

## Presentation for PwC – 12 July 2011

### New business models for sustainable consumption

#### Speaking notes

Brief run through of the new consumer trend – collaborative consumption.

#### What is collaborative consumption?

- This describes the rapid explosion in swapping, sharing, bartering, trading and renting being reinvented through the latest technologies and peer-to-peer marketplaces in ways and on a scale never possible before
- Collaboration and sharing is nothing new – people have always done it
- But the difference now is that, because of the internet and social media, most of the barriers to group action have collapsed and it becomes very easy to collaborate
- More and more people are now getting involved in collaborative consumption. They have a huge variety of reasons for doing it from saving money to making money, from convenience to meeting friends
- Being more sustainable is often not the driver but it is an excellent side effect
- In terms of bringing about consumer behaviour change, collaborative consumption has the benefit of being fun and engaging for the user, without emphasising personal sacrifice

There are many examples of collaborative consumption but they can be ordered into three systems

#### a. Product service systems

- Product service systems are the idea of paying for the benefit of using a product without needing to own the product outright
- Streetcar or LoveFilm good examples
- There are great benefits for consumers in this model – they don't have to pay for the product outright and it removes the burden of any maintenance, repair and insurance
- It also has obvious environmental benefits – renting rather than buying new

#### b. Redistribution markets

- Redistribution markets redistribute used or pre-owned goods from where they are not needed to somewhere or someone where they are
- eBay was the grandfather of this idea but now there are 1,000s of marketplaces where people are selling, swapping, or gifting many things
- This concept is increasingly seen as the 5<sup>th</sup> R – reduce, reuse, recycle, repair and redistribute because they stretch the lifecycle of a product and therefore reduces waste

- It allows for a new form of consumerism and gets away from the buy more and buy new doctrines.

### c. Collaborative lifestyles

- Collaborative lifestyles are based on people with similar interests coming together to share and exchange. A great example is landshare – it matches people without land who want to grow vegetables to people with spare land.
- It has benefits for strengthening community ties

These are really great ways of bringing about more sustainable patterns of consumption. The principles that make these systems work:

- **Trust between strangers** – this becomes easier with the internet because we can see people's reputation. For example, if you want to swap a book on swap.com, you can see who has the item you want, how many swaps they have done and their rating. This transparency makes the system work
- **Idling capacity** – We are surrounded by assets that have idling capacity – the untapped social and economic value of under-utilised space, skills, time, gardens and stuff. The internet creates the efficiency and social glue to trade, swap, barter, lend, gift or share this idling capacity
- **Critical mass** – some early sites failed because there were not enough people using the internet to do certain tasks. We have well passed the tipping point

So, why is this all happening? What are the consumer drivers causing the groundswell?

- **P2P technologies** – it's so easy now for people to be connected and this makes involvement in collaborative consumption really easy. About 20 per cent of the UK population have smart phones and in 2010, 73 per cent of households had internet connection
- **Environmental concerns** – there is a current and growing concern about the unsustainable nature of our consumption patterns. This type of consumption reduces environmental impact
- **Cost consciousness** – with people losing their jobs and struggling to make ends meet, swapping, sharing and trading has never been so appealing
- **Resurgence of community** – people are more enthusiastic about the concept of community and getting involved/meeting people. This may be a by product of environmental concerns and cost consciousness but is definitely a trend

What does this mean for existing businesses?

- Businesses need to move from a point of sale to a point of service mindset
- Plus, rather than just focusing on number of goods sold, they need to shift to thinking about membership and micropayments built around usage
- We have seen how companies that pioneer new models of Collaborative Consumption based on these principles can disrupt sectors. Just look at Lovefilm versus the ailing Blockbuster, or Zipcar versus General Motors
- Consumer products companies should see Collaborative Consumption as an opportunity to innovate and grow, increase customer loyalty, and create new sources of revenue