

ISSUE 77 WINTER 2014

The Sharing Company

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BY ROBERT VAUGHAN

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Since the mid-2000s, the so-called sharing economy has grown from almost nothing to a pool of global businesses valued in the billions of dollars. The concept—people using technology to find and purchase one another’s extra resources—represents a triumph of trust and crowdsourcing. Peer-to-peer financial firms such as Lending Club, transportation services such as Uber, and lodging brokerages such as Airbnb have all rapidly taken off, using Internet-based platforms to connect people directly without highly paid intermediaries. It’s no wonder investors are so intrigued, and the rest of us are a little enervated by all the hype.

But there’s a less flashy trend emerging from the sharing economy, and even though it’s just beginning to attract media attention, it probably presents a larger opportunity than consumer sharing. It is the open sharing of resources among businesses: peer-to-peer enterprise exchange. In just a few years of activity, it has become clear that the unfettered exchange of otherwise unused major assets, including physical space and industrial equipment, allows a sharing company to operate more efficiently than its non-sharing rivals. Companies that

go further still, wholeheartedly embracing the sharing of less tangible assets, may benefit from a different sort of change, one involving their culture, that builds new types of connections with, and sensitivity to, the world outside. By tearing down the walls and airing their secrets—whether they are “we have underutilized talent” or “we have great know-how but aren’t sure how to turn it into something people want to buy”—these companies can both improve their own bottom line and contribute to the collective good.

Probably the most widespread sharing-company practice to date involves unused real estate, which is an increasing burden on profitability. If you’re reading this in a typical office, half the desks around you may be vacant. But businesses can now find digital platforms that create global connections between owners and renters and help them use these assets more effectively. Sharemyoffice.co.uk, for example, offers a service connecting short-term tenants to businesses with spare office space. Similarly, as Rachel Botsman noted in the September 2014 issue of *Harvard Business*

manufacturing, where the versatility of digital fabrication and other flexible manufacturing technologies allows companies to share their production facilities and equipment. This matters when today’s factories operate at an average of 20 percent below capacity. In 2011, MedImmune (the biologics unit of pharma company AstraZeneca) agreed to share its manufacturing facilities with fellow pharma giant Merck—pairing the former’s excess capacity with the latter’s desire for greater flexibility. As online platforms that are oriented toward industrial companies emerge, it will be more feasible to share large raw materials, distribution infrastructure, and other capital costs. For example, FLOOW2, a Dutch startup, facilitates the sharing of equipment, manufacturing assets, and employee time by making them transparent and tradable on its online exchange. The company also develops proprietary technological platforms that allow companies to build sharing into their product offerings. Shared sourcing platforms could also improve sustainability efforts, making it easier for companies to pool their

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Review, the Marriott hotel chain has converted empty conference rooms into rentable work spaces through the online platform LiquidSpace.

This and Botsman’s other examples were largely related to business-to-consumer opportunities. But the real power of peer-to-peer enterprise exchange may be found in B2B transactions. Take

purchases of materials with low environmental impact.

The sharing market for intangible assets—a company’s brainpower, knowledge, and intellectual capital—shows just as much promise. In many companies, for example, technical expertise is severely underused, simply because the work of the R&D staff doesn’t fit with the



company's current strategic priorities. But rather than divest its facilities, a company can share its staff.

In a sense, companies have been exchanging their brainpower this way for years. Early-stage R&D investment in the pharmaceutical and automotive industries often takes place through a consortium of partners, with secondment of key people occurring whenever leaders see the right opportunity. But now experts can be lent to other companies in a much more fluid, comprehensive fashion, through platforms for staff exchange. One online staffing market run by Elance and oDesk, exchange sites for freelance work that merged in 2013, brokered US\$750 million worth of work that year.

Such platforms allow firms to recruit a flexible, task-oriented workforce without worrying about how to keep them busy during a

downturn. They are also likely to draw more talented people, who can now gain the kinds of creative opportunities at multiple companies that are typically available only to short-term contractors, while retaining the substantial benefits that accrue to valued staffers with a single employer. This best-of-both-worlds approach could come to be seen as the most enviable way to work: It's like freelancing with a pension.

Intellectual capital is another intangible asset with sharing potential. Technology-intensive companies amass huge stockpiles of patents. The top five U.S. patent filers—IBM, Samsung, Canon, Sony, and Microsoft—together filed more than 21,000 in 2013 alone. But only a fraction of all patents filed are put to productive use, because of the investment involved in bringing products to market.

Recognizing this, in 2013, General Electric injected \$30 million into its partnership with Quirky, an online inventor community. The deal gave Quirky's inventors open access to GE's patents and technology, and GE benefited from Quirky's "playful" consumer product inventions. The companies plan to bring several products to market over the coming months, including a smartphone-controlled window air conditioner; a propane tank gauge that indicates when fuel is low; and a home monitor that consumers can set up to track motion, sound, light, or temperature at their discretion. (In September 2014, Quirky lost access to GE's appliance patents when Electrolux acquired GE's appliance business, a bid that Quirky didn't win, but the partnership is continuing in other areas.)

The potential here is not just to garner ideas from outside inventors through open innovation. Nor is it to open up a platform for third-party developers to introduce ancillary products and software, as computer companies have done for decades. The real potential is for new platforms to evolve that offer a segment of a company's intellectual property base to the world at large, so that others may do things with it, and the patent holder may profit.

In the current form of this relationship, the two parties collaborate to bring innovations to market. The Chinese appliance company Haier, for example, invites inventors from outside the company to propose innovations they could produce together (see "The Thought Leader Interview: Zhang Ruimin," by Art Kleiner, *s+b*, Winter 2014). But collaboration might not always be necessary. A company with a patent for a new type of battery technology, for

instance, might choose not to develop it, but by placing the battery technology on an exchange, the company could make a connection to another company with a complementary technology that would otherwise never have been made.

In some technology-intensive industries, a more liquid market in intellectual property is seeing competitors become collaborators. Apple announced a wide-ranging patent licensing deal with HTC in 2012. Google and Samsung have just agreed to share all new patents filed over the next decade. There is potential for such deals to help prevent costly patent wars, freeing up resources with which companies can focus on innovation.

Experience with consumer-sharing efforts like Airbnb suggests that participants become more collegial and empathetic because their experience is not just transactional. They are staying in one another's homes. Something similar could happen in business, as executives and employees share their resources, their intellectual property, their time, and their work space. That could be the greatest benefit of all, resulting in greater efficiency, a more energized workforce, and new products and services that meet consumers' needs. The opportunities are constrained only by the imagination of decision makers. As they create exchanges that facilitate more B2B connections, and use those exchanges efficiently and creatively, they will find more and different ways to profit from their efforts as sharing companies. +

Reprint No. 00281

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strategy+business magazine
is published by PwC Strategy& Inc.
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