Sharing's Not Just for Start-Ups

by Rachel Botsman

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Two years ago Peggy Fang Roe noticed a frustrating phenomenon. The chief sales and marketing officer in Marriott's Asia Pacific division, Fang Roe knows that hotel conference rooms are underutilized—yet she often saw people searching Marriott's lobbies and restaurants for a quiet spot to work. "I thought it was crazy that our guests couldn't get easy access to our vacant spaces," she says. So at her initiative, in 2012 Marriott partnered with LiquidSpace, an online platform that lets people quickly book flexible workspaces by the hour or day, testing the idea in 40 hotels in Washington, DC, and San Francisco. "It wasn't just hotel guests reserving spaces, but also locals—from lawyers to independent workers to consultants," Fang Roe says. Currently 432 Marriott hotels have meeting spaces listed with LiquidSpace—and because many of the people reserving space aren't guests, the arrangement helps Marriott reach new consumers. "The Workspace on Demand program is proof that Marriott is…willing to disrupt what hotels are about," says Glen Harvell, who now leads the program.

Marriott is just one example of an established company that's starting to take a serious interest in the collaborative economy. Many observers associate the sector only with start-ups such as Airbnb (which lets people rent out unused rooms, apartments, or homes) and Uber (an on-demand car service). In fact the concept is being adopted by large companies and applied to intangible assets, not just cars and rooms. I define the collaborative economy as a system that activates the untapped value of all kinds of assets through

Creating an On-Demand Service

Peggy Fang Roe is Marriott's chief sales and marketing officer for Asia Pacific. She spoke with HBR about creating the company's Workspace on Demand pilot. Edited excerpts:

Where did the idea come from?
It was partly driven by research we did on Gen Y. They blend work and life differently. They're mobile. They use coworking spaces in cities. We noticed that they were

ordering room service in the lobby because they prefer to work outside their rooms. Our hotels have a lot of unused meeting spaces, but to reserve them you needed to talk with our sales staff, sign a contract, and agree to order food and beverages from our caterer. I tried to do it for a meeting with my team, and I thought, Why does this have to be so hard? We began looking for a simpler, on-demand solution.

What was the goal?
It wasn't just revenue generation—it was also to find out whether there really is demand for this and whether we could execute it. In my view, it was also about changing consumer perceptions of our hotels and becoming more relevant to how people live and work today. We've renovated the interiors of many of our hotels—especially the lobbies—but you won't know that unless you come inside. Some of our hotels offer free workspace just to get people in the door.

models and marketplaces that enable greater efficiency and access. Increasingly, those assets include such things as skills, utilities, and time. The space includes peer-to-peer money services such as Lending Club (recently valued at $3.8 billion), massive open online course (MOOC) providers such as Coursera, and idiosyncratic concepts such as BorrowMyDoggy (through which pet owners make their pooches available for walks or playdates).

Over the past four years I have studied more than 500 collaborative economy start-ups worldwide, and I have developed an innovation framework to help established companies identify collaborative opportunities. In my work I uncovered five types of vulnerability that open the door to disruption: *redundancy, broken trust, limited access, waste,* and *complexity.* For each I've identified an innovation principle—a key idea that companies can use to counter disruption and create value. These are *directness, openness, empowerment, efficiency,* and *simplicity.* Together these concepts allow companies to identify where they are most likely to be disrupted and also where they can disrupt themselves in order to enter or create a new market.

Finding Innovation Opportunities

Collaborative economy models innovate around five key problems:

Problem: Redundancy
Solution: The Food Assembly removes extra intermediaries in the supply chain by

Gaining a Toehold

Direct investments and acquisitions are two of the easiest ways for established companies to enter the collaborative economy. For instance, instead of trying to use its existing business to compete with car-sharing services, in 2013 Avis acquired Zipcar for $500 million. Google invested $125 million in Lending Club, GE invested $30 million making direct online matches between local farmers and other food producers and consumers.

Problem: Broken trust
Solution: Friendsurance addresses lack of trust in the insurance industry by enabling people to form peer-to-peer networks to insure one another, which creates empowerment.

Problem: Limited access
Solution: Coursera, a big player in massive open online courses (MOOCs), overcomes constraints on university education by offering internet-based classes free to anyone.

Problem: Waste
Solution: Airbnb makes unused housing spaces available for rent, thus maximizing the spaces' efficiency.

Problem: Complexity
Solution: TransferWise eliminates the need for complicated currency transfers by making it inexpensive and simple for people to send money abroad.

in Quirky (a marketplace for crowdsourcing invention ideas), GM invested $3 million in RelayRides (a peer-to-peer car-sharing marketplace), and BMW i Ventures invested in ParkatmyHouse (which matches parking spot owners with people needing places to park) and ChargeatmyHouse (which matches electric vehicle drivers with homeowners willing to share their charging stations).

Partnerships between established companies and start-ups in the collaborative space are also increasing. TaskRabbit, an online marketplace for outsourcing errands, has teamed up with brands including Pepsi, GE, and Walgreens. It offered delivery of Walgreens products during flu season: If you were home sick in bed, you could use the Walgreens button on TaskRabbit's app or website to have medication brought to you by an errand runner. "These partnerships are great in terms of raising brand awareness and demonstrating a specific use case for the service," says Jamie Viggiano, TaskRabbit's head of marketing.

A key challenge for established brands is to move beyond investments and short-term marketing initiatives and fundamentally reevaluate their own business models. Some large companies have begun conducting ambitious experiments. For instance, the logistics and parcel delivery giant DHL has realized that in a number of emerging markets, it does not offer last-mile delivery—and frequently, no one else does either. People have to pick up their parcels at a designated spot, which makes for a frustrating customer experience. Thus DHL faces two of the five disruption drivers described earlier—*limited access* and *complexity.* So in September 2013 it launched MyWays, a mobile app connecting customers (both senders and recipients) with people willing to transport parcels on demand. It piloted the program in Sweden, charging delivery fees of 30 to 150 kronor, or about $4 to $20. Peter Hesslin, the CEO of DHL Freight in Sweden, says, “MyWays is not only a service for those requesting flexible deliveries; it is also for those who would consider delivering a package to earn a little extra money.”

Assessing the Threat

Certain sectors are particularly prone to disruption from the collaborative economy. Consider financial services, which is affected by all five of the disruption drivers. The banking industry is rife with middlemen and has too many retail branches—both examples of *redundancy. Trust* in the system is low. Many people have *limited access* to bank accounts, venture funding, and loans. Customers often have untapped value in assets with near-zero interest rates—a form of *waste.* And *complex* fees and processes are common. Crowdfunding platforms such as Kickstarter, social lending systems such as Lending Club, and peer-to-peer currency transfer platforms such as TransferWise are shifting control toward a collaborative model, much as other platforms have already transformed how news and music are distributed.

Why haven’t big brands been quicker to capitalize on the massive innovation opportunities in the collaborative economy? One reason is that many of the initial ideas have seemed fringe or even downright stupid. In 2008, when Airbnb launched, it presented itself as a marketplace for air beds on the floors of strangers’ living rooms. I remember speaking to audiences in those days about Airbnb; many people wanted to know “Who would *do* that?” But within months the company had moved up the accommodations continuum and had listings for spare rooms, holiday homes, and even castles and private islands. By 2013 it had amassed 650,000 rooms in 192 countries—more rooms than Hilton has built during its 93-year history. Last year more than 6 million guests stayed in Airbnb rentals, and the all-time total is now more than 15 million.

Established companies must keep in mind the large ambitions of the start-ups in this space. If you visit Airbnb’s headquarters, in San Francisco, you will see two large storyboards that document the entire host and guest experience, frame by frame. Brian Chesky, the cofounder and CEO, commissioned a Pixar animator to create the display. The goal was to help his team feel empathy for the service’s users and to bring to life the role of Airbnb in people’s lives. The storyboards show that Airbnb doesn’t have to limit itself to booking rooms—it could eventually innovate around all parts of the travel experience, from payments to theater reservations to travel to and from airports. The firm isn’t a threat only to the hotel industry—it’s beginning to target the entire hospitality sector.

How will on-demand access to cars, luxury goods, and office spaces change the way we think about owning things? What will peer-to-peer courier services mean for how we move local goods? How might on-demand ridesharing affect the way we perceive mobility? Could errand and skill marketplaces help define the future of labor? The real power of the collaborative economy is that it can serve as a zoom lens, offering a transformative perspective on the social, environmental, and economic value that can be created from any of a number of assets in ways and on a scale that did not exist before. In that transformation lie threats—and great opportunities.

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