

Highlights of Thesis

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In Trust, We Thrive and the Platforms We Use:
Pillars of and a Case for the Sharing Economy

Doctoral dissertation

1. Sharing Economy- An Introduction

Sharing economy in some form or the other has been an inseparable part of human civilization from the time immemorial. Hunting, common pastures, tribal ownership, agricultural practices, milk production and marketing, renting of accommodation, hotels, public transport, power supply, public parks and public libraries have all been characterized by sharing economy in one form or the other. However, during the last two decades, sharing economy has taken a new form and has emerged as a formidable force in global economy. It has re-written the rules of the traditional form of economy. Digital platforms, digital identity, Trust and Reputation Index and real time connectivity have enabled individual owners from different corners of the globe to share their personal assets and resources with strangers. Digital modes of payments permit global instant payments facilitating such transactions. Given the nature of its functioning, sharing economy is also called as 'collaborative economy' 'platform economy' 'gig economy' 'access economy' or 'peer-to-peer economy'.

With changing social norms and space constraints ownership has become loose and porous and is no longer an attraction. Thus, individual assets and resources have become liquid and marketable. Following the rapid growth of internet and broad-band, Information Technology Platforms have emerged as new organizational tools. These new IT based organizational systems have permitted scattered assets and resources to be put on a single platform and then divide and sub-divide them into time and use segments to make them available to global markets. Mobile phones, social media and new digital payment applications allow instant global connectivity and global fund transfers. Digital Identity and Trust Reputation Index have brought strangers together cutting across geographical and linguistic barriers by enhancing the radius of trust manifold. Instant grievance redressal mechanisms have boosted user confidence on these platforms. As a result, trust is no longer confined to family and friends anymore. Today individuals share their bedrooms, their meals, their vehicles, their offices, their clothing, their furniture and so on with strangers which was unimaginable even a few decades ago.

With the rapid growth of the sharing economy new economic giants have emerged. The combined market value of Uber, Airbnb, and Lyft, in 2018 was estimated at US\$106 billion. Valuation of Uber stands higher compared to most car manufacturing giants. Similarly, the market value of Airbnb is more than those of many hotel conglomerates. From

US\$15 billion in 2013, the total value of the sharing economy is likely to be US\$335 billion in 2025. This amounts to 2133% growth in 12 years between 2013 and 2025. Moreover, these sharing economy giants are transforming the economic ecosystem, the market behavior, the marketing techniques, the supply chains, the warehousing logistics and above all the consumption patterns. Rapid growth of the sharing economy is also transforming e-commerce and online shopping. Shopping malls are getting replaced with online shopping and renting platforms. People are ordering goods and services from the comforts of their homes and are getting delivery right at the doorsteps of their apartments without stepping out.

Overtime, a variety of sharing economy models have merged. These include car renting, ridesharing, accommodation renting, accommodation sharing, peer-to-peer funding, crowd funding, co-working, office sharing, talent sharing, equipment sharing and so on. All these models allow productive use of idle resources, thereby creating wealth without use of additional resources. Therefore, sharing economy also offers a possible solution for conservation of natural resources and reduction of waste and the global carbon footprint. The exchange, renting or lending of underutilised goods and services to people can give the same benefits as those of ownership without putting extra burden on natural resources on the environment. Thus, sharing economy directly promotes the model of sustainable development which could help in mitigating the challenges of environmental degradation, global warming and climate change and could also contribute to promoting social equality by making idle and unused assets available to the socially deprived section of the society at a fraction of the normal cost.

The sharing economy model offers the following clear advantages over the traditional system of economy.

1. Productive use of under-utilized assets and resources scattered over different geographical areas and under different ownerships using IT platforms and digital technology.
2. Additional income for households through productive utilization of unused/under-utilized resources.
3. Instant access to assets and resources to the poorer sections of the society without heavy investment in ownership or acquisition.

4. Sustainable development through reduction in utilization of natural resources, thereby containing degradation of environment and carbon footprints.
5. Interaction among strangers and greater social cohesiveness through considerably enhanced radius of trust.

Despite rapid growth of the sharing economy and its many advantages as given above, national regulatory framework, consumer protection and international legal issues remain the major challenges to reckon with. Shady digital platforms engaged in fraudulent activities have been betraying consumer trust. Carrying out legal actions across national borders against perpetrators of fraudulent transactions has not been easy for the lack of an applicable international legal framework. Credible answers are needed against such fraudulent activities in the coming years.

Covid 19 pandemic has plunged the global economy into an unprecedented turmoil. The ongoing recession caused by Covid 19 has been the greatest economic challenge after the Great Depression of the 1930s. According to the World Bank, the global economy contracted by 4.3% during 2020 rendering millions jobless. The situation during 2021 so far continues to be very precarious due to continuing lockdowns in many countries. Tourism and hospitality industries have suffered the most putting severe strain on the sharing economy giants like Airbnb and Uber that are engaged in accommodations and car sharing. On the positive side, the sharing economy platforms have made serious inroads into education and health sectors through online education and health services. Nevertheless, the sharing economy has taken a considerable toll since the onset of pandemic. However, it is too early to undertake an objective analysis at this stage as pandemic still continues. On balance, at this stage it would suffice to say that despite the setback due to Covid 19, the sharing economy has made serious inroads in some segments of the traditional economy transforming them in a fundamental way. Future growth of the sharing economy could be even more diverse covering many more areas due to the unprecedented growth and penetration of platform economy into new areas following the pandemic.

LIST OF PAPERS USED IN THE THESIS:

1. Kinga Szabó, Dr. Gauri Shankar Gupta (2020), In Trust We Thrive: What Drives the Sharing Economy? *Corvinus Journal of Sociology and Social Policy Vol. 11.*, (2020)2, 49-68. Doi: 10.14267/CJSSP.2020.2.3

First Author: Literature review, Conceptual framework, Conceptualization, Investigation, Original Draft, Writing - Review & Editing

Co-Author: Investigation, Conceptualization, Supervision

2. Katalin, Czakó; Kinga, Szabó; Marcell, Tóth; Dávid, Fekete (2019). Differences, Constraints and Key Elements of Providing Local Sharing Economy Services in Different-Sized Cities: A Hungarian Case. In: Fogarassy, C; Popp, J; Finger, DC (szerk.) *Circular Use of Resources: Theoretical and Practical Approaches of Sustainable Technologies, Business Models and Organizational Innovations*, Resources 8(3):147, DOI: 10.3390/resources8030147

First Author, Third Author and Forth Author: Conceptual framework, Conceptualization, Investigation, Original Draft, Writing - Review & Editing

Second Author: Literature review,

3. Kinga Szabó & Gauri Shankar Gupta (2020). Growth of Sharing Economy in Hungary; Long Distance Car Sharing – A Case Study of Oszkár, *Review of European Studies*, 12(3):9 , DOI: 10.5539/res.v12n3p9

First Author: Literature review, Conceptual framework, Conceptualization, Investigation, Original Draft, Writing - Review & Editing

Co-Author: Investigation, Supervision,

4. Szabó, Kinga and Gauri Shankar Gupta (2021). Platforms – As Foundation of Sharing Economy, *Delhi Business Review*, 22: 1, pp. 1-13. (Index Copernicus Value (ICV)- 95.08(2018)

First Author: Literature review, Conceptual framework, Conceptualization, Investigation, Original Draft, Writing - Review & Editing

Co-Author: Investigation, Supervision,

5. Szabó, Kinga (2021) Sharing Economy and Sustainable Development: A Case Study of Uber and Airbnb (Currently in working paper status)

2. Motivation and Methodology

2.1. Motivation

Being a reasonably good student, it was always my intense desire to pursue PhD studies as the highest academic qualification that helps to unlock the academic and professional potential of an individual. Therefore, after completion of my MA studies in 2006, I decided to gain some practical experience before starting a PhD program. This was an essential step for me to comprehend the different fields of possible research and to gauge my interest and potential. During my work, first with a non-governmental organization and subsequently with an Embassy, the Ministry of Trade and Economy and the Hungarian Central Bank, I acquired enough experience in a variety of fields. During this 10-year period, I also realized that PhD studies will help me to enhance my overall knowledge, my critical thinking and analytical skills and, taking it together, I could develop more effective organizational communication skills that go beyond my envisioned career path.

Given my work experience in an NGO, in an embassy and the economic organizations, I was interested in a topic that was relevant both for the economy and for the society. The SzEEDS^M PhD program at Széchenyi István University in Győr offered a good opportunity for me to do so. The program not only offered a variety of choices on the topics of my interest but also offered some financial assistance that I needed. Additionally, I met Prof. Gyula Vastag whom I found academically competent, personally empathetic and helpful. Since he agreed to become my supervisor, I happily and earnestly decided to pursue the PhD program at the Széchenyi István University in Győr.

Nevertheless, it was not easy for me to pin down to a specific topic. At the first SzEM-Jam Conference of the Doctoral School, one of the distinguished professors emphasized in his lecture that one should be in love with his/her research area or topic otherwise it would be impossible to do in-depth research and complete the PhD studies. I found this suggestion of immense value. Therefore, after mulling over several possible topics, I settled for the topic of “Sharing Economy” for a variety of reasons. Firstly, this topic connects economy and society in an integrated way. Secondly, it is a trendy topic which is transforming economic methodology and market forces by assigning value to idle resources using information technology platforms. Thirdly, it brings together strangers on the same platform who carry out transactions, finalize business deals and undertake risk without knowing each other or speaking a common language. Fourthly, in this era of global

warming and climate change, eco-friendly economic policies are very important to reduce the carbon footprint. The sharing economy model, through sharing of idle assets like motor vehicles, considerably helps in reducing the carbon footprint and in reducing the traffic congestion in large cities. This topic, therefore, was in sync with my thinking and my interest.

At the age of 18, like many of my contemporaries, I got my driving license, but I never drove since I did not have a car. Whenever I visited my parents in Nyíregyháza, I undertook a three-hour train journey plus taxis on both ends. It was expensive, time-consuming and cumbersome; sometimes even annoying. I was therefore, looking for alternative options. One day, however, I got to know the Oszkár platform that offered car-sharing services between Budapest and Nyíregyháza with several trips every day. In the beginning, I was hesitant to travel with strangers, but after a few rides I found these rides safe, comfortable, clean, fast and economical. Initially when I was using Oszkár, I was not aware of the fact that Oszkár platform was part of the sharing economy model. Once I got to know this, my interest in sharing economy models got a further boost. I therefore readily settled for this topic. Subsequently, as part of my research, I even undertook a comprehensive survey and wrote a paper on Oszkár model of long-distance car sharing.

2.2. Research Questions

Well-designed relevant questions are essential for guiding the research in the right direction. The questions have to address the core issues of the research topic so that correct answers could be found. Keeping this in mind I have framed the following five research questions:

1. How do you explain sharing economy and its different dimensions and forms in the recent years?
2. What is the role of trust in the growth of sharing economy and how the expansion of trust amongst strangers has been possible?
3. What is the role of Information Technology, especially the IT platforms, real time connectivity and IT applications?
4. What is the mechanism to pool together under-utilized assets and resources and to convert them into productive assets?

5. Could the sharing economy contribute towards sustainable development, if so, how?

2.3. Conceptual Framework

Based on the above five research questions, I have prepared a paper-based thesis. Each of my papers addresses one or more research questions given above. The introductory chapter addresses the historical perspective, the concept of sharing economy and a brief literature review. Brief literature reviews have also been included in each of the five articles particularly on the topics that have been covered in that specific article.

The first pillar of my research is ‘trust’ as sharing involves business transactions among strangers who have never seen each other or unlikely to see in the future. Trust acquires especially critical role in sharing economy as individuals share their private assets with total strangers. The trust is as old as the existence of the human race but the radius of trust which was initially confined to family, friends and local communities; now encompasses strangers who speak no common language and who live oceans apart. The current form of the sharing economy is very much different since strangers are brought together by digital platforms to have access to under-utilized capacities and assets. Trust is the cornerstone of the sharing economy since the participants do not know each other. Evolution of Digital Identity (DI) and Trust and Reputation Information (TRI) have contributed substantially in enlarging the radius of trust. On the sharing economy platforms trust is based on the strong belief that the individual or the institution is going to do things in a consistent and reliable manner in accordance with the exactions and assurances.

Since ‘trust’ forms the foundation of financial transactions and risk involved in the sharing economy; I have published an article with the title “In Trust we thrive: What drives the sharing economy?” jointly with Dr. Gauri Shankar Gupta at *Corvinus Journal of Sociology and Social Policy*. The article was written after undertaking a comprehensive literature review with over 150 articles and critical analysis of real-life situations. The article focuses on the theoretical background of trust, expansion of the radius of trust with use of IT technology and development of specific tools such as Digital Identity and the Trust and Reputation Index. Considering trans-national nature of such transactions, national and international legal framework is also a core element of this research.

The second pillar of my research covers one of the most important dimension of sharing economy - car sharing and some locally designed sharing economy models in smaller

cities. Keeping this into mind the article titled “Recovery of Differences, Constraints and Key Elements in Providing Local Sharing Economy Services—A Hungarian Case” has been published in the *Resources Journal* jointly by Katalin Czakó, Marcell Tóth, Kinga Szabó and Dávid Fekete, in which I contributed the literature review part on modern concepts of sharing economy providing a critical analysis of the evolution of car-sharing services in Europe, the largest car-sharing region based on its membership data. The sharing economy services in Hungary especially in Budapest (capital) are on the increase, which implies that there is still potential to expand the sharing economy services in Hungary. There are some European business models, that were adapted to the Hungarian market but still there are many unique solutions, which provide customized business solution specially designed for Hungarian customers. These models could be valuable input in sharing economy activities elsewhere. In this article one of the focus area is on the sharing economy models developed solely for the Hungarian markets outside the capital city. General goal of the study was to reveal the differences between a capital and an economically well-developed rural city in Hungary, The Business Model Canvas (BMC) was applied to undertake a comparative analysis of data of the Hungarian capital and those in a well-developed Hungarian city.

Car-sharing for long distance transport services particularly between cities, was the third important pillar of my research. Since I personally use the Oszkár car sharing service for long-distance travels in Hungary, I undertook a comprehensive study on the functioning of Oszkar model of sharing economy. A survey was undertaken on the experiences of the customers, drivers and the Oszkar platform. Based on this comprehensive survey an article title “Growth of Sharing Economy in Hungary; Long Distance Car Sharing- A Case Study of Oszkár” was published in the *Review of European Studies Journal* jointly with Dr. Gauri Shankar Gupta. Since the Oszkár platform has recorded impressive growth of over 67% between 2015 and 2018 with very positive customer reviews, this model presents a good example for long-distance car-sharing services in other countries. Moreover, long-distance car sharing practice represents an environmentally friendly sustainable practice which successfully reduces carbon footprint and traffic congestion.

The IT platform is an important factor of the sharing economy models that has triggered a paradigm shift in the traditional business practices. The platform provides the organizational structure and the marketplace where suppliers and customers meet and transact their business. Precisely for this reason some people prefer the name platform economy instead of sharing economy. Therefore, IT platform is the fourth important pillar

of my research. I have therefore written the fourth article titled “Platforms – As Foundation of Sharing Economy”. This article has been published in the *Delhi Business Review* in its issue Vol 22, No.1 (Jan-Jul 2021). The article examines the role of IT platforms in transforming the entire economic ecosystem i.e., marketing techniques, business practices, supply chains and consumption patterns. Similarly, consumer behavior has undergone a complete transformation due to IT platforms as several customers are looking for convenient and effective access to goods and services through their computer screens while sitting in the comforts of their home and without the financial, emotional and logistic burden of ownership. The article also examines the role of technology in promoting such platforms, category of different platforms based on their functions and the nature of their mechanism and the role of well-designed platforms in promoting and nurturing trust which is the core factor in promoting and sustaining sharing economy models. The platforms not only offer a market place for suppliers and consumers but also enables individuals to become micro-entrepreneurs.

Sustainability is one of the most important challenges facing the humanity in 21st century. Sharing economy does offer a solution for mitigation of environmental degradation. The sustainability is therefore is the fifth pillar of my dissertation. A paper titled “Sharing Economy and Sustainable Development: A Case Study of Uber and Airbnb”, has been prepared. The paper will be submitted shortly to a reputed journal for publication. The paper examines the positive environmental impact of the sharing economy models of Uber and Airbnb, particularly in conservation of natural resources and the lowering of the carbon footprint. Similar sharing economy models, which are based on sustainable development could help in mitigating the challenges of environmental degradation, global warming and climate change and could also contribute to promoting social equality by making idle and unused assets available to the socially deprived section of the society at a fraction of the normal cost. Uber and Airbnb, clearly illustrate these benefits to the society at large. I have therefore, chosen these two models in this paper to introduce them through case studies.

Thus, my efforts have been to undertake a thorough review of literature and to undertake empirical studies of important aspects constituting the pillars of the sharing economy models. This provides a balanced view of the theoretical concepts and their practical applications in the real-life situation. Hence, the articles published in reputed journals in different countries covering the core questions provide a comprehensive view of the sharing economy and its ramifications on the economy and the society as a whole. These

articles form part of this dissertation from chapter III to VII. The article on the sustainability is yet to be submitted for publication.