access or other key customer benefits. Walgreens, a leading US drug chain, partnering with a platform for outsourcing errands, TaskRabbit to deliver over-the-counter drug medication is an example of this. In these cases, the sharing economy creates additional value that the brand alone can’t deliver.

The most common examples of line extensions are provision of additional services suited to collaborative consumption such as new insurance products, widening accommodation options through sharing economy platforms or providing second-hand market places to complement existing alternatives. Clearly the brand’s original legacy business is going to be more valuable to consumers when an additional marketplace is added to it. This often also helps signal environmental and durability benefits of the product. Patagonia for example is encouraging more economic transactions around its products through its second-hand marketplace. This not only expands the product offering to pre-owned goods but helps open new markets, reach new customers and effectively distribute the durability and quality message associated with the brand. Another very important feature and business benefit of the line extensions are clear asset optimization and ROI increases. Sharing economy platforms, such as LiquidSpace or Cargomatic, allow companies to maximize return on their existing assets and thus increasing their ROI through cost savings and increased revenue (see also Duckler 2015).

Product as service systems have either been classified under brand extensions or new brands depending on the option that has been chosen. This is typical in the transportation sector and it seems equally common to introduce the service concept under the existing brand name as it is to introduce it under a new brand name completely. Here brands are increasing their value proposition to the customer by connecting supply provided by the brand with customer demand in a new way. As consumer studies show that consumers are increasingly interested in experiences rather than possessions (see for example Radka 2011), different rental services in the transport sector are becoming very appealing.
Quite surprisingly it seems that the majority of companies opt to use their existing brand to enter the collaborative economy, despite the risks associated with its use. Our original hypothesis was that we would see more variation in how companies approach new versus existing product categories with respect to the collaborative economy but the findings show that both are used equally but with a clear dominance on using the existing brand. This may well reflect the dire need of companies to reflect changing consumer behavior in their key operations and to demonstrate the capacity and willingness of the brand and the company to embrace change, new modes of consumerism and to be regenerating itself with changes in the consumers’ mindset.

Through the examples we have looked at and the strategies brands have taken to embark on the inclusion of the sharing economy, it would seem that this endeavor helps legacy brands open themselves up to new ideas, to new ways of conducting their operations and to completely new ideas of what value really is. Engaging in the sharing economy seems to enhance the customer experience and thus create additional customer value through a wider and more inclusive value proposition. The inclusion or addition of an element of the sharing economy into the brand promise, necessarily means that the consumers and the crowd will become partners and not mere and distant consumers. With further integration, the crowd will become part of the company in every business unit (Fitter 2015). The on-line staffing platform Wonolo was funded partly by Coca-Cola which means that a customer could be restocking a retailer’s shelves at the same time he is in the store to buy a drink. The development obviously means the companies need to be serious about reinventing their business and their relationship with the consumer and for finding and creating additional value, not just paying lip service to the idea of the collaborative economy.

As the sharing economy has a strong ideological and mental linkage to sustainability, even if not scientifically proven, brand involvement with it can help the brand meet the increased demand for sustainability and the environmental and social concerns of customers. This might in turn help reach new markets and new customers as demonstrated by some of the examples.

The brand development strategy of including an element of the sharing economy in the brand promise may well lead to achieving a distinct competitive advantage (Porter 1985, Barney 1991) that is extremely difficult to copy and thus sustains better leading to improved corporate performance. Business has started to talk about so-called unfair competitive advantage referring to a competitive advantage so strong and difficult to copy by other players that is seems almost unfair. Jon Baer (Baer, undated) argues that it is not patents and other such “old” protection mechanisms but rather attributes such as profound customer insight, an innovative and agile business model, extraordinary speed or better channel structure that create an advantage. A genuine
engagement with customers through involvement in collaborative consumption can yield established companies such competitive advantage.

**Conclusion**

Based on these examples we can make a conclusion that for established brands to participate in the sharing economy or cooperate with a native sharing company is beneficial to both parties as well as for the community. For the brands these benefits include e.g. customer engagement, brand image enhancement, new products and new markets, exposure to new business models, increased innovativeness, reputation, loyalty, communication, intellectual property such as innovation, wider product ranges and increased sales. There are multiple models of adapting the sharing ideology into a brands business, but the main reasons fall into three rough categories: 1. Teaming up for a collaboration in promotional purposes only, gaining visibility and engaging consumers in a fun and memorable way, gaining a more human image. 2. Collaboration for learning purposes and attaining intellectual capital and innovation. 3. Teaming up for joining forces, thus gaining a better ability to achieve something new and to serve existing and new customers and their changing consumer behavior better.

**References**


