TriplePundit.com presents

THE RISE OF THE SHARING ECONOMY

Contents

About	4
Copyright	5
About TriplePundit	6
Introduction: What is the Sharing ...	7
Why Joining the Sharing Economy Has ...	8
Adam Werbach on Why Sharing ...	12
5 Entrepreneurs Share Advice ...	16
Is the Sharing Economy an ...	20
Larger Corporate Presence Now ...	25
Millennials and the Sharing ...	29
Instead of Sharing Economy, ...	33
4 Lessons the Sharing Economy ...	36
Customers Acquisition in the Sharing ...	40
Is the Sharing Economy Innately ...	45
Sharing and Automobiles	50
Avis Buys Zipcar for $500 ...	51
The End of the Beginning ...	54
Different by Design: Car Sharing ...	58
Zipcar Sale a Watershed Moment? I ...	62
An Inside Look at Wheelz	66
Daimler Opens New Seattle Car2Go ...	71
SFO Slaps Cease and Desist Orders on Carsharing ...	75
Tony Hsieh Bets on Tesla for Las Vegas Carsharing ...	78
Sharing Spaces	81
Airbnb Claims $56M Contribution ...	82
Cohousing in Maine	86

Coworking at The Hub, Where Ideas Comes to Meet 90
Conference Room Rental Now Available ... 93
Libraries Bet on Coworking Trend 96
Airbnb and Apartment Scarcity 98
Money and Legalities 102
The Care and Feeding of Your Sharing Economy Lawyer 103
Is Sharing Illegal? In Many ... 107
SEC Holds Debt/Equity Crowdfunding ... 111
Direct Public Offerings: Allowing ... 115
Crowdfunding: Striking a Balance ... 120
What Happens When Kickstarter Investors Want their ... 123
Profiles 127
Mosaic Brings The Sharing Economy to Solar Energy ... 128
Access to Luxury Goods Possible Because of Rise ... 131
GetArtUp Makes Contemporary Art a More Accessible ... 134
Necktie Got You In Knots? ... 137
Why ThredUP Shifted From ... 140
WeTeachMe Cooks Up New Ways ... 144
What's Next 149
Big Businesses Line Up for ... 150
The Sharing Economy Hits the ... 154
Beyond the Sharing Economy 158

About

Last fall, we ran an experiment to see if we could fund the news and editorial content on TriplePundit.com through a crowdfunding campaign on Indiegogo. We had tremendous success and raised over $25,000 to produce a series on the rise of the sharing economy. The series ran on TriplePundit over the course of 3 months. Here's a selection of our favorite articles from the series. You can read them all online here.

Copyright

Author

TriplePundit.com
Produced by

Nick Aster, Jen Boynton

First Published using Papyrus, 2013

This book may be purchased for educational, business, or sales promotional use. Online edition is also available for this title. For more information, contact our corporate/institutional sales department: 415-871-7038 or jen@triplepundit.com

About TriplePundit

Triple Pundit is an innovative new-media company for the business community that cultivates awareness and understanding of the triple bottom line. We provide expert editorial coverage, news and discussions on sustainable business in the 21st century.

What is the Triple Bottom Line? – The TBL captures an expanded spectrum of values and criteria for measuring organizational (and societal) success: economic, ecological and social.

Our Community is a diverse group of businesspeople, from the new entrepreneurs to corporate titans to cube-dwelling change agents, aka intrapreneurs, each dedicated to understanding and improving the triple bottom line impact of business.

Introduction: What is the Sharing Economy?

The “sharing economy” describes a type of business built on the sharing of resources – allowing customers to access goods without the burden of ownership. Think AirBnb or Zipcar. While sharing goods has always been a common practice among friends, family and neighbors, in recent years, the concept of sharing has moved from a community practice into a profitable business model. This increasing legitimacy is reflected in the more polished terms used to describe the phenomenon like peer-to-peer (P2P) networks, collaborative consumption or the access economy.

Some advocates wax philosophical that this emerging sharing economy has come about because society has collectively arrived at a more altruistic place in our evolution: We don’t all need to own drills or KitchenAid mixers – since most owners only get a few minutes of use out of them a year. Others simply attribute it to Clinton’s old adage, “it’s the economy, stupid,” with trying financial times forcing us to reevaluate the way we interact with one another and with the resources we have at hand. Whether it is a monetary or social paradigm shift, Time considers the access economy to be one of “10 Ideas That Will Change the World.” We agree.

Why Joining the Sharing Economy Has Never Been Easier

Read more in this series >>

The sharing economy is ripe for rapid growth.

By Harry Stevens

Why build new hotels when millions of rooms in private homes around the world are left empty? This simple question led Brian Chesky to found Airbnb, a service that matches people seeking short-term accommodations with private hosts who have unused space to rent.

In four short years, Airbnb has become the most successful of a bevy of companies that comprise a new movement known as “the sharing economy.” Across the world, entrepreneurs are embracing the concept of the sharing economy, starting business that use resources that already exist instead of depleting increasingly scare reserves.

In the process, practitioners of the sharing economy are challenging traditional capitalist assumptions, preserving the environment while creating platforms for communities to become more connected.

“I think there is a larger trend of people online going offline and connecting together,” Chesky told an interviewer last year. “The idea of people sharing food and other types of natural resources is really interesting. People sharing idle time, their skills, or their knowledge… It is truly a movement in the global economy.”

Airbnb CEO Brian Chesky addresses YCombinator’s Startup School at Stanford University.

Airbnb has become something of a darling in the Silicon Valley startup community, recently completing a Series B funding round that valued the company at a whopping $2.5 billion. The model has been so successful, that Airbnb’s CEO claims that the company will fill more room nights than all Hilton hotels by the end of the year.

Another interesting example is ParkatmyHouse.com. The UK-based startup has built an online platform that allows people to rent out their driveway or parking spot to others looking for an ideal place to park, reducing the need to level trees and consume energy in the construction of new parking lots.

“Our users are making money from assets they already have: their off-road parking spaces,” said Anthony Eskinazi, founder of ParkatmyHouse.com. “Renting out your driveway requires minimal effort and is a great cash generator.”

While companies like Airbnb and ParkatmyHouse have enjoyed steady growth, advocates of the sharing economy argue that the movement is not limited to savvy entrepreneurs. A new guide from Shareable.net and non-profit New Dream suggests ways that ordinary people can build sharing communities from the ground up.

“The average American uses his or her car only 8 percent of the time, while the average power drill is used only 6 to 13 minutes in its lifetime,” states the guide, which points out that the sharing economy is a $110 billion-plus market worldwide.

The guide explains how to organize a community swap, create local lending libraries for goods like clothes and tools, build a network to exchange skills and services, or set up a co-op. In just 15 short pages, the guide sets out a few simple steps that anyone can follow to begin participating in the sharing economy.

“Even if you can rationally come to the conclusion that sharing is a good idea, actually doing it is still really hard,” Janelle Orsi, the author of The Sharing Solution: How to Save Money, Simplify Your Life & Build Community, told Fast Company’s Eric Smillie in a recent interview. “And part of the barrier is the feeling that if you approach someone about sharing they’re probably going to think you’re kind of weird.”

Orsi has published a set of sample agreements for sharing cars, offices, yards and other resources, which she hopes will encourage people to share “because it won’t seem like such an uncharted area.”

The time for adoption of the sharing economy is ripe. As wallets become thinner because of economic downturns while people become more connected through new networking technologies, building a shareable company has never been easier.

[Image credit: Robert Scoble, Flickr]

[Image credit: C!..., Flickr]

Adam Werbach on Why Sharing is the New Shopping

By Raz Godelnik

Adam Werbach has déjà vu when talking about the sharing economy. It reminds him of discussions about corporate sustainability that occurred in 2005 when people didn't really get it yet. Fast forward to 2013 and corporate sustainability is a natural part of the conversation in the business world, at least at the GreenBiz forum, where he spoke last month. Now, the sharing economy is the new concept that people have hard time understanding.

yerdle, the new sharing platform that he co-founded with Andy Ruben, is poised to drive the sharing economy forward and bring that conversation to the mainstream. yerdle lets people browse and claim items that their friends are sharing or giving away for free. We met on the same day yerdle launched in New York to talk about Werbach's latest challenge. Here's an edited version of our conversation.

TriplePundit: First, what brought you to the world of the sharing economy?

Adam Werbach: It's been a great pleasure for me to work with big companies on improving their performance, but in the end that work is important but it is not enough. Things aren't moving quickly enough. What I found working with big companies like Walmart or product manufacturers is that they are stuck in a retail system where they make slightly better products but still have to sell many, many more of them to become profitable.

So what's exciting about the sharing economy is if gives companies a model for making more durable goods. They can sell them at a higher price, but consumers benefit because they last longer. If they are shared among a group of people, that means fewer products overall.

3p: So is there's a possibility here to move the needle on both the supply of and the demand for material goods?

AW: Yes. We're starting with the demand side because there's almost endless supply of stuff already. People have unwanted goods in their closets, and cars and self-storage units, on their floors and in their cabinets… there's just a lot of supply that hasn't been moved through the system. yerdle helps people sort through that.

But in terms of supply, we're already seeing that the things that move more quickly on yerdle are things that are more durable, which we use for a while and then pass along. And as people begin to get into the mentality that when I buy something, I'm just holding it for a while and eventually giving it to someone else who can use it. This is a big shift from the "buy it, break it throw it away" mentality. The option to share will change the way we buy things.

3p: Why do you think yerdle will succeed where other sharing platforms have not?

AW: We think that there are certain aspects we cracked that make it much easier for customers. One is making things very easy to give away through a well-designed application. Second, the connection to the social networks of your friends solves the real challenge that people feel – a fear of strangers. There are a lot of folks who are interested in sharing, but the personal interactions with strangers deter them. Our model only shows goods to people in your network, so it takes away the unknown part of the calculation.

3p: What feedback have you received so far?

AW: It is robust which is great. On a performance level we have 10,000 members in the San Francisco Bay Area, and the average person who logs on finds about 300 free items. We find an increasing level and percentage of transactions, that people are actually getting things, moving things and connecting to people so these are all good signs.

One of the most interesting things we're seeing is that people are very concerned with and excited by the relationships. In fact, more than the thing, they're interested in the person behind the thing. So I might want to get a bike lock from someone because I need a bike lock but I'm as interested who that person is, whether it is an old friend I want to see again or a friend of a friend whom I haven't met yet but I'd like to. yerdle becomes an excuse to make that connection. And, similarly, I might put this bike lock up because I want to reconnect with someone.

3p: What would you consider as a success for yerdle?

AW: We want to see sharing become the new shopping. If the first step in acquiring things became checking to see if your friend has one first. I think it's completely achievable because it's what everyone has always done in the past. It's only the last 75 years or so in the U.S. where the industrial revolution, modern mechanization and access to credit have allowed us to buy things for ourselves instead of checking with our neighbors, friends and family first.

The change is from a mindset which says “My autonomy is my security” to one saying “My connections with other people are what make me secure.”

3p: When do you think companies will begin designing products for sharing?

AW: Soon. We’re working with Bill McDonough as an advisor and this is the question we’re wrestling with – what is the product system to do it? What we need to demonstrate is demand for those, but I think that by next year we’ll be in a product system that can do that.

3p: How does your challenge here compare to challenges you had at the Sierra Club, or in your work with Walmart?

AW: The stage is smaller here. When I worked at the Sierra Club, for example, we tried to pass the California Desert Protection Act and if we didn’t pass it then for generations we would not be able to have a Joshua Tree National Park, so there was pressure and it was very public. When I started working with Walmart it was also very public and very pressuring. This one truthfully is not.

[Image credit: Yerdle]

Raz Godelnik is the co-founder of Eco-Libris and an adjunct faculty at the University of Delaware’s Business School, CUNY SPS and the Parsons The New School for Design, teaching courses in green business, sustainable design and new product development. You can follow Raz on Twitter.

5 Entrepreneurs Share Advice on Making it in the Sharing Economy

Read more in this series >>

By Raz Godelnik

There's a good chance that after following our sharing economy series you might begin to think, "This all sounds very interesting. Why shouldn't I start a sharing-based business myself?" And why not? After all, this is one of the most promising, dynamic and growing sectors.

But before you go to your boss to let her know your new career plans, you need to first start thinking about few critical elements like an idea for a business and a business model. Why? Because every innovation begins with an idea and without a good business model it would probably be impossible to succeed no matter how good your idea is. This ain't easy, but we're here to help!

Instead of providing you just with academic references on innovation and business model development (although we recommend you check them out), we decided it would be best to listen to the people who are already involved in the sharing economy and learn from their experience.

So we talked with Tri Tran, co-founder and CEO of Munchery, Jennifer Lee, founder of ClosetDash Shop, Kevin Clark, founder and CEO of uSwapia.com , Eddie Patzsch, founder of Trablr and Tristan Pollock, COO and cofounder of Storefront.

I asked all of them how they came up with their idea. Here's what they told us:

Tri (Munchery – the marketplace for ordering home-delivered meals from local chefs): We came up with it the best way you can – by scratching our own itch and solving our own problem. We were busy professionals with young families at home, and we desperately wanted a home dinner option that was convenient, high quality, good for you, featured a variety of options and wouldn't break the bank.

Jen (ClosetDash Shop – the place to shop and swap designer fashions) : I started hosting pop-up swap parties, and what started as a 25-person event blew up to over 100 people attending and us swapping over 1,000 items! Seeing the excitement and joy of the people swapping made me realize there was a real demand for this kind of service. Clothes were always the biggest category so I decided to focus in on clothes and open a "Swap Shop" where people could swap their pieces anytime, whether through our online platform or our brick and mortar shop!

Kevin (uSwapia.com – facilitates the swapping of different services and artisan goods): I came up with the idea for uSwapia in my acupuncture practice, as many people who could not afford acupuncture treatments asked whether or not they could barter different services or goods in exchange for acupuncture…I got many things I'd normally be paying for, for free, in exchange for something that is easy to provide and enjoyable to do. Sometimes it didn't work out, however, as the "rate of exchange" was difficult to come up with. So, I figured I'd create a system that takes that complication out of the equation. Thus, uSwapia, came to be.

Eddie (Trablr – lets you book and plan your entire trip using only share sites): One problem is that many of these sites vary in popularity by region, so it's hard to know which are the most popular in your area and what availability exists from site to site. According to research by one of our partners, the average person searching for a vacation rental travels to four different websites before booking, Trablr was hatched in order to eliminate this behavior, helping you plan your entire trip just like you would with Kayak, Expedia, Orbitz, etc.

Tristan (Storefront – the marketplace for short-term retail space): Erik and my background is in social entrepreneurship and e-commerce, so when we saw retail vacancies nearly double the historic average, the trend of short-term retail rising, and our family and friends struggling with traditional stores as well as at attempting pop-up shops, we wanted to create something that made opening an offline store as easy as an online store. Enter Storefront.

And what about their business model? Just like most other sharing-based companies their revenue model is fee-based. Yet, the answer to the question of how to make money doesn't end here. An aspiring entrepreneur still needs to figure out what the value offering of the business, target market, positioning in the marketplace, core competencies and scope are in order to build a successful business model.

So we asked all five what advice they have to aspiring entrepreneurs who wants to join the sharing economy. They all had good advice:

Ask around, see if others would be interested in the idea, ask them to identify any potential flaws you may be overlooking (Clark). Think of ways to build trust (think TrustCloud), work alongside government regulations (when need be) and promote the "access" the sharing economy truly unlocks (Patzsch). With any sharing-based business, trust and community are two of the biggest components that make it work. Transparency and communication are key when building up both (Lee). Entrepreneurs need to be able to move fast, test different approaches, and be willing to adapt as needed (Tran). Tie your business back into the local economy and network (Pollock).

Last but not least – always bear in mind value and scale. You need to generate sufficient value to your customers, create a successful business, and with a fee-based model, you will find very quickly that scale is critical to truly succeed. Good luck!

[Image credit: ambergris, Flickr Creative Commons]

Raz Godelnik is the co-founder of Eco-Libris and an adjunct faculty at the University of Delaware's Business School, CUNY SPS and Parsons the New School for Design, teaching courses in green business, sustainable design and new product development. You can follow Raz on Twitter.

Is the Sharing Economy an Opportunity or a Threat to Existing Business Paradigms?

By RP Siegel

Manufacturers use the term “excess capacity” to refer to an underutilized asset that is not being fully exploited to create value, be it an idle assembly line or a factory running only one shift when it could potentially be running two or three.

When viewed from this perspective, the non-commercial sector of our society can clearly be seen as overflowing with excess capacity. It could take the form of anything from an extra bedroom sitting empty, to an underutilized piece of garden equipment, to your car sitting idle while you work at home.

Given the massive degree of interconnectedness we now enjoy, the opportunity has emerged to very efficiently match up that excess capacity with those who have a need for it.

Thus we have the basis for the sharing economy; a newly emergent business trend that might just revolutionize the way business is done.

Of course, no sooner does such a trend emerge than the question arises; is this a threat to existing businesses, or an opportunity? The answer, of course, has to be both.

Reshuffling is not the same as harming, though, of course, every time there is reshuffling there will be winners and losers.

If I were to decide to chip in with a neighbor or two to buy a snowblower to share (I could have used one this week), that could be seen as a potential loss of sales if compared to the scenario where each of us bought our own. On the other hand, given the cost involved, none of us might have bought one. Furthermore, since it will be getting extra use, we might decide to buy a more expensive model than any of us might have purchased individually.

Looking at the experience of Airbnb, one of the pioneering enterprises in this space, a San Francisco-based company that matches available rooms with would-be travelers, bears this out. Fourteen percent of visitors using the service said that they would not have come at all without the availability of these affordable rooms. In addition, the average Airbnb stay was two nights longer than the average hotel room stay. All told, the service generated some $56 million for San Francisco's local economy.

Another advantage of an operation like Airbnb is the fact that not only does the money remain in the local economy, but it also ends up where it is really needed (60 percent of hosts had incomes below the city's median).

Of course, some of that business came at the expense of existing hotels. Though there is nothing preventing them from following a similar model, which, to some extent they already do through services like Hotwire and Priceline, which sell off excess capacity at discounted rates. Some other big companies are starting to dip a toe in as well. Look at U-Haul's entry into the car-sharing business, for example. U Car Share is presently focusing on college towns, where it operates in some 38 localities.

Halfway between buying and sharing would be renting. Companies like Getable, which traces its lineage back to Netflix, have wrapped their heads around what that might look like online.

There is a fundamental difference between these ventures and the kind of collaborative consumption that characterizes the sharing economy. Sharing economy transactions are inherently peer-to-peer in nature.

Of course, that term, peer-to-peer, immediately brings to mind the music industry which has become the front line in the battle between an emerging sharing model and a long-established business model based on sales of recorded media.

From the industry perspective, those who share are demonized as pirates whose sharing is characterized as stealing. These accusations have resulted in new legislative actions known as SOPA/PIPA, sponsored by the industry in an attempt to stem the tide of unauthorized sharing, which are still being debated in Congress. But according to Julian Sanchez, cited in Forbes, online file-sharing has actually not harmed the music industry.

The argument is far from settled and it will probably continue for some time. The fact is, the possibilities unleashed by our newly hyper-connected society are just beginning to be exploited. Things are going to continue changing and evolving and it is going to take some time for attitudes and regulations to catch up.

Tim O'Reilly says that a big part of the problem lies in our ability to track value capture (which we're good at), and value creation (which we're not). He gives the example of drying clothes on a clothesline, whose value is not counted as an application of solar energy. (Video). There are millions of these tiny value creation actions occurring daily, most of which occur below the radar.

But the radar seems to be getting lower and we are beginning to recognize value wherever it occurs as opposed to those places we've been accustomed to look.

Of course, when you buy a snowblower, or a chain saw, there is no implicit agreement accompanying your purchase (.i.e. copyright) that forbids you from letting your neighbor borrow it. Though I would not be surprised, as the sharing economy keeps growing, to see some indignant manufacturer lobbying for a new law that will do exactly that.

A better strategy, I think, would be to try and find a way to participate. Retailers or manufacturers, for example, could provide a gateway service by creating a database of customers who have purchased certain items by location which could be utilized for peer-to-peer sharing with appropriate fees attached.

The sharing economy, like any other major business transformation, represents economic impact to incumbent providers while representing freedom and value to those who have adapted their lifestyles to take advantage of the opportunity presented.

Of course, there is no reason that businesses, who also have lots of excess capacity, couldn't share with each other, too. Even competitors could also join forces when it comes to reducing the overall impact on the planet.

When the dust settles and the new landscape emerges, it will be organized and prioritized along the lines of the value created and made readily available to consumers in tomorrow's world.

[Image credit: "Cowboy" Ben Alman: Flickr creative commons]

RP Siegel, PE, is an inventor, consultant and author. He co-wrote the eco-thriller Vapor Trails, the first in a series covering the human side of various sustainability issues including energy, food, and water in an exciting and entertaining format. Now available on Kindle.

Follow RP Siegel on Twitter.

Larger Corporate Presence Now the Reality in the Sharing Economy

Read more in this series >>

RelayRides has scored investment from GM

By Leon Kaye

The rise of the sharing economy has led to new business models unthinkable five years ago. Renting someone's room or that same person's car for a few hours has become seamless–pesky details such as insurance and liability issues aside. Now the sharing economy, or collaborative consumption, has become far more mainstream.

And some would say a synonym of mainstream is "corporate." More large companies are dipping their toes into the huge pool of sharing economy ideas that are springing up for just about every kind of good or service imaginable. Last week's announcement that Avis would buy the grandaddy of the shared economy, Zipcar, was a sign that collaborative consumption has matured; others are terrified at the thought of a multinational taking over a nifty service with the aim of destroying it.

The emerging corporate presence into the sharing economy, however, is because of far more nuanced reasons.

First, the sharing of goods and services is here to stay. The reasons are varied, from the obvious such as money saved to developing a sense of community or the emergence of what some describe as the "asset-light generation." To that end, companies are now confronting the fact that not everyone wants to own a car, a high-end handbag or the huge credit card bill when they buy their children's back-to-school clothes. They will, however, gladly share them.

Next, the potential size of the sharing economy is huge, and could even become worth $110 billion. Even if its growth within a few years is only a sliver of that, there is still money to be made. Of course, the true size of the sharing economy will never be known. Nevertheless, for the corner office to ignore the sharing economy would be foolish. The trick, of course, is finding an opening. And one of America's largest, and until recently, most conservative and stodgy industries, has been the trailblazer when it comes to cooperating, partnering and investing in the sharing economy.

The fact that fewer 16 and 17 year olds are quick to sign up for a driver's license has long term repercussions on automobile manufacturers. So in the long run, automakers realize they have to adjust their business models for many changes including the change in driving habits. The increase in urbanization means that there will be less space for cars in the cities; and millennials are less and less interested in owning a car and dealing with the accompanying hassles such as insurance and parking.

So RelayRides, the car-sharing company dotted across the country from Silicon Valley to Boston, last year scored investment from GM. The year before that, Ford became the largest source of cars for Zipcar's car-sharing fleet. Even BMW has dabbled within the sharing economy by partnering with ParkatmyHouse.com, a service that matches parking spaces with commuters. And before we become too distracted by the the Avis-Zipcar deal, remember Hertz's On Demand service has succeeded with short car rentals for as little as $5 an hour. But it is not only the automakers who are dabbling into the sharing economy.

Retailers are starting to partner with sharing economy startups as well as encourage their customers to adopt more sustainable and responsible behavior. IKEA is tinkering with shared services firms; in Australia, the furniture megastore partners with the car-sharing company GoGet to link shoppers who need to take their crates of furniture home. And in its home country of Sweden, IKEA started a pilot program that allowed customers to sell used furniture, partly as a reaction to similar schemes that started up across Europe. Partnerships may not be a tacit endorsement of collaborative consumption; but companies, including IKEA, realize that to ignore this movement is to overlook potential revenues and new opportunities to build brand awareness.

Established companies are also taking an experimental approach with the sharing economy. One of the most environmentally destructive industries is the textile and clothing sector. Each hour over 100,000 items of clothing are disposed in landfills daily. And while many clothes-sharing services such as ThredUp thrive, watch for retailers to join the sharing economy revolution.

One company changing the relationship betwen us and with our clothes is UK-based Marks & Spencer. Last year, the department store chain started a "Shwopping" campaign that encourages customers to drop off old clothing–even if they were not M&S items–when they shop for new clothes. True, many of the clothes end up abroad or even recycled into new textile fibers; but some are resold within the UK. Encouraging customers to recycle clothes also allows the company to develop relationships with everyone from couture designers to local activists–and also provides fodder for the company to study its consumers' shopping habits or even add to its historic archive.

The corporatizing of the shared economy is a long way off and, in fact, may never occur. As of now building supply companies such as Lowe's and HomeDepot have not addressed the fact that most of us use a power drill for an average of 15 minutes a year; electronics retailers including Best Buy have not been quick to find new homes for the dated electronics that once sat on their shelves. Nevertheless, rise of the sharing economy is in part because of its maturity; and that evolution means we will see more large companies attempt to meld their business models in order for them to be part of this new evolution in consumer behavior.

Leon Kaye, based in Fresno, California, is a sustainability consultant and the editor of GreenGoPost.com. He also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. You can follow Leon and ask him questions on Twitter or Instagram (greengopost).

Image credit: RelayRides.com

Millennials and the Sharing Economy

Read more in this series >>

By Raz Godelnik

Here's a mantra you probably heard a lot in 2012: Millennials don't shop that much these days. They share instead. This was usually followed with multiple explanations about what makes these roughly 80 million Americans between the ages of 16 and 34 (aka Generation Y) unique and why they buy less and share more.

But is it true? The short answer is, apparently, no. The longer answer is that it's complicated – although Millennials are certainly open-minded to the sharing economy, they are still very fond of buying stuff and haven't really shifted from ownership to accessibility. In other words, Generation Y hasn't abandoned shopping. Not yet, at least.

So why do we still hear this mantra time and again? It is mainly based on some data points, like the fact that "In 2010, adults between the ages of 21 and 34 bought just 27 percent of all new vehicles sold in America, down from the peak of 38 percent in 1985. " In addition, you have some studies like the Zipcar Millennials survey supporting this claim to some degree. Last, but not least, it seems that this is a common view of people involved in the sharing economy.

Nevertheless, I think this claim is inaccurate. First, there are comprehensive studies showing Millennials actually shop as much as others. For example, the Boston Consulting Group, along with Barkley and Service Management Group conducted a study on the Millennial consumer, where one of the conclusions was that "in contrast to their reputation as a lazy, entitled generation, U.S. Millennials are actively engaged in consuming."

"Don't believe the hype that Millennials consume less than previous generations," said Christine Barton, a partner at BCG, "On average, U.S. Millennials already shell out and influence the spending of hundreds of billions of dollars annually—an amount that will only increase as they mature into their peak earning and spending years."

More evidence can be found in the Regeneration Consumer Study which was released by BBMG, GlobeScan and SustainAbility last November. This global study presents four consumer segments on the sustainability spectrum, "from highly committed Advocates to style and social status seeking Aspirationals to price and performance-minded Practicals and less engaged Indifferents." Although these groups have different attitudes and values, Millennials have a similar share in all of them, – 26-30 percent. This finding shows the diversity of consumer values, motivations and behaviors among Millennials.

This piece of evidence is also important because of its global reach – we have a natural tendency to focus on the Millennials in places like San Francisco, New York, London and Berlin, but the future of this planet is growingly dependent on the Millennials in places like Shanghai, Mumbai and Rio. It's not that we need to ignore the U.S. and Europe as they set the tone – what we need is to include everyone while portraying the big picture just like this study does.

We also have further evidence that Millennials are not necessarily more likely to participate in the sharing economy compared to other generations. Advertising and marketing firm Campbell Mithun found out in a national consumer study that "opinions of GenXers and Millennials aligned: 62 percent of both groups found sharing appealing. But surprisingly, more GenXers than Millennials found the concept "very appealing" (31 vs 24 percent)." The company's director of strategic planning explained that "GenXers are in the thick of the giving years. With obligations to kids and mortgages, this stretched, practical group is saying the concept aligns with their needs."

Even the Zipcar Millennials survey, mentioned earlier as one of the pieces of evidence supporting the claim that Millennials have embraced the sharing economy, shows Generation X has similar attitudes. Asked how likely they are to participate in media, car and home or vacation sharing programs, GenXers were very close to Millennials, 57% vs. 67% on media sharing, 45% vs. 53% on car sharing and 43% vs. 49% on home/vacation home sharing.

Beyond the surveys and studies there's anecdotal evidence, which doesn't have too much weight but still has some value. So here's mine – I'm a Gen Xer, not a Millennial, so I can't speak for myself but many of my students are Millennials and since we work in some classes on relationship to stuff and talk about the sharing economy, I can tell you a couple of things. First, Millennials not only buy stuff but also feel attached to their stuff just like older generations. Second, although they're open-minded about the sharing economy, they're also cautious about it and want to make sure it's truly beneficial before fully embracing it.

Looking at all the evidence, I come to the conclusion that Millennials are very similar to the consumer segment Aspirationals described on the Regeneration Consumer Study. The Aspirationals are "materialistically-oriented while, at the same time, aspiring to be sustainable in their purchases and beliefs," the study explains and describes this as a dynamic tension between material possessions and social and environmental progress. I believe that we can say the same about the Millennials – they too have the same dynamic tension between these two seemingly contradicting behaviors. Right now, consumerism still seems to be more dominant, but there's definitely a possibility this balance will change in the future.

[Image credit: missmeng, Flickr Creative Commons]

Raz Godelnik is the co-founder of Eco-Libris and an adjunct faculty at the University of Delaware's Business School, CUNY SPS and the Parsons The New School for Design, teaching courses in green business, sustainable design and new product development. You can follow Raz on Twitter.

Instead of Sharing Economy, Let's Call It "Resource Efficiency"

Read more in this series >>

By Alex Ali

Why do we have so many resources that go unused? When I mention resources, I'm not talking about the traditional definition: natural resources. I mean: time, objects, physical spaces – essentially anything and everything of value that for whatever reason is not being used. Innovative firms like Airbnb, Lyft, and Zipcar have centered their business models around existing resources that were previously untapped. How can we drive individuals and organizations to reclaim existing unused resources for previously unexplored opportunities?

This concept has been dubbed the "sharing economy," but this moniker is not entirely accurate. When we think of sharing, transactions are normally free. But attaching a price tag to them is exactly what is happening here. Ordinary people have been empowered to enter a market with relative ease and profit from resources at their disposal which were previously unused.

I'd like to propose we drop the term "sharing economy" and instead replace it with "social efficiency." Having the word economy in any moniker tends to set the expectation that regulations are somehow related. Which is what seems to be happening to share ride companies like Lyft. If we instead focus on how we can be more efficient with our consumption of products, services, time, etc. we may be able to increase our social efficiency and in turn foster stronger communities based on relationships with others, in place of things.

Companies are taking advantage of this as well; take Zipcar for instance. Their on-demand car rental service relies on the convenience of car locations – they have been able to leverage existing parking space in gas stations, parking garages (public and private), and other places in order to allow easy access to their fleet. Similarly, Lyft offers a platform which connects drivers who have room for an extra person and are willing to give others a ride for a "donation." It is not only physical space that is finding new uses, but services as well.

Organizations like Openwireless.org are striving to build communities around sharing and in the process changing this “consuming for one” mantra that we’ve accepted as the norm. Openwireless.org aims to open up personal Wi-Fi networks to everyone within range, allowing access for free, all while still securing your personal data. Another firm facilitating re-using is Yerdle, a platform which helps users offer items or services to friends through social networks. Do you have a coffee table that was just replaced? Simply upload a photo onto Yerdle, chances are someone you know may need a coffee table.

Resource reuse is starting to take hold in urban areas. We’ve been pre-wired as consumers to think that we need to purchase something if we have a need, but is this always the case? Living in a city where space is limited, do I really need a toolset? Probably not, but then what do I do when I have a frame to hang on my wall? Typically, I’d call my friend and borrow his or hers, but what if I could increase my pool of available tool sets? Innovative companies like Yerdle and Airbnb are leveraging social and technology trends and shifting the way we think about consuming, for the better.

[Image credit: EnvironmentBlog, Flickr]

Scroll down to see comments.

4 Lessons the Sharing Economy Can Learn From Microfinance

Read more in this series >>

By Raz Godelnik

The connection between microfinance and sharing economy might look a bit strange at first, but these two have actually quite a lot in common. After all, both of them are disruptive concepts that empower people and offer alternatives to the current economic system.

At the same time, there's a big difference in their level of maturity – while the sharing economy is still at its infancy stage, microfinance is in an adolescent stage, with a total of $70 billion in loans, more than 100 million "customers," one Nobel Peace Prize winner, and even a feature on the Simpsons.

The similarities between microfinance and the sharing economy, together with the differences in their maturity levels, provide a great opportunity for the sharing economy to learn some valuable lessons from the more experienced microfinance, just like a young kid learning from his older sibling.

There are many lessons to be learned from microfinance, but these are the four most relevant ones to the future of the sharing economy. Applying them correctly can help the sharing economy move forward successfully and maybe even get its own mention on the Simpsons.

1. Keep it real

Prof. Rodrigo Canales of Yale School of Management describes a belief that was once common among some microfinance people. “My grandchildren will have to go to a dictionary to see what poverty was, because through microfinance, we’ve solved poverty.” This sort of expectation is unrealistic because no matter how effective microloans are (and in some cases they aren’t), they just can’t fix all the problems that cause poverty, such as a bad education system, non-functioning government, violence and so on.

Similarly, you can also find voices in the sharing economy who view the sharing economy as the ultimate fix. “We can neither survive nor live well unless we share,” Neal Gorenflo wrote on the preface for “Share or Die.” Well, just like microfinance alone won’t save us from poverty, it doesn’t seem likely that sharing alone will be the answer to our problems.

The ability to keep it real when it comes to the impact of microfinance has helped not just to acknowledge its limits, but also to better understand how it should be used within these limits in order to maximize its impact. Keeping it real when it comes to the sharing economy will probably provide us with similar results and, eventually, with greater impact.

2. More scale doesn't necessarily equal more impact

One of the most important issues the sharing economy is dealing with now is how to effectively scale up. In the microfinance sector scaling was and still is a challenge. For a long time the dominant thought was that if you want to increase impact, you need to grow, or in other words, more scale equals more impact.

While in some cases this equation is indeed correct, we need to remember that bigger is not always better. As Ignacio Mas and David del Ser wrote earlier this year in the Stanford Social Innovation Review, "it is the ambition of scale, rather than pure greed, that pushes most MFIs and their managers to be more financially driven, and social objectives take a back seat."

Prof. Canales adds another argument. "Scale is going to mean lower cost. Lower cost does allow you to reach more people. But if you have a lower cost in your business model, you cannot provide more costly services. Then you've constrained your business model in a way that if there's a population that requires a more costly service, you're opting out of that," he wrote.

The bottom line is clear. Thinking about scaling up? Prepare for tradeoffs, even substantial ones.

3. Greater profitability can attract the wrong investors

Impact might not be the only place where organizations in the sharing economy might need to make tradeoffs once they grow. Their whole identity might be in jeopardy as they grow and become more profitable, attracting capital from investors solely interested in maximizing their return on equity.

While not everyone believes greedy investors are the cause of some of the scandals we have witnessed in microfinance in the last couple of years, others believe that “microfinance has been hijacked by profiteers.” Yet I believe both sides would agree that IPOs, like those of Compartamos or SKS, increased the tension between the social and commercial components of the microfinance’s identity, often shifting companies from a social to a commercial orientation. Companies in the sharing economy who might be considering such a path should take that into consideration.

4. If you want to stay true to the mission, you have to stay true to the mission

This is a quote from Tony Sheldon of the Yale School of Management. What Sheldon means is that organizations with a social mission should learn from microfinance that first, there are implications for every step they take to move forward and they need to remember that. Second, they shouldn’t ignore tradeoffs no matter how strongly they believe they can avoid them.

And last but not least, eventually it’s not the organization’s level of profitability, its size or whether it’s a nonprofit or a for-profit that matters, but the extent to which the organization stays true to its mission. Once you remember to keep it your first priority, the remaining pieces of the puzzle will fall into place.

[Image credit: elFrank70, Flickr Creative Commons]

Raz Godelnik is the co-founder of Eco-Libris and an adjunct faculty at the University of Delaware’s Business School, CUNY SPS and Parsons the New School for Design, teaching courses in green business, sustainable design and new product development. You can follow Raz on Twitter.

Customers Acquisition in the Sharing Economy

Read more in this series >>

By Jan Lee

What makes Sharing Economy businesses successful? Why do some innovative concepts take off and others never make it out of the hangar? It can easily be said that customers drive business, whether it is a conventional mom-and-pop's corner store, or a car-sharing business that depends on reciprocal input of local membership.

So understanding what motivates customers – whether they are members of a cooperative, clients who share an office space by the hour or professionals who share the administrative costs of an accounting and booking service, is an essential for any successful business. And the answer, not surprisingly, lies at the heart of what propels the Sharing Economy itself.

Remember: Sharing is all about trust

Remember those schoolyard days with best friends when everything seemed conveniently sharable? Your mom's best turkey sandwich, your favorite bike, even your treasured toys could be shared with your buddy, who in turn, never failed to divvy up her lunchbox treats and share her own best toys.

After all, you had a common bond that underwrote everything you did together: trust. You knew your best friend would never steer you wrong because in a sharing world, we respect the other's opinion of us, and want them to keep on sharing as well.

"I value something more if I share it," explains Ted D'Cruz Young, co-founder of New York's popular meal-sharing cooperative, Mealku. And we value it because we inherently value the ability to trust and share in that experience.

So a person who wants to be able to rent a room in his house to a complete stranger has to be able to trust that his things will be respected during that two-day stay. And a person who orders a meal on a meal-sharing network has to be able to assume that that the bouillabaisse that's been prepared in a private kitchen by an unknown cook is going to be as good, if not better, than a restaurant meal.

Nothing engenders trust more than the positive values we promote in our own business dealings. Remember that it may be just as hard for your customer to trust a total stranger as it is for you.

Support other businesses within your sharing community

Remember that in many ways, your success depends on others' support of collaborative consumption.

“You can’t just have one thing shared. There have to be many things that are shared to make the sharing economy really work,” says Katie Stafford, corporate communications manager for Car2Go .

Airbnb succeeds because there are others who believe in its philosophy and provide mutually supportive services in the area; Car2Go thrives in cities where there is a compatible transportation network that links well with a shared vehicle system.

And when you’re online don’t be afraid to share the PR, too. Social media has taught us that reciprocal shout-outs have valuable consequences, and even more so in a community that is based on sharing good experiences.

Give something to get something

The Little Boxes Black Friday event in Portland, Ore. demonstrated this by making shopping on Black Friday fun, intriguing and accessible. More than 160 stores across the Portland area linked together on Black Friday, offering discounts and incentives to “shared” customers. The more stores that the customers visited, said Betsy Cross, co-owner of the retail store Betsy and Iya, the more potential discounts they earned on their purchases. The “shared” process benefited everyone involved.

Car2Go has exhibited this principle by rewarding good neighbor practices, like topping off the tank (with the company’s gas card) with free drive time and using similar promotionals that attract new customers who want to try out the service.

Mealku takes care of all of the fuss and muss by proving transport service, and “paying” those members who cook, or do other tasks for the benefit of the community.

WeTeachMe co-founder Kym Huynh puts it another way: “Not only talk the talk but walk the walk.”

WeTeachMe is an innovative sharing economy model in Australia that provides services to self-employed instructors and teachers. They’ve particularly been popular with foodies who provide cooking classes, but are branching out into other sectors of education, such as language instruction.

Huynh said his business model is structured so that “we won’t grow if you don’t grow.” In other words, says Huynh, “Pay it forward.”

Be practical and realistic in your concept

The Sharing Economy isn’t so much set by its altruistic values, but by its practical appeal. Stafford says that one of the guiding principals that has made car sharing so successful is its functionality in the urban landscape, where two paycheck earners may have opposing transportation needs, or where downtown parking costs make it impractical to drive to work. Before putting your idea into drive, consider how well it fits with the practical and functional needs of your target customers.

Collaborative consumption takes a change of perspective

Remember that the Sharing Economy is a “change of mindset,” says Stafford. The collaborative consumption defies the old convention of “the one who has the most toys wins.” Or, as Neal Gorenflo, founder of Shareable, explains in his interview with Grist Magazine, “You don’t want the drill, you want the hole.” It’s all about the results you’re seeking: getting to your appointment, relaxing with a good meal or being able to teach the courses you’ve always wanted to teach and share your knowledge with others. And it’s about sharing the road with others.

Manage your reputation

Remember that your reputation is important to those who participate in the Sharing Economy, says Adam Spector, CEO of Virtrue, an online identity verification company based in San Francisco.

"The collaborative consumption movement has brought user accountability to services that were previously unable to hold bad actors accountable," says Spector. Remember that what you say or the way you behave online on one forum or discussion may be accessible to potential customers and while publicity is good, disparaging behavior can undermine a new customer's impression of your business. "Manage your Google footprint, and remember (if) there is vexing information about you out there that you can't remove or alter, then be prepared to address this up front in your transactions."

Need a bike? image is courtesy of Jason Tester.

Swap poster image is courtesy of The Swap Team.

Learn more about the sharing economy in our ongoing series here.

Is the Sharing Economy Innately Sustainable?

By Jan Lee

Eco-friendly cars, peer-to-peer mortgages and loans that help the environment, collaborative consumption programs that inspire cleaner technology: The sharing economy is obviously inspired by a global concern for the environment.

Or is it?

There's no doubt that sharing promotes collaborative exchange and that husbanding our natural resources is good for the environment, but will this trend of "what's mine is yours" continue to promote sustainability?

Inspiring a sustainable Sharing Economy

The answer to that question, say researchers, is as old as human history itself. What motivates our concern for the environment is personal need and survival.

Assistant Professor Cait Poynor Lamberton at the University of Pittsburgh and her team examined the motivators for 369 licensed drivers who used car sharing as a form of transportation. The participants were asked to rate the importance of various factors in choosing a car-sharing program. The fear of "scarcity" – defined as an apprehension that a given service or item wouldn't be available – came out on top as the key motivator to using a sharing program, not the environment.

"It's important to convince people that it is a safe decision to switch to sharing," Lamberton said in an interview with the university's business e-zine, PittBusiness. Lamberton pointed out that this data would help sharing-oriented businesses figure out how best to reach their customers.

But does that mean that concern for the environment will eventually go by the wayside? An ecologically sound environment is, after all, critical to our personal needs and survival. And programs that are responsive to those demands are essential in today's urban environment. Ergo, car sharing programs that can shuttle people short distances in bad weather, communal dinner programs that use fewer local resources, home rental listings that turn empty bedrooms into short-term (and inexpensive) lodging, etc.

The Shared Economy to the rescue

Nowhere has there been a better example of the value of a local sharing community than in New York, as victims of Hurricane Sandy's destruction last November found out. Car-sharing helped get stranded people back on the road and back to work; online accommodation-sharing services connected victims with temporary housing; coworking spaces became essential backups for those whose offices were damaged during the storm.

But how environmentally sustainable really are co-sharing programs and services? Sure, they may be helpful during hurricanes or earthquakes, but do they really help lessen our carbon footprint on the environment?

Does renting a private room in a home for a few nights instead of in a hotel automatically save wear and tear on the environment? It fills a bed that would otherwise be temporarily empty, but, of course, it may diminish other services that would be provided in a hotel: an extra washing of linens, the supply of soaps and other complementary items during the stay, and electricity usage and other services needed for cleaning the room after the stay.

Supporting sustainability through selective choices

Similarly, it's not the use of a car-sharing service that reduces smog on urban highways, but how that service is used.

Katie Stafford, corporate communications manager for Car2Go, stated that research has found that car-sharing services are most successful at reducing carbon footprint when they are used for short essential hops, such as from the light rail station to the place of employment. This "first- and last-mile" service concept allows drivers to share resources and reduce the number of cars actually used on the road.

"While people can use a car to go out for days at a time, our service is really meant for short trips … and sharing a network of cars with their neighbors," Stafford said.

Interestingly, the collaborative consumption idea also works best when there is a large variety of shared services.

“You can’t just have one thing shared,” said Stafford. “There have to be many different things shared for the sharing economy to really work.”

That means also having a good selection of public infrastructure such as light rail, bus, train or other supplemental services to interlink with its services. Car-sharing programs like Car2Go, ZipCar and peer-to-peer car rental services work so well in Seattle, Washington D.C., San Francisco and Vancouver, B.C. Canada because residents are able to access a variety of public services and fill in the short jaunts with car sharing.

Smart choices or smart regulation?

Finally, the San Francisco-based nonprofit organization SPUR points out that municipal and state laws need to stay abreast of the increasing demand for shared services in order for their demand to grow. Examples include modifying tax laws to encourage shared use programs and adjusting parking regulations to allow for car drop offs and pick ups on downtown streets.

But regulations may also be needed to guarantee that shared services are environmentally sustainable, not just economical. As Lamberton’s study points out, users may be motivated by need and comfort, but the true beneficiary of a shared economy is still Mother Nature.

[Images courtesy of Guerrilla Futures/Jason Tester]

Sharing and Automobiles

Due to their high cost of ownership and the large amount of time they sit idle, cars and transportation are ripe for sharing. That means lots of small companies trying to break into the market (Wheelz, GetAround), big companies trying to hold their ground (Zipcar), and traditional behemoths trying to get into the game (GM, Enterprise Rent-a-Car). In this section, we look at all angles of car sharing, including the legal framework.

Avis Buys Zipcar for $500 Million

Read more in this series >>

Avis is acquiring Zipcar for $500 million

By Leon Kaye

Avis just announced that it will acquire car-sharing leader Zipcar for about $500 million. Avis will pay $12.25 per share of Zipcar stock in cash, or almost 50 percent over Zipcar's closing price on December 31. The boards of both companies have already approved the transaction and the deal should close by spring of this year. Zipcar shareholders will score after months of flat performance, unless of course they bought at the IPO price of $18 or at the company's peak share price of $31.50. The company was certainly a disruptor within the car rental business, but since its founding in 2000 Zipcar has had difficulty staying profitable.

The acquisition in part sends a signal that collaborative consumption, or the sharing economy, is here to stay, and that large companies are realizing that their businesses face competition from new models that no one even thought of just a few years ago. So is this really a sign that the sharing of goods and services is ready to scale, or is this just another big company swallowing competition to protect its turf?

Car-sharing has grown to a $400 million dollar business, with Zipcar setting the standard by its service, convenience and positioning of fleets at over 300 university campuses across the U.S. Other services such as Getaround and RelayRides have picked up on this bandwagon by going a step further (liability issues aside) and allowing car owners to rent out their own cars while they are idle at home or the office. Zipcar has claimed the car-sharing market will eventually be worth $10 billion in North America alone; with younger drivers eschewing the rush to get that driver's license at 16 or 17, let alone preferring to share instead of owning a car, that trend is here to stay.

While the business press led by the Wall Street Journal welcomed the Avis-Zipcar acquisition, not everyone was enthusiastic. Washington Post writer Steven Pearlstein predicts that Zipcar will eventually disappear, that Avis will soon eviscerate its newest subsidiary, and called for the Department of Justice's antitrust division to step in and halt the deal. But is it really in Avis' best interest to sabotage a service with devoted customers? Gizmodo's Peter Ha sees opportunity for Avis; Zipcar could score even more customers who would have access to more cars– including those precious vans coveted in New York for that weekend run to the Red Hook IKEA.

Avis's executives, platitudes aside, would be wise to leverage the company's capacity and boost Zipcar's services. The sharing economy is only going to grow, not wither because some big guys and gals snap up new and innovative companies. Wiping out Zipcar would be a small step back, but consumers accustomed to sharing will find another way to avoid being shackled to auto companies or rental car companies. As Forbes contributor Tim Worstall explained, this deal could build value, not destroy a valued service because of the huge deals Avis gains when purchasing cars; consumer choice in this space could actually increase.

Leon Kaye, based in Fresno, California, is a sustainability consultant and the editor of GreenGoPost.com. He also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. You can follow Leon and ask him questions on Twitter or Instagram (greengopost).

Image credit: Zipcar

The End of the Beginning for Carsharing

Read more in this series >>

Will this Zipcar soon boast an Avis logo?

By Neal Gorenflo

Zipcar's acquisition by car rental giant Avis closes the first chapter of the history of carsharing. Zipcar's mixed success raises questions about the future of carsharing and the sharing economy. What lessons can be gleaned from Zipcar's record?

The most important lesson is that Zipcar proved there's demand for car sharing in America, the most car-obsessed culture on the planet. They made it possible for urbanites to act on a growing attitude and impulse around cars and car use – that cars are no longer a meaningful source of identity or freedom as they had been in the 20th century, and that access to them trumps ownership.

The importance of this shift can't be overstated. The car is a linchpin of the consumer economy, at least in the U.S. It makes the high carbon, high-cost suburban lifestyle possible. When you loosen this linchpin, you begin to shift the entire pattern of consumption for the better.

For instance, carsharing often eliminates the second highest household expense. For each car eliminated, a U.S. household saves $9,900 annually. Much of that additional disposable income may be spent locally boosting local economies.

Then there's the environmental impact. Carsharing makes urban life more attractive to born-in-the-burbs millenials, who are flocking to cities and the low-carbon lifestyle available there. A conclusive UC Berkeley study showed that one shared car replaces up to 13 owned cars. And 50 percent of new members join in order to gain access to a car.

There's no other model of consumption that can reduce resource consumption, increase access to resources, and boost the local economy. Zipcar showed the world a dramatically better way to consume – and the world ran with it. Entrepreneurs applied the sharing model to innumerable asset categories – from textbooks to tree forts. For individuals, carsharing is a gateway drug to the sharing economy. A 2010 survey showed that carsharers share across significantly more asset categories than non-carsharers.

Zipcar not only proved there's demand for carsharing, but also popularized the shared-access model of consumption. They arguably catalyzed the rise of the sharing economy.

So how did Zipcar gain mass appeal? If I had to pick one word, it'd say convenience. Yes, a great brand, appealing cars, and OK pricing were useful, but Zipcar wouldn't have gained mass appeal unless it was easy. In their core markets, customers could walk to a car, open it electronically, and drive away. This was an entirely new experience.

As important as Zipcar has been to carsharing (and the sharing economy), it largely failed as business. While they proved the demand for carsharing, they never became a reliably profitable business. The main culprit was huge fleet costs – cars, maintenance, insurance, and parking. Acquiring customers profitably was also a challenge.

The lessons of cost control and convenience are not lost on the new wave of carsharing entrants such as Wheelz, RelayRides, and Getaround that represent the future. As peer-to-peer services, their fleets are provided by their customers. The leaders favor electronic access over key exchanges. RelayRides' partnership with GM's OnStar service gives them an advantage in acquiring customers. They can potentially onboard millions of OnStar equipped cars through OnStar's satellite technology.

Still, the cost challenge remains for peer carsharing services. In most case, 60 percent of the rental fee goes to the car owner, the rest to the car sharing company. A 40 percent commission is the highest in the sharing economy by far (Airbnb is 3 percent for hosts, 6-12 percent for guests). The reason is insurance. Up to three quarters of the fee goes to cover insurance.

At the center of this is the issue that cars that are not built for sharing. Few are equipped with access technology at the factory (OnStar cars excepted). Most are over-featured, over-priced, consumer products that appeal to customers' vanity. Repair costs are rising with their increasing complexity. These built in expenses make car sharing expensive. Bottom line – the high rental commissions and cost of cars may make it unattractive for most people to rent out their car.

Peer carsharing companies also face challenges Zipcar didn't. Renting out your car turns your automobile into a business asset, and commercial use is not covered by most policies in the U.S. This is only a problem if a claim exceeds your peer carsharing company's coverage. And in most states, insurance companies reserve the right to cancel or non-renew for commercial use, though this is rarely if ever done.

Mass adoption of carsharing requires significant institutional change. Zipcar and the Great Recession broke down cultural barriers to carsharing (and sharing in general), but insurance, regulation, and the product itself need big change for a breakthrough adoption and profitable carsharing businesses. There’s a lesson here for the entire sharing economy.

Different by Design:
Car Sharing vs. Car Rental

By Cat Johnson

Car rental giant Avis's recent acquisition of car sharing company Zipcar ignited much speculation about the future of car sharing. Some wondered if the move marked the beginning of the end for Zipcar while others argued that Zipcar, while one of the most visible players in the car sharing game, doesn't represent peer-to-peer, nonprofit, or transit-based car sharing platforms.

Lee Broughton, head of corporate sustainability for Enterprise Holdings, recently wrote that the acquisition is not the watershed event that it is being made out to be. His angle is that car rental companies have offered local, convenient access to mobility for years and that they offer a scale and level of oversight that peer-to-peer car sharing companies cannot.

He cites a study of Boston-area Zipcar users that challenges the altruistic motivations for car sharing with claims that program members are unconcerned with the cars and the Zipcar community, and that they participate in the program only to save money and for their own convenience.

But the study was criticized as being flawed and the idea that its findings reflect all car sharing participants is inaccurate. Researchers only looked at 40 Zipcar users in Boston. That's a very small, geographically- and demographically-limited sample. The findings are not even a good reflection of all Zipcar users, let alone all car sharers.

Convenience and savings are drivers of car sharing, but they are not the only ones. An independent study of over 1,000 adults, commissioned in 2011 by Zipcar, found that over half of the Millennials (18-34 year olds) made an active effort to drive less, stating, "protecting the environment" as a key reason for doing so. A national consumer study found that in addition to financial reasons, respondents listed the environment, community and generosity as reasons for sharing.

There's also a failure to recognize key differences between renting, fleet-based car sharing such as Zipcar, and peer-to-peer car sharing. The first two offer company-owned cars to consumers. Peer-to-peer car sharing platforms connect private car owners with would-be car renters. This offers some advantages to traditional car rental and car sharing.

Convenience

Peer-to-peer car sharing can be more convenient than renting through traditional channels. You can find a car nearby, book it, pay for it, and, in some cases, open it, with your phone. It's a seamless transaction that is easy and fun. Compare this with a car rental scenario where you stand in line, fill out paperwork, do an inspection and endure a sales pitch for extras like insurance. It's not quick, convenient or fun.

While rentals and fleet-based car sharing services are found predominantly in major metro areas, peer-to-peer sharing is without geographic restrictions. Peer-to-peer car sharing giant, Relay Rides, lists cars in urban, suburban and rural locales, listing vehicles from New York City to Spokane, Washington to Enid, Oklahoma.

Variety

At its broadest, peer-to-peer car sharing offers a virtually unlimited pool of vehicles to choose from. This is something that no rental or car sharing company can compete with. The pool of shared cars grows daily. It includes a dazzling variety of cars from exotic sports cars to pedestrian commuters. Peer-to-peer platform Getaround has, among its massive inventory, Toyota Prius', pick-up trucks, Minis, Jeeps, BMWs, Subarus, Honda Civics and Tesla Roadsters.

Accountability

Through user ratings and reviews, car sharing platforms offer a greater level of accountability than car rental. The reputation system of peer-to-peer rentals rewards good behavior on both sides of the transaction. That can lead to better experiences for everyone. Even with fleet-based car sharing services, you can be held accountable for leaving a messy car or not filling up the gas tank. Rentals offer less accountability since there are no rental company, car or driver reviews. This leaves rental companies freer to offer poor service, and drivers to abuse cars.

Different by design

While car rental companies experiment with product extensions such as Enterprise CarShare, Hertz On Demand and U-Haul's U Car Share, peer-to-peer car sharing and car renting, at their core, are not the same. Car sharing is, by design, something different from the traditional rental model and the steady growth of the car sharing market demonstrates that a growing number of people find it very appealing.

***

Cat Johnson is a freelance writer whose work focuses on community, culture, the sharing economy and music. Publications include Shareable, GOOD, Yes! Magazine, Instant Magazine and the Santa Cruz Weekly.

Follow CatJohnson on Twitter.

Creative Commons photo by Unsighted Listings

Zipcar Sale a Watershed Moment? I Beg to Differ

By Lee Broughton

TheCityFix.com website – a highly respected online resource for sustainable transport news, research and "best practice" solutions – recently suggested that the just-announced acquisition of Zipcar represents a watershed moment for car sharing. I beg to differ.

Don't get me wrong. Automated car-sharing technology has made certain transportation alternatives available around the clock and even more convenient. But the fact is, local car rental – just like local car sharing – has always offered accessible and affordable mobility options right where people live and work.

That's precisely why I was so heartened to read about Northeastern University's Fleura Bardhi and Suffolk University's Giana M. Eckhardt, two curious researchers who got together to independently test the car-sharing hype and media frenzy. Indeed, as reported in ScienceDaily.com, their study challenges the "romanticized view of access understood as a form of collaborative consumption and altruistically motivated."

Those in the car-sharing business already know about the industry's legal and financial challenges. But this study – Access Based Consumption: The Case for Car Sharing – confirms that affordability and convenience, rather than a sense of community, actually are the primary factors driving consumers' participation in car-sharing programs:

> "….we find that our informants do not have or want to have communal links with the company or with one another. There is a distinct lack of community among Zipcar users, even though the company is attempting to build one. Our informants do not relate to the brand as much as they do to the attributes of the offerings. They also do not feel a connection to other Zipcar users."

The study also reveals that clean, well-maintained vehicles, as well as access to new and different models, are critical issues for car-sharing customers. None of this is exactly news here at Enterprise.

We firmly believe these landmark findings should serve as a reality check – a big wake-up call – for anyone who believes in car-sharing technology and transportation sustainability overall. Today's car-sharing customers, just like car-rental customers, are demanding up-to-date vehicles and first-rate customer service. Moreover, the best way, the only way, to make car-sharing service scalable is to ensure that it is flexible, responsive and competitive in the marketplace.

For example, after acquiring car-sharing programs in Philadelphia, New York and Boston, we quickly updated and increased those local fleets with newer makes and models, including more fuel-efficient vehicles and hybrids. And today, we operate Enterprise CarShare as an extension of our unique Enterprise Rent-A-Car neighborhood network, which includes almost 1 million vehicles and more than 5,500 offices located within 15 miles of 90 percent of the U.S. population.

The most recent car-sharing research underscores – for urban planners, elected officials and other visionary leaders – why transportation needs to not only be environmentally, but also operationally and financially, sustainable in the communities we all serve. In addition, the research reinforces Enterprise's public and long-term commitment to urban mobility, which was addressed by our Chairman and CEO at the 2012 Corporate EcoForum annual meeting. In his keynote speech last summer, Andy Taylor noted that hourly car sharing has a role to play in the urban mobility equation, stressing that, "at Enterprise, we already have the scale and structure to implement car sharing in virtually every urban market."

Consider that, more than 15 years ago, Enterprise Rent-A-Car trademarked the term Virtual Car® when it recognized the strength and energy of local car rental service – regardless if it is for an hour, a day, a week or longer – and especially for those who rely on mass transit during the week or who simply cannot afford to purchase or maintain a vehicle on their own. But no matter what you call it – car rental or car sharing – this is just one more way that our industry is committed to offering transportation alternatives that meet customer needs and that make good business sense.

Lee Broughton heads up Corporate Sustainability for the most comprehensive service provider in the car rental industry, Enterprise Holdings, which – through its regional subsidiaries – owns and operates the Alamo Rent A Car and National Car Rental brands as well as its flagship Enterprise Rent-A-Car brand. Under Broughton's direction, Enterprise Holdings' Corporate Sustainability initiative focuses on the "triple bottom line" – global economic, social and environmental sustainability – and how those interdependencies impact the car rental industry. The company's www.DrivingFutures.com website highlights its sustainability initiatives.

[image credit: Kim Wood: Flickr cc]

An Inside Look at Wheelz

Read more in this series >>

By RP Siegel

We would be remiss in writing about the sharing economy without talking about Wheelz. And not just because they, as Chief Sharer, have done so much to make this series possible. Wheelz' innovative peer-to-peer (P2P) business model and their use of technology puts them right out at the cutting edge of this rapidly evolving movement. There is no need to put any extra spin on a company that is already ahead of the curve.

Self-described, not as a company, but as, "a peer-to-peer car sharing community that connects drivers who need a car with owners who want to share their cars with those around them," Wheelz is serving both college campuses and cities.

Most new ventures start from a basement or back room and try to get from there to a better place. The founders of Wheelz actually started at Better Place (the swappable battery company) and went from there to helping other people get to where they needed to go without buying a car that would only end up sitting still most of the time.

CEO Jeff Miller told me that "one of the things you think about when you're working on EVs is how often cars are parked, since that's the only time you can recharge them. It's a horribly inefficient use of resources. It seemed like there was a real opportunity to make the transportation ecosystem a lot more efficient by applying a similar approach to vehicles and vehicle ownership that Airbnb was applying to homes and home ownership. So we spun this out of Better Place: Aaron Platshon bringing his automotive marketing background from Tesla and Akhtar Jameel who had spent a lot of time at Mercedes Benz thinking connecting automobiles to the web."

They took that vision and turned it into truly new way of thinking about getting around. The Wheelz P2P platform, together with its DriveBox™ in-car technology and mobile access, offer a simple, efficient, P2P rental experience that turns idle cars into grocery runs, coffee dates and weekend getaways. As they like to say, "We're not reinventing the wheel, just how you use it."

Says Platshon, "When you're working in transportation, user experience is critically important and one of the areas we've focused on is our custom Drivebox™ which gets installed on all vehicles in the program. It makes it more convenient for drivers because they can find and access the car on the go, from their mobile device. You can find it because of the GPS signal and you can unlock it because it wires directly into the car's door system. You can honk the horn and flash the lights to make it easier to locate, which makes it a much easier experience for drivers. It's also very convenient for car owners, too, because they can rent their car out whenever they want, and don't need to take the time to go meet up with the renter to facilitate the transaction."

Wheelz has raised more than $15 million to date, including a $13.7 million round of funding led by investors Bill Ford's Fontinalis Partners, and Zipcar, their lead investor, which was recently acquired by Avis.

I asked Miller what the main differences were between Zipcar and Wheelz, in their customers and in their reach.

"I think that peer-to-peer (P2P) is something that can appeal right now, especially in the early phases of its development to a younger generation that's more familiar with Facebook and Airbnb and have a greater level of trust for these P2P type transactions. As it goes more mainstream, I'd expect that age to increase while more of the older generation is still looking at the options and saying I'm going to stick with Zipcar for now.

Zipcar's model differs in that they own their cars which you rent from them. Some people, like CV Harquail, have suggested that Zipcar is not really sharing at all, but rather just a really well-implemented car rental service.

Sometimes sharing is co-owning and sometimes it is renting, both concepts which have been around for a long time. The thing that makes it "sharing" in the business sense, or collaborative consumption as it is perhaps more accurately labeled, and therefore new, is a customer experience that is so transparent, so effortless, courtesy of mobile and social technology as to have transcended the boundary that once existed between the transactional and the personal. I mean we share and borrow stuff with members of our own family, right? So the question is can ubiquitous mobile computing make the whole world, one big family?

Not exactly, but in certain cases, it can take us one step closer. Close enough to create what you might call the "economic intimacy," that I think is really the key to the sharing economy.

Yes, Zipcar is, in fact, a well-implemented car rental service. It certainly goes well beyond what Hertz #1 Gold and their imitators ever dreamed of, in not only doing away with the retail counter, but putting the car right in your neighborhood where you can walk to it, open it and drive away with nothing more than your smart phone and a reservation. The thing that makes it sharing, really, is the fact that according to UC Berkeley, every shared car replaces 13 owned cars. This means that, in essence, by participating in a Zipcar transaction, you are essentially, co-owning that car with a number of total strangers and we have taken one tiny step closer to the world-as-family idea and away from what we might look back on someday as the ownership economy.

Wheelz then, takes this all a step farther, combining all the convenience of a technology-enabled service like Zipcar's with the community building potential that only peer-to-peer can deliver.

According to Miller, "One way of thinking about this is that we're in the consumer behavior change business in the sense that most people historically would not buy a new car and share it with complete strangers. What they are wired to do is to share it with people that they already know. What we're hoping to do is to formalize that and extend it to a broader definition of community than what people currently share with. That will take time to become pervasive. But it doesn't have to become totally pervasive to have a massive impact."

Because, he says, "if only 1 percent of car owners were to put their car into a P2P community, that's 2.5 million cars, which is more than double the traditional car rental fleet and the existing car sharing fleet combined. So with 1 percent consumer adoption, you've introduced maybe one of the most disruptive factors in the transportation space, because now you've got a car available on every block in every major metropolitan area, that you can access from the palm of your hand, with complete diversity of vehicle choice, anything from a sports car to a truck, no matter where you are."

What blew my mind, perhaps most of all the things we talked about, was when I, as a more or less traditional business traveler, suggested that airports would remain strongholds for the traditional car rental model for years to come, Miller agreed, but then added, “You can imagine a swapping service where you go to the airport and pick up somebody else’s car and somebody else picks it up yours so that instead of paying for parking you are getting paid for the use of the car.”

If nothing else did, surely that impressed upon me that this is really a whole new ball game.

Photo Courtesy of Wheelz

RP Siegel, PE, is an inventor, consultant and author. He co-wrote the eco-thriller Vapor Trails, the first in a series covering the human side of various sustainability issues including energy, food, and water in an exciting and entertaining format. Now available on Kindle.

Follow RP Siegel on Twitter.

Daimler Opens New Seattle Car2Go Service

Read more in this series >>

By Jan Lee

Mention the name Daimler, and most people think of Mercedes-Benz. Many wouldn't equate the world's most famous manufacturer of luxury cars with an economy vehicle, and certainly not one that promotes North America's newest niche market: the sharing economy.

But Daimler's 89-year history has given it an advantage when it comes to sizing up what people want in an affordable city vehicle – especially in a metropolis where the cost of gas, parking and the carbon footprint are major considerations. Luxury and roomy interiors are great when you have the time to enjoy them, but as Daimler AG's Car2go brand has proven, small is still mighty when it comes to efficient transportation on urban streets.

Car2Go Launches in Seattle

Car2go, which opened in 2008 and now has locations in more than 15 cities around the world, recently opened its newest office in Seattle, Washington which is known for its eco-conscious focus and abundant recreational attractions. Car2Go, says Corporate Communications Manager Katie Stafford, fits right in with the Northwest urban lifestyle that thrives on diversity and relies on accessible transportation.

"(Car2Go members) are people who really love living an urban lifestyle," says Stafford. "The live in a city, they love the fact that they have access to multiple forms of transportation and they want the freedom to use something when they need it and only pay for that when they are using it."

She says this follows a trend seen in today's economy. "People are sharing more goods and services, and Car2Go is a great example of that."

Where rental cars generally require a customer to come to the office first, Daimler's vehicles come to the customer – in the form of a broadly designated parking lot called the home area. In the case of Seattle, much of the city is considered the home area, which allows users to pick up and drop off the shared vehicle on most streets throughout the city. Stafford says the current home area of 42 square miles extends from 103rd Street at the north end, to Lander at the south, and from the Puget Sound at its western boundary to Lake Washington at its eastern edge. Although the home area contains many of the more popular residential and commercial sections of the city (including the downtown core), Stafford says the current home area is only a starting point and may expand in the future.

And while the home area doesn't currently include residential and commercial areas east of Lake Washington, she says that market research has showed that this type of service can directly benefit commuters who live in those outlying areas, like Bellevue, Kirkland and Renton.

Benefits for Eastside Commuters

"It is not only people in our home area that are using (the service) but … people who are living outside of the home area, and are taking public transit to come into downtown." Once downtown, they can use Car2Go to get to their destination quickly, without having to do a lot of walking or pay parking fees.

As with every service, there are a few restrictions: The car must be picked up and dropped off in the home area and can't be parked in spots that convert to lanes in rush hour (an important limitation to note in Seattle). But commuters who need to get to appointments quickly and don't want to hassle with the standard costs and requirements of owning a car (or a second family car) often come out ahead. Car2go pays for all of the costs related to owning a vehicle – even the gas and parking. It also gives free minutes to users who top off the gas using the vehicle's cardkey.

Eco-conscious Driving Graphics

For those who also have their eye on the carbon footprint, Stafford points out that the Car2Go model gets 32 miles to the gallon on the highway and are designed for urban driving. Plus, the vehicles come with a graphics feature on the dash that keep drivers informed as to how well they are driving – environmentally, that is. Drivers who are light on the CO2 emissions are rewarded with graphics of a balanced and green environment in the form of a thriving tree, grass and birds; drivers who are less diplomatic with the gas peddle will see a less happy and green environment. Stafford says the graphics actually help drivers become more environmentally conscious behind the wheel.

Drivers are typically required to purchase a membership with Car2Go to access its vehicles. At the moment, however, Daimler is waiving the cost of membership as an introductory offer, and is throwing in 30 free minutes of driving in the Seattle Metro Area. It will be interesting to see how well this new enterprise fares in Seattle, which is known for its cutting-edge enterprises and ongoing efforts to reduce its carbon footprint.

[Image courtesy of Elvert Barnes.]

SFO Slaps Cease and Desist Orders on Carsharing Services

San Francisco, where finding a taxi can be dodgy

By Leon Kaye

As the rise of the sharing economy transforms commerce and transportation, regulatory agencies have been slow to catch up to these new collaborative consumption models. The latest example has unfolded in San Francisco. Several car sharing services, including InstantCab, received a letter from San Francisco International Airport's management demanding that all of the service's "community drivers" cease all trips to and from the airport's property.

The nasty-gram from SFO is a definite sign of the sharing economy's success, especially among carsharing services such as InstantCab. Read reviews on Yelp, and one realizes what a success InstantCab has become considering how fickle the Yelp crowd can often be. Founded by an entrepreneur who missed an international flight after yet another San Francisco public transportation meltdown, InstantCab has emerged as a sharing economy star due to the combination of its technology, success in vetting drivers and rabid community of passengers who rave about scoring a cost-effective lift across town quickly.

The cease and desist letter InstantCab's management received is about what anyone would expect from a stodgy government transportation authority. Note that the letter actually does not apply to licensed cab drivers: the community of drivers, as the letter stated, "do not have a permit to operate a business on SFO premises." And hell hath no fury like a bureaucrat whose turf is scorned, as the letter continued on to state that anyone who "violates, disobeys, omits, neglects or refuses" to heed Rule 2.2 may be banned from the airport's use by the director–assumedly this applies to passengers and not just drivers?

As anyone who has struggled to score a ride to SFO can verify, it is not always an easy task, especially for those in the Richmond and Sunset districts who have no seamless access to BART. And as any passenger who has arrived at SFO, especially at night, can relate, finding transportation to San Francisco and the surrounding area can often involve a long wait at the taxi stand. So the reality is that the Airport Commission will have to find a way to sort out this mess–just as the California Public Utilities Commission is currently sorting out how to regulate carsharing at the state level.

So watch for these phantom taxi airport rides to continue; and in the meantime, give InstantCab credit for its cheeky spoof of the cease and desist letter: an InstaCab staffer rewrote the letter to give it a more collaborative (consumption) tone. The hopeful tone of the letter belies the fact that transportation in San Francisco, as in much of the country, is inadequate considering the local population's needs–and a streamlined permitting process fair to everyone is necessary to keep the city's citizens moving. It will happen: it just always takes democracy, and especially civil servants, time.

Based in Fresno, California, Leon Kaye is the editor of GreenGoPost.com and frequently writes about business sustainability strategy. Leon also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. At Better4Business in Anaheim on May 2, he will join a panel discussing how companies can present their CSR initiatives to the media. You can follow Leon and ask him questions on Twitter or Instagram (greengopost).

[Image credit: Leon Kaye]

Tony Hsieh Bets on Tesla for Las Vegas Carsharing Program

100 Tesla Motor S EVs will join Project 100's carsharing program

By Leon Kaye

Can the rise of the sharing economy include a city in the desert known for casinos, conferences and weekend debauchery? Las Vegas and collaborative consumption may seem odd in the same sentence, but Tony Hsieh is investing big money to launch the sharing economy in his adopted Sin City. The founder of Zappos recently launched Project 100, which he hopes transforms transportation in downtown Las Vegas and surrounding neighborhoods. Recently, Project 100 signed an agreement to include 100 Tesla Model S cars as part of this futuristic, 100 percent “complete transportation system.”

The agreement, according to Project 100, is the largest U.S. reservation in Tesla's history. The Model S fleet will complement Project 100's vision of featuring over 100 shared cars with over 100 on-demand drivers, 100-plus shared bicycles and 100-plus shuttle bus stops. All of these services will be available to monthly subscribers who can access these services via a smartphone app.

Think of Project 100 as a high-end Zipcar or Uber that will encourage well-heeled Vegas residents to ditch their cars and become more integrated within their community. The membership will cost about $400 a month (Zipcar is $50 plus individual rental and mileage fees) and include the option to have a driver take a member to his or her destination. Depending on each subscriber's needs, memberships will be priced according to how far the member wishes to travel away from downtown Vegas.

So why Las Vegas, a city with a highly transient population including folks who stay there part-time in a vacation home? Well, if this scheme can work in Vegas, it won't stay just in Vegas. And with Hsieh at the helm, Project 100 hopes to "increase collisions between people" and encourage residents to go about town, meet more people, become more invested in their community, and therefore create a happier and more innovative local environment. Project 100's long term vision is to replace that one car key with a complete party package.

Project 100 selected Teslas because of the "cool" factor and the desire to replace conventional gasoline-powered vehicles with ones less harmful to the environment. Of course, the challenge of going with a 100 percent EV fleet is that Project 100 will have to invest in a vehicle charger infrastructure to ensure the service will work smoothly for subscribers.

So can Project 100 succeed? Will the same members intrigued by commuting by chauffeured Teslas also be interested in spending an afternoon bicycling in 110°F heat? And how will Project 100 staff a team of drivers who must be ready at any moment to drive someone to a local nightclub or grocery store–and in the meantime could be standing around for hours? The option of hopping a "party bus" sounds great at first, but for residents who actually work for a living, it could grow old fast. With Hsieh leading this effort, however, Project 100 has a greater chance at succeeding based on his past successful track record–and therefore make Vegas a happier place.

Based in Fresno, California, Leon Kaye is the editor of GreenGoPost.com and frequently writes about business sustainability strategy. Leon also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. At Better4Business in Anaheim on May 2, he will join a panel discussing how companies can present their CSR initiatives to the media. You can follow Leon and ask him questions on Twitter or Instagram (greengopost).

[Image credit: Tesla]

Sharing Spaces

Another huge opportunity in the sharing economy is in the rental of space - either that spare room or the unused cube in that office down the hall. In this section we explore the opportunities and limitations of space rental.

Airbnb Claims $56M Contribution to San Francisco's Economy

By Raz Godelnik

Those looking for evidence showing the business case for the sharing economy are probably glad to hear the latest news from Airbnb, where venture capitalist Peter Thiel is expected to invest $150 million, putting the company's valuation at around $2.5 billion. Still, even successful companies like Airbnb have a point or two they want to prove, such as if the company can generate benefits to stakeholders and not just to shareholders.

And the benefits are definitely there – according to a new study commissioned by Airbnb (and conducted by HR&A Advisors), the company's contribution to San Francisco's economic activity is estimated at $56 million a year. Sounds impressive, right?

Yet, while it's clear why Airbnb is glad to show such impact (hint: the fight over the city's hotel tax that the company is required to pay now), it is less clear if the study presents the whole picture or just the part Airbnb wants San Francisco to see.

Let's look at some of the main findings of the study:

More economic activity

From June 2011 to May 2012, Airbnb guests spent $56 million in total in San Francisco. $12.7 million was spent on lodging, $11.8 million on food and beverage, $10.8 million on retail, $9.8 million on services, $5.7 million on entertainment and so on. Interestingly, although almost 80 percent of Airbnb guests say they choose to use the company's services because they can save money this way, they actually spend more money in total compared to hotel guests – $1,100 compared to $840 respectively. The reason is that the average stay of Airbnb guest is 5.5 days while hotel guests spend only 3.5 days in the city.

Providing locals with substantial income

Airbnb is also contributing directly to the livelihood of the many residents that offer their apartments and houses to Airbnb guests. According to Forbes, Airbnb hosts made an average of $9,300 annually for listing a home and $6,900 for listing a private room or shared space. The study found that people who rent their homes on Airbnb use the income they earn to pay for rent/mortgage (56 percent of the hosts), vacation (45 percent), other household expenses (45 percent), or as extra spending money (54 percent).

A positive impact on local neighborhoods that are "off the beaten track"

"Airbnb represents a new form of travel," says Airbnb CEO and co-founder Brian Chesky. "This study shows that Airbnb is having a huge positive impact — not just on the lives of our guests and hosts, but also on the local neighborhoods they visit and live in."

Chesky was referring to the findings showing that 72 percent of Airbnb properties in San Francisco are located outside the central hotel corridor and more than 90 percent of Airbnb guests visiting San Francisco prefer to stay in neighborhoods that are "off the beaten track." In addition, over 60 percent of Airbnb guest-spending occurs in the neighborhoods in which the guests stay, indicating that local business might enjoy a greater share of Airbnb guests' spending.

No real damage to the hotel industry

You might think that the success of Airbnb comes at a cost to San Francisco's hotels, but the study presents a totally different picture. It shows that Airbnb has not cannibalized the local hotel industry – hotel occupancy and prices have both actually increased in the years since Airbnb launched, TechCrunch reports.

One of the reasons is that the supply of hotel rooms has remained constant. "We don't have any new hotels being opened," explained Hotel Council of San Francisco Executive Director, Kevin Carroll. "From an inventory standpoint there's nothing new coming onto the market, and at times, when occupancy is high across the city, Airbnb can soak up that extra demand," he told Huffington Post.

So, is this the real picture?

Well, it depends how you look at it. Here's another way to look at these figures: According to the study, about 14 percent of the guests would not have visited the city if not for Airbnb. Dividing $55.8 million in an average spending of $1,100 per guest gets you 50,727 Airbnb guests a year. Now, 14 percent x 50,727 x $1,100 = $7.8 million. Adding the difference between the spending of average Airbnb and hotel guests for the rest (86 percent) of Airbnb guests would give us a total of $19.14 million.

There are also negative effects that should be taken into consideration, such as lost hotel tax (at the time of the study Airbnb guests did not pay city hotel tax – the city is currently trying to get Airbnb to pay up). According to my calculations, the loss from all guests that would visit San Francisco even if Airbnb wasn't around is $2.02 million. So now the net contribution of Airbnb is $17.12 million (19.14-2.02). It's still an impressive figure, but certainly less impressive than $56 million.

The study highlights some important benefits of Airbnb to local economies, from spreading the money of visitors in a larger number of neighborhoods to making a substantial contribution to the livelihood of residents, many of whom (60 percent) have an income less than San Francisco's median income. Yet, to fully understand the impact of Airbnb we need also to take into consideration other factors, such as the impact on hotels, city's income and expenses and even the local housing market that some argue that is also influenced by the rise of Airbnb. So, as they used to write in academic papers, further research is still required here.

[Image credit: Flying Cloud, Flickr Creative Commons]

Raz Godelnik is the co-founder of Eco-Libris and an adjunct faculty at the University of Delaware's Business School, CUNY SPS and the New School, teaching courses in green business, sustainable design and new product development. You can follow Raz on Twitter.

Cohousing in Maine

By Sarah Lozanova

My family will soon be moving to Belfast Cohousing & Ecovillage (BC&E) on the midcoast of Maine and we're excited to live in a community that is part of the sharing economy. Cohousing is collaborative housing where residents actively and intentionally participate in the design and operation of their own neighborhood.

BC&E will be a 36-unit community on 42 acres that will soon break ground on an approximately 4,000 square foot common house with a shared dining room, commercial kitchen, laundry room, guest bedrooms, and playroom.

Construction of the private homes is in progress and a majority have already sold. During sluggish economic times, BC&E priced its units between $167,000 and $342,000, much higher than the $150,000 average home value in Waldo County. Providing a unique offering has positioned the project well in a niche market that values shared space, human interaction, and sustainability.

> Study of resales prices over the first two decades of cohousing in California has confirmed that cohousing communities hold their value over time, and in some cases even increase in value from their initial costs-based sales price. A report completed in January 2010 by the appraisal firm of Bartholomew Associates concluded that resales in cohousing communities in Northern California sold at 1.7 to 3.12 times the prices of other townhouses and condominiums in the area. When prices were adjusted for specific differences in age, condition and location, cohousing homes sold at 11 to 63 percent premiums compared to the closest comparables. This data was collected through 2009 and thus includes the years of the great recession." Creating Cohousing: Building Sustainable Communities (New Society Press, 2011).

The fact that many cohousing communities are partially or largely self-financed and self-developed lowers expenses, but requires far more of members than typical housing developments. BC&E has relied largely on word-of-mouth marketing, but have also utilized social media, fliers, and events. Members have proven themselves to be very resourceful and creative, but some have also experienced burnout.

Cohousing offers some intangible benefits that are appealing to certain homebuyers. The BC&E community layout, including restricted access to automobiles with parking on the periphery, clustered homes, front porches on multi-unit buildings (mostly duplexes), a shared tool shed, community vegetable and flower gardens, and a central mail room encourage spontaneous interactions, sharing, and voluntary simplicity.

This layout contrasts most new neighborhoods in the U.S. that are largely automobile-centered, thus significantly reducing contact with neighbors. “I know a lot of people who live in houses with attached garages and they have never even seen their neighbors,” says Dan Capwell, a member of BC&E. “All they see is a car enter the garage in the evening and a car leave in the morning.”

Walking trails are planned for BC&E and several acres are designated for community gardens and food production. In many established cohousing communities, the garden space brings people together and encourages the sharing of knowledge and resources.

Community gardens and cohousing in general can also reduce resource consumption. “We are farmers and gardeners,” says Nessa Dertnig, a member of BC&E. “We have thought about the fact that not everyone would have to own their own rototiller, hoe, or snow plow. We also have just one car and we’ve thought of car sharing in the future. If there are a few people interested in sharing a car, there can be fewer cars on site. There are all kinds of ways we can share resources and time and it is all so convenient.”

Although sharing space has its benefits, it can also create difficult situations. “I’ve been thinking about how my children have to share a yard,” says Forrest Espinoza, a member of Troy Gardens, an established cohousing community in Madison, Wisconsin. “If you were in a typical community, you would invite other children to come into your yard. If your children weren’t getting along, you wouldn’t invite those kids to come over and play. In a cohousing community, they have to work things out. It’s was frustrating in the beginning, but our whole family has experienced incredible growth.”

Despite the challenges, more than 120 communities exist across the U.S., with many more in the development phase. “Interest in cohousing has grown and I think it is because of a combination of factors,” says Jim Leach, president of Wonderland Hill Development Company. “We have the Baby Boomers seeing it as the ideal way to age in place. The social changes that are happening in the U.S. as we deal with issues around gun control or how we economically survive in a changing world make having community and deeper relationships with the people we live near take on more value and is being well recognized.”

[Image credits: Jeffrey Mabee of Belfast Cohousing & Ecovillage]

Coworking at The Hub, Where Ideas Comes to Meet


San Francisco sushi chefs teach HUB community members how to make sushi.

By Lonnie Shekhtman

Coworking may not be the first thing to come to mind when thinking about the “sharing economy,” but it ought to be, particularly if you consider the statistic from the Freelancer’s Union that one in three of us in the U.S. is an independent worker. If it wasn’t for workspace sharing, creative ideas would be cooped up at home, missing the chance to intermingle with one another to create innovation.

Office sharing—and everything that comes along with it—has grown dramatically in the last several years of economic funk. According to Deskmag, a site that tracks and promotes coworking, there are more than 2,000 coworking spaces globally, up from 600 in 2010.

Coworking spaces come in all shapes and sizes, but what many have in common is a hip, modern design that aims to encourage collaboration through a wide open space full of workstations (instead of offices), ample natural light and an ambient décor.

Most coworking spaces encourage collaboration among members, but some make it their priority to foster serendipitous innovation by bringing together people from specific industries or with complamentary skill sets.

One such example is The HUB, an international network of independently run coworking spaces designed specifically for mission-driven businesses, or for "people who want to build a better world," as Jeff Shiau, a program manager at The HUB Bay Area, puts it. It was founded in London in 2005, and today has nearly 50 locations and 6,000 members in cities like San Francisco, Madrid, Singapore, Tel Aviv and Johannesburg.

"Every location has its own founding team, but [The HUB] is not cookie cutter like a franchise," explained Shiau, who is employed by the parent company of The HUB Bay Area, which has working spaces in San Francisco and Berkeley and produces the annual SOCAP conference, exploring the intersection of business and social impact. Two more Bay Area HUBs—Silicon Valley and Oakland—are opening later this year, Shiau said.

Although each HUB is independently run and structured (some are nonprofits others are for-profits), it is part of a global association of HUB founders and adheres to global brand guidelines. Each one also pays dues—determined primarily by its membership revenue—to HUB Company, a nonprofit that coordinates logistics for the organization. Every year, HUB founders get together in a different city around the world for strategy talks on issues of governance, programming, and space design.

Currently, the group is trying to figure out how to quantify its impact, Shiau says: "We have the pulse, but not at a surgical level." The first item on the organization's agenda is to determine which impact metrics to use: how many jobs it's creating vs. how much capital it's directing towards specific ideas or sectors vs. the impact it's making on local communities, for instance.

If it counts the impact of members and partners, the results could be quite impressive. The HUB Bay Area attracts some heavy hitters in the sustainable business space, including the Presidio Graduate School and B Lab—the nonprofit certifier for B Corp (HUB Bay Area is certified)—both with permanent offices at the San Francisco location.

Providing an opportunity to rub elbows with organizations like these certainly makes membership alluring for early stage impact startups that can draw on the expertise of these more established members and the impressive speakers The HUB Bay Area secures. Speakers have included Matt Flannery, co-founder and CEO of Kiva; Leila Janah, founder of Samasource, and Jeff Raikes, CEO of Bill & Melinda Gates Foundation.

There are additional business-school-like benefits of membership, including access to a large variety of useful workshops and a startup accelerator program called HUB Ventures. And, of course, there are ample social activities to ensure that members meet each other and that the sharing of ideas ensues. These include a HUB softball team, weekly public lunches and waffle Mondays.

The people behind this organization view The HUB's role and potential impact as extending far beyond the sharing of space and resources. They consider The HUB a home for like-minded change agents, "a global movement," Shiau proclaims in true Bay Area entrepreneurial fashion.

"My goal is that by 2015 all HUBs around the globe will be so mobilized, we'll be able to influence the U.N. on issues."

I wouldn't put it past them.

Follow me on Twitter: @kuurlyq

Conference Room Rental Now Available from LiquidSpace

Need to work at a table at the Courtyard San Francisco?

By Leon Kaye

The rise of the sharing economy has disrupted our relationships with objects, services, energy and spaces. And when it comes to the workspace, innovative work environments such as Hub Bay Area are saving young entrepreneurs money while exposing them to new ideas traditional office spaces cannot offer. Now a Silicon Valley start-up, with its new app on the loose, makes it easier for any freelancer or group of professionals to score a co-working space or conference room rental quickly and efficiently.

LiquidSpace offers various types of spaces that helps its members find workspaces on the fly. While co-working has changed the nature of the relationship between tenants and offices, they can still be out of reach for solo practitioners, non-profits or very young companies. Sometimes a group of people need a space such as a conference room quickly. And while coffee chains such as Starbucks have had a role in giving working people more flexibility with scheduling, sometimes that giant sucking sound of milk being steamed does not foster a creative working environment. To that end, LiquidSpace now parters with Marriott to give its members even more options to hold meetings or brainstorming sessions.

Hotel conference spaces are part of the offerings Marriott provides to LiquidSpace users. Traditionally, booking a conference room at a hotel was a hassle, with all the negotiating and telephone back-and-forth. Meanwhile, like those spare bedrooms available on Airbnb.com, many of those rooms sit empty for most of the day. Those rooms, and spaces in hotel business centers, are now available for a term as short as an hour on LiquidSpace.

And in a move that shows other multinational corporations how it is done, Marriott offers a bevy of spaces for free: sofas in lobbies, long tables in a dining area, pods or nooks in a hotel's public spaces. Most of the free spaces are at Marriott's Courtyard properties: and most of the spaces are brightly lit and adorned with modern furniture–these Courtyard properties, mind you, no longer look like a Barbie Doll funeral parlor on the inside. So for a group of "collaborators" who have got to meet but just do not have the coin to shell out for a meeting space, this makes for a much better option than a table at the local Peet's–if there even is a table. On the flip side, for those with more of a budget, conference rooms at high-end Marriott properties in the Bay Area run from $20 to $50 an hour, a few hundred bucks for the half-day or day–not a bad deal when that last minute meeting has got to be arranged. Marriott also benefits with earning revenues from spaces that otherwise would have remained empty.

In addition to California, Marriott offers this "Workspace on Demand" program in six other states and Washington, DC. Booking is even easier than choosing a hotel room, though each property has various policies on cancellation policies and how much time in advance before a space can be reserved. For now the Marriott-LiquidSpace portal is in beta; watch for it to become as robust as LiquidSpace's main site, complete with user reviews and even the ability to see who is at a space in real time. Partnerships like this one show that there is plenty of office space ripe for the taking; it is now a different world where people do not need it for eight to 10 hours day after day.

Leon Kaye, based in Fresno, California, is a sustainability consultant and the editor of GreenGoPost.com. He also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. You can follow Leon and ask him questions on Twitter or Instagram (greengopost). He will explore children's health issues in India February 16-27 with the International Reporting Project.

[Image credit: Marriott]

Libraries Bet on Coworking Trend

Read more in this series >>

By Heidi Sistare

Coworking is hot. In a recent TriplePundit article, Lonnie Shekhtman talks about an inspiring example of coworking at The HUB. Coworking spaces are popping up all over the world, each with a specific set of services, targeted population, and physical design. The website Deskwanted allows workers to find coworking spaces in their city, and WNYC, a New York City public radio station, created a map of New York's coworking locations.

Before the rise of coworking spaces, coffee shops with free wi-fi, and libraries were the de facto workspaces for the office-less worker. Now, some innovative librarians and enterprising libraries are redesigning their spaces to create their own, official, coworking environments. Meg Knodl, a Minnesota librarian and coworking advocate, developed a librarian position at CoCo, a coworking space with locations in Minneapolis and St. Paul. Knodl also educates librarians about how coworking can fit inside libraries.

The timing seems perfect: libraries are struggling to maintain relevance as more material is available for free online, and workers are looking for space to plug in their laptop, meet with collaborators, and even host events. A Sustainable Economies Law Center article on Shareable notes that libraries have long been centers for the sharing economy and with digitization, libraries can be more creative with physical space.

Thomas Scott, a member of CoLab Nashville, says that a good coworking space should be:

Flexible – Offering multiple workspace options for different types of businesses and accommodating businesses as they grow and change.

Collaborative and inspiring – With spaces that encourage conversation and interaction between workers.

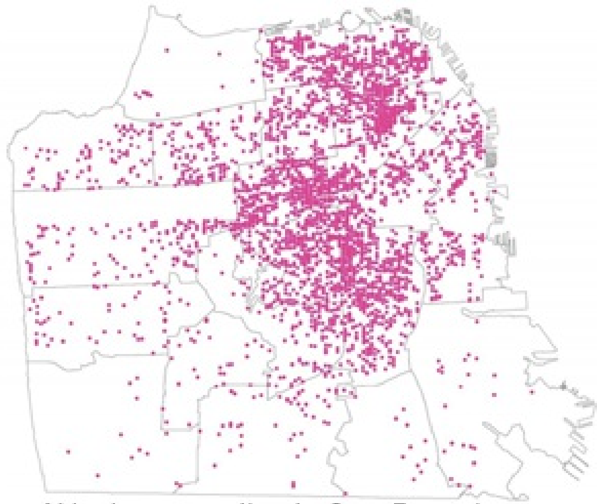
Affordable – Coworking is attractive to startups, freelancers and artists, groups who need pricing options that fall below a traditional office space.

Just this month, the Brooklyn Public Library's central branch opened the Shelby White and Leon Levy Info Commons. This new addition to the library features workspace for 70 laptop users, meeting rooms with flat screens (including one room that doubles as a recording studio), and a training lab for classes and workshops. Creative entrepreneurs are looking for ways to save money, connect with their communities and thrive in inspiring workspaces. Could this be the future of libraries?

[Image Credit: Wordshore]

Airbnb and Apartment Scarcity

Read more in this series >>



Airbnb properties in San Francisco

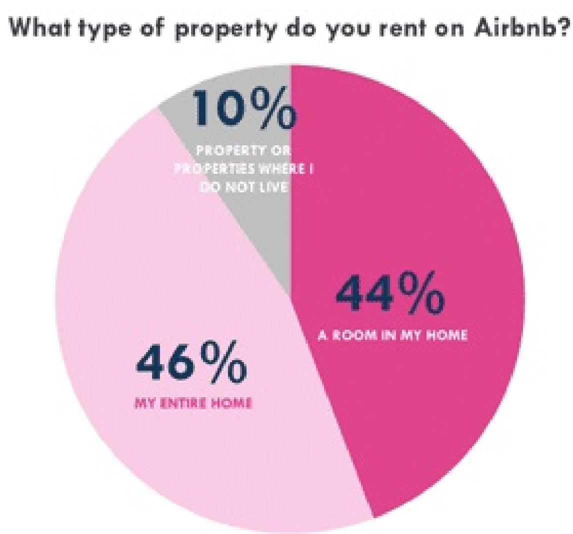
By Nick Aster

Airbnb is the de-facto archetype of the sharing economy – an easy-to-use service that lets you rent your home, or a spare bedroom, to weary travelers. No sharing economy company has generated quite as much press or controversy over the years. Airbnb has enabled millions of travelers to find comfortable lodging for a bargain – with the interesting customization and neighborhood connections only a personal host could provide. In fact, Airbnb claims they pump millions into local economies that would otherwise go to national chains.

However, with Airbnb's tremendous popularity have come accusations that it worsens apartment scarcity in places like San Francisco and New York because landlords may be keen to turn an apartment into a revolving hotel rather than rent it out long term. Are such claims against Airbnb merely coming from folks with chips on their shoulders who don't really understand the sharing economy? Or is there truth to the claim that Airbnb is making a tight market worse?

It would be impossible to argue that Airbnb has zero effect on available rental properties. The question is just how much of an effect is it? San Francisco has always been a very difficult place to find an apartment and its current economic boom is certainly keeping it that way. The issue becomes a bit clearer when you look at some data and break Airbnb hosts into three different categories:

The data I'm using comes from surveys conducted by Airbnb and HR&A as part of their economic impact study in San Francisco. You can download the whole PDF here. Airbnb does not publish the number of hosts in the city, but a search at the time of this posting showed about 3000 active listings in San Francisco of all types.



1) Type 1: The person who rents out their apartment when they are out of town.

The largest group (46 percent) of Airbnb hosts are folks who rent out their entire home when they're out of town. I'd argue these people are the most classic embodiment of the sharing economy because they are putting to use a resource that would otherwise go wasted – an empty home. It's not possible to suggest that these people have any impact on apartment space in San Francisco because their homes wouldn't be available to renters anyway.

So that knocks of about half of Airbnb's potential impact on the rental market.

2) Type 2: The person with a spare room who rents it out from time to time.

A nearly equal number (44 percent) of Airbnb hosts rent only a portion of their home, typically a spare room, while they continue to live there. This type of arrangement is where things start to get interesting – see the infamous case of Nigel Warren who regularly rented a spare bedroom in his apartment until he was charged with a litany of fines and got into deep legal trouble. This group is even more complex because some are owners of the spare room and some (like Nigel) are renters themselves. Airbnb doesn't yet have the data on how this breaks down (though a new report is forthcoming).

An owner of an apartment has no obligation (legal or otherwise) to rent out her spare bedrooms to anyone, and if they do it on Airbnb, it's arguably creating space, not taking it away. So it's not likely this type of host is hurting the market much. However, a renter who choses to rent a spare room on Airbnb instead of to another full time roommate might conceivably begin to impact the market – not to mention they might be violating their lease. But even then, we have no idea whether this is something someone chooses to do once in a while or on a constant rotating basis – I'd love to see the numbers.

3) Type 3: The person who doesn't occupy the flat at all and runs it as a full-time Airbnb property.

Accounting for about 10 percent of Airbnb hosts, this group is really the only group that gets far enough into the "gray zone" that they might impact the availability of apartments in San Francisco. These hosts, some of whom own multiple units, are also likely the hosts for whom a hotel tax might be appropriate, among other possible legal ramifications (but that's another story I'll get into later).

So where does that leave us?

San Francisco has never been an easy place to find an apartment. I remember having friends "live" on my couch for months in the late 1990s, unable to find something affordable while the dot-com boom raged on. There was no Airbnb then. Today, with San Francisco booming as much as ever, with cranes constructing new units as far as the eye can see, the apartment search is still a quagmire for would-be new residents, monied and otherwise.

Does Airbnb make it worse? Perhaps a little. But probably about 90 percent less than the naysayers claim.

Money and Legalities

While sharing represents a tremendous financial opportunity for individuals and companies alike, most of the consumer protections we have in place right now, like insurance, center around a single owner. In this section we explore the unexpected legal aspects of the sharing economy - and what legislators are doing to catch up.

The Care and Feeding of Your Sharing Economy Lawyer

Read more in this series >>

By Alison Monahan

If you're starting (or thinking of starting) a sharing economy company, there's a very good chance you'll wonder at some point: "Is this actually legal?"

In many cases, the answer — technically speaking — will be no. In other cases, the answer will be, "Yes, it's legal, but it's still crazy risky."

What do you, the excited upstart entrepreneur, do at this point?

Give up and go home.

1. Whine a lot about how your lawyer is a killjoy then do whatever you want.
2. Listen to this person who has your best interests at heart, and try to work productively together.

If you picked one or two, good luck! You're on your own. Hope things work out for you.

If you went with three, read on.

With the caveat that none of this is legal advice (trust me, I don't even practice law at the moment so you definitely don't want to listen to anything I say about "the law"), here are a few tips for understanding your new sharing economy lawyer and working well together.

1) The answer probably isn't clear

The first thing to understand is that your lawyer probably isn't trying to be difficult when she tells you something isn't allowed, or — more commonly — that she's not sure what's okay.

In a common law system like the United States, you can't just go to a book and look up "the rules." (Sure, there are statutes, but those statutes have often been interpreted by courts in such wacky ways that you can't tell what they mean by reading them.) Instead, we're bound by "precedent," which is basically all the old cases for the last 200+ years. Your novel idea might be governed by a dusty opinion from 1824. Fun!

Given that the law doesn't keep up with technological and social change (how could it, when cases drag on for years and you can start the next big thing in a few months), your lawyer is stuck analogizing to past precedents to figure out what you can safely/legally do.

Is Lyft a taxi service? A limo service? A technology platform? How those questions get answered determines whether it's legal or not (and, even then, the answer might vary by location).

So, when you get "I don't know" or "I need more information" as an answer, chances are good your lawyer isn't trying to run up the bill. She probably needs some very specific factual information to understand whether your proposal falls into the "okay" or "not okay" bucket. The more quickly you provide that information, the faster everyone can move on with their lives.

2) Don't assume your lawyer understands what you're saying

I'll probably get yelled at for saying this, but (shhh….) most lawyers aren't that technologically savvy.

Now, of course there are exceptions (and I'd encourage you to seek out those exceptions), but there aren't too many people who are equally comfortable talking about law and discussing programming or UI design. These are all very specialized languages, and it's hard to be fully fluent in more than one.

It's also a rare lawyer who's fully conversant in the sharing economy, just because things are developing so rapidly.

So, what can you do to help your lawyer get up to speed?

- Slow down. It's worth investing a decent amount of time in the beginning explaining exactly what you plan to do. Here, the details matter. Are you planning to use volunteer labor to harvest your new community garden? Not so fast! That's probably a violation of current labor laws. (See, e.g., the Refugee Farmer Project from the Sustainable Economies Law Center.) Do you plan to raise money from your neighbors to purchase scooters to share? Better get up to speed on securities law! You're going to have to be careful about how you do it.
- Educate yourself. The more you know about the relevant law, the better you'll be at anticipating what your lawyer really needs to know. If you're at an impasse with your attorney, where it seems like he's just not getting what you're saying, ask him to explain exactly what concerns he has about your proposed course of action. Make sure you understand the legal implications of different categorizations of reality (lawyers love to categorize things). "So what you're saying is that if we're considered a taxi service, we'll be subject to regulation X. But if we're a limo service, we'll be subject to regulation Y. Do I understand you correctly?" If you can get to that level of detail, you'll at least be in a position to make a decision about what to do (even if it's not one your lawyer recommends heartily).

3) Ultimately, it's your call

A good lawyer is — by nature and training — risk-averse. A good entrepreneur is anything but.

Put these two personalities together and there are bound to be some disagreements.

As we discussed above, your lawyer probably isn't trying to be difficult when he points out every possible legal risk of your new idea. That's his job.

But, your job is to weigh the risks and decide when it's worth the risk to move forward. Did AirBnB attempt to comply with lodging laws in every city they operate in before launching? No, of course not. It would have been totally impractical and the business never would have gotten off the ground.

When you're pushing the envelope on what society is used to, and fundamentally rethinking long-standing ideas about property ownership, it's inevitable that there will be turbulence. Be smart about the risks you take, of course, but you'll often be in uncharted waters.

It's okay to listen to your lawyer, understand the issues, and decide you disagree with the advice you're getting.

Just make sure you're doing so with your eyes open. Best of luck!

Image by juliaf.

Is Sharing Illegal? In Many Cases, Yes.

By Lonnie Shekhtman

Governments have their work cut out for them in keeping pace with innovation, especially as mobile, social and cloud technologies allow for new business models that, in the eyes of regulators, threaten consumer safety and incumbent industries.

The most poignant current-day example of the tug-of-war between government and technology entrepreneurs is the legal quagmire many "sharing," or "collaborative consumption," companies face in the cities they operate.

The problem, at least for home- and car-sharing services, is multifaceted: they're agitating dozens of stakeholders, operating in uncharted territories, and legally indefinable. And indefinable is hard to regulate.

You can't talk about legal issues surrounding 'sharing' without talking about the industry's '800-pound gorilla': home rental service Airbnb. The company, now active in 30,000 cities worldwide, often finds itself in a precarious position as it navigates zoning laws in each city, and sometimes even neighborhood, block or building.

As a result, Airbnb's users have run into a host of legal problems, most publicly and recently in Amsterdam, New York City and San Francisco, where many Airbnb rentals are illegal and where hosts face steep penalties and eviction . . . if caught.

The problem for sharing companies is that municipal laws are outdated, forcing regulators "to squeeze a square peg into a round hole," according to Molly Turner, a public policy specialist at Airbnb.

"Government is usually the last one to pick up on innovations," Turner said. Although she credited San Francisco for recognizing and dealing with the 'sharing' movement very quickly, she pointed to a 1980 San Francisco affordable housing law being tapped to regulate home-sharing services as an example. The law restricts the conversion of single room occupancies (a.k.a. SROs), reserved for low-income residents, to other uses.

"Policymakers don't understand that what's happening to Airbnb is different than before," Turner said. "Let's create a different kind of category. Let's not apply standards that were created for hotel rooms or SROs to my apartment, which I rent [out] three weeks a year."

What policymakers are justly concerned about, for example, are cases of San Francisco landlords quietly converting their rentals into illegal hotel rooms, thereby taking valuable housing stock off the market and possibly contributing to the significant hikes in rental prices in the city.

In March, the city began collecting a 15 percent hotel tax from Airbnb and other home-sharing service users. And any day now, the San Francisco Board of Supervisors will introduce legislation to clarify the rules around short-term home rentals, to protect existing housing stock, and to create a mechanism for accountability, according to Amy Chan, legislative aide to board president David Chiu.

“Anyone in San Francisco who’s renting out their home for less than 30 days is doing it illegally,” she said.

Chan explained that the new legislation will likely allow only primary residents to share their housing on the short term, and only for a certain amount of time each year. And people renting out a secondary residence on the short term will need to get a bed-and-breakfast license.

It’s unclear how the Department of Building Inspection, the enforcement agency for these issues, will catch illicit renters. Its capacity is limited, so it won’t be scouring Airbnb to identify illegal listings. Most likely, the agency will rely on complaints from rancorous neighbors.

While home-sharing services work to untangle the home-rental web, ridesharing is grappling with its own set of legal woes. For companies like SideCar, an app that connects car owners who want to make extra cash with people who need rides, this translates to $500,000 spent on legal fees in the last year, according to company co-founder Nick Allen.

“We spent a lot of time and money designing the product to fit the regulatory framework that was in place,” said Allen. “A lot of this is just the technology evolution outpaces ability of regulators to keep up,” he said.

Again, the biggest problem (besides an enraged taxi and limo industry), is that the California Public Utilities Commission (CPUC) is relying on laws that have been in place since the 1970s, classifying companies like SideCar and Lyft as limousine services. In October, the CPUC ordered the companies (plus Uber) to “cease and desist” and slapped each one with a $20,000 fine in November for operating as passenger carriers without a license.

SideCar, currently operating in San Francisco and Seattle, disagrees with CPUC's classification: "We're a technology provider," Allen says. "We're not a transportation company."

All three companies are still operating and the fines have been waived until the CPUC brings forward new ridesharing rules in the next six months to a year. There's a rule-making process in progress right now, which allows all interested parties to comment on ridesharing issues like jurisdiction, public safety, and insurance.

"The effects of this new business model and level of activity on public safety are unknown," the CPUC wrote in the Rulemaking document. "The purpose of this Rulemaking is not to stifle innovation and the provision of new services that consumers want . . ."

Or is it? Some believe that safety regulations are nothing more than disguised protection rules for incumbent industries.

"Startups are the canary in the coal mine," said Dave Phillips, EVP and General Counsel at SideCar. "When you start reactively regulating really early stage startup markets, you have a very large chilling effect on innovation."

Phillips was general counsel at AOL and Napster, which were among the first groundbreaking internet technologies to fight onerous government regulations.

"My sense is that we're going through a similar period, but we're challenging very local laws because mobile is starting to enable economic activity at a very local level," Phillips said.

"The lesson is that where you've got a fast-moving dynamic sector that doesn't fit into a regulatory framework, do not rush to regulate until you understand what you're dealing with."

For more on sustainable business, follow me on Twitter: @kuurlyq

[Image courtesy of Vectorportal, Flickr]

SEC Holds Debt/Equity Crowdfunding Hostage

Read more in this series >>

By Andrea Newell

As crowdfunding on sites like Indiegogo and Kickstarter experienced a huge surge in popularity in 2011 ($1.5 billion raised) and 2012 (estimated $3 billion), it was easy to forget that one of the key elements of the industry has been held up by the SEC for nearly a year, with no resolution in sight.

When President Obama signed the JOBS Act into law in April 2012 (the U.S. House of Representatives passed it on March 8), it was with the intent to break down the barriers for regular people to be able to invest in small businesses. However, absent a concrete set of rules by the SEC, they still can't.

Another name for crowdfunding in its current form: Philanthropy

But, how then are these campaigns raising so much capital and what about the success stories like Pebble and Stick N Find? The key word here is "invest." People who contribute money to a campaign on Indiegogo or Kickstarter are not assuming the role of an investor where they will become a stockholder, but they might receive a gift or a product in return for giving money.

"Giving" is another operative word, as the contributors to the Hanfree campaign discovered after they never received the product they were promised when the campaign reached its goal. The company was unable to fulfill orders and eventually went out of business, leaving supporters empty handed. As fellow 3p contributor, Jan Lee, reported, a Kickstarter contributor sued Seth Quest and taught everyone in this nascent industry a lesson: any funds given to a campaign on a Kickstarter or Indiegogo platform should be thought of as a donation. Any type of gift you might (emphasis on "might") receive as a result is just gravy.

Did this revelation throw cold water on crowdfunding? Not at all. Indiegogo and Kickstarter and other sites are still going strong and estimates for funds raised in 2013 are as high as $500 billion.

Crowdfunding for investors is still illegal

When President Obama signed the JOBS Act, he "essentially created a new industry," said Candace Klein of SoMoLend. It was then up to the SEC to define the rules for investors in this new financial landscape. After missing several deadlines, nearly a year later it's anyone's guess as to when they will finalize and publish their guidelines, but Klein believes it will be in the fall of 2013 or the first quarter of 2014.

There are four types of crowdfunding: donation, reward, debt and equity. While Indiegogo and Kickstarter can operate legally by offering donation and reward crowdfunding, inaction by the SEC has paralyzed debt and equity crowdfunding, where every day people can make meaningful investments in small businesses and possibly see a return on their money.

SoMoLend is one of many debt/equity crowdfunding companies that formed in anticipation of the opportunities created by the JOBS Act. These ventures raised money (the pre-JOBS Act way) and geared up for a landslide, but have instead been sitting on the sidelines. SoMoLend, Klein explained, struck a partnership with Gate Technologies that allowed them to facilitate funding deals, but they are not allowed to profit in any way from these transactions. If the SEC does not take action soon, SoMoLend and companies like it could go under and the debt/equity side of crowdfunding could be dealt a crushing blow that would set the entire industry, and all it's trying to accomplish, back.

SEC has changed leadership three times in the past year. Previous SEC head, Mary Shapiro, was a vocal opponent of crowdfunding. She stepped down in November 2012, when Elisse Walter took the helm. Klein believed Walter's appointment was a hopeful sign. Walter seemed receptive to discussion about crowdfunding and Klein was optimistic that the rules would come online soon. Then, abruptly, the announcement came that Walter would be replaced by Mary Jo White in early 2013. White's feelings about crowdfunding are unknown, and Klein fears this will delay things further.

Why we need crowdfunding

Why is crowdfunding so important?

"Investment through traditional channels has become nearly impossible," Klein said, "and the Dodd-Frank Act just created more regulations." These restrictions put a stranglehold on capital, Klein added, and banks see no upside to investing in small businesses, so they rarely do. With the economic downturn, things have been dire for small businesses since 2008. Without funding, it is impossible to innovate and move forward. Crowdfunding and the JOBS Act open up new avenues of financing for entrepreneurs to explore, and they extend investment opportunities to everyone, not just the wealthy.

With the rise of the sharing economy and the turning tide toward collaboration, this is the perfect time for crowdfunding to take off. Kate Drane, Director of Vertical Market Development, Design and Technology at Indiegogo, said,

> "The sharing economy, at its core, is people sharing resources to help one another get something done or achieve something they couldn't have without this relationship. Crowdfunding allows people to fund their dreams based on contributions made by their friends, neighbors, and strangers that rally behind their idea, project or product. It demonstrates that people are willing to make a contribution understanding that there is no guarantee of a return, and that's pretty powerful."

Just imagine the impact if the other half of crowdfunding was defined and allowed to flourish. Klein acknowledges that once the SEC defines the parameters for crowdfunding, it could place some additional restraints on the industry, but overall it would open a floodgate of business opportunities. "The JOBS Act is the most important legislation passed in our lifetime," Klein said.

Want to crowdfund your project?

Despite the SEC holdup, Klein believes that entrepreneurs with a good idea shouldn't wait to take advantage of crowdfunding. Indiegogo and Kickstarter (and similar platforms) are great places to learn about the ins and outs of the industry. Businesses can test their idea, practice marketing their product or project, learn about transparency and get their supply chain in place in anticipation of their project being funded and making good on any promises to donors. Drane agrees, adding that Indiegogo offers a host of support services designed to help users create successful campaigns. Once the SEC rules are published, forward-thinking entrepreneurs will be perfectly placed to move into the debt/equity crowdfunding space.

Ultimately, there needs to be more communication with the SEC, encouraging them to finalize and release the rules. "Every day we don't have crowdfunding in the U.S. is a missed opportunity for our country and small businesses." Klein said.

[image credit: Nathan Rupert: Flickr cc]

Direct Public Offerings: Allowing the Community to Invest

The Rise of the Sharing Economy
a crowdfunded 3p series
Community Local Economies Environment
Chief Sharer: Wheelz
Read more in this series >>

Brahm Ahmadi of the People's Grocery

By Andy Fyfe (Community Development at B Lab)

We've all heard of crowdfunding and the passing of the JOBS Act is certainly exciting to watch as it develops. However most crowdfunding opportunities do not offer return on investment. (But they may offer a fair trade soccer ball or ethically made hammock in return.) So how can crowdfunders, who aren't high net worth individuals, actually purchase stock or other kinds of securities and make a return on their investment?

Emails were turning into lengthy questionnaires and phone calls were turning into long conference calls. After all was said and done, the number of rejections was far outweighing the amount of capital raised. Enter the struggle of a start-up seeking capital.

Brahm Ahmadi, CEO and Co-Founder of West Oakland's People's Community Market, was seeking capital for his business. Brahm originally sought out Investors Circle, Slow Money, connections at SOCAP and angel investors, but was unsuccessful. He raised about $150,000 but wanted around $1M. Knowing the return of investment in the grocery industry is not as attractive, even less so for a grocery startup not looking to scale beyond one store (for now), after six months of searching, Brahm decided to look elsewhere.

In the meantime, crowdfunding opportunities sprouted and continued to develop and Brahm had hoped there was a way he could take advantage for People's Community Market. At the same time, his community was reaching out to him. They wanted to support the market, with their money. However, they did not know the way in which they could since most of them were not accredited investors.

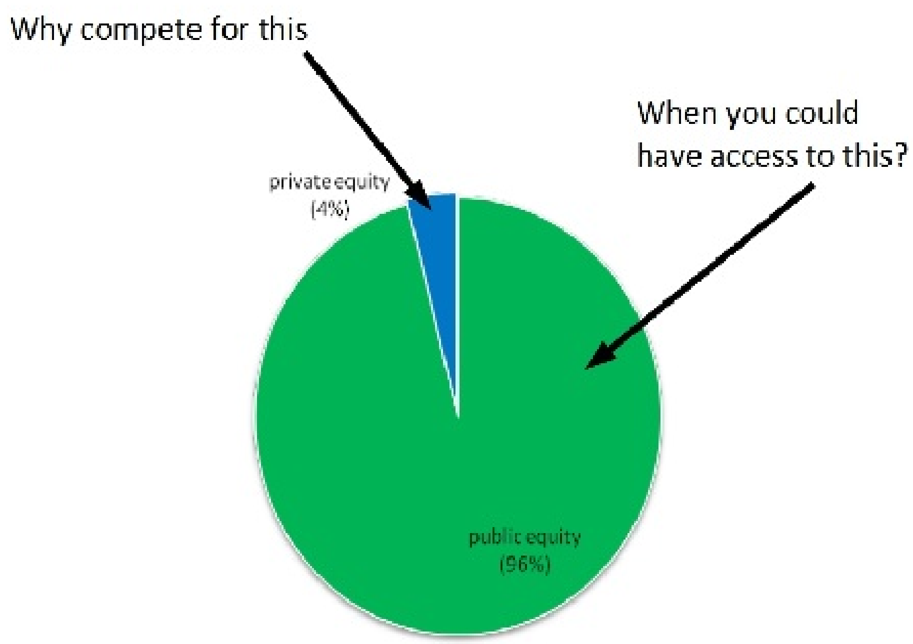
He then knocked on the door at Cutting Edge Capital in February of 2012. Cutting Edge Capital, a Certified B Corporation, helps entrepreneurs and nonprofit organizations solicit non-traditional sources of funding in a way that fits with their unique business model and long-term goals. Jenny Kassan from Cutting Edge Capital spoke with Brahm about a Direct Public Offering (DPO).

According to Jenny Kassan, it is possible to raise money from the public legally by doing a state-level securities registration and identifying an appropriate exemption from federal registration requirements, a process called a Direct Public Offering.

> People's Community Market was a perfect fit for this method of raising capital. Non-wealthy 'retail' investors often have lower expectations for financial returns than wealthy professional investors and are more likely to factor in non-financial community benefits in their investment decisions. Plus, there are a lot more of them out there!

A less traditional source of funding, a DPO allows businesses and nonprofits to raise money from community investors. A company can reach out to hundreds and possibly even thousands of people in the community and offer them investment opportunities such as stock, notes, and revenue sharing agreements. Depending on which federal exemption a company qualifies for, there may be no cap on the total that can be raised, though, in some cases, there is a $1M cap.

Brahm was thrilled by the idea of allowing the community to invest in People's Community Market. Instead of focusing on high return rates and exit plans, Brahm could now focus on value-alignment and community building. Brahm said, "Since being inclusive and accessible is an important value to us, we're very pleased to see that 'average folks,' in addition to more affluent investors, are investing in us and becoming shareholders." Instead of fearing the need to sacrifice control for capital, Brahm said, "It allows us to sell a story that we get to write." More than half of the people who are now investing in People's Community Market were never in their network before.



With community investors, the risk is more modest since the amount each one is investing is relatively low and the tone of the conversation starts with excitement rather than skepticism. Rather than selling shares through a broker, People's Community Market is directly offering preferred shares to California residents. They launched the program in October of 2012, and have since raised around $10,000 a week ranging from $1,000 investments to over $10,000. In total they have raised almost $200,000. But with the opportunity to advertise publicly, they've tracked about three "hits" per day and have been graced with increased traffic.

Brahm has been pleased with the process. "Our theory in launching this community investment campaign was that lots of people are ready to participate in supporting alternative ways of creating locally-owned, mission-driven business."

Another company working with Cutting Edge Capital to raise capital through a DPO is Farm Fresh To You. Farm Fresh To You, a Bay Area produce home delivery service and also a farm, sought capital through accredited investors as well. They found about $1M over five years but wanted to find a way to include their customers in their financial development. Yet 99 percent of their customers were non-accredited investors. They asked their lawyers how to get their customers involved and they shrugged their shoulders. In came the support from Cutting Edge Capital and in five months, Farm Fresh To You's Marketing and Sales Manager, Noah Barnes and Jenny Kassan set up a DPO. According to Barnes, "It was a win-win. They get better than market rate on their investment and they can get more fresh produce from us." Farm Fresh To You can even pay the interest back with produce credits through their Green Loan Program.

Accessing VC, angel investment, and even bank loans is very difficult, especially when you are running a triple bottom line business. In fact, this type of investment makes up a very small percentage of what is available out there. Where's the rest? In the community. Not only is funding difficult to access, but taking on VC funding can also be scary for mission-aligned business owners. More often than not, the investor will expect the business to focus on maximizing profit because they want high return, fast. By inviting the community to invest in your business, you continue to call the shots without sacrificing your mission. Additionally, you can advertise DPOs publicly. Check out People's Community Market page and you can see just how they do it, and invest.

Andy Fyfe is the Community Development Coordinator at B Lab in the San Francisco office. B Lab is a nonprofit, certifying and supporting B Corporations: companies that are competing to be not just the best in the world but the best for the world.

Crowdfunding: Striking a Balance Between Investor Protection and Freedom

Read more in this series >>

By Lee Barken

Crowdfunding is a new capital formation tool that allows large numbers of ordinary investors to aggregate relatively small investments in exchange for equity positions in companies. It's redefining what it means to be an investor and disrupting the delicate balance between investor protections and investor freedoms.

While the concept of "angel investing" has been around a long time, it has always been restricted to individuals known as accredited investors (i.e. high net wealth individuals with annual incomes over $200,000 per year or net assets in excess of $1 million). Crowdfunding extends investment opportunities to new communities of participants who have been previously shut out because they are not accredited investors.

The view from the watchtower

My role as a CPA and auditor of financial statements for publicly traded companies provides a unique insight into the world of Securities and Exchange Commission (SEC) regulations and reporting requirements. I am, in fact, a huge fan of investor protections, and not just because the audit profession provides a personal livelihood and gainful employment. So called "onerous and burdensome regulations" have protected investors for generations. If you think back to 1933 and 1934 when the SEC regulations were crafted, there were good reasons to protect the public from unscrupulous promoters, the likes of which had seeded the 1929 stock market collapse and ensuing Great Depression.

The challenge, of course, is that the Internet and the advent of social media did not exist in 1933 and 1934 when the initial SEC regulations were written. Furthermore, in today's market, an entrepreneur could spend hundreds of thousands of dollars on legal and accounting fees in order to raise $1 million in capital. Hence, early stage entrepreneurs find it nearly impossible to identify cost-efficient sources of funding for their emerging growth companies.

The law of unintended consequences

In the IT security world, it is often said that the most secure computer in the world is one that is turned off. However, when a computer is unplugged, its usefulness is impeded. Similarly, our regulatory framework has prevented ordinary citizens from investment opportunities in the name of protecting investors. It's true that many investor losses have likely been prevented because of the prevailing SEC regulations. However, it's also true that even more citizens have missed out on the opportunity to participate in the capital formation process because they failed to qualify as "accredited investors."

Can we accept that some investors will lose money if it means that all citizens will have an opportunity to participate in investment options previously reserved only for the wealthiest among us? Or, in the name of protecting non-accredited investors, do we just take away all of those investment options?

Our country's founding principles acknowledged inherent tradeoffs in all policy decisions. For example, we hold dear the concept that citizens are innocent until proven guilty when charged with a crime. This policy indirectly suggests that it's better to have the occasional guilty person go free (for example, from a lack of evidence), then to have the occasional innocent person go to jail. In short, there's no such thing as a free lunch and every policy mechanism has consequences, both intended and unintended.

If "innocent until proven guilty" requires us to concede that some guilty people may inadvertently go free, can we also accept that "freedom to invest" means that some "innocent" investors may occasionally suffer the loss of their investment?

The future of crowdfunding

These issues and more are currently being deliberated by the SEC as part of the rulemaking process for the JOBS act. Hopefully, the need for investor protection and robust capital formation can find equilibrium. The future of Crowdfunding hangs in the balance.

Lee Barken, CPA, LEED-AP is the Energy and Cleantech practice leader at Haskell & White, LLP and serves on the board of directors of CleanTECH San Diego and the San Diego Venture Group. Lee writes and speaks on the topics of renewable energy project finance, green building, crowdfunding, IT audit compliance and wireless LAN technology. You can reach him at lbarken@hwcpa.com.

[image credit: think panama: Flickr cc]

What Happens When Kickstarter Investors Want their Money Back?

Read more in this series >>

Many Kickstarter projects, like this one are wildly successful in their concept. But what about those funded projects that don't make it to prototype?

By Jan Lee

There was a time not long ago, when large funding organizations like banks pretty much called the shots on whether an entrepreneur's dream made it to production.

Not any more. Crowdfunding sites like Kickstarter have made it possible for small projects to find funding without having to get a thumbs-up from multi-million-dollar financing corporations. For many indie entrepreneurs, crowdfunding makes perfect sense.

It does as well for many small investors. After all, the feeling of satisfaction one gets from being able to commit a small portion of a weekly paycheck to a worthwhile project is tremendously satisfying – especially when the project succeeds in going to market.

And, to know that with the right small investment, you'll also get a limited edition of the book, film or special whizamagadget you helped fund is for some, almost better than shopping for bargains in a discount store.

Could the problem be in the comparison?

According to some news reports, as much as a quarter of the Kickstarter projects that reach their stated their funding goals never actually make it off the ground. Most projects that fail do so because of unexpected production problems, such as rising manufacturing costs, logistics or conceptual issues that don't become apparent until after the project has been funded. Often, those problems can be chalked up to inexperience on the creator's part, says Eric Markowitz, writing in Inc.

Some of Kickstarter's many funding successes.

And often, it can be attributed to investor expectations as well. After all, Kickstarter's true appeal is that anyone can be an investor. That extra $5, $20 or $50 sitting in your wallet may seem like a painless way to invest in someone's dream, but what happens when the project hits a snag, and investors get nothing in return?

Are backers investing or purchasing?

Markowitz's story of the Hanfree iPad accessory investors who lost out when the project had to be cancelled in mid-production highlighted one of the chief misconceptions that surround crowdfunding.

“Kickstarter is not a store,” says the crowdfunding site in its September 2012 update, after it became evident that some investors were disappointed when the project they backed didn’t make it and they did not get a “free” copy of the item they had backed.

Backers who are wowed by the thought of owning one of those one-of-a-kind inventions may not be realizing the risks, however, as they consider how cheaply they may be able to buy something just by investing in its potential success.

“Backers should look for creators who share a clear plan for how their project will be completed and who have a history of doing so,” explains Kickstarter on its Help page. In other words, the onus is on the backer to ensure that the creator has the credentials, the know-how and the invested hours of research to say the project will work.

But Alvaris Falcon, in the introduction to the blog, 10 Crowdfunding Sites to Fuel Your Dream Project, says it more succinctly.

“There’s a term that we commonly use to describe this money-giving action; it’s called a donation.”

In other words, although Falcon distinguishes between the kind of donations that we may give at say, a food bank and the investments we commit for crowdfunded private projects, the idea is still essentially the same. And Kickstarter’s Help pages back this up with a codicil stating that it isn’t responsible for ensuring that creators reimburse funds if the project doesn’t succeed past its funding goals.

How do investors safeguard against disappointment?

So what can investors do to make sure they aren’t left empty handed if the unforeseen happens?

Due diligence, says Kickstarter.

“If a creator has no demonstrable experience in doing something like their project or doesn’t share key information, backers should take that into consideration.”

While this advice may make some potential investors uncomfortable knowing that they are committing finances without any easy remedy should the project go belly-up, it does make us smarter, more careful investors. And that, I suppose, is why banks spend the time and the money to vet projects before deciding whether to back them.

Crowdfunding sites like Kickstarter place the onus on both the creator and the investor to do their background research and ensure that their individual expectations can be met. Despite this extra legwork, Kickstarter still sounds like a pretty good venue for promoting – or investing in – that dream project you always wanted to see get built.

Top image courtesy of V&A Steamworks.

Bottom image courtesy of musescore.

Scroll down to see comments.

Profiles

Here are some up-and-coming companies and projects that embody the spirit of the sharing economy.

Mosaic Brings The Sharing Economy to Solar Energy Financing

Read more in this series >>

Mosaic Brings the Sharing Economy to Solar

By Leon Kaye

The cost of solar energy continues its downward trajectory, but it is still out of reach for many individuals and organizations. Oakland-based Mosaic, however, is doing its part to make solar more accessible and affordable. Its collaborative investment model is leading the way to making the rise of the sharing economy entrench itself within the energy industry.

The way Mosaic works is similar in concept to crowdfunding sites such as Kickstarter and Indiegogo. But, unlike those successful sites, which are generated by donations with occasional promises of incentives, Mosaic provides a rate of return that varies by project. In turn this small startup, which for now has 14 employees, offers the opportunity for investors and true believers to put their money where their mouths are–and for as little as $25 per individual.

The results are opportunities for organizations such as affordable housing communities and nonprofits that seek power from the sun but cannot afford the cost of installing solar energy systems. One of Mosaic's latest projects is a solar array on top of the Youth Employment Partnership (YEP), Oakland's largest and oldest youth employment training agency. The 40-year-old nonprofit has trained at least 30,000 youth via various programs and has refurbished 50 homes in east Oakland for low-income families. Last month, YEP held a ribbon-cutting ceremony on its roof after its quest to raise over $40,000 for a 196-panel installation proved successful. Mosaic provided the platform through which over 50 investors could raise enough money to offer YEP a 60-month loan. The project will eventually save the organization a minimum of $55,000 over the next 10 years and, according to the San Jose Mercury News, $160,000 over the life of the project.

Additional projects are on the drawing board, including affordable housing projects in Salinas and San Bruno. The process for investors is seamless. First, Mosaic links investors to solar projects in need of financing. Later, as the solar array generates power, it gains revenue by selling electricity to that solar customer. That project, in turn, uses the revenue to pay yields to those investors. Mosaic so far has received seed money in the form of a grant from the Department of Energy as well as financial backing from San Francisco-based Spring Ventures.

Like any investment fund, pooling money in Mosaic has its risks. Anything could go awry, from bad weather or inverters or other equipment not performing the way the manufacturer had promised; suppliers that go bankrupt or the termination of local government rebate or tax incentives could affect a project's financial performance as well. Investors have access to prospectuses on Mosaic's site outlining each project's risks. Nevertheless, in a world where someone passionate about affordable senior housing, or clean energy–or both–can do his or her part for as little as $25, Mosaic may be onto something that could easily be replicated in other industries. So far, the $1.1 million invested in several projects have benefited from a 100 percent on-time payment rate. So far, this sharing model is working and shining bright.

Leon Kaye, based in Fresno, California, is a sustainability consultant and the editor of GreenGoPost.com. He also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. You can follow Leon and ask him questions on Twitter or Instagram (greengopost).

Image credit: Mosaic

Access to Luxury Goods Possible Because of Rise of the Sharing Economy

Social Flights offers empty seats on private charter flights

By Leon Kaye

Do you need to hop a private jet to Las Vegas, stay in someone's penthouse crib and borrow that perfect Gucci bag for the weekend? The rise of the sharing economy has spread far beyond AirBnB and ThredUp. Luxury goods and services have emerged within the collaborative consumption movement in the past few years, and the chances are high they will stay around for a long time.

While many are still reticent to display conspicuous consumption even four years after the nadir of the global financial crisis, interest in accessing them is growing. Increased convenience is helping to drive the trend – among fashionistas who live far from high-end stores in the larger metropolitan areas. Various services covering transportation and accommodation, as well as clothing and accessories, offer a treasure trove of luxurious and fashion-forward, if not temporary, goods and services.

So start planning that getaway weekend on Social Flights. According to the site, over 15,000 users have access to 600 private aircraft that have room for a few more people in a Cessna or even a helicopter. The service claims it can schedule last minute trips without the hassle of dealing with the commercial airlines for about the same price. Some of the participating air carriers sound as if they would be in a novel, such as American Business Airways or HarmonyAir. Once they land, the passengers could hop into a shared town car service such as Uber or Exotic Car Share. Alas, one luxury car sharing service, HiGear, shut down after a criminal ring infiltrated the company, bypassed background checks and stole some cars. Of course, if a trip requires a water route, Voyage Yacht Share is a membership service that provides access to luxury yachts and marinas 28 days a year.

Once you arrive, you'll need a place to crash, but you can skip Couchsurfing this round. If you hopped the pond from London to New York or vice versa, OneFineStay offers flats, penthouses or brownstones in both cities' exclusive neighborhoods, which now include the East End and Brooklyn. Exclusive Exchanges, with property owners spread from Whistler to Marrakech, has more of a global presence, offering villas or a pad that should be in Dwell or Architectural Digest. Should you need some booze and have plenty of time to make it, you can even score a few rows of grapes in Napa and become involved in the winemaking process, thanks to The Napa Valley Reserve.

Once your travel itinerary and accommodations are sorted, you have got to look presentable. Refashioner is a “curated shopping community” offering everything from outerwear to suits to lingerie and swimwear (the last two are with tags, i.e., unworn, of course) as well as a bevy of shoes and accessories from which members can choose. Bag Borrow or Steal focuses more on the accessories side, with jewelry and designer handbags leading the offerings. Guys should not feel left out: Tie Society boasts a large collection of neckwear.

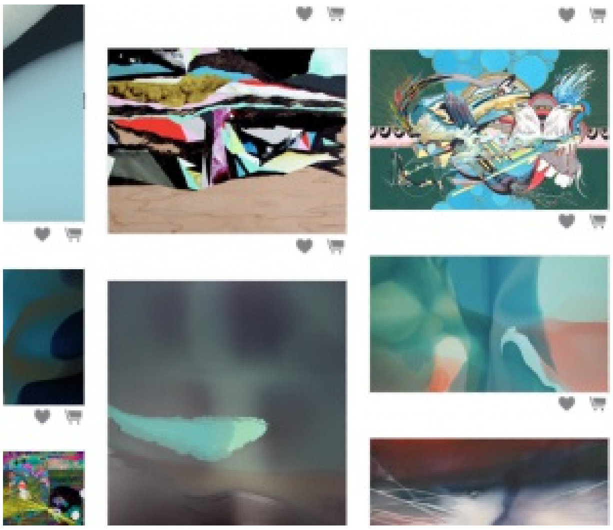
Not all of the high end luxury goods sharing services will survive–as with any new market trend, there will be a shakeout as what was once a dismissed as a fad becomes a commodity. And mind you, it is not simply a matter of signing up and driving that Ferrari the next day to that deluxe apartment in the sky–you most likely will be vetted. Yet, the brilliance of these sharing services is that more folks making higher incomes are becoming aware of the impact that their consumption has on people and the environment. And for the rest of us, sometimes a little splurge, as in a Fendi handbag for that local fundraising gala or a quick weekend away to Vegas for a friend’s or spouse’s birthday, is a fab way to experience the good life without the massive budget. The champagne life is possible . . . on a microbrew budget.

Leon Kaye, based in Fresno, California, is a sustainability consultant and the editor of GreenGoPost.com. He also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. You can follow Leon and ask him questions on Twitter or Instagram (greengopost). He will explore children’s health issues in India next month with the International Reporting Project.

[Image credit: SocialFlights.com]

GetArtUp Makes Contemporary Art a More Accessible Experience

Read more in this series >>



A montage of art available via GetArtUp

By Leon Kaye

Most of us love the idea of a dramatic contemporary art work in our living room or office until we see the price. At the same time, many artists struggle to make a living from their paintings or photographs and find themselves in a vicious circle struggling to buy enough supplies to produce more art. The rise of the sharing economy, however, has touched upon the art world and is challenging the traditional gallery model of distributing and showing art.

A San Francisco start-up, GetArtUp, has developed a new business model to generate revenues for artists while allowing contemporary art to become more accessible and affordable.

Tricia Rampe and Michael Baker co-founded GetArtUp with the idea that people want to explore art without ever having to commit to an expensive piece. Members pay a monthly subscription, and can change the art pieces monthly if they wish, or even build up credits and then eventually buy that coveted painting or photograph. Everything in GetArtUp's collection–from paintings to drawings to mixed media–is original, or in the case of photographs or digital art, is of a limited edition. Once a user joins, he or she just has to browse through the art, pay via a secure checkout page and then arrange a time for delivery. Clients who need a little more hand-holding can also arrange to have a curator consult with them to find the right art for a particular space.

According to GetArtUp, the artists participating with the company graduated from top art schools, have showcased their work at small and large galleries alike and gain exposure from a new way to demonstrate their art. For the artist, the most compelling benefit is the opportunity to receive a consistent stream of revenue while new audiences and discerning eyes can enjoy their work.

Untitled, Tyler Bewley

One of the artists participating in GetArtUp's program is Tyler Bewley. A graduate of Skidmore College, Bewley's art has been shown throughout California and on the East Coast. According to an email interview I had with Bewley, GetArtUp approached him after seeing his work displayed at a Bay Area art show. For Bewley and other artists, one of the greatest benefits of working with GetArtUp is to free art pieces from storage and move them into offices and homes.

One of the expenses that often burdens artists is the number of pieces that sit in an artists' storage space – never seen nor shown. As always, taste in art can vastly differ from person to person; if an artist can make some money off a piece that he or she had written off, that art then becomes an asset instead of an expense. "Old work that was in a show and did not sell may just not have found the right audience the first time around," said Bewley, "so it is nice to give it another chance through a program like this."

Bewley has not worked with GetArtUp for long, but he is optimistic about the idea's potential. "I think this is a very interesting idea that potentially creates a new avenue for artists to make revenue outside of the gallery system," he said, "it is nice to be on a schedule where you are making a monthly income rather than solely depending on individual sales that are unpredictable." Collaborative consumption, indeed, can be about sharing talent and color, too.

Leon Kaye, based in Fresno, California, is a sustainability consultant and the editor of GreenGoPost.com. He also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. You can follow Leon and ask him questions on Twitter or Instagram (greengopost). He will explore children's health issues in India February 16-27 with the International Reporting Project.

[Image credit: top right, GetArtUp; middle Tyler Bewley]

Necktie Got You In Knots? Borrow One!

FreshNeck is one company that allows users to share high-end neckties

By Leon Kaye

Can a Netflix for neckties succeed during this rise of the sharing economy? Yes, many of us men still wear ties, whether we work as i-bankers on Wall Street or are fashionistas who wear them with shorts. Ties also keep spiking in price: prices over $100 are the reality at high-end department stores. Even if you catch a sale at a store such as Macy's, a decent variety of neckties will cost you. Now online sharing services that specialize in neckties and other accessories such as cuff links are jumping on the sharing economy bandwagon. So whether you want to change your look without having a closet full of ties, or covet that Versace or Prada tie but will not walk on the runway anytime soon, necktie sharing services for the man with exquisite taste (or a very small closet) are a reality.

FreshNeck, TieTry, Tie Society and Tie-Man.com are among the companies that allow subscribers to borrow ties by paying a monthly fee. FreshNeck and TieTry lead the pack of necktie sharing services: both not only appeal to the idea of the sharing economy, but offer a large selection of ties from a variety of designers. The fact that most men wear their neckties only once every few weeks makes the switch to a sharing service a compelling option.

New York-based FreshNeck provides access to neckties, bow ties, cuff links, tie clips and pocket squares. Founded by David Goldberg, who started his career as a public attorney and then worked for large financial institutions, FreshNeck avoids the tired and inefficient model of purchasing ties. Instead, the service offers its members a vast selection of ties and other accessories, and therefore offers unlimited access to over 100 designer brands. Subscribers can choose from three different memberships that range from $15 to $55. For those who want the experience of wearing a Hermes or Versace tie, the most pricey gold level gives you unlimited access to ties as well as first dibs on clearance sales. Similar to Netflix, you receive an envelope of tie(s), and another prepaid one in which to insert your worn ties. Memberships include dry cleaning fees for minor stains, but really bad aim with that Starbucks morning coffee will set you back $8: and if you destroy or lose your borrowed tie after a wild night out with the clients, FreshNeck will bill you for the cost of replacement.

Located in Mobile, AL, TieTry is a similar necktie sharing service. Noting that many of their ties retail in stores for over $90, the company offers price points from $12 to $30: the more you spend per month the more ties you can receive per shipment. TieTry offers a large variety of necktie brands, from Abercrombie & Fitch to Zara. As is the case with FreshNeck, minor stains are forgiven, but if you ruin it, you buy it. Founded by two college friends, David Powers and Scott Tindel, the company emphasizes a social mission to work with charities providing educational opportunities for low-income kids. Like many companies vested in the sharing economy, TieTry has its share of growing pains–a pitch on the TV show Shark Tank did not end with an investment from Mark Cuban et al.

So while the sharing economy, or collaborative consumption, is permeating the fashion accessory industry, these services post some tough questions. Will men be quick to share ties with folks they do not know? Will they be patient and wait a few days to receive their ties (both services only send and receive ties from one location)? And in an era where less men wear ties to work, is there a large enough market? This is one corner of the sharing economy that deserves some follow up a year from now.

Leon Kaye, based in Fresno, California, is a sustainability consultant and the editor of GreenGoPost.com. He also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. You can follow Leon and ask him questions on Twitter or Instagram (greengopost).

Image credit: FreshNeck

Why ThredUP Shifted From Peer-to-Peer to Online Consignment

By Raz Godelnik

ThredUP is not just a successful online marketplace of "practically new kids' clothing," but also a company on a mission – "becoming an iconic brand in American homes around making smart choices as a consumer," explains James Reinhart, its co-founder and CEO. On its way there, ThredUP has made few transitions, most notably last March when it shifted from a peer-to-peer marketplace into an online consignment store.

This transition seems to be successful in terms of volume – 7,000 new customers join ThredUP every month with a 46 percent retention rate as Reinhart told AllThingsD.com in October. Yet not all parents were happy of this shift – "This is such a bad move for the company. They have completely forgotten what made them unique and different for their loyal customers. ThredUP was more than just used clothes...it was a community that this new venture totally ignores. I'm sad that they have taken this path," was one of the comments following the transition last March.

These sorts of business model adjustments and will likely become increasingly common as a growing number of companies in the sharing economy start looking, just like ThredUP, to shift from being a great story to being a good business. This is why the story of ThredUP's evolution is an important one – should other companies look at it as an example to follow or to avoid?

ThredUP originally started as a peer-to-peer clothing platform that focused on men's and women's shirts. The idea, explains Reinhart, was to capitalize on underutilized assets in everybody's closets – all the stuff we have there and don't really wear. Reinhart and his team understood that clothing exchange was a good idea but learned that it wasn't a great business on its own.

So then ThredUP decided to move on to kids' clothing. Kids, as the company reports, use more than 1,360 articles of clothing by age 17. Not only that this is a costly expense, but parents must also constantly look for ways to get rid of old clothes and make room for the new ones. ThredUP believed that kids' clothing are a bigger consumer problem and would provide the company with a better opportunity to scale up and generate improved business results.

ThredUP wanted to bring affordability and convenience to the kids' clothing market, creating an online swapping platform where parents could trade boxes of used clothes directly with each other. This marketplace became quite successful with 300,000 customers who exchanged about 2 million items in total. Yet, impressive as it may sounds, it wasn't enough.

The problem, as ThredUP, learned was that to succeed in such a business, where the business model is based on receiving a small fee for every transaction, you need an enormous scale, such as you would find on eBay. But no matter how well ThredUP served the hundreds of thousands of parents that used its platform, it wasn't eBay and even with 500+ new customers per day joining the site, it was nowhere near to becoming large enough to sustain itself financially.

ThredUP had a very clear choice to make – either continue to act as a great community service with little chance to succeed as a business, or make a change in its business model, putting business before community. It chose the latter, announcing on March 7, 2012 that "we've made the difficult decision to shut down our swapping service, and focus exclusively on our concierge experience and new consignment shop."

The re-vamped website, the company explained, takes all the legwork out of traditional peer-to-peer swapping, and "makes sharing and accessing used kids clothing easier than ever." The process works like this – parents send ThredUP a post-ready bag at no charge filled with their kids' clothing. The bag is then evaluated by the company and the parents get paid for items that meet ThredUP's rigorous acceptance criteria – about 20-30 percent of each item's resale value. These items will then be offered for sale on ThredUP's online consignment store. Items that ThredUP won't accept for reselling are entered into its 100% Re-Use Program.

And the results? According to TechCrunch's report last October, ThredUP has rapidly grown its user base since it started with the new model and is now trending toward 400,000 customers. Reinhart also said in his interview that ThredUP receives 6,000-10,000 pieces of clothing a day.

These figures are pretty impressive, although of course it's still far from eBay, where millions of items are listed, bought, or sold daily. Reinhart himself said that ThredUP is looking to vertically expand to "anything you can put in our prepaid bag," which might suggest that the company sees a limit to profitability in the kid's clothing market.

So far, investors seem to have faith in this path – last October, a new investor (Highland Capital Partners) led ThredUP's $14.5 million Series C round, announcing that "ThredUP is disrupting the $30 billion resale industry by moving something families have been doing offline for generations, online," and bringing the company's total raise to date, to $23 million.

While it’s too early to predict whether ThredUP will evolve into a good business, the company has already showed that it’s impossible to be both Freecycle and eBay. Companies need to make a clear choice if their mission is focused on the business component or the community component of their operation and act accordingly. The sooner they figure it out, the better their chances are to succeed.

[Image credit: thredUP]

Raz Godelnik is the co-founder of Eco-Libris and an adjunct faculty at the University of Delaware’s Business School, CUNY SPS and Parsons the New School for Design, teaching courses in green business, sustainable design and new product development. You can follow Raz on Twitter.

WeTeachMe Cooks Up New Ways for Experts to Teach

Read more in this series >>

weteachme

By Jan Lee

It's been said that teaching is an act of love. For teachers who enjoy teaching privately, the proof of that truism is in the hours of extra work they do each week to prepare for the class. Those evening classes in cooking techniques, Spanish conversation and relaxing Hatha yoga come with their own share of after-hours paperwork … as well as student enrollment duties, door-to-door marketing, sales phone calls, student consults about payment schedules, and the many other potential headaches that makes it possible for teachers to offer great courses.

Meet WeTeachMe

WeTeachMe, a Melbourne-based company, provides an innovative online method to schedule, promote and manage the booking of private courses. It fills those areas that self-employed teachers often find the most challenging and energy draining, by automating the process from a website that potential students can access freely.

According to co-founder Kym Huynh, the company was launched in December 2012 after some soul-searching reflections by several of its founders.

“One of my co-founders woke up and decided one day that he needed to change the oil in his car. The problem was, he actually wanted someone (else) to teach him how to do it, so he could have that experience. But finding someone who could do that was actually very difficult. So he thought, OK, wouldn’t it be good to connect with someone who could?”

At the same time says Huynh, a friend of his who showed great promise as an artist wanted to start a business, but had no idea how to handle the administrative end of the daunting process.

“I thought, if we could structure something that would help her share her passion, that would be rewarding both intrinsically and financially, then that could be a really powerful message we could send to the community.”

Interactive program for teachers and students

The WeTeachMe concept says Huynh, thrives not only because it fills a niche, but because of the interactive characteristics they’ve been able to build into the platform, and which complement both the teacher and the potential student, such as maintaining a list of students’ interests and preferences, and which of the instructor’s courses are the most attended.

"We found most people were running into the same problems over and over again, such as payment handling, how to market their courses, how to efficiently manage all the admin processes so they could just focus on what they love, which is sharing their knowledge."

At the same time, the website makes it easier for students to find classes and to network with professionals within their areas of interest. The Melbourne WeTeachMe page for example, provides classes ranging from walking tours to self defense instruction, although its most popular topics generally focus on cooking and the arts. Huynh points out that WeTeachMe is designed to accommodate just about any interest or venue there is, making it suitable for a wide range of student interests. This can be a powerful feature for independent teachers with niche specialties.

The Sharing Economy

The WeTeachMe concept also complements the goals of the sharing economy movement, which Huynh says has been gaining momentum in Melbourne.

"In Australia, what we're seeing is there is a (shift) in collaborative consumption types of businesses where people share knowledge, people share resources. Rather than focus on the consumption of resources now, which can be seen as a selfish thing, what we see now is we can actually consume resources and share the resources at the same time. At least part of this movement is gaining quite a bit of traction in Australia, particularly with the number of companies launching under this (concept)."

But Huynh says that isn't the only reason he's put his support behind WeTeachMe.

"More generally why I work on WeTeachMe, and why I believe in it so much, is that in any instance in an economy where there has been significant improvement or advancement has always been underepinned by a free flow of knowledge and education in the community itself.

"And what we've seen is when people in the community are educated and are actively learning, and are actively passionate, are actively curious, what you see is this uplift effect. And now more than ever, we have the opportunity to empower individual members in the community to share their pockets of knowledge."

United States and Canada markets

Since the launch last year, the four founding members, Cheng Zhu, Martin Kemka, Demi Markogiannaki and Huynh, have realized that there is potential demand for their program not only in Australia (where it has already launched in more than four cities), but in North America. Huynh says he expects they will be able to open business in the U.S. in 2013.

As to cost, Huynh says the company takes a small administrative fee that is incrementally set according to the size of a course fee. A class that costs $50 AU per student for example, has an administrative charge of $2, whereas a class that costs $500 AU per student is charged $10. Huynh says the fees are deliberately kept low to be fair to beginning instructors who are just launching their careers.

"We're not doing it for the money itself. The reason we're doing it is essentially changing the way knowledge is shared within our communities."

He adds that as instructors gain more students and their revenue increases, he hopes that repeat users will keep the fledgling company in mind, and agree to increase their fees. It's an attitude that is meant to reflect the ethics of the sharing economy, what he calls "paying it forward."

It will be interesting to see how WeTeachMe fares when it debuts in North America. As one who has taught in both the public and private arenas, this writer can appreciate the challenges of the private marketplace, especially when it comes to teaching something you love to share. WeTeachMe's first hurdle may be its financial conversion system: At present, fees are calculated in Australian dollars, something that may be a stumbling block to U.S.-based teachers and students.

Still, WeTeachMe offers a service that may be valuable to hard-to-market courses, and makes it easier for teachers who teach engaging courses to focus on what they do best. And that, as Huynh points out, gets to the core of what a functioning sharing economy is all about.

Images courtesy of WeTeachMe's Facebook page.

What's Next

In this section we look at the future of the sharing economy

Big Businesses Line Up for Crowdfunding?

Would you be surprised to see an expense line item showing up on Coca Cola's or Nike's P&L for a Kickstarter campaign? Well, right now you won't find one on any big company's expense list but this option might soon be less hypothetical than you think.

It all started with the groundbreaking success of the Veronica Mars Kickstarter campaign. Rob Thomas, who created this TV series about a student who moonlights as a private detective, managed to raise over $5 million dollars to make a feature film with the same characters. This campaign broke almost every Kickstarter record, including meeting its funding goal of $2 million in just about 12 hours.

The campaign's huge success was just one of the reasons it became the talk of the day. The other one was where the money is headed – to Warner Brothers. The money raised, as Wired explained, "will go into a production account set up by Warner Bros., the studio that owns the concept and will distribute the movie if it gets made." In other words, every one of the 91,858 backers that pledged to fund the movie is basically donating money to Warner Bros.

In addition to raising questions on whether or not this is a fair use of Kickstarter, this campaign also showed the potential for big businesses to raise funds on crowdfunding platforms. Prior to this campaign, the crowdfunding scene was dominated by entrepreneurs, artists and small businesses. Now, there's a good chance the status quo is going to change.

To get an idea why big businesses might find a crowdfunding campaign appealing, let's look at what Warner Bros. will get out of the deal. First, there's the money it will receive as a result of the campaign, although I don't think this is the main benefit for WB. While $5.7 million is by no means small change, it is not that much when it comes to making movies, where even low-budget films can run tens of millions of dollars.

For Warner Bros., the biggest benefit is the free market testing. After refusing for years to produce this film, the movie studio told Thomas eventually that "if you can show there's enough fan interest to warrant a movie, we're on board." The campaign is also an engagement tool that can get the Veronica Mars fans more involved and invested in the film. In this case they are both financially and, more importantly, emotionally, invested. And it all comes with very little risk, especially if you're not the one that is directly asking for the money. It also requires no investment – could it get any better when it comes to market testing?

Now, the same cost-benefit analysis can apply to many new products so don't be surprised if marketing executives around the world reading about this campaign start thinking "hey, this Kickstarter thing sounds interesting, why won't we give it a try?" It's true they need to figure out how to do it in a smart way that will create excitement rather than resentment, but if a TV series with a small fan base and poor ratings managed to do it so well, why not a new Coke drink or a new innovation from Nike?

While these sorts of crowdfunding initiatives would be quite experimental for big companies, it won't be the first time they look for new ways to enhance their relationships with consumers. Take for example the long list of corporate crowdsourcing initiatives: GE, Unilever, Heineken, Unilever's collaboration with Carrotmob, and Dell's IdeaStorm community, which helps the company improve its products.

Yet, while some would see possible entrance to the crowdfunding space as a natural extension of the other crowdsourcing and engagement efforts mentioned above, others would argue that this is something completely different. After all, this is not just a creative way to get consumers more involved in the development process of a new product or service, but one that asks them to pay for it. It's not that consumers don't get anything out of it – the Veronica Mars fans are getting plenty of perks from digital downloads of the film all the way up to speaking roles in the fim.

The main issues I see here is transparency. When the money goes mainly into the pockets of a big corporation, this corporation should be mentioned as one of the creators or producers of the campaign to ensure backers know exactly where their money is going. In this case, the campaign landing page lists the producer as the project owner.

Furthermore, unlike other areas in the sharing economy, where corporate interest brings legitimacy, I'm not sure if further involvement of big corporations can actually benefit the sharing economy. Isn't it more likely that it is the other way around and they benefit from the reputation of platforms like Kickstarter?

Given Warner Bros.'s success, we are likely in for more corporate crowdfunding campaigns, unless Kickstarter spins off a new channel for big corporations offering rewards or even equity after the SEC finally gives it a green light.

In the meantime big companies should present crowdfunding campaigns on their websites or create unique websites for that matter just like they do with special campaigns. They should leave Kickstarter for those who don't see it as just another item on their expense list.

[Image credit: Wikipedia]

Raz Godelnik is the co-founder of Eco-Libris and an adjunct faculty at the University of Delaware's Business School, CUNY SPS and the Parsons The New School for Design, teaching courses in green business, sustainable design and new product development. You can follow Raz on Twitter.

The Sharing Economy Hits the Mainstream Media, and That’s a Good Thing

No word on whether I can rent out my pool via the sharing economy (Leon Kaye)

By Leon Kaye

The rise of the sharing economy has been a financial and social windfall for those of us who have taken advantage of new ways to rent accommodation, get around town and borrow or rent goods. But the sharing economy, or “collaborative consumption,” is not just about saving money and using resources wisely: in a world where many bemoan how technology often isolates us, that same technology has helped build relationships and trust between people who otherwise would have never crossed paths. For example, Airbnb has been particularly good to me: it has helped put a roof over my head around the world from Croatia to Korea, and I have made (Facebook and real) friends as a result. Yesterday, in fact, I finally put my spare room on Airbnb to snag some visitors on their way to Yosemite or nearby national parks.

Many early adopters who flocked to these sites are quick to complain about how they have changed and even become more mainstream, but the sharing economy is still in its infancy. And speaking of mainstream, now leading news outlets are not only discussing the sharing economy: they are touting it, including Forbes and The Economist.

The fact that both major business news outlets are discussing the sharing economy in a favorable light brings more legitimacy to this movement. The mainstream press has often been skeptical about the viability of these shared services, though in fairness these new business models are new and are untested for their long term economic sustainability. Tomio Geron of Forbes, for example, wrote about the better customer experience users gain from services such as Airbnb in a world where consumers have become tired of overpaying for travel–not to mention the forum for self expression and new forms of entrepreneurship these shared services sites offer. Last month, Geron also lauded the sharing economy for disrupting the conventional model of companies controlling assets for consumers’ consumption–and meanwhile, folks hammered hard by this punishing economy can find new income streams and pursue new creative exploits.

The Economist, which usually displays a healthy skepticism of just about everything, ran an article on the sharing economy as the cover story. “The web fosters trust,” the Economist exudes, and describes the brave new world of this “access economy” with its environmental and social benefits. True, there have been hiccups as the sharing economy surges, such as car accidents and the occasional lout trashing a room he or she found on Airbnb. These new companies, however, have been agile enough to learn “teachable moments” from these setbacks–Airbnb botched its handling of a customer whose apartment was ransacked two summers ago, but righted its ship and is now stronger than ever. In sum, The Economist is bullish about these new ways of conducting business between peers. And while sharing economy enthusiasts have expressed dismay that large businesses are edging into this movement, this next step in this trend is not necessarily a negative. Witness Marriott and its partnership with LiquidSpace to lend or rent out nooks in hotels lobbies and conference rooms on the fly for a competitive price.

The best result coming from the sharing economy hitting the major magazines is that it more consumers, still wary of sharing assets, not to mention carrying out simple transactions on the web, will immerse themselves in this movement’s benefits. With more consumers pulling away from purchasing and edging towards sharing, the outcome will be a plus for those of us who have already used these services for several years running. And in the end, more participants in the sharing economy means more competition, more sites and more choices. If my parents and more of my peers jump into the still muddy waters of collaborative consumption, than Forbes and The Economist have done us all a favor.

Based in Fresno, California, Leon Kaye is the editor of GreenGoPost.com and frequently writes about business sustainability strategy. Leon also contributes to Guardian Sustainable Business; his work has also appeared on Sustainable Brands, Inhabitat and Earth911. Most recently he explored children’s health issues in India with the International Reporting Project. You can follow Leon and ask him questions on Twitter or Instagram (greengopost).

[Image credit: Leon Kaye]

Beyond the Sharing Economy

Thanks for reading! This conversation continues to evolve at TriplePundit.com. We welcome your feedback about this e-book, the sharing economy, ideas for articles and requests to guest post at contact@triplepundit.com

Like what you read here? Sign up for our newsletter!