

Business Models and Sharing Economy: Benchmarking Best Practices in Finland and Russia

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<p>The thesis studies the best practices in sharing economy across various industries in Russia and Finland, based on case studies of business models. It researches current legal status of the phenomenon as well as legislative changes that are to be expected in the field of sharing economy.</p> <p>The thesis project was commissioned in November 2015 by Association of Finnish Travel Agents (AFTA), an organization formed by travel agents, tour operators and incoming agents to promote the mutual interests of its members and protect their rights. Research data were collected through mixed method approach, in particular desktop research, literature review, industry reports carefully selected to serve the purpose of the thesis.</p> <p>The purpose of the thesis is to identify and analyse sharing economy as a fundamentally new and disruptive type of business models. In addition it assesses the strength of various business models behind sharing economy and benchmarks best practices existing in Finland and Russia. The needs of travel and tourism industry towards new-coming business model are explored in the thesis as are concrete suggestions on how to provide services aligned with those needs.</p> <p>Firstly, the thesis introduces the commissioning party and its field as well as the concept of collaborative consumption with the help of the most relevant literature. The notions of collaborative economy, sharing economy, peer economy and collaborative consumption are distinguished and explained as part of conceptual research. In addition, thesis examines if there are already business opportunities behind the sharing economy and outlines the current legislative state of peer-to-peer companies.</p> <p>Secondly, the thesis studies the current state of sharing economy in Finland and Russia, based on case studies of successful national examples of peer-to-peer platforms. It also provides the analysis of best practices worldwide and discusses the competitive advantages and possible obstacles to sharing economy development.</p> <p>Finally, suggestions on how to learn from sharing economy and how to apply the lessons from sharing economy in developing the business of intermediaries in travel and tourism industry are outlined.</p>	
Keywords sharing economy, collaborative consumption, business model, Airbnb, Uber	

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1 Introduction

The thesis studies the collaborative economy, often interchangeably called sharing economy, as economic phenomenon and innovative approach towards business, which is shaking the foundations of many industries and in particular the travel and tourism industry. The objective is to discover whether there are business opportunities behind the emerging sharing economy and to assess the strengths of sharing business model in terms of economic sustainability and legislative activity. Ultimately, the thesis aims to benchmark the best practices in sharing economy across various industries in Finland and Russia and provide concrete examples of successful cooperation between sharing services and incumbent companies.

The research was commissioned in November 2015 by Association of Finnish Travel Agents (AFTA), a corporate entity that represents the interests of its members in relations with public authorities, legislators as well as in the field of domestic and international organizations. The purpose of the research is to identify potential business opportunities for tourism companies and analyse whether the fundamentally new business model possesses a threat to traditional tourism businesses.

The thesis is structured to allow for the most logical way for the reader to follow the economic development process which has entailed the appearance of the collaborative consumption. The desk research in a form of literature review is presented in Chapter 2, outlining economic background and providing profound description of sharing economy services. The notions of collaborative economy, sharing economy, peer economy and collaborative consumption are distinguished and explained as part of conceptual research. The legislative dimension and legal obstacles are reviewed in Chapter 3.

The theoretical framework is followed by Chapter 4 which consists of the research based on case studies of ten sharing business companies in Finland and Russia, including the cases of well-known pioneers of sharing economy, in order to explore in-depth aspects of the collaborative economy. The benchmarking and analysis of the collaborative business model in terms of its efficiency and competitiveness is provided in Chapter 5. Finally, discussion on topic of devastating effect of collaborative consumption on traditional businesses, final conclusions and suggestions for tourism companies are presented in Chapter 6. In addition, final chapter explores the research's validity and reliability, and limitations.

References and appendices are found at the end of the thesis.

2 Theoretical framework

The chapter presents the collaborative economy phenomenon as a coherent result of economic development, describes its features and primary principles. Likewise the gradual extension of collaborative economy into the various industries is outlined along with the description of sharing services. The chapter then continues with exploration of current legal status of the phenomenon as well as legislative changes undertaken by different countries worldwide.

2.1 Collaboration and consumption in historic preview

According to the dictionary, a term “collaboration” can be defined as a cooperative agreement in which two or more parties (which may or may not have any previous relationship) work jointly towards a common goal. (BusinessDictionary 2017). Collaboration is a natural form of human interactions, which traces its roots back to prehistoric times, to the very formation of community organizations. Cooperation is considered to be a form of mutualism, which is, according to anthropologists, together with reciprocity, “are hardwired human behaviours that serve as the basis for human cooperation and are the core of mankind existence”. (Botsman, Rogers 2011; Bowles, Gintis 2011). In other words, humans’ instinctive urge to help each other and to participate in mutual exchange can be regarded as a natural social need.

However, the idea of sharing and its implementation evolved during the course of modern history and acquired potentially pejorative connotation associated with cooperatives, collectives, and communal structures. (Ratner, 2013). Besides that, significant economic development of capitalism system and considerable growth of income contributed to the development of individualized forms of consumption. The alternative that replaced the “ethic of thrift and reuse” was the consumer culture that promoted “throwaway habits” and “endless acquisition of more stuff in ever greater amounts”. (Botsman, Rogers, 2011).

The innate natural behavioural instincts around sharing and exchanging have been suppressed by hyper-consumerism trends. Business companies, manufacturers and corporations did their best to create a materialistic image of what life should be by using the power of persuasion and manipulating the buying habits. “Our enormously productive economy demands that we make consumption our way of life, that we convert the buying and use of goods into rituals, that we seek spiritual satisfaction, our ego satisfaction, in consumption. The economy needs things consumed, burned up, worn out, replaced, and discarded at an ever increasing rate”. (Lebow, 1955).

As a result of rampant growth of private consumption during the second half of twenty century, the consumer society has been experiencing extensive socio-economic changes.

The complex set of problems associated with hyper-consumption behaviour is fourfold. Firstly, the psychological perception of consumers themselves has changed from who they are to what they possess. A feeling of spiritual fulfilment and emotional satisfaction have become largely associated with acquisition of material goods. (Fromm, 1976). Secondly, an ever-increasing desire to purchase more goods has engendered unaffordable purchases and unwise financial decisions, which in turn facilitated the need to arrange loans and credit card system. (Botsman, Rogers, 2011). Material goods consumed on a credit gratify momentary impulses, but also contribute to the world's economic instability. Thirdly, tendency of people for material wealth entailed the exclusion of the most basic social needs, such as family, community bonds, personal passions and social responsibility. (Botsman, Rogers, 2011). Collective- and community-based values gained secondary importance as people started to perceive themselves first and foremost as a society of individual consumers, and as a group of citizens second. (Botsman, Rogers, 2011). Finally, the environmental impact of reckless consumption has been evaluated as extremely negative because "production, processing, and consumption of commodities requires the extraction and use of natural resources" (Robbins, 2001) adding up to global pollution and waste disposal issues among others. Since then, there is a growing consumer consciousness that infinite growth and consumption based on finite resources are not a viable combination.

Bearing in mind aforesaid facts, the present concept and practice of collaborative economy, which is the objective of current research, should be viewed as reinvention of old forms of trust with the help of technology and creation of network society that has been common in preindustrial period. (Botsman, Rogers, 2011).

2.2 Sharing economy

The objective prerequisites for sharing economy appearance created at the first quarter of twenty first century due to the crisis of existing capitalist economy system mentioned above. Additional economic instability and environmental pressure has encouraged changing in consumer behaviour and contributed to the critical values shift. The value shift has motivated consumers to start considering their possessions as source of income and has dramatically changed the perception of ownership. Additionally, technological innovation and digitalization process has enabled creation of platforms and services for facilitating the new ideas.

2.2.1 The terms and evolution of sharing services

The Macmillan Dictionary (2017) defines sharing economy as “an economic system based on the idea that people and organizations can share the creation and use of resources, rather than buying and selling them”. Owyang and Samuel (2015) goes further and specify that collaborative economy is “an economic movement where common technologies enable people to get the goods and services they need from each other, peer to peer, instead of buying from established corporations”.

The rising socioeconomic process is not aiming at diminution of individual actions of buying goods to satisfy needs, but increase conscious awareness of other forms of consumption such as collaborative consumption. The current existing types of collaborative economy can be generally classified into three categories: product service systems (PSS), re-distribution markets and collaborative lifestyles. (Botsman, Rogers, 2011).

The key difference between collaborative business models and regular businesses lies in the way the first one interacts with the customers. The fast developing technologies enable customers to provide instant feedback and post their thoughts, ideas and comments on what service should be like. The collaborative companies consider these new features faster than the regular company does. The collaborative economy business model put customers’ needs and wants in the centre and asks about what kind of services the consumers expect to.

The principle of “access over ownership” is widely applied in a collaborative economy. The significant shift towards the new view of property has happened due to customers’ widely available access to the network. Botsman and Rogers (2011) argue that the network has played the major role in forming the community of geographically dispersed but united by the idea people who view collaborative consumption as a way of life. The benefits of access over ownership has been outlined by the ancient Greek philosopher Aristotle many years before the sharing economy appeared. He wrote, “On the whole, you find wealth much more in use than in ownership”. Indeed, the commercial leasing has been around for centuries, providing goods for rent.

However, the collaborative economy has taken the next step in providing on demand access to pre-owned goods. The collaboration has become even more convenient, fast and affordable with the help of modern technology. The equipment leasing company is never close enough while the fellow neighbour is.

“In the twentieth century of hyper-consumption we were defined by credit, advertising and what we owned; in the twenty-first century of Collaborative Consumption we will be defined by reputation, by community, and by what we can access and how we share and what we give away”. (Botsman, Rogers, 2011).

The evolution of sharing company took place gradually. It is believed that the sharing economy was started by companies seeking to find an easy way to share goods. The first appeared on stage Craigslist company founded in 1995 offering online classified advertisements for jobs, personals, for sale and wanted items, resumes and discussion forums. (Craigslist, 2017)

The evolution of the sharing goods continued with Airbnb company founded in 2008 in San Francisco and offering rentals of homes and apartments around the world. (Airbnb 2017a). The same year witnessed the foundation of service sharing platform TaskRabbit which represents a mobile marketplace that outsources small jobs and tasks to neighbouring users. (Bloomberg 2016)

A year later in 2009 another service company Uber was established which promotes an application that allows passengers to connect with drivers of vehicles for hire, and then track and pay for the rides all from a smartphone. (Business Insider Nordic 2016)

Finally the expertise field encountered a sharing platform service Udemy in 2010 which offers a global marketplace for learning and teaching online, enabling everyday experts to share their skills with the people who want them. (Udemy 2016)

The terms “sharing economy,” “peer economy,” “collaborative economy,” “collaborative consumption” are often being used interchangeably. According to Botsman, collaborative economy is an economy built on distributed networks of connected individuals and communities as opposed to centralized institutions. (Botsman, 2015). While collaborative consumption is an economic model based on sharing, swapping, trading or renting products and services enabling access over ownership. (Botsman, 2015). The sharing economy is an economic model based on sharing underutilized assets from spaces to skills to stuff for monetary or non-monetary benefits. (Minna-Maari Harmaala 2016)

Peer-to-peer economy is a person-to-person marketplaces that facilitate the sharing and direct trade of products and services built on peer trust. (Minna-Maari Harmaala 2016)

The terms have different meaning, but propose several similar features. The distributed power changes the role of customers in the economy system from passive consumers to active prosumers (producer and consumer). The power shifts from centralized institutions to distributed network of individuals and communities. (Minna-Maari Harmaala 2016) Additionally, a new way of thinking about asset utilization is brought to customer's attention with the help of new technologies, which enable sharing of assets with high idling capacity. Moreover, the convenient platforms facilitate the need to match customers' desire with available on demand possessions.

The sharing economy is a peer-to-peer marketplace. The people share their space, stuff, skills and services via online platforms. The important role of the platform is to assist in finding and matching the right seller and buyer, the proper loaner and borrower, the correct owner and user. The technology has enabled the connection of people sharing the same thoughts on a scale unimaginable before.

The following picture represents existing forms of collaborative economy divided by categories: goods, services, transportation, space and money, and include examples of operating sharing companies.

A TAXONOMY OF THE COLLABORATIVE ECONOMY: CATEGORIES AND EXAMPLES



Figure 1. A taxonomy of the collaborative consumption economy

Source: Vision Critical, 2014

A pre-owned goods are being re-distributed through online platforms, which allow its users to sell, barter or give for free no longer needed items. Convenient and practical way of getting rid of unwanted stuff facilitates customers' desire to renew their possessions and contributes to the positive environmental impact by decreasing "through away habits". "The obvious benefit of redistribution markets is that the stuff keep circulating, maximizing use and extending the life span of individual items. The second benefit and unintended

consequence of reuse is community building.” (Botsman, Rogers, 2011). The idea of redistribution markets, or online flea markets so to say, is particularly applicable for items that fulfil short-term needs or for the products, which appeal diminish after use, such as, for example, a watched DVD movie. Nissanoff (2006) refers to that type of products as things that we “want to have but not to hold”.

Another sensible alternative that collaborative economy suggests for utilizing idle capacity of non-frequently used items is product loaner platforms. The loaner products platforms promote peer-to-peer renting, by granting its users access to products, tools and capability on a temporary basis. Botsman and Rogers (2011) refer to this type of sharing economy as product service systems (PSS) and classify it into two categories: a “usage PSS” and an “extended-life PSS”. “In a “usage PSS” a product is owned by a company or an individual and multiple users share its benefits through a service. While the second model of an “extended-life PSS” provides an after-sale service such as maintenance, repair or upgrading in order to extend a product life cycle, and thereby reduce the need for replacement or disposal”. (Botsman, Rogers, 2011).

The third segment of online peer-to-peer market is custom products distribution markets, which re-create old forms of virtual market bazaar. On custom products platforms an individual purchases goods from another individual, thus enhancing customer experience and receiving personalised items, which have its history, story and person behind them. “The sharing is driven by convenience, price and the desire for unique, quality goods and services”. (Owyang, Samuel, 2015). The customs products services provide vast variety of personalized goods, unlike mass production.

The second category of collaborative economy is services, which can involve professional assistance or completion of non-specialized tasks. “Crowdsourcing is an all-encompassing term that describes process of completing a task by inviting the general public to help”. (Crowdsourcing by Lightning Guides, 2015). The professional services accessed through collaborative platforms provide significant advantages to business comparing to hiring a regular worker for performing similar routine tasks. The cost-effectiveness of outsourcing tasks to a freelance worker is obvious due to the lack of need to pay hourly wages, insurance, etcetera. Since many professionals choose to stick to a freelance position, the platforms for specialized services provide great opportunity to search for a job.

Similarly, individuals can call for a help of Web users in non-specialized tasks, such as daily chores or assistance in other forms of activities. The platforms help to connect customers with doers. This type of collaborative economy particularly gains its popularity as

part of urbanization process. Citizens of large cities are often time-poor and money-rich to opt for the fellow's help in a simple daily routine.

The collaborative consumption in transportation sector is represented either with transportation service systems or with loaner vehicles platforms. The transportation systems are typically ride-sharing companies which are particularly popular among drivers, who possess a car, a smartphone and some spare time. The customers are usually users, who want a ride for a reasonable price. The ride-sharing is one of the fastest growing fields, gaining its popularity due to the convenience, price and brand. After all, the ride-sharing is also a more ecologically friendly option comparing to private rides.

The car-sharing companies are another part of transportation sharing services, which provide access to car on-demand. The loaner vehicles platforms promote access over ownership and facilitates the idea of reaching the goal (committing a trip) without need to own the tool (a car). An access to a car on demand omits the maintenance, insurance and other complications associated with car ownership. Additionally, the car sharing services emphasize the freedom of choice and access to a variety of car vehicles available comparing to owning just one concrete model. The car-sharing companies aim at providing access to a platforms which have a listing of cars available and allow the user for the most convenient way to find what he needs, thus enhancing the efficiency, utilizing the idling capacity of a vehicle and adding up to environmental sustainability of the collaborative consumption in general.

The forth sector of sharing economy extension and the most well-known is accommodation, whether it implies the sharing of office space or place to stay. The accommodation sharing services facilitate the idea of utilizing assets in the most practical way by renting out to a third party, whether it is a spare desk table for business work or available airbed mattress to accommodate a guest.

The last sector of money lending is considered to be one of the most growing segments in the near future. The moneylending and crowdfunding platforms become largely popular due to its ability to finance projects and support businesses.

2.2.2 The four principles of sharing

The essential principles that lies behind the success of sharing economy phenomenon are critical mass, idling capacity, belief in commons and trust between strangers. (Botsman, Rogers, 2011). According to authors, these are the cornerstones in building any type of

sharing economy services. Critical mass is a sociological term used to describe the existence of enough momentum in a system to make it become self-sustaining. (Botsman, Rogers, 2011). In other words, an integral part of success of a system is adequate availability of products, convenience of choice and necessary sufficient number of users interested in participation. The social prove of the phenomenon allows mass involvement, because it carries a strong psychological message that the sharing economy is common, popular and “everyone is doing it”. Surprisingly, the same factor cultivated customers’ desire to acquire more goods in the era of hyper-consumerism.

The second factor is the power of idling capacity. The sharing economy promotes the idea of redistributing the assets that are non-frequently used by its owner, thus reducing the consumption and facilitating on demand access to products with high idling capacity. “Idling capacity is related not only to physical products such as bikes, cars and drills, but also to less tangible assets such as time, skills, space or commodities such as electricity”. (Botsman, Roger, 2011). The notion of sharing is implied directly when users consider renting instead of buying.

The third important factor playing a major role in success of sharing economy is belief in the commons. The idea of “the commons” resources that belong to everyone dates back to the ancient times. However, in the eighteenth and nineteenth century the privatization process flourished being widely justified by the rationale that shared resources were subject to overuse and misuse by individuals. Nowadays, the belief in the commons is an essential part of modern sharing economy as to users who provide services via sharing economy platforms as to those customers who utilize these services. The inadmissibility of resource depletion should be considered a primary goal in collaborative consumption, which is achieved with the help of self-governed communities. (Botsman, Roger, 2011).

Finally, the fourth significant element is trust built between strangers. The sharing economy implies cooperation between people sometimes geographically dispersed and not known to each other. In order to make a principle viable, the platforms include a strong reputation and rating systems, which contribute to building trust and network between strangers. The sharing economy has developed advanced methods of verification and trust-worthy peer reviews. Thus, sharing economy service can boast themselves for building a community of trusted users who are not afraid to cooperate with each other. (Botsman, Roger, 2011).

3 Legal rules and regulations

The legal status of emerging sharing services in Finland and Russia is discussed in the current chapter. Applicable regulations worldwide are explored to the extent that it is appropriate for the purpose of the thesis. The research outlines legal status and describes legal conflicts of the main actors of sharing economy, namely Uber Technologies Inc. and Airbnb, Inc. in the researched markets. The selection is conditioned by the expansion of the sharing businesses and its inevitable impact on travel and tourism industry.

3.1 The regulation of sharing transportation services

From a legislative perspective, the sharing services are technology platforms providing information services. (Federal Tax Service of Russia 2017a)

On January 1st, 2017, Russian government introduced a new law, so called “tax on Google”, which obliges foreign IT companies to pay VAT from sales of electronic services to Russian users. The law, in particular, involves the payment of VAT from the sale of access rights to databases, software, films, games, music, books, video products, etc. (Federal Tax Service of Russia 2017a)

Foreign companies that sell these kinds of services in Russian jurisdiction should be placed on a special tax account with the tax authority, as similar Russian companies do. In other cases, the entrepreneurship is considered illegal and the entrepreneurs should be responsible for that. Starting from 2017 the Federal Tax Service of Russia has launched a new online service "VAT office" for remote interaction with companies. It covers the entire cycle of interaction: from registration with the tax authority to the delivery of the declaration to the verification of the status of settlements with the tax authority. (Federal Tax Service of Russia 2017b)

During the joint session of Russian Federal Service for Surveillance on Consumer Rights Protection (Rospotrebnadzor) and Organization for Economic Cooperation and Development (OECD) in the field of consumption in October 2015, the Rospotrebnadzor informed the meeting participants about the work on drafting the Concept of the State Policy in the Field of Consumer Rights Protection for the period up to 2025. Additionally, the initiative to draft a federal law aimed at the legal regulation of the activities of so-called service aggregators in Internet network was announced. (Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing, 2015).

3.1.1 Legal Case: Uber in Russia

From a legislative prospective, Uber is a technology platform that connects drivers and passengers. (UberForum.ru, 2016). The service itself does not perform transportation. While taxi services are subject to special control and license in all countries, the Uber, not being a carrier, does not have to have a license and is not responsible for its absence from drivers. The Uber Terms of Use states that the service is not liable to the User for the transportation itself. (Uber, 2017). Thus, in order to use the advantage of the position Uber has selected to apply license agreement scheme and transfers to the User a non-exclusive, reimbursable service license. (Uber, 2017)

Uber concludes a partnership agreement with drivers, that includes elements of a licensing and agency agreement, however does not include any requirements for drivers. The partnership agreement explicitly states that "Uber does not provide any transportation services" and "Uber is not a transport company" or a "passenger carrier". The service "offers information and tools for the interaction of Clients who wish to receive Taxi Services with Drivers who can provide Taxi Services, and does not intend to provide transportation or in any way act as a transport company or passenger carrier." Uber "does not bear any responsibility" and "assumes no obligations with respect to any taxi or transport services provided by the Partner or Drivers to third parties (including Clients)." (Uber, 2017)

In general, the applied scheme is more than legal, since Uber provides merely a mobile application through which the driver and the user connect and agree on services. The claims related to the service appear due to the fact that this kind of scheme facilitates illegal transportation.

In September 2016, Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor) penalized Uber for consumers' confusion. According to the Rospotrebnadzor's official webpage, Uber was fined in Moscow with one hundred thousand rubles for the fact that its dispatch service misleads consumers about the quality and safety of transportation services. (The Moscow Times, 2017). As states on the official webpage, Uber mobile application and web site proceed customers application which form a database of applications. The database is accessed by drivers who perform the transportation service and thus provide service to customers. However, the customer is not informed about the presence of driving license and medical examination of taxi drivers as well as about the customer properties of the transportation service, namely, service provider. Thus, the Company (Uber Technology) misleads consumers about the quality and safety of transportation services. (Rospotrebnadzor, 2017).

As stated on the webpage, the consumer does not receive information about the performer of the service, thus the consumer may have a wrong impression that transportation service is provided by Uber, because the customer used Uber application/webpage to order a transportation service. Moreover, there is a possibility to register to the Uber site and create an account skipping familiarization with user terms and privacy policy. The user web page as well as the annotation to the mobile application announce that account can be created by providing credit card or PayPal details, which will be used to withdraw the cost of the trip automatically after the trip is performed. The officials point out that after completion of the trip, the consumer receives a receipt to his email address, which does not provide information about the person who performed the transportation service. (Rospotrebnadzor, 2017).

The administration of Rospotrebnadzor in Moscow region has brought LLC "Uber Technology" to administrative liability according to part 2 of Article 14.7 of the Code of the Russian Federation on Administrative Offenses in a form of an administrative fine of 100,000 rubles for misleading consumers. (Vedomosti, 2017).

According to Uber Technologies, the company does not provide services to consumers in the Russian Federation and does not enter into any legal relationships with the second one. The transportation of users of the Uber application is carried out directly by the charter partners (legal entities or individual entrepreneurs) that have entered into relevant agreements with the Dutch company Uber BV. (BFM, 2017).

The decision of the administration of Rospotrebnadzor in Moscow region to bring LLC "Uber Technologies" to administrative responsibility was rendered on May 31, 2016. Disagreeing with this, "Uber Technologies" challenged the decision in court. The court on September 1, 2016 refused to meet the requirements. "Uber Technologies" appealed this decision in the appeal and cassation courts. The Ninth Arbitration Court of Appeal on October 26, 2016, and later the Arbitration Court of the Moscow District on February 14, 2017, left unchanged the decision of the Moscow Arbitration Court on September 1, 2016, and Uber Technologies' complaints were dismissed. (SudAct 2016).

According to Federal Tax Service (FTS) of Russia, Uber has registered as a VAT payer in Russian tax authority in March 2017. (Federal Tax Service 2017c). This means that starting from April 1st 2017 Uber has become an independent taxpayer for electronic services provided by Uber B.V. to its partners in Russia. According to company representative, these changes will not lead to an increase in the commission of Uber B.V. for its partners

in Russia and will not affect the cost of travel for users. (Ria, 2017). By partners, Uber refers to drivers who entered into relevant agreements with the Dutch company Uber BV as legal entities or individual entrepreneurs.

Nevertheless, complying with the regulations is only one of the issues Uber Technologies Inc. is dealing with. In 2015, Moscow taxi drivers expressed their dissatisfaction with the activities of Uber, in particular, calling the company "the largest illegal carrier". (RBC, 2015a).

In 2015, the Moscow Department of Transportation and Uber Technologies Inc. have agreed to sign an agreement which would restrict the company's services to cooperate only with licensed legal entities. In January 2016, the head of the Moscow Department of Transport stated its readiness to appeal to law enforcement and require to ban the operation of mobile application in Moscow region, unless Uber sign a restrictive agreement. (Forbes, 2016)

3.1.2 Legal Case: Uber in Finland

Actions taken over collaborative economy by the Finnish government are "determined by the idea to avoid additional regulations where possible and instead consider relaxing regulations". (European Commission 2016)

There is currently an ongoing project in the Finnish Ministry of Transport and Communications entitled 'the Transport Code', the goal of which is to bring all transport market regulations together under one act. The aim of the project is to make room for new business models and to better meet the needs of users. (European Commission 2016)

In addition to eliminating numerous restrictions for taxi licences and facilitating market access for all operators, the reform is intended to adjust existing rules to new business models, thus allowing small-scale passenger transportation by non-professional drivers, who inform of their services through technology platforms and do not perceive transportation as a principal position with the annual turnover below a fixed amount. (Finnish Tax Administration 2017).

For the present, Uber and similar transportation services are likewise considered in Finnish jurisdiction as a technology platforms and its activity comply with the legal rules. However, the transport rules apply (i.e. obtaining a taxi licence and driver's permit) when the purpose of transporting the person is 'earning a livelihood'. (Finnish Tax Administration 2017).

The problem is that the model of cooperation between Uber and drivers does not take into account the peculiarities of the Finnish legislation, which prohibits passenger transportation without a license. Any driver can connect to the Uber system. At the same time, the service, which is not formally a taxi company, is not responsible for drivers' licenses. (Yle, 2016a)

In 2016, the Finnish authorities have decided to toughen punishment for Uber drivers Uber, by enforcing the law which propose a criminal liability for providing taxi services without required license. According to the current law, these sort of violation is penalised with the fines. (Yle, 2016a)

In April 2016, the Helsinki District Court convicted the Uber driver for the lack of a local license, having issued a fine of 12,250 euros, which he earned in three and a half months. (Yle, 2016b) To date, about 50 illegal smuggling cases have been dealt with in Finnish courts. (Yle, 2016a)

According to the tax administration office guidance published in 2016, "the income received from the provision of passenger transportation on a crowdsourcing basis (Crowd-based passenger transport service e.g. Uber) is regarded as taxable earned income". (Finnish Tax Administration 2017). Crowd-based passenger transport is treated as a service provided in a small scale, i.e. not as the principal occupation. For this reason, its costs can only be deducted from the income received from passengers. This also means that if the costs are higher than that income, one is not entitled to tax deductions for the loss." (Finnish Tax Administration 2017) If annual income exceeds €10,000 per calendar year, you must enter into the VAT register. (Finnish Tax Administration 2017).

3.1.3 Legal Case: Uber Worldwide

Uber Technologies Inc. worldwide does not skimp on lobbying and protecting its reputation. In the US it has been pushing the adoption of laws at the state level, fixing the status of the "transportation network company" (TNS), a certain new entity, which does not qualify for the existent taxi rules. (Joint Commission of Public Ethics, 2016, Weise, K., 2015)

The operation of the service causes conflict situations and protests in a variety of countries, including France, Germany, Italy, the Netherlands, and Spain. (Kroet, C. 2014, Daily Mail 2014). In some countries, Uber receives fines, in others get banned for some or all of

its activity. The problem is often related to the inconsistency of service provision with legislation in a number of European countries (the lack of required licences for provision of transportation services) and dumping the prices. (Carter, Z. 2016)

On January 1st, 2015, the authorities of France outlawed the service UberPop (the name of the UberX in some countries) in response to taxi drivers' riots in Paris. (Daily Mail 2014). However, the Uber Technologies Inc. instructed its driver partners to continue the operation, while the company's representatives tried to protest the ban in court. In June 2015, French authorities arrested Uber managers Thibault Simphal and Pierre-Dimitri Gore-Coty on six charges, including "deceptive commercial practices," complicity in instigating an illegal taxi-driving activity, and the illegal stocking of personal information. (Reuters, 2015a)

The Paris riots are far from being the first since taxi drivers' protests against the activities of Uber in 2014-2015 unfolded in proportion to its expansion.

Taxi drivers blocked the traffic in London, Madrid, Paris. The authorities of Germany, Italy, the Netherlands, Belgium, Spain, Canada and South Korea have completely or partially limited the company's activities. (Daily Mail 2014). In Bulgaria, Italy, Denmark and Hungary authorities have banned the service for unfair trade and completion practices. (The Guardian, 2017). In China, Japan and Taiwan Uber was pulled out or does not have a competitive advantage. (BBC 2017). In Brazil and Mexico, taxi drivers periodically attack Uber drivers and their customers. In India, mass protests against the company broke out in late 2014, after one of the Uber drivers was accused of raping a client. (BBC 2015; The Guardian 2015)

Even in the US, despite all the resources and a multi-billion estimate, Uber continues to wage an ongoing battle with local authorities and taxi drivers both on the streets and in the courts. According to Reuters, in October 2015, Uber was a participant in at least 173 lawsuits in US alone (for comparison, the competitor Lyft had only 66 lawsuits). (Reuters, 2015b).

3.2 The regulation of sharing accommodation services

Disputes about the regulation of accommodation services created on the principle of sharing economy have been going on for a long time. For two years, hotels of different countries have been trying to ban Airbnb. This service facilitates the booking of accommodation for a short time and offers customers cheaper and more convenient options. Hotels lose money, launch advertising campaigns against Airbnb, but in this struggle they face

residents who are protecting the project. Pressure forces the authorities to review obsolete laws on the delivery and rental of housing, and hotels in order to reconcile with the existence of a competitor. (The New York Times, 2016)

“Airbnb wants to gain legalization in jurisdictions around the world and it’s worked hard for the past few years trying to convince mayors and other lawmakers that homesharing is a win-win for all — that it’s an economic empowerment tool for the middle class. The company is also trying to convince those same lawmakers that having laws of any sort to regulate the sharing economy is misguided”. (Skift 2017)

Interest in Airbnb is related not so much to the scale of its operation, but rather to a new approach to the usual business models. Service leaders insist that the digital age requires a review of existing economic laws. Affirming the legality of the actions of Airbnb, the governments open the way for future services of sharing economy. (The Village, 2014).

Likewise, the status of Airbnb, according to service provider, defines it as an online platform for distribution and search of short-term rental of private housing worldwide. (Oskam, J. & Boswijk, A. 2016). Airbnb users have the option of renting their lodging in whole or in part. The site provides a platform for establishing contact between the host and the guest, and responsible for processing transactions. (Airbnb, 2017).

3.2.1 Legal Case: Airbnb in Russia

LLC "Airbnb Russia" was registered in February 2012. (Kommersant, 2017). According to SimilarWeb statistics, the website traffic of airbnb.ru in March 2017 was approximately 3.85 million users. (SimilarWeb 2017)

The activity of Airbnb in Russia is not regulated by a concrete law, except for the one accepted in July 2016 regarding the “foreign IT companies who provide technology services”. In accordance with the Federal Law of July 3, 2016 No. 244-FZ, foreign companies that sell e-services and content to Russian users must pay VAT on the territory of the Russian Federation from January 1, 2017. (Hotelier.pro 2017a)

Following the above-mentioned regulation, Airbnb, together with other foreign companies, have registered to the Russian tax accounting office. This fact solve the question of the necessity for owners of the apartments who rent it out through Airbnb platform to pay VAT on their own. Since Airbnb is registered to the tax accounting office, it pays the tax for providing reservation services in Russia. (Hotelier.pro 2017a) On the official Federal tax

service of Russia webpage, Airbnb is registered in the section "advertising and trading platforms". (Federal Tax Service 2017c)

Principal lawyers note that in Russia at the moment there is no legislative basis for restricting the activity of accommodation sharing services. However, the restrictions can be implemented from tax authority perspective.

In May 2016 the State Duma, the Lower House of the Federal Assembly of the Russian Federation, approved in the first reading the bill No. 876688-6 "On Amending Article 17 of the Housing Code of the Russian Federation", which prohibits the use of residential premises as a hotel, and other means of temporary accommodation, and the provision of hotel services and other accommodation services therein. (Duma.gov.ru 2016). The law implies a complete ban on services that provide temporary accommodation in a housing stock. From the explanatory note to the draft law it states that, although the owner of housing "has the right at his discretion to perform any actions with respect to his property", these actions must take into consideration the "rights and legitimate interests" of neighbours. (Duma.gov.ru 2016). If the current version of law adopted, it affects not the Airbnb itself as a service technology, but Airbnb users who rent out their apartments for the period of less than 180 days.

However, experts believe that the operation of services such as Airbnb will not be affected by this law, since Airbnb is in fact an Internet service, aggregating proposals for the offers of apartments and houses. Airbnb and similar sites, in fact, are advertising platforms, which do not enter into lease agreements and are not responsible for the activities of tenants and landlords. (Hotelier.pro 2016).

In the late March 2017 Airbnb Inc. Corporation has made a decision to liquidate its Russian subsidiary LLC "Airbnb Russia". (Kommersant 2017). The company itself argues that this is only part of the process of simplifying the operating structure. However, industry experts do not exclude the fact that the international service of short-term rental of housing is trying to avoid Russian legislation, which has become increasingly tough in the recent time. (Kommersant 2017).

As an assumption, Airbnb Inc. could liquidate a legal entity in Russia in order to avoid meeting the requirements of FZ-54 about online cash transactions. (Hotelier.pro 2017b). According to this law, from July 1, 2017 entrepreneurs engaged in retail businesses should modernize cash registers or purchase new ones. The main requirements for cash

machines are the connection to the Internet and the availability of fiscal drives that will transfer information about all settlements to the tax authorities. (54fz, 2017).

Another supposition for closing its legal entity in Russia refers to another law, which has been in force in Russia since September 2015. Russian government has obliged by the law companies, including foreign ones, to store information about the personal data of Russian citizens on servers located on the territory of Russian Federation. (Minsvyaz 2015). Internet resources that do not comply with the requirement are included in the register of violators and blocked on the proposal of The Federal Service for Supervision of Communications, Information Technology, and Mass Media (Federal Service for Supervision of Communications, Information Technology, and Mass Media 2017). The Airbnb Russia possess a stream of information and money transaction operations completed on the territory of Russian Federation, including information on a guest, a landlord, the amount of money paid for the rented apartment and the duration of stay in rented housing. According to the “law on information”, Russian law enforcement and tax authorities could have requested and received the information regarding operations and transactions that take place in the territory of the Russian Federation. However, the decision to close its subsidiary limited liability company “Airbnb Russia” eliminates the necessity to report the information on its users to Russian authorities since the operations and transactions will be completed through Berlin, London and Dublin. (Hotelier.pro 2017b).

Nowadays Airbnb does not have a large market share in Russia due to the fact this service niche has been traditionally occupied by so called “service apartments” or apartment-type hotels. These are typically large hotels in the city centre providing good cleaning and other services, and accommodating for the most part corporate tourists.

3.2.2 Legal Case: Airbnb in Finland

The accommodation provided by individuals and non-accommodation providers is growing in Europe and also in Finland. (MaRa 2014). There are at least two different modes of operation. On the one hand, individuals rent their apartments to tourists for short-term accommodation, just like hotels and hostels. On the other hand, entrepreneurs create companies competing with professional accommodation, renting out private homes or buying apartments that they give away with the accommodation agreement.

In both cases, rooms and apartments are actively marketed on the Internet. The most known such service is probably AirBnB from the United States and Friday Flats by Fore-nom gaining its popularity in Finland. (MaRa 2014).

Competition conditions between hotels and the above mentioned accommodation operators are not fair. Other providers of hotels than hotels can opt out of compulsory regulation of accommodation, even though they operate in the same way as professional accommodation establishments. (European Commission 2016).

These hotel operators sell their services very cheaply. Hotels are not able to compete with them because hotels must comply with compelling legislation, industry-wide collective bargaining, and charge multiple taxes and other public-law payments to the state and municipalities. (MaRa 2014).

The Finnish Hospitality Association MaRa, which is a leading national trade and labour market association in the hospitality industry in Finland states that fair competition conditions must be created for hotels and other hotels. (MaRa 2014) Similar actions should be regulated by similar provisions. The Finnish Hospitality Association MaRa has decided to submit a legislative initiative to the Ministry of Employment to investigate the phenomenon and its extent and take legislative preparatory measures to bring accommodation activities provided by hotels and other accommodation providers under similar provisions. (MaRa 2014)

“Airbnb has grown rapidly, claiming over a million lodgings worldwide. In Finland, the number has doubled in the past year. Even so, Finland trails well behind other Nordics-while in Finland there are two and a half thousand listings, there are 9000 in Sweden and 17,000 in Denmark.” (Yle 2015)

“In Finland, legislation doesn't recognise this grey area between regular rental and lodging travellers. However, the Ministry of Employment and the Economy is actively keeping an eye on the service, but for now thinks it's covered well enough by existing laws and there are no plans to issue any special guidelines.” (Yle 2015)

According to the taxation office official webpage, “Income received from sporadic rental operation (for example, via the Airbnb website) is treated as taxable capital income. If only a part of the apartment is rented, one must calculate the deductible expense in correct proportions, relating to the length of the rental contract and the square metres of the part that was rented out.” (Finnish Tax Administration 2017). To sum up, no authorisations for short-term rentals are required; in rented properties, up to half of the apartment can be sublet without prior consent of the landlord.

Actions taken over accommodation sharing services by Finland include, among others, include Income tax guidance for the sharing economy and study on how platform providers can be obliged to declare amounts. (European Commission 2016). The Finnish Ministry of Employment and the Economy is currently planning on providing guidance on homestay services. The Finnish Consumer ombudsman uses 'soft law' methods like negotiations, persuasion and guidelines. The Consumer Ombudsman has negotiated with some national marketplace platforms and ensured that platforms will inform parties acting on the platform of the consumer law requirements. (European Commission 2016).

3.2.3 Legal Case: Airbnb Worldwide

Some examples of prominent approaches that have been employed by local and national governments within European countries and United States of America are outlined below.

The position of European government officials towards peer-to-peer accommodation services is heterogeneous and reactions of public authorities vary from country to country. Some cities possess a negative attitude towards new phenomenon and continue to punish those violating current laws, while other city authorities try to adjust current regulations of short-term rentals and create a favourable condition for the development of sharing economy without detrimental to its own interests.

In that sense, Amsterdam is a world leader for the sharing economy as it was one of the first cities in the world to introduce progressive home sharing rules. (AirbnbCitizen 2016). The Amsterdam City Council gave final approval to a new policy that embraces home-sharing already in 2014. (AirbnbCitizen 2014a). In order to legally provide short-term rental housing in Amsterdam, the property owner should comply with the fire safety regulations and receive a permission from owner-occupiers association. (European Parliament 2017). However, the city authorities did impose a number of limits affecting the short-term renting in the Netherlands capital. The total rental period per year should not exceed 60 days and apartments can be rented to no more than four people at a time. (European Parliament 2017). In agreement Memorandum of Understanding with the city of Amsterdam in 2016, the service introduced on its website an automated day counter that allows apartment owners to track the number of days the apartment is rented out and reached an agreement to simplify the payment of tourist tax. (European Parliament 2017; Gemeente Amsterdam 2016; AirbnbCitizen 2016).

A number of French cities (incl. Paris, Marseille and Lyon) also allow short-term rental of a primary residence of the host, according to the Bill ALUR. (AirbnbCitizen 2013; European Commission 2016). The Bill ALUR was signed by the President of France in March 2014,

providing a great example for jurisdiction facilitating the development of peer-to-peer accommodation. (AirbnbCitizen 2014b). The new national housing legislation allows rental of primary residence without having to ask permission from local authorities. (AirbnbCitizen 2014b). The law extends to the whole territory of France and additionally include some propositions for the rental of non-primary residence. (AirbnbCitizen 2014b).

In other cases, although less common, the legislative changes have been implemented at national level. Liberalisation of private accommodation rental in Greece in 2013 included the simplification of procedures and omitting the need to register as a business or to get specific insurance coverage. (OECD 2016). It resulted in the growth of non-hotel accommodation, including apartments and privately-owned houses. The updated requirements for a short-term private home rentals include building permits, hygiene, fire safety, income taxation, duration of the short-term rental and minimum size of property. (OECD 2016). However, the requirements for luxury villas remain unchanged since 2013 and include the standard procedure of registration as a tourism business for tax purposes and obtaining a licence from the local tourism authority, while complying with the above-mentioned aspects. (OECD 2016).

Portugal has also approved new legislation in order to monitor service quality and tax the growing sharing accommodation sector in the country. The Portuguese officials aim to support the development of sharing economy while ensuring such services are legal and comply with the regulations. "Since 2014, it is mandatory for sharing accommodation providers to notify their municipality about their status and activities". (OECD 2016). The notification can be placed as online declaration on the website of Turismo de Portugal or in the local municipality. (Turismo de Portugal, 2016). Since the introduction of the procedure, "the number of legal local accommodation registered in official databases increased tenfold within weeks, providing the authorities with all data necessary to supervise and collect taxes". (OECD 2016).

However, other European countries are not able to boast the same experience with peer-to-peer platforms and prefer to restrict the new services.

In autumn of 2013, the Berlin city government passed a law *Zweckentfremdungsverbot* banning all vacation rentals that had not been registered with the local authorities by summer 2014. (Spiegel 2015; The Guardian 2016b). The ban was imposed to prevent the transposition of apartments from long-term residential rental market to a more profitable short-term tourists segment. (Spiegel 2015). In order to comply with the regulation, host should obtain a preliminary permission from the district authorities, which consider each

case separately in order to avoid abuse of the system and misuse of residential space for other purposes. (The Guardian 2016a). In addition, the city authorities inspect properties to check if the law is being correctly implemented. (European Commission 2016). Since May 2016, the hosts who rent out the entire apartment or house and are not present during the guest stay are fined of up to 100 000 euro. (The Guardian 2016b). However, sub-letting of individual rooms, while the at least half of the apartment is used by the host, and home exchange, when two parties agree to swap their apartments for a period of time, are unaffected by the ban. (The Guardian 2016b; The Guardian 2014).

According to Airbnb statistics, there are approximately 1.9 million apartments in Berlin, of which 11 700 are listed daily on Airbnb. (Airbnbvsberlin 2015). Yet Berlin has by far the most Airbnb listings in Germany. In Munich, not even half as many flats (around 4 000) are advertised. (Airbnbvsberlin 2015). The reason for that could derive from a restrictive approach of the city authorities towards private rents for short-term guests. In Munich, anyone who privately rents apartment to short-term guests, such as tourists and convention visitors, face a risk being fined of up to 50 000 euro. (Spiegel 2013).

In comparison, Hamburg has reviewed the law which has been in force since 1982 and legalised usage of Airbnb platform to rent out a private room or to occasionally rent out primary residence without having need to take any action or apply for a license from the government. (Airbnbcitizen 2014b).

Following the special town planning regulation on tourist accommodation (PEUAT) in Barcelona approved on March 2016, Catalanian government have imposed a new regulation on short-term rentals aiming at reduction of tourists flow due to the inability of city infrastructure to accommodate ever increasing number of visitors. (Autoritat Catalana de la Competencia 2016). In particular, it restricts the issuance of licenses for tourist apartment accommodations and imposes a moratorium on the construction of new hotels in certain areas of the Catalan capital. (Autoritat Catalana de la Competencia 2016). In order to comply with the regulation in Barcelona, host should register an apartment with the Tourism Register of Catalonia and receive the license. (OECD 2016). As short-term rental provider, the host is required to be present during the rental period, otherwise, the rental classifies as B&B type tourist accommodation and is a subject of subsequent law. (European Commission 2016).

Likewise, the Madrid city authorities regulate private short-term rentals through a licencing scheme. (OECD 2016). The license grants access to provide short-team rentals services

through platforms such as Airbnb. However, the requirements related to the rental conditions include the duration of a minimum stay of five nights, obligation to provide wireless Internet in most types of apartments, transparent prices and prohibition on using accommodation as a permanent residence. (European Parliament 2017, OECD 2016).

In the United States, the City of Portland, Oregon was the first to introduce conception of Shared City and regulation of short-term rentals. (Chesky, 2014; OECD 2016). The current procedure in Portland requires host to live in the residence for at least nine month of the year, obtain a permit which cost of USD 180, pass a safety inspection and notify neighbours of the intention to rent the apartment on a short-term basis. (OECD 2016). Airbnb in turn collect and transfer a tax of 11.5 per cent on behalf of hosts to the authorities of Portland to increase rental housing affordability in the city. (City of Portland 2017, OECD 2016).

On the contrary, the City of New York has taken less favourable actions towards peer-to-peer accommodation rentals. According to the New York's short-term rental laws, which were last updated in 2010, it is prohibited to rent out apartments entirely for the period less than 30 days. (NYS Multiple Dwelling Law 2017). This measure was considered to protect hotel industry at the time. In 2016, the Governor of the New York State signed a bill into law that fine residents with USD 7500 for advertising vacant apartments for illegal short-term stays (30 days or less) on a peer-to-peer rental platforms. (The New York Times 2016).

In 2014, the home city of Airbnb, San Francisco, California has legalised the short-term rental platforms, yet imposing several limitations on service operation. The law allows a maximum of up to 90 days per year for non-hosted rentals, while rentals where the host is present are not subject to this limit. (Airbnb 2016). In addition, the procedure requires host to register with the city Planning Department and pay USD 50 as a single fee for acquiring a business license. (Airbnb 2016). The host is responsible for assuring the right number of non-hosted rental nights per year, while Airbnb is responsible for collection and transfer of Transient Occupancy amounted to 14 per cent on behalf of hosts to the tax authorities. (Airbnb 2016). The clearly set rules contributed to the smooth operation of Airbnb in the region, however, two years later in 2016 Airbnb sued the authorities of San Francisco, trying to challenge the new regulation, which forbid short-term rental advertisements posted by hosts not registered in the city. (Fortune 2016b).

4 Research

The research objective of current thesis was to identify existing business opportunities behind sharing economy in Finland and Russia, assess the strength of sharing business models and describe the current status of collaborative consumption in both countries.

A case study was selected as a type of conceptual research method since it is a useful tool for investigating trends and specific situations in various scientific disciplines. "In general, case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context." (Yin, 2014).

Research data were collected through mixed method approach, in particular desktop research, literature review, industry reports as well as panel discussion with industry professionals and intensive workshop at Haaga-Helia University of Applied Sciences. The panel discussion on the topic of sharing economy was organised by commissioning party AFTA as part of professional programme during the MATKA Nordic Travel Fair in January 2016. The intensive workshop represents a one week intensive course in Haaga-Helia University of Applied Sciences, Pasila Campus held by the principal lecturer Minna-Maari Harmaala on April 11-15, 2016 covering the topic of sharing economy and its business potential.

Weaknesses in terms of the chosen method include the inability to extrapolate the results to fit a whole population or target market. However, the research is tied in with the results of the most reliable statistical institutions, making the outcomes valid and up-to-dated. In addition, case study provides realistic and objective description of the examined phenomenon and gives some indications for further elaboration.

The chapter explores in-depth aspects of the collaborative economy in Finland and Russia based on case studies of ten sharing business companies, including the cases of well-known pioneers of sharing economy. The chapter discusses the peculiarities of sharing economy development in both countries utilizing available secondary data.

4.1 Sharing economy in Finland

The conception of sharing services arrived in Finland approximately the same year as the world witnessed the massive expansion of companies such as Uber and Airbnb. Both services launched its operation in Finland in 2014, along with other Nordic countries, by attracting numerous followers and adopters. (Uber 2014; Yle 2015). The socio-economic scene in Finland provides favourable conditions for the growth of collaborative consumption, while the cultural feature poses both advantages and obstacles for spreading out the phenomenon.

Like in many other countries, the services first arrived to the capital region, in Helsinki, where the urbanization and globalization processes make citizens more open towards innovation. Helsinki is, in many respects, a sharer's paradise. The Finnish capital boasts a range of sharing economy platforms and services, from just-for-fun neighbourhood initiatives to global for-profit start-ups. Helsinki's sharing scene overturns the widespread misinterpretation that the sharing economy comprises only a handful of major for-profit players (Uber, Airbnb), and serves as an example of how local history and culture can positively shape a technology-influence social and economic change. (Shareable 2015)

A starting point for sharing economy in Finnish style was long before 2014. The Finns have been an agricultural nation until not that long ago and as agrarian society they were always very sharing and circular economy focused. The Finnish concept of talkoot (literally translated as "bee"), which prizes voluntary communal work, survived the transition from the fields to the central city. The fact that Finnish society is familiar with reciprocity and communal work facilitates the easy growth of sharing services and the number of followers. (Shareable 2015)

In addition, environmentally friendly Finland and its high conscious citizens value solicitous attitude towards goods, and believe that unwanted items should be given a second life by redistributing to other people who may need them. The first special Cleaning Day was arranged in Helsinki in 2012, initiating the annual neatest festival of one-day nationwide recycle swap meetings when cities and neighbourhoods are changed into huge flea markets and marketplaces. The idea of Cleaning Day is to make recycling easy and create vivid and responsible urban culture. Cleaning Day does not have an official organizer, all participants are organizers of their own events. (Siivouspäivä 2017). Thus, it makes the festival a great example of collaborative consumption in its purest form.

A couple of fundamental characteristics of Finland's political economy also helped set the stage for sharing. First, a longstanding commitment to political democracy makes it easier for individuals or small groups to launch their own initiatives. Like its Nordic neighbours, Finland is a welfare state with strong tradition of social security and state involvement, which promote the idea that if someone has more, they should share it, and the state will distribute resources equally. With such basics as healthcare and childcare covered by the state, moreover, Finns have spare time and money to devote to passion projects including sharing. (Shareable 2015)

Second, the city's relationship to technology affects the likelihood of sharing services adoption. Mobile technology in particular has accelerated the growth of the sharing economy worldwide, allowing sharing economy service providers to add convenience and cost savings to the ideological and/or ecological reasons for choosing against conventional models. The Finnish nation is known for a high level of technology penetration. In 2015 Finland was ranked second worldwide in the Network Readiness Index, which measures each economy's ability to leverage information and communication technologies. (World Economic Forum 2015).

Finally, and perhaps most significantly, today's sharing scene in Helsinki is the product of a strange combination between an excellent education system and high rates of unemployment. These factors, when combined, motivate people to search for the new employment solutions, new businesses, new economy models and that is the moment when sharing economy offers its deal and attracts new followers.

The catalyst for the most recent wave of collaborative innovations in Helsinki was Restaurant Day. Now an international event, Restaurant Day launched in 2011 as a quarterly "food carnival." The conception allows would-be restaurateurs dream up a concept for a pop-up cafe, establish a location and menu, issue a public invitation through the Restaurant Day website, and, for one day, transform a private home or city park into a solid eating establishment. (Restaurant Day 2017). The popularity of Restaurant Day and other projects, including Cleaning Day has in turn inspired other grassroots sharing initiatives.

The City of Helsinki has been largely reactive, rather than proactive, in its response to the burgeoning sharing economy. Though it has begun to leverage events like Restaurant Day as tourism boosters, its commitment to collaborative experiments is superficial at best. The sharing economy benefits indirectly from some of the city's top priorities. Helsinki is on the cutting edge of the open-data revolution in municipal government. The Finn-

ish capital has an entire department—City of Helsinki Urban Facts—dedicated to statistics, research, and open data. (City of Helsinki 2015). Though originally motivated by a desire for improved governmental transparency, the treasure trove of publicly-available data can be put to good use by actors in the sharing space, providing a huge tool for creating sharing economy platforms, or ideas.

For instance, Helsinki Regional Transit Authority tested the ride-pooling service at the beginning of 2012 with the introduction of Kutsuplus, an on-demand shared van service. However, according to the final report on the Kutsuplus, service terminated at the end of 2015 due to the low financial profitability and its incapability to support itself. The service gained popularity among users and received interest also outside Finland over the three years of its operation. At the end of the trial, the service had over one thousand stops supplemented by virtual stops. However, the number of cars did not increase from the 15 cars used in the trial due to lack of funding. Nevertheless, Kutsuplus proved a competitive alternative for privately owned and leased cars and benefited many people by saving time spent on travel, searching for a parking space and car maintenance. (HSL 2016).

City of Helsinki also works hard to maintain its status as a mecca for startups. The leading startup and tech event in Europe Slush, annually held in Helsinki, attracts tens of thousands people from all around the world. Startups, investors and businessmen come to Slush to advance their businesses and experience the phenomenal atmosphere. (Slush 2017). Thus, the startup-oriented attitude of City of Helsinki allow to flourish all kind of startups initiatives whether it is a gaming, communication or sharing services enterprises.

In the light of the foregoing, it is worth nothing there are still some hindrances that occur on the way of sharing economy services adapting to the Finnish socio-economic environment. The sheer scale of the local government can make it hard for individuals and groups to navigate official permissions, since the phenomenon is relatively new and there are no clear guidance on how the services should operate. (Shareable 2015). The official permission is the prerequisite for the most part of the activities organized by individuals. (European Commission 2016). Another potential obstacle is the other side of the welfare-state coin: a tendency toward overregulation. The necessity to comply with mix of regulations sometimes possess a vital thread to the initiative existence and execution, resulting in inability to conduct activity legally and properly. Finally, Helsinki's relatively small population makes it harder for sharing trends to gain traction. (Shareable 2015). An inadequate critical mass, which is one of the crucial principles of sharing service operation, may result in a shortage of Finnish home-grown sharing service platforms being replaced by foreign platforms.

Despite these challenges, the future of sharing economy in Finland remains promising. In the recent study on the current state of the collaborative economy in Finland commissioned by the Ministry of Employment and the Economy in December 2016, some 37 platform operators in the collaborative economy were identified. According to PwC's analysis, the value of transactions in Finland's collaborative market was a little over EUR 100 million in 2016. The largest sectors were collaborative finance at 65%, accommodation and space at 19% and small tasks and household services at 14%. Over the next few years, it is forecast the Finnish collaborative economy market will catch up on the lead established by the European market as the transaction values more than double each year. (The Ministry of Employment and the Economy 2017).

Another study on the use of collaborative platforms requested by the European Commission in March 2016, shows that 60 per cent of Finnish respondents stated that "they have never heard of these platforms", while another 30 per cent reported that "they have heard of these platforms but have never visited them". A merely 5 per cent of Finnish respondents replied that "they use the services of these platforms occasionally (once every few months)", and another 2 per cent cited that "they use the services of these platforms regularly (at least every month)". Those, who have been on one or more of these platforms and paid for a service once constitute 1 per cent of all Finnish respondents. (Flash Eurobarometer 438, 2016). A total of 7 per cent of those Finnish citizens who use sharing services mention the fact that these platforms are cheaper or free as the main advantage of collaborative platforms over the traditional commerce of goods and services. However, over half of respondents who are aware of collaborative platforms in Finland identify the factor of not knowing who is responsible if a problem arises as one of the main problem of collaborative platforms. The trust to Internet transactions in general is not a concern for Finnish respondents and they do not have any negative associations with online purchase. On the contrary, not trusting the provider or seller is one of the main problems of these platforms for Finnish users. Additionally not having enough information on the service provided is one of the most often mentioned answers among Finnish respondents. (Flash Eurobarometer 438, 2016).

The development of the collaborative economy in the leading European countries shows that, as the market matures, the growth of the collaborative economy is often quite rapid. The chapter continues with case studies of several Finnish sharing services operating in the field of peer-to-peer car sharing, peer-to-peer accommodation and small tasks and household services.

4.1.1 Case Sharelt Blox Car

“Sharelt Blox Car is a peer-to-peer car sharing service that helps car owners find someone to rent their car to when they don’t need it”. For a renter the service can provide an inexpensive and suitable car for a cottage weekend or a shopping trip. (Sharelt Blox Car 2017a)

The company was founded in 2011 in Helsinki, Finland with the name Kortteliauto Oy. As a result of rebranding process, the name was changed in 2015 to the present Sharelt Blox Car. The principle of Sharelt Blox Car is to increase the volume of usage of private cars and financially reward the owner by covering the cost of ownership and use. (Kanerva, 2016; Finder 2017).

The account creation and membership at Sharelt Blox Car is free of charge. Owner of the car can create a listing by clicking “add car” link after logging in. At the stage of creating a listing, the information provided about the car is checked through Vehicle Register. The Sharelt Blox Car provides compulsory IF car insurance as well as additional Sharelt-insurance. The car owner can choose either a third party cover for compulsory traffic insurance or a comprehensive cover for limited and comprehensive motor vehicle insurance. Once the car is insured and listed on the website, the owner needs to place an information Sharelt Blox Car packet in the car, which includes a damage report form, a fault list and list of accessories. The owner decides the availability of the car, the rental price for the car, the price for the additional kilometres, and accepts or declines booking requests. (Sharelt Blox Car 2017b)

The registration to the service as a user requires creating and authenticating an account with the phone number and email. The user must meet the following requirements: the user is at least 20 years old, has a driver’s license that has been valid for at least two years, has no traffic offenses committed while intoxicated, has a maximum of three traffic violations during the last three years and has no payment defaults. The credit card information and driver’s license of the Sharelt Blox Car users are carefully checked as a part of the joining process. During this process the user must have bank codes and a mobile phone. When the user signs up for the service he/she is recognized with the Signom bank recognition, customer information and a phone countersignature. (Sharelt Blox Car 2017b)

According to market research conducted by IF, up to 20% of approximately 2.5 million Finnish car owners are ready to join a sharing service. (IF 2016). However, according to

the income statement for the year 2016, the company is making loss of about 15,000 euros, though the revenue for the same year accounted to 8,000 euros. (Finder 2017).

4.1.2 Case FridayFlats

“Friday Flats is a new online community where individuals can lease and rent homes in a streamlined, cost-efficient and professional way. Friday Flats was originally founded in Estonia in 2013. The original concept was to create an online marketplace where private travelers and home owners are able to do business”. (FridayFlats 2017a). In 2016 the leading homelike accommodation service provider in the Nordics bought the Friday Flats platform. (Crunchbase 2017). The Forenom specialist team manage the day-to-day part of the business, including maintenance, cleaning and customer service and sales support. (FridayFlats 2017a)

The online service offers approximately 2165 bookable properties and plans to expand further to Nordic countries and rest of the Europe and the United States. (FridayFlats 2017a)

The service works not only with individual travelers, but also with corporate clients. The Forenom itself has had a strong focus and developed database of customer clients based on project workers. (Forenom 2017; Pulkkinen, 2016). The idea behind the new platform FridayFlats is to create home away from home for people who travel far away or temporary work in a remote area. The company’s motto is “Beat the Hotel Blues” which supports the idea of staying at real home is better than in hotels. (FridayFlats 2017b).

The process of renting out an apartment is simple and consists of three steps. The owner can decide whether to become a host himself or leave all the practical details to Forenom. By creating an independent module account the owner choose to manage all the reservation and maintenance issues himself. In order to create an account the user should verify himself with picture, phone number, email address and/or Facebook profile. The photos of property is reviewed by the Forenom specialist team and the description is added for the client’s convenience. The owner should accept the reservations, accommodate visitors and take care of the practical issues. (FridayFlats 2017c)

Another letting module offered by FridayFlats is premium account, which allows its users to transfer all the unnecessary fuss associated with renting out an apartment to a Forenom team. “In the Premium model, we take care of the day-to-day details of being a landlord: pricing, marketing, key management, customer service and cleaning”. (FridayFlats

2017d). The company does not guarantee a stable income or specific level of profit, however, promises to create a greater visibility of the offer and attract more clients. However, the company secures themselves by stating that “from a taxation and regulation perspective, the host is the landlord, with full responsibility for income or capital gains taxes as well as possible VAT”. (FridayFlats 2017d).

The booking process also consists of three steps. Once the property is chosen, the client should send a booking request and await for the response, which normally appears in 48 hours. The client is charged when the booking is confirmed. Before travel it is recommended to contact the host regarding arrival time. (FridayFlats 2017e).

The service charges standard 3 per cent commission fee off the daily price that owner sets himself when renting out with an independent module and 30 per cent when the Forenom takes care of the property. (FridayFlats 2017d). The service is available in Finnish and English.

4.1.3 Case Res Q Club

Res Q Club is a Finnish startup solution to reduce excessive food waste production by the restaurants. The application was launched in January 2016 in Helsinki. (Parkkinen, 2016). The mission of the platform is to “ResQ' top-quality restaurant meals that would otherwise go to waste”. (ResQ Club 2017). Over 125,000 meals has been sold for reduced price as a take away from over 400 restaurants since January 2016. (ResQ Club 2017)

Nowadays about 200 restaurants around Finland use the app and sell their leftovers at discount rates, instead of just dumping them at the end of the day. The exact commission restaurants pay to get on ResQ is private information, but the service attracts restaurateurs because of the potential to earn income for goods that otherwise would be thrown in the garbage. (Yle 2016c)

With the help of GPS and a data connection, the app shows the user's location and displays which participating restaurants nearby are offering discounted goodies. Once customers locate a desired meal, it can be purchased online and picked up within the opening time of the premises. (Parkkinen, 2016). ResQ's busiest hours are the daytime after lunch has been served and amount of surplus portions can be estimated. (Yle 2016c)

ResQ Club is also expanding internationally and rolled out in the Netherlands, Estonia and Sweden during the summer 2016. The company has a core team of 14 employees in Finland, as well as about a dozen people working on setting up the service overseas and

elsewhere in Finland. (Yle 2016c). The service promotes sustainable approach and increase awareness of local restaurants among customers.

In March 2017, the company released news of reaching 100,000 registered users who help to reduce unnecessary food waste. (ResQ Club, Instagram 2017). The application is available for both Android and iOS devices as well as for a desktop computer and supports English, Finnish, Swedish, Estonian, German and Dutch languages. (Yle 2016c).

In November 2016, the service won the award for The Best Mobile Service in Finland as the Best Global Potential program. (Slush 2016)

4.1.4 Case PiggyBaggy

PiggyBaggy is a ride-sharing based service where people transport each other's packages along their daily commute or shopping trips. PiggyBaggy crowd sourced delivery is a service created by Finnish startup Coreorient Oy, a sustainable solutions developer. "Coreorient helps businesses and consumers make everyday tasks more efficient and convenient with the help of their local communities". (Coreorient 2017)

The startup company was founded in 2011 in Helsinki, and in 2012 the service for ride-sharing for goods was launched. The company is privately founded and, therefore, has a slow pace of growth. (Ahvenlampi, 2016). A Nowadays it amount to 2173 registered users who contributed to the delivery of 1003 shipments. (Piggybaggy 2017)

To request a delivery, user need to sign up with a quick registration, create a delivery request and define the destination, acceptable times for the delivery and amount of money he/she is willing to pay for the delivery. Other users will see the request and accept it for transportation if it suits their route and schedule. Once users agree on the payment method, the goods will be delivered on the agreed schedule. (Piggybaggy 2017)

In order to become a transporter, one need to register to the website, browse the list of open shipments, pick up one that suits the schedule and route, contact the sender in order to agree on the payment transfer and deliver the package and get compensated. (Piggy-Baggy 2017)

The registrations are made with real names and is free of charge. All deliveries are insured up to 100 euros. (Ahvenlampi, 2016).

The service has tested several pilot projects of crowd-sourced delivery with Tori.fi, K-city-market Lahti Paavola, shoe repair service Metrosuutarit.fi, Espoo shopping center Entressen, tool rental service Litteri.net, to name but a few. (Piggybaggy 2017). “Piggy Baggy saves time, energy, and pieces together the steps of a crowd sourcing delivery service. The service involves distribution of goods from one location to another through ridesharing: a fast, secure and economical way of transporting goods”. (GoodnewsFinland 2015)

To conclude, the above examined companies represent a Finnish share in the growing collaborative consumption economy. The companies have relatively eased registration processes to ensure user’s safety and security. The scope of implementation of sharing services shows the great variety of possibilities behind the new phenomenon, and highlights Finnish tendency towards sustainable development and environmentally friendly businesses. The chapter continues with exploration of characteristics of sharing economy in Russia and examines the solutions that Russian market offers in the era of sharing.

4.2 Sharing economy in Russia

The sharing economy and the conception of collaborative consumption is relatively new phenomenon in the world, and even newer and more foreign it is in Russia. The prominent appearance and references to the first sharing services in Russia, regarding national or international acknowledgement, trace back to year 2011 as it can be analysed through the case study outlined below. The statistics and author's personal experience proves that any modern social or economic innovation or trend gains its popularity in Russia some three to five years later its appearance in Europe and USA. (Afisha Daily 2016). The reason for that derives from geographical dispersion and gradual application of new trend to the Russian reality. (Rotkevich, 2016). In general, the conception of collaborative consumption is definitely not a novelty to the Russian society and the idea of sharing is near and dear to generous Russian soul.

However, the process of implementation of sharing economy in Russia has its peculiarities to be taken into consideration when forecasting its future development.

The trust issue is considered the number one concern related to the process of sharing economy development in Russia. The reputation systems based on reviews and feedback may face a significant hurdles due to the different perception of reputation among Russian users. (Afisha Daily 2016). It is believed that sharing and other similar services will inevitably lead to the growing number of frauds. The reputation and value placed on it are vastly lower in Russia than in countries where the level of trust is higher and, therefore, the good reputation is important. Experts assume as soon as the number of frauds in the sharing system exceed a certain critical level, the sharing service will simply disintegrate. (Rotkevich, 2016).

The ride sharing services existing in Russia, such as Yandex.Taxi or Rutaxi, are based on service providers supply, thus it cannot be called a sharing economy in its original form. The first car-sharing service Anytime was launched in Moscow in 2013, and similar service StreetCar appeared in Saint Petersburg in 2014. The latter has suspended its operation a year later due to financial problems. In both cases the car was rented by the company, making it again not a sharing economy in the original form. The development of services based on direct communication between users requires high level of trust. Unfortunately, Russians cannot lay claim to be trustworthy users and, on the contrary, have a high level of incredulity and low level of trust. (Rotkevich, 2016). Surprisingly, the statistics show that the level of trust is clearly correlated with economic situation: the worse the economic situation, the more suspicious Russian people become. (Russian Public Opinion

Research Centre VCIOM). According to VCIOM polls, the majority of Russians at about 70 per cent of the population believe that people, in general, do not trust each other.

Nowadays, the sharing services are mostly popular among advanced part of Russians such as residents of megacities whose way of life is closer to European standards rather than to average Russian pattern. (The Calvert Journal, 2014). The development prospects of sharing economy outside the Russian megacities are vague and the vast territory of the country slows the process of integration. (Rotkevich, 2016).

“Unlike in Europe or the US, where the term "sharing economy" has become a buzzword, with companies such as Uber and Airbnb taking up endless column inches, such collaborative enterprises are still nascent in Russia — and not always successfully executed”. (The Calvert Journal, 2014). Thus far neither on-demand parking deals nor peer-to-peer ride sharing for goods nor dog boarding nor online rental platforms has gain its massive popularity in Russia, remaining a niche market products with local segmentation. (Rotkevich, 2016).

It is worth noting that cultural aspect plays an important role in the perception of sharing by Russian citizens. In general, people and the media do not bring any attention to the sharing economy in Russia, because Russians, especially in Moscow, are used to paying and saving money is not a priority. “People still like to be flash and it will take time before realization that that is not the purpose of living. A Russian will never tell his friends that he saves money, because no one will understand”. (The Calvert Journal, 2014).

The reason for that derives from the value placed on ownership that followed the collapse of the Soviet Union, which was by contrast marked by decades of shortages and communal living. The citizens of former USSR has lived in a “sharing economy” for so long, that now they desperately want to be owners. Owning a car is a status symbol of not just wealth but a connection, comparing to the Soviet Union times when quite a lot of people had the money to buy cars but could not because there were not enough. Thus to be willing to share it with a stranger or even allow him to drive it freely seems irrational and illogical. The same thinking applies to flats when, after living in communal flats, getting even a small and cheap one in ownership seemed like a miracle. The ownership has been a desired property form for quite a long time, therefore, the privilege of access over ownership will not become evident to the previous Russian generations. (The Calvert Journal, 2014),

In general, the development prospective of sharing economy in Russia depends on the nature of each service specifically. It is believed that the most favourable and promising

forms of sharing economy in Russia will consist of those focusing on financial solutions. Crowdfunding, virtual settlement monetary systems and temporary banks can have some special attractiveness for Russian users as it can help to avoid the usage of expensive bank loans and provide an opportunity to start a business during the economic recession. (Rotkevich, 2016).

As for the present times, like other sharing economy services, most of ride sharing activity originates in the capital: the most popular rideshares are from Moscow to St Petersburg and Moscow to Nizhny Novgorod. Airbnb is similarly concentrated in Moscow and St Petersburg with little activity elsewhere. It is predicted that the expansion of sharing services will take long due to the fact that internet penetration in Russian subregions is still very low. However, experts see the potential in the Russian market and believe that kick-starting the sharing economy in cities like Krasnoyarsk and Vladivostok could be even easier because people in these cities are different and the barriers of trust are lower. In such places they have a saying: “because nature is so harsh, you have to help your neighbour”. This sort of mentality is very much the culture in these regions which is why it is believed that any sharing economy services could be a natural fit for them, which they are just unaware of, yet. (The Calvert Journal, 2014).

Bearing in mind aforesaid facts, the promising future of sharing economy in Russia is in the rise of IT penetration, growing generation Z and extending netiquette.

The chapter continues with exploration of some the most successful existing examples of sharing economy services in Russia and examines its business models in terms of its efficiency and competitiveness. The case study presents companies in the field of peer-to-peer ride sharing, peer-to-peer accommodation services, redistribution market and crowdsourcing market.

4.2.1 Case Yandex.Taxi and Rutaxi

Yandex.Taxi is a web service and mobile application for Android, iOS and Windows Phone operating systems designed by Russian search engine Yandex for ordering taxi online. A web service cooperates only with taxi services, thus facilitating the classical taxi companies with mobile application and increasing the number of orders. (Vesti 2011). The company is Russia's largest online taxi booking service and ultimate leader in the capital region. (Rusbase 2016). The service is available in 14 cities, including Moscow, St Petersburg, Yekaterinburg, Krasnodar, Sochi, Novosibirsk, Omsk, Perm, Samara, Tula and Voronezh (Rusbase 2016) – all the cities with population more than 500 000 inhabitants. The service is available in Russian and English languages.

Yandex.Taxi service was started in 2011 in Moscow and nowadays accounts for 1200 partner taxi companies, which in general own 120 000 cars. (Rusbase 2016). The number of committed trips in December 2016 exceeded 16 million. (Kommersant 2017a). The service processes from one hundred thousand to two hundred thousand orders daily. Starting from 2016, the Yandex.Taxi operates as a separate company in Yandex holding company. (Rusbase 2016).

Cooperation with numerous taxi companies enables application to determine the closest car to the client, thus accelerating the delivery time. The average delivery time is five minutes. (Yandex.Taxi 2017). The customer has options to choose the category of the trip from economy, comfort, business and minivan. Additional features can be mentioned when ordering such as the preference for non-smoking driver, child seat, air conditioning and others. The client can pay for the committed trip in cash or by credit card. The commission charged is 11% plus VAT. The turnover in 2013 amounts to 1,8 milliard rubles. The service is self-sufficient. (Rusbase 2016).

Additionally, the aggregator offers additional application for taxi companies Yandex.Taxi-metr, which provide drivers with an updated online navigator analysing traffic jams as well as counting distance. The application is installed in approximately two hundred thousand cars and used by one thousand taxi companies nationwide. (Rusbase 2016). The company also provides services for corporate clients. (Yandex.Taxi 2017).

In March 2017 the company announced its work on developing technical solution to monitor drivers fatigue to prevent road accidents. (Kommersant 2017b)

However, the company does not enjoy the popularity in remote regions and is not the leader nationwide. The reason for that is the lack of smartphones and mobile gadgets in regions and cities further from Moscow. The customers tend to call the regular taxi service phone numbers and order a car with the help of dispatches. Moreover, remote regions does not have stable internet connection to utilize online navigators. (Rusbases 2016)

The taxi service aggregators, such as Yandex.Taxi, Uber or Rutaxi are IT applications, which best matchmaking drivers with clients. The service aggregators cooperate either with official taxi companies or with individual drivers who register themselves as individual entrepreneur or with both. The taxi applications technically are not qualified in the taxi law, as the aggregator does not possess a taxi pool, rather than providing information service about cars availability. The traditional taxi companies complain against taxi aggregators for unfair competition. The taxi application neither responsible for traffic accidents nor passengers safety nor the delay to the airport nor auto technical malfunction. Additionally, once registered as an individual entrepreneur with the taxi service application, the driver can close the company in order to avoid paying taxes. (Rusbases 2016).

Rutaxi taxi service is considered the unnamed leader of transportation section in Russia nationwide. The service operates in 93 cities across the country and execute over 1,5 million trips daily, which is approximately 40 per cent of the share. (Rusbases 2016).

The service cooperates with taxi companies as well as individual drivers, thus enabling clients to find the nearest available car in a very short time and facilitating taxi companies with an online application. (Rutaxi 2017). The application was launched in 2011 by a taxi company Vezet, which is a nationwide leader in taxi transportation field. (Rusbases 2016). The company does not provide any information neither on commission fee nor on the number of cars. The key difference of the company from its closest competitors are fixed rate and fixed prices, regardless of the waiting time and traffic jams. (Rutaxi 2017)

Rutaxi does also possess an online application, however, it is not the reason behind its nationwide success. The remote regions do not have stable mobile Internet connection and taxi services in small towns operate traditionally with the portable radio and dispatcher center. In order to become a competitive opponent to the well-established traditional taxi services, an online application companies and taxi aggregators should invest in local mapping to clarify existing maps of the countryside and improve navigation capabilities. (Rusbases 2016).

4.2.2 Case Sutochno

Sutochno.ru is online platform for a short-term rents of apartments available worldwide but mostly popular in Russia. The limited liability company Sutochno was founded in 2011 in Ulyanovsk, which is located on the Volga River 893 kilometers (555 mi) east of Moscow. (Kuznetsov, 2014a; Ulgrad 2017). The webpage provides more than 30 000 of advertisements of daily rent apartments. (Sutochno 2017a). There are approximately 5 000 offers posted daily. (Kuznetsov, 2014b). The turnover of the company exceeds one million dollars per year. (Kuznetsov, 2014b)

After placing a reservation for a desired accommodation, the customer receives a response from the owner on the final price for the stay and amount of advance payment. The money should be transferred through the service platform; the rest should be paid upon arrival. The prepayment money are transferred to the lender's account only after first day of stay.(Sutochno 2017b).

The fundamental difference between AirBnb and Sutochno.ru is the business model behind. Sutochno.ru does not charge an operational fee neither from the lender nor from the tenant. The funding of the project generates from selling ancillary services and providing specific features for a monthly fee. The users who choose to pay for the prioritized advertisement placement have a better visibility and promotion, rather than users who decide to post free of charge. Additional benefits include contact information available to all users and faster moderation of the ad. The share of users who select extra visibility for a monthly fee is approximately twenty per cent. The tenant does not have to pay any commission for placing a reservation and booking online. However, the company plans to introduce commission on transaction in the near future. (Kuznetsov, 2014b)

Another principal difference is the arrangement of communication between the lender and the tenant. Unlike Airbnb, Sutochno.ru allows its users to communicate directly and provide their contact information to both parties. It is a customary that travellers might want to call in advance to discuss urgent issues rather than emailing each other. (Kuznetsov, 2014b)

A new registered user are usually assisted during the first three months with the help of service provider enabling user to get the best experience. The reviews are strictly monitored by the moderators. Only the guests who have paid for the apartment and have actually stayed there can write comments and feedback. Moreover, the review system allows

guests to collect points (three hundred rubbles) for the next trip. The bonus system designed to encourage people to continue the use of service. (Sutochno 2017b).

The target market of Sutochno.ru is Russia, Ukraine and other destinations popular among Russian tourists. The current list of most visited cities consists of St. Petersburg, Moscow, Krasnoyarsk, Samara, Nizhny Novgorod, Kazan. (Sutochno 2017a). The customers who travel as a family or a group of friends tend to choose services of daily rent apartments over hotels or hostels. However, business travellers also contribute to the service of short-term rents. The popularity of destinations depends on the occasional festivals, conferences and other events. (Kuznetsov, 2014b; Sutochno 2017a)

Currently the service is available in five hundred seventy cities in Russia and several European countries. The webpage is available in Russian language only. (Sutochno 2017a).

4.2.3 Case Darudar

Darudar.org founded in 2008 in Moscow is a redistribution online market based on reciprocal giving and receiving of free gifts. The community accounts for more than 385 000 registered users/accomplices who has giveaway around four millions of gifts since the services opened. (Darudar 2016). Every day people give away from two to three thousands of gifts nationwide. The service operates in Russia and Ukraine, and also known in Belarus and Kazakhstan. (Darudar 2017a).

Darudar.org is a model of social entrepreneurship. The service was launched at co-founder's own expense and is still not profitable; however, the developers and users believe in the idea itself and do not give up. According to co-founder's estimation, the service will generate income when the number of users will reach one million. The currently generated amount of money is sufficient to facilitate the work of service, but not enough to bring updates. (Karakulov, 2016)

Even though the concept of the platform does not imply monetary relationship, the cash funds are needed to conduct marketing campaign, update the design of the webpage and release an application. The above-mentioned factors tend to help to further promote service and involve more people. (Karakulov, 2016).

Darudar.org possess itself as an international community, which motivates people to give away for free goods or services that are no longer needed, and to do so without demand-

ing anything in return. The community mission is to learn through joint efforts how to donate and accept gifts freely and how to transfer this valuable skill to the rest of the world. (Darudar 2017b).

The community relies on the principle of self-organization and follows the traditions of Darudar. (Darudar 2017c). Every registered user accepts the terms and conditions called traditions of Darudar and becomes an accomplice. The structure of community implies that some accomplices can voluntarily choose to perform one of the role tasks. The supervisors help fellow accomplices to follow the rules of the community and solve problem issues if such occur. The mail carriers help to deliver gifts to other cities, enabling the service to operate nationwide. The patrons help the community by donating grant money. The treasures transfer money to developers to support the project. The developers create darudar.org platform, a service for gratuitous donations. (Darudar 2017d).

The client profile of service participants is mostly women who belong to millennial generation, possess a university degree and have adequate level of income. (Habrahabr 2016). According to the recent research, the most sufficient reasons for people's desire to participate in this project are ability to help other people, positive emotions and the opportunity to receive useful things as a gift. (Habrahabr 2016). Thanks to the service, people give and receive literally anything: from kinder surprises and slippers to tablets and laptops, from toddler's sliders to refrigerator and even car. Members of the community have a chance to accept as a gift yoga classes, photo sessions, a trip from Moscow to St. Petersburg and even homemade nuts with boiled condensed milk. (Karakulov, 2016). However, the most often donated gifts are clothes, jewellery, children's clothes, books, cosmetics, handicrafts, and collectibles. (Habrahabr 2016).

The project appears as sustainable, helping people to utilize no longer needed goods and to reduce landfill waste. The webpage is available in Russian, English, Ukrainian, Belorussian, Polish and French languages. (Darudar 2017b)

4.2.4 Case YouDo

YouDo.com is a Russian online and mobile skills marketplace, a multipurpose service that helps its users to find doers/contractors for various task areas from household assistance to cargo transportation to beauty procedures at home to legal assistance. (YouDo 2017a).

The previous version launched in 2009 was a platform for realization of online competition, often with entertaining content, rather than a service system. (The Village 2012). The client users posted tasks from creating catchy graphic design slogans and good taglines

to different eat it or wear it challenges. The client user paid either for participation or for the win. However, the business model seemed not suitable for a long-term run and the firm expanded its services to FMCG (Fast Moving Consumer Goods) companies, which sell food, beverages, cigarettes, etc. One example of such cooperation is the Nestle S.A. advertising campaign. (The Village 2012). The users of YouDo.com were assigned with the task to promote Nestle chocolate bars in reward for Nestle products. This type of cooperation enabled YouDo.com platform to reach the breakeven point by 2011. (The Village 2012). However, the project was rather local, inappropriate for applying on a large scale and very much dependent on the advertising market.

The platform was rebooted and the new version was officially released in Moscow on 3rd of Apr, 2012 and opened operations in Moscow and its regions. The new concept of the platform evolved into service exchange platform and matchmaking tool which enabled users to find a trustworthy contractor to perform cleaning and household assistance or courier tasks for the agreed price. (The Village 2012). Within the next year, the company expanded to St. Petersburg and its suburban areas. In autumn 2012, YouDo.com launched an application which allowed users with an iOS or Android devices to post task conveniently from mobile phone. By the end of 2012, one third of all task orders was posted through mobile application. (The Village 2012).

The product service system matches clients who need the task to be completed with contractors who are capable to help. The client sets the price according to the personal financial situation and taking into consideration the YouDo's price list for similar tasks. (You Do 2016a). The contractor can either accept the requested price or suggest his own. (You Do 2016b). In 2013 YouDo.com introduced orders with the open price that has eased making the decision on the cost of a task as contractors can respond with their suggestions. (You Do 2016a). Nowadays the number of categories has significantly expanded and include 16 following groups: home repair, transportation, virtual assistant, auto help, teaching, legal assistance, gadget repair, health and beauty, equipment installation and repair, web development, photo and video services, design, events and promotions, and computer support. (YouDo 2017a). Due to the high popularity of certain type of tasks among users, there is an update coming soon, adding two new groups such as "pets care" and "social tasks". However, if any of the posted tasks cannot be classified for any of the categories mentioned above, it is redirected to the section "Other". Once the task is posted online, the client receives contractors' offers and choose the most suitable specialist to complete the task. The social rating system is formed by client's reviews and feedback on contractor's work performance. If the user has more than three negative reviews from YouDo.com clients, the user is subject to lose his status of contractor. (RBC 2015b).

In order to become a contractor who has the right to perform tasks, the user must go through verification process and meet the requirements. The initial process of verification included application form, an interview and checking the criminal background. The company shifted towards online verification in autumn 2013 when the increasing number of contractors was not appearing feasible to interview in person. The process still included an application form, a psychological test and phone interview. Nowadays the system functions similarly, except for the psychological test, which has been replaced with test for knowledge of service platform rules and regulations. (RBC 2015b; You Do 2017b).

The customer profile of YouDo client is often associated with a busy citizen of bustling metropolis, who experience constant lack of time and stress about performing daily routine. The company offers in a way unique combination of fast, cheap and tailor-made services, which is very appealing to the citizens of metropolises. Customers are tend to return to the platform because of the good quality to price ratio. The customer satisfaction is largely dependent on how reliable the database of service supplier and how contractors perform assigned tasks. For that reason a verification process of the contractors play an important role in service platform development. (RBC 2015b).

The YouDo.com company is based on a high-volume and low-margin business model, which is dependent on the percentage of profitable trades accomplished on service platform. The key to success of such company is the large number of transactions. It is desirable that significant share of completed transactions represent so-called repeated orders because the newly placed order can seldom cover the costs for customer acquisition from its first transaction. (RBC 2015b).

The YouDo.com charged automatically commission from five to fifteen per cent after each transaction. The size of the commission depended on the cost of performed task: the higher the price, the lower the commission. On January 2016 YouDo.com introduced new payment system that required contractors to pay 20 to 60 rubbles for the every offer posted to client's task. Thus, contractors are no longer charged with the commission but obliged to pay for every offer they respond with even if they are not chosen to accomplish the task. The company has been largely criticized for the new payment system, especially by the contractors who suggest revising the system or at least improving it in a fair way. (You Do 2017b).

In addition to the consumer-to-consumer market, YouDo.com also cooperates with other companies. One example of business-to-business partnership is a courier services for

VTB24 bank. The contractors of YouDo.com delivered card certificates to bank's clients. Another example of B2B partnership is outsourcing work at large music festivals, conferences and other events to YouDo.com community. (The Village 2012).

On January 2013 the service accounted for approximately 1000 contractors, while on January 2017 the number has grown in 200 times. Nowadays the service estimated for approximately 1 500 000 regular users of which 200 000 verified contractors and 1 300 000 clients that create 3 300 orders daily. The service operates in Moscow, St. Petersburg and its surrounding areas. The turnover of the company is around 10 million rubbles. (YouDo 2016c). The webpage is available in Russian and English languages.

In conclusion, the existing examples of sharing economy services in Russia have in common a strong focus on facilitating the needs of urban dwellers, thus expanding its presence in cities with high population density. The companies implement complex set of verification steps in order to ensure users' safety and security. The research continues with the study of the best practices in sharing economy and further analysis of introduced business model.

5 Analysis

This chapter evaluates the results of case studies presented in Chapter 4 by discussing the features of collaborative business models. The chapter includes comprehensive case studies of two the most efficient and prominent sharing economy companies, and continues with business models' analysis and description. The analysis highlights the competitive advantage of collaborative economy business models as well as addresses possible obstacles and implications to developing sharing economy companies.

5.1 Best Practices

The examples of the best practices of sharing economy worldwide include the advent of peer-to-peer accommodation and peer-to-peer transportation services in the United States in 2008 and 2010. These services, namely Airbnb Inc. and Uber Technology, are considered to be the pioneers of sharing economy, setting an example of successful sharing economy business models for many other companies. The case studies discussed in Chapter 4 include companies that in some instances operate in the form and likeness of either Airbnb or Uber, thus being a potential competitors. Indeed, many sharing economy companies have initially appeared in the US market, therefore, Finnish and Russian sharing economy scene appears developing, yet imposing some regional peculiarities. In that sense, the European and Russian policy makers and entrepreneurs have a unique advantage of analysing risks and benefits by using prominent sharing economy companies as a natural sort of experiment. The detailed description of Airbnb Inc. and Uber Technology is followed by the business models' analysis.

5.1.1 Case Airbnb

"Airbnb is a peer-to-peer online marketplace and homestay network which enables people to lease or rent short-term stay in residential properties". Hospitality service include vacation rentals, apartment rentals, homestays, hostel beds and hotel rooms. The list of lodgings listed on Airbnb.com varies from air beds and shared spaces to private rooms and entire homes and apartments to castles, boats, manors, tree houses, tipis, igloos, private islands and other properties being rented out worldwide. (Airbnb 2017a). The headquarters are located in San Francisco, California and Dublin, Ireland.

The Airbnb (originally AirBed & Breakfast) was founded in 2008 in San Francisco, California by Brian Chesky, Joe Gebbia and Nathan Blecharczyk. The founders of billions worth startup were looking for a way of renting out an airbed mattress and shared space in order to make some quick money to help pay off the monthly rent, and took the advantage of

design conference being held in the city at that time. The hotels were sold out or were unaffordable expensive, therefore a website with available short-term living quarters, breakfast and a unique business opportunity was just in time and place. Initial funding of \$20,000 was received from the Y Combinator in exchange for a small interest in the company. Later Greylock Partners, Sequoia Capital, Andreessen Horowitz, Digital Sky Technologies and Ashton Kutcher also invested in the company. (Botsman, Rogers, 2011).

Nowadays the company has over three million lodgings listings in more than 65,000 cities and 191 countries. (Airbnb 2017a). As of 2017, the company has raised more than \$3 billion in funding from various incubators, venture companies and investors during the course of six years from 2011 till 2017 and its last known valuation is at \$31 billion. In January 2017, it was reported that Airbnb was profitable during the second half of 2016, making it the first profitable period in company history, and it is expected to remain so throughout 2017. (Bloomberg 2017a).

The business model of Airbnb is primarily dependent on bookings being routed through its platform. The company does not own any lodging; it is merely a broker and receives percentage service fees from both guests and hosts in conjunction with every booking. On each booking, the company charges guests with a 6 to 12 per cent guest service fee and charges hosts with a flat 3 per cent host service fee. The longer the stay the lesser is the booking fee billed to the travelers. (Stephany, 2015).

Registration and account creation is free of charge. Hosts can create a listing by selecting "list your space" after logging in. Pricing is determined by the host, with recommendations from Airbnb. Hosts can charge different prices for nightly, weekly, and monthly stays and can make adjustments for seasonal pricing. Hosts add descriptions of the residence, amenities, available dates, cancellation policies, and any house rules as well as upload photos of the lodging that is offered. For eligible hosts, Airbnb offers free professional photography. Interested parties are required to message the property owner directly through Airbnb to ask questions regarding the property unless the host has enabled "instant book", in which case requests for stays are accepted automatically. A host has 24 hours to accept or decline a booking. Hosts are never required to accept a reservation. After the reservation, hosts coordinate meeting times and contact information with guests. (Airbnb 2017b).

Users (guests) can search for lodging using a variety of filters including lodging type, dates, location, and price. The site provides a private messaging system as a channel for users to message one another privately before booking and accepting reservations. Once

the reservation is placed, the guests awaits for the booking confirmation from the property owner. Any Airbnb host can require their prospective guests to obtain "Verified IDs" before booking, meaning that they are required to scan a government-issued ID to verify their identity. Initially upon registration to the website user is requested to provide valid email address and telephone number. After the booking is confirmed, Airbnb charges guest with the total price for the accommodation. The total price is combined of a night rate multiplied by the number of nights, service fee and cleaning fee. Airbnb facilitates online payments from guest to host through its Security Payments feature, which holds the entire payment and processes payment transactions after the guest check-out or 24 hours after guest check-in, whichever appears earlier. At the option of the host, Airbnb facilitates security deposits and mandatory non-refundable cleaning fees, the former of which is held until the property is vacated. (Airbnb 2017c).

All relationships arranged through Airbnb are built on mutual cooperation and trust between hosts and guests established with the help of rating and review system. Airbnb platform requires a creation of user profiles so that members can learn about their hosts and guests ahead of time. After the guest completes a stay, the host and guest have the option of leaving references for each other and reviews of their stay, which are posted publicly, providing for an online reputation. (Airbnb 2017d).

The services that operates on principle of sharing economy has been often addressed with trust issues. Airbnb originally represented the service as a bulletin board with event specificity that connected tenants and property owners, and then left them to contact one another. However, over the years, the company expanded its scope of activities and took on an even greater role - accepting all payments, maintaining a feedback base, hiring professional photographers to shoot rooms and creating a communication platform for the website users. In that sense, Airbnb started to operate as a trustworthy intermediary, which does not require people to trust merely each other, since the users can trust a centralized system that protects their interests. The infrastructure of Airbnb reminds an organization that is responsible for all the risks of customers and exempts them from the responsibility for assessing the credibility of the other party to the transaction. (Sundararajan, 2016).

The corporate system of Airbnb is marked as one of the best to protect the property of property owners from damage or other damage that warns large groups of people or novice tenants that they are required to take care of the apartments of their owners. Each ele-

ment of booking - reservation, payment, communication between the tenant and the property owner, reviews - all pass through the Airbnb platform, and so the service tracks every step of the users from viewing the ad until checkout of the apartment. (Airbnb 2017b).

If the system identifies the words "Western Union" in communication between the property owner and the tenant, it blocks the message, as it may be an indicator that users try to bypass the Airbnb system. If the tenant and property owner constantly reserve each other's rooms, the system regards this as an attempt to create a positive rating on the site. In addition, if a new user immediately after registering to the website, books an expensive accommodation facilities, it can be considered by the system as money laundering. The system for collecting analytical information Airbnb takes into account these factors, and then assigns to each object of placement "points of confidence". If the apartments have a low score, the system automatically marks that further research is required. Airbnb claims that the system works successfully. (Airbnb 2017b)

Nevertheless, Airbnb recommends the hosts to obtain insurance, which covers damages caused by guests. Airbnb offers secondary insurance, called its "host guarantee". The guarantee covers property loss and damage due to vandalism and theft up to \$1,000,000. The company also initiated a 24-hour customer service hotline and implemented additional security features. (Airbnb 2017b).

In addition to the Airbnb website, the company offers mobile applications for iOS, Apple Watch, and Android. These offer geolocation and much of the functionality of the website, including (which allows faster response times) private messaging. The mobile apps have received several awards. The service is available in 26 languages and operates globally.

5.1.2 Case Uber

Uber was launched in San Francisco in June 2010 and initially represented a service providing cars of the executive class. That was the very right place to launch the project as the geeks from the Silicon Valley fell in love with the application, which made it possible to track the approaching taxi, immediately contact the driver, do not think about cash (the payment was debited automatically from the card) and receive the car quickly. (RBC 2015).

Plus, the ratings system that crossed out the image of the old school taxi driver: the lower the driver's rating, the less orders it can count on, and after dropping the average score below 4.6, it's likely that the system will be disconnected. (RBC 2015).

Nowadays in every city Uber comes on a detailed scenario: the launching team of three local employees exploring the market, the features of legal regulation, demand, determining how many times the application was opened in this city, and hire drivers. Additionally, social media campaign take place. The launch is usually accompanied by a solemn party, to which the most influential people of the city are invited. (RBC 2015).

In 2012, Uber strengthened its position by launching the "budget" service UberX - 35% cheaper and expanding the class of cars that could cooperate with the company. Uber basically worked only with "free agents", taking 20% of the payment for trips and giving drivers time to take care of the rest, including paying for gasoline and insurance. The company allowed to become a taxi driver to everyone who had a car in proper condition and an iPhone, promising a guaranteed income of \$ 10 to 26 per hour depending on the demand of passengers and the ability to use Uber "on freelance" as an additional source of earnings. It was with the launch of UberX that the expansion of the company began, which already in 2014 took the form of an epidemic: in a year the service entered 210 new markets and expanded the geography of its presence from 29 to 53 countries. In 2014, Uber discovered a new city almost every day. At the end of 2014, the number of Uber partner drivers making at least four trips a week reached 160,000, of which 38% referred to Uber as a principle position. (RBC 2015).

The same method Uber used to fight the worst competitor in the US, created two years later in San Francisco, the service Lyft. In August 2014, Lyft complained that during the year 177 employees of Uber deliberately made and cancelled more than 5,500 orders. And The Verge published details of the operation, which in Uber itself was called SLOG (Supplying Long-Term Operations Growth). Uber recruiters ordered Lyft cars, trying to "hook" their drivers during the trip. Some of them even had a driver's "starter pack" - the iPhone and documents with which he could immediately start working in the new company. The recruiter's reward for each defector reached \$ 750. (RBC 2015).

Uber does not disclose the results of its activities. In the most obvious sense, Uber works on principle of aggregation of consumer demand for a service through a mobile application and enabling the user to find a suitable performer of this service offline by pressing a button on the mobile device. Uber did not reinvent the taxi anew, it connected drivers through the technological platform with passengers who were able to get the service quickly and at the moment when they need it, bypassing the stage of search and selection of the performer. (RBC 2015).

More efficient sharing of resources is one of Uber's goals. The last idea of its founders is UberPool, a tool which provide an opportunity to share a trip with a stranger following along the same route. This will make the prices even lower and increase efficiency. (RBC 2015)

The company has long been testing the delivery service for anything during the day, UberRUSH and the food delivery service UberEATS. In October, UberRUSH was launched in New York, San Francisco and Chicago. (RBC 2015).

The future plan of Uber is to use unmanned vehicles which will reduce the cost of the trip. The company has already opened its own laboratory for the development of a prototype UAV, luring several dozen scientists from Carnegie Mellon University, and agreed to cooperate with the University of Arizona in the field of optical technology research for unmanned vehicles. (RBC 2015).

5.2 Collaborative business model

“The collaborative business model is based around a digital internet platform, which creates online marketplace and provides a range of services for buyers and sellers/service providers who are, at least in the initial stages of platform development, typically consumers”. (European Commission, 2016). The platforms tend to operate as intermediation services, also facilitating payment. They are typically reach a larger scale quicker than traditional companies due to the extensive use of Internet and the absence of relevant regulation to control sharing economy companies' activity.

The most commonly known sharing economy model is a peer-to-peer (P2P) model. (See Figure 2). The goods or services are being redistributed between individuals via digital platform, resulting in a sharing economy platform itself not producing either good or service. The function of the platform in this case limits to intermediary role facilitating the demand meet the supply. (Demary, V., 2014). The examples of such services in current research include Airbnb, Uber, ShareIt Blox car, Friday Flats, PiggyBaggy, Sutochno, YouDo, and Darudar.



Figure 2. Structure of a peer-to-peer model

Source: Demary, V., 2014

The peer-to-peer business model can either be free of charge (e.g. Darudar, PiggyBaggy) or can take commission merely from consumers (e.g. YouDo), or suppliers (e.g. Su-tochno), or both (Airbnb). As can be seen in the case studies, the non-profit companies finance themselves via advertising or sponsoring or donations. While the other type of companies that charge for a service appear to be profitable business models, since the service costs little to provide once the initial fixed costs for installing the platform and marketing have been incurred.

The second sharing economy model is a business-to-consumer (B2C) model, in which a sharing economy company not merely designed to meet the demand, but also supplies the good or service. (See Figure 3). (Demary, V., 2014). The principle difference of such sharing economy model from traditional rental companies is in interactions with the consumer which are mainly based on technology and online platform and does not involve the need for face-to-face interactions at all. (Demary, V., 2014). The example of such company in case studies are Yandex.Taxi and ResQ Club, however, the latter one does not provide catering services itself rather than operating on behalf partner restaurants and dining premises.

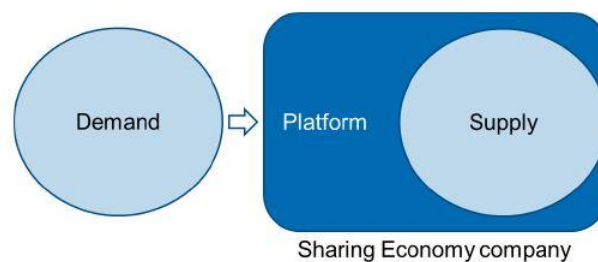


Figure 3. Structure of a business-to-consumer model

Source: Demary, V., 2014

The third, less obvious but still existent form of sharing economy is business-to-business model, which implies the rent of workspace/services/semi-finished goods or other assets by another company instead of buying it. (Owyang & al. 2014).

The revenue models implemented by platforms vary depending on the type of service. According to the case study results, most of the platforms generate revenue through fixed or variable commissions varying from 1-2 per cent for peer-to-peer lending to up to 20 per cent for ridesharing services. (European Commission 2016). The business model also stipulates commercial-free operation at the initial stage of the platform development.

The innovation of the business model involve change in service supply process, redirecting the ability to provide services from enterprises to individuals. The involvement of individual providers significantly expand the market, which in turn contributes to the business model quick success. (Minna-Maari Harmaala, 2016).

The end service provided by individual service provider gains higher visibility by delegating sales and marketing functions to a platform, while the platforms enable individual service provider to offer a marketable service to a larger market. The platforms in fact has opened up an access to markets. The result of such cooperation leads to reducing the costs of the end service. (European Commission 2016).

Collaborative platforms establish a sustainable market allowing interactions between two or more distinct groups of users, of which some are interested in service provision (“supply users”), while the other require an end service (“demand group”). Collectively these users generate common value of a platform. An individual is not bound to the specific group and may act differently at various stages of the platform usage according to his personal needs. The market development of a platform depends on the network effect, economies of scale, congestion, platform differentiation and multi-homing. (European Commission 2016)

Collaborative platforms employs the supply potential of the consumer sector, which allows them to grow dynamically. However, the subject of contention between service providers and service customers of such platforms include the minimal expected level of service standards. This result in platforms introducing some standardisation measures, such as guidelines on service provision, terms and conditions, leasing standard types of equipment and in some cases guidance on pricing. Platforms facilitating trade operation based

on cost-sharing type of service set a maximum price, while platforms based on non-monetary exchange, such as Darudar, give strict price guidance to ensure the value of exchanged items is equitable. (European Commission 2016; Owyang, Samuel 2015; Darudar 2017).

Since the transactions on collaborative platforms are not face-to-face operations, trust-building mechanisms play an important role in sharing economy development. In general, establishment of mutual confidence is more complex set of actions for collaborative platforms than for traditional businesses. The reason for that derives from the nature of services since this form intangible products is more individual and less measurable. "Trust may be established via several methods including the transparency of information provided on the platform and the usage of personal data submitted, objective ratings and review systems, or endorsement from an independent institution or regularly body to certify the trust building mechanisms". (European Commission, 2016). The most prominent collaborative platforms such as Airbnb or Uber implement a mix of strategies outlined above.

5.2.1 Efficiency and competitiveness

Sharing economy companies have significantly increased competition in the markets they are active in. (Demary, 2014). The reason for that derives from complications associated with regulation of their activities in respective market with the help of existing laws. The sharing economy companies tend to believe that current regulations applied before sharing economy appearance are not relevant for the sharing economy companies. (RBC 2016). The statement is being supported by the fact that the supplier in sharing economy services is actually an individual, not a company, thus framework applied to incumbent firms cannot be applied. (RBC 2016). While traditional companies disagree and insist on applying the same framework and regulations to all companies, including individual service suppliers (Demary, 2014), the sharing economy pioneers are lobbying their interests and try to encourage the legalization of sharing economy services with the favour to service economy. (RBC 2016).

According to the recent study on competition published by IBM in November 2015, the sharing economy is perceived as "the main competitive threat" for the next three to five years by 54 per cent of more than 5000 top managers from 70 countries. (IBM, 2015). In general, managing directors are afraid of the sudden appearance of a new unexpected competitors from outside, who implies fundamentally different business model, breaks into the industry and quickly squeezes established market participants out. (IBM, 2015).

These new destructive innovators, also known as sharing economy platforms, represent technology companies with the little need for massive infrastructure and require merely the initial fixed costs for installing the platform and marketing. In fact, the sharing economy companies create businesses on top of existing infrastructure by eliminating intermediaries in relations between service consumers and service providers with the help of technological platforms capable of regulating the interactions. The more efficient sharing of previously inadequately loaded resources is at the spotlight of such enterprises. According to PwC study on the sharing economy published in 2015, the current production capacity is used less than 20 per cent, which gives a huge chance for the sharing economy development. (PwC 2015).

The elaborating effectiveness criteria of collaborative platforms in compare with traditional businesses include competitive price, greater market efficiency and optimal distribution of goods. (European Commission 2016). The greater market efficiency is achieved through a complete distribution of information on service, buyers and providers, which enables better matching of demand and supply. The latter leads to the optimal distribution of goods according to preferences thus increasing the resource efficiency. The collaborative business model efficiency is facilitated by the extensive user network of platform and by digital component of P2P and B2P platforms, offering a better search possibilities.

The competitive advantage of sharing economy businesses over incumbent companies is residing in the totally different approach towards ownership. In fact, service providers such as Airbnb or Uber, which are considered the evils competitors of traditional hotel and transportation industries subsequently, do not own a single car or bed. This leads to increased business model efficiency and lower capital and labour input required while operating the service. (European Commission 2016).

The comparative analysis of the P2P accommodation business model with a traditional hotel shows that capital and labour inputs on the stage of planning and implementing are lower in the P2P platform, while the post-visiting stage require similar capital inputs in traditional hotel and P2P platform, and the higher labour input in P2P platform. (European Commission 2016).

Even though, the traditional hotel is more reliable and has lower initial coordination costs between hotel and guest, yet more information asymmetry, the comparative efficiency of P2P platforms lies in reduced transaction costs in spite of higher coordination requirements. As addition to this, greater market efficiency and allocative efficiency are presented. (European Commission 2016). The efficiency advantages of hotel during and after

visit derives from professionalism, safety and internalization of externalities, while the P2P platform can boast allocation and price efficiency and reduce information asymmetries by lower quality driven out of market. (European Commission 2016).

The comparative analysis of the P2P accommodation business model with a traditional hotel is found in Appendix 1.

5.2.2 Obstacles

The sharing economy is very dynamic phenomenon with new companies being started all the time and existing sharing economy businesses are constantly expanding onto new markets. (Demary, 2014). However, the legal uncertainty undermine the sharing economy companies because of the arising concern related to sustainable development of the model. Moreover, the ever increasing number of law suits filed against sharing economy services by traditional companies result in expensive trial processes. In fact, most of the growing industries' discontent is often targeting operation of those companies reviewed as the best practices in the current research. The depletion of financial resources of the growing companies may occur, if the legal battle last long enough. (Demary, 2014). In the worst scenario, it may force sharing economy businesses to leave the market.

Indeed, the considerable hurdles identified by the sharing economy players so far include more legislative uncertainty rather than barriers for economic development. The lack of regulations often exclude sharing economy services from legislative environment, holding the later as a hostage of controversial legal situations.

Thus, a comprehensive analysis of sharing economy markets by competent authorities and revision of the current regulation processes is imperative. It is important to distinguish whether the frameworks that were originally designed to regulate the market of traditional companies apply to non-traditional companies as well. (Demary, 2014). Additionally, it is important to acknowledge the fact that the operational markets of sharing economy are heterogeneous and can hardly be covered by a single policy. Therefore, there are might be a need to examine each affected market separately in order to find the solution.

On the one hand, the application of existing regulations and framework to all market operators, regardless nomenclature, will poses a competitive advantage for the incumbent companies and significant threat to sharing economy businesses. For instance, peer-to-peer accommodation services will not be able to compete with hotel industry in terms of fire safety, hygiene and pollution control, if the requirements are applied equally.

On the other hand, the more favourable solution could include the revision and possible change of the existing regulations with the acknowledgment of digitalization and its effect on business model. This will result in a healthy competition in the respective markets, adding up to a greater allocative efficiency and positive impact on consumers, as the supply will increase and, the prices likely to decrease.

6 Discussion

This chapter summarises the research on the topic of sharing economy in general and collaborative business model in particular. It places focus on the discussion of business opportunities that may arise for tourism industry from sharing economy and points out concrete measures that can ensure the competitive advantage after traditional tourism businesses. In addition, the chapter evaluates the conducted research in terms of its reliability and validity.

6.1 Business opportunities for tourism companies

“The 21st-century economy will be powered by people”. (The New York Times, 2014). The century of sharing economy creates new possibilities for the entrepreneurs as well as re-defining the meaning of property and ownership. The leading sharing economy companies formulate their ultimate mission not only as to build a successful business but also to change people’s relationship with each other, thereby to overcome the impasse of individualist culture.

Almost personal relationships with gadgets, the appearance of virtual reality and digital technological innovation have enabled socio-economic change that lead society to a new economy model. “Much of what will happen in the next thirty years is inevitable, driven by technological trends that are already in motion”. (Kelly, K., 2016). In his book “The Inevitable” Kelly (2016) describes that sharing economy will finally take control over the market in the near future and the consumer’s behaviour will change from buying things to subscribing to them, since virtual reality and artificial intelligence will be fixed in daily lives.

First of all, in order to take advantage of the sharing economy, the established businesses need to admit the fact there is a fundamentally new business model that is growing dynamically due to the international public recognition. Secondly, it is important to define and explore the factors that contribute to the sharing economy success. Owyang and Samuel (2015) reassure the traditional businesses that there are number of opportunities in the current sharing age to bring customers closer to the brand by either offering on-demand products and services, or creating peer-to-peer marketplaces or identifying potential benefit to partner with sharing services to offer greater value to the customers.

Reid (Vision Critical, 2014) argues that in order to compete with the collaborative companies, the traditional businesses need to understand their customers and review their strategies of building a relationship with consumers, focusing more on the reasons underlying

the consumer behaviour. The previous concept of studying what, when and how customers consume appear to be no longer comprehensive, since it does not examine the new factor of why do they consume, buy or rent.

The model which is used by sharing economy companies implies satisfaction of the emerging need in the shortest possible time. The request of instant gratification is a consequence of the changed use of devices, when the private technology became an inbuilt feature of everyday life. The ecosystem of applications for mobile devices meets the needs of customers in unprecedented way, making consumers more impatient wishing an instant service options. (Owyang, Samuel, 2015).

To compete in the collaborative economy, established companies need to recognize the role of price, convenience and brand in driving traditional buyers towards sharing, and/or backwards. (Owyang & al, 2014, SAP 2016).

The impact of sharing economy on tourism sector is rather ambiguous since it possesses both the negative and positive changes. The undeniable factor is that sharing economy is changing the tourism marketplace and consumer behaviour, providing tourists with more options for accommodation, transportation and activities, at the same time allowing greater flexibility. This positively results in developing previously unpopular cities into tourists destinations. (OECD 2016).

The promising news for traditional tourism companies include the fact that sharing economy does have the capability to facilitate the traditional companies' growth. The necessary prerequisite is the **online instant service provision** that need to be adopted by the traditional market participants. It is important to distinguish technology presence which facilitates offline activity from the actual provision of service inclusively through technology platform. (Demary, 2014). In that sense, travel metasearch engines for lodging reservations and flights have adequate competition with peer-to-peer platforms.

In addition, the consumers of sharing era value **flexibility** and **on-demand access**. An example of successful B2B cooperation in tourism industry, when the hotel premises are being rented out for conferences, meeting and other events, could be applied to B2P segment as well. The rental of more tourist facilities such as gym, swimming pool, spa treatments or dining premises, providing the possibility for individual usage of the above-mentioned services, regardless of the stay in a hotel itself, could increase hotel's attractiveness since many peer-to-peer accommodation cannot boast the same experience.

In the light of aforementioned, the introduction of Recharge App in 2017 which enables travelers to book luxury hotels by the minute exactly facilitates the idea of instant gratification, reduction of room's idling capacity and better use of the resources. Recharge App facilitates the short-term room-rental market for different purposes: romance, napping, quiet spot with good Wi-Fi to work on deadline, place to quickly shower and change the outfit, or simply rest after redeye flights. (Bloomberg 2017). On the other hand, the app provides hotels with possibility to fill in rooms that are unoccupied for at least part of the day. (Bloomberg 2017).

Likewise, the aviation transportation sector has seen examples of company build on the basis of collaborative economy model. BlackJet, private jet seat booking and charter flights application was launched in 2012, allowing the users to book private air transportation services. (Fortune 2016a). This trend in undoubtedly a luxury segment offer, however, it demonstrates the application of sharing economy methods to the services of a high cost price.

The French national railway operator SNCF introduced a new product of a low-cost train and bus services in order to compete with inter-city ridesharing services. (OECD 2016). The **adequate price** is one more feature that constitutes competitive advantage of sharing economy over traditional tourism services and, thus, needs to be taken into consideration.

Since sharing platforms provide not merely accommodation or transportation options but experiences, traditional tourism businesses need to adjust their services to ensure more **personalised approach** and enhanced customer experience.

As a conclusion, the extensive research on topic of sharing economy and collaborative business models in Finland, Russia and worldwide, considering the legislative regulations and current state of the economy, will ultimately contribute to the better understanding of rising phenomena by traditional service providers, in particular tourism industry.

6.2 Reliability and Validity

The reliability of the research is defined by the ability to replicate the results if the research is conducted again. The current research is based on a mixed method approach, in particular desktop research, literature review, industry reports as well as several interviews with industry experts, panel discussion during the MATKA Nordic travel fair 2016 and information acquired at the intensive course on the topic of sharing economy held in Haaga-Helia University of Applied Sciences, Pasila Campus in March 2016. The information used in the research paper remains available and accurate referring to the sources and official channels. The comparative analysis and benchmarking based on the retrieved information appear to be reliable and objective.

The content validity refers to the research ability to include and represent all of the content on a particular topic. The researched topic has been explored for the period of seventeen months since the research commissioning in November 2015 until the research evaluation and analysis in April 2017. The author of the research has aimed at providing the most extensive and accurate depiction of the phenomenon as well as detailed description of business models based on the concept of sharing economy. The information presented in the research has been continuously modified and renewed, corresponding to the changing scene of business environment. The research includes all the relevant updates on the subject known to the author up to date April 30th, 2017. Since the phenomenon of sharing economy develops promptly at the present time, the author is not liable for not providing information that has been publicly released later than April 30th, 2017.

The author admits the limitation of the research related to the analysis for potential market growth in Russian Federation due to its vast territory and multiculturalism of the inhabitants. It should be noted that in the context of sharing economy development on the territory of Russian Federation, the author refers to the so-called European Russia that includes Moscow and Saint Petersburg and constitutes approximately 78 per cent of the country's population and 25 per cent of the country's territory. (Russian Federation Federal State Statistic Service 2017).

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Appendices

Appendix 1. Comparative analysis of P2P accommodation business model with a traditional hotel from service provider perspective

		Hotel	P2P accommodation
Service Design Stage	Capital	Very high capital costs associated with land, construction, soft costs (interests, fees), furniture, equipment, pre-opening and working capital; marketing	Platform: high capital costs for initial technological setup incl. servers; low capital costs with regard to property, land, etc. Host: minor equipment costs (extra linen etc.)
	Labor/time	Website setup (incl. photos; once); IT support for website; receptionist answering requests; support staff, e.g. for marketing	Platform: website setup (once); extensive IT support for website; costs for maintaining community; possibly support staff, e.g. for marketing; photographers; no receptionist needed; capital and labor costs spread over large number of users (marginal costs close to zero). Host: profile setup (once); communication with guest; storing personal belongings

Implementation Stage	Capital	Maintenance/operating costs of hotel	Platform: maintenance/operating costs of offices; automated payment handling (basically at zero cost); insurance fees; extensive negotiations with municipalities worldwide about tax rules, accountability etc. Host: operating costs of accommodation (energy)
	Labor/time	Very high operating labor costs for service, cleaning, security, management etc.	Platform: 24h hotline in different languages, IT specialists, management Host: check-in/-out, guest advice, attendance in case of problems; investments in trust
Later Stage	Capital	Replacement of damaged/missing equipment	Host/platform: replacement of damaged/missing equipment
	Labor/time	Cleaning	Host/guest: evaluation Host: cleaning

Source: European Commission 2016