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Competing with the Sharing Economy: Understanding the Barriers Faced by “Traditional” Providers

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ABSTRACT

Consumer participation has made the sharing economy an economic wonder, creating valid competition for traditional service providers. Using the self-determination theory, we examine why both consumers and peer-providers engage in the sharing economy. Three areas of consumer-focused marketing where traditional providers can increase efforts to decrease erosion are app abilities; niche markets; and consumer-desired amenities. Two areas of employee-focused marketing where traditional providers can increase efforts to decrease erosion are flexible hours and environments and employee appreciation and rewards.

INTRODUCTION

Consumer participation has made the sharing economy an economic wonder, creating valid competition for traditional service providers. Using the self-determination theory, we examine why both consumers and peer-providers engage in the sharing economy. To find out why consumers and peer-providers not only opt for sharing economy opportunities, but also why they opt to not use company-based services, a qualitative methodology was used. Qualitative research allows for greater response detail compared with quantitative methods and is therefore more useful in understanding consumer behavior (Stake, 2010); furthermore, it allows the researcher to obtain the intricate details related to the experience, such as the feelings, thought processes, and emotions, that are difficult to learn through other research methods (Strauss and Corbin, 1998).

QUALITATIVE RESEARCH: CONSUMERS

Our focus was to understand the consumer’s rationalization in choosing the sharing economy over a traditional hotel. A trained interviewer conducted 20 in-depth interviews with individuals from 5 different states and Washington, D.C. Participants were identified through self-selection and snowball sampling (Patton, 1990). The sample included 13 females and 7 males, ranging in age from 22 to 45 years of age.

From the qualitative research, we see that consumers have two basic intrinsic motives for participating in the sharing economy. First, it is simply a way for them to satisfy economic needs

or wants. They are going to consume the service offered, and it is simply a choice about who offers the greatest safety and convenience. Second, consumers feel virtuous in their choice because they feel they are helping others. Instead of spending their money with a corporation, they choose to support small “entrepreneurial ventures” where they can often deal directly with the people they are helping.

There are underlying extrinsic motives in the consumer responses, as well. Consumers are motivated by how they are perceived by others. For example, they may want to be known by their friends as someone who is safe in their lifestyle choices and does not cause harm to others; who is savvy with finding good deals and values; or who cares about small entrepreneurs and acts upon that caring nature.

QUALITATIVE RESEARCH: PEER-PROVIDERS

Peer-providers were asked a series of questions regarding why they choose to participate in the sharing economy, what they get out of the sharing economy over traditional providers, and if they would like to move or stay full-time in the sharing economy realm. Interviews were semi-structured, allowing respondents to tell their stories as much as possible.

The largest intrinsic motivator for peer-providers was the opportunity for income; however, unlike consumers, the corporate behavior of the company was also a motivator. Workplace environment and convenience, particularly in regards to job flexibility, of the sharing economy is perceived as attractive. They oftentimes enjoy getting to know the consumers and support them in getting to know the local area. As an extrinsic motivator, peer-participants benefit through social interaction with their peer group and through earning an income while using resources that might go unused. Additionally, because peer-providers are rated through customer satisfaction on the app-based platform, they hope to offer a more pleasant interaction than what the consumer (whom the provider may view as a peer) would have received with a traditional provider.

RECOMMENDATIONS

While respondents were not against using traditional providers, there are two common themes of both consumers and peer-providers on why they choose the sharing economy: convenience and personalization. Consumers appreciate the convenience capabilities of the apps and attention received from the peer-providers; these lean more toward intrinsic motivations. Peer-providers value the job flexibility that allows them to do other tasks and the ability to interact with consumers on their own terms; these lean more towards extrinsic motivations. Utilizing these two themes in the framework of SDT, there are several actionable marketing items traditional providers can do to combat erosion from the sharing economy.

Most large corporations have detailed data on individual consumers but do not use it in the most effective ways. Using consumer data, a traditional provider can target the desired intrinsic motives of the consumer. Three areas of consumer-focused marketing where traditional providers can increase efforts to decrease erosion are app abilities; niche markets; and consumer-desired amenities.

Two areas of employee-focused marketing where traditional providers can increase efforts to decrease erosion are flexible hours and working environments and employee rewards and satisfaction. Many employees no longer fit into the traditional working hours of 9-5. Promoting flexible hours and working environment (e.g., 4-day work weeks or 4-hour rotations) can alleviate the boredom and discontent that can come with 8-hour, 5-day shifts. While it may not be possible for a taxi driver to work from home, it may be possible to increase satisfaction by allowing greater flexibility in the work environment (e.g., taxi space where the driver spends much of his time).

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Amiee Mellon Amiee is an assistant professor of marketing and current department chair at the University of Montevallo. She teaches several marketing courses, including Marketing Communications, Strategic Marketing Management, Experiential Marketing Consulting, and more. In 2016, she was selected as a recipient of the Marketing Management Association Meritorious Teaching Award. Amiee is also active in research, having published in journals such as *Journal of Business Research* and the *International Journal of Teaching and Learning in Higher Education*. Her research interests include business and marketing ethics, social media marketing, and sustainability. She currently serves as a reviewer for several academic journals, including *Journal of Marketing Theory and Practice* and *Journal of Business Ethics*. Prior to coming to University of Montevallo, Amiee worked as a practitioner with advertising agencies along the east coast. She earned her MBA from University of Central Arkansas in 2004. Amiee received her Ph.D. in Marketing from Old Dominion University, where she won the 2012-13 Adjunct Faculty Teaching Award.

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