

A woman in a green jacket is looking at her smartphone at night. The background is a blurred city street with bokeh lights. A network diagram with grey circles and lines is overlaid on the right side of the image.

THE BATTLE FOR TRUST AND THE SHARING ECONOMY

maru/matchbox

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Etsy



kiva

KICKSTARTER

Uber, Airbnb, Etsy, car2go, TaskRabbit, Kiva and Kickstarter are poster children for the sharing economy, also known as the collaborative economy. The sharing economy has been defined as “systems that facilitate the sharing of underused assets or services, for free or for a fee, directly between individuals or organizations.”¹

The formal definition doesn't fully convey how the peer-to-peer sharing and selling of goods and services can completely upend millennia old models of retailing, employment and ownership of goods, in pretty much any market you care to name.

If Uber is cheaper, why not snag a ride with someone making a few bucks on the side instead of paying more to “enjoy” a rundown yellow taxi? Why spend your savings to stay in a cookie-cutter hotel when you can rent a cool apartment in the heart of the city? Why own a bike when you can jump on one parked just down the street and leave it at your destination and cab back if it's late? These questions strike at the heart of two powerful drivers of all consumer buying decisions: price and convenience.

Yet the sharing economy, while initially surging in use, has failed to bulldoze the traditional economy. The brakes have been slammed on its growth, and it potentially faces being relegated to a niche. That means heartbreak for some, and a sigh of relief for others. Growth has slowed for an addressable reason, however.

Much of the lack of progress can be traced back to a lack of trust in the sharing economy. Trust in the sharing economy is hard to build, because there are more players that need to trust the system. In a normal retail setting, for example, you only need to trust that the product does what it claims. In the sharing economy you need to trust the product, the individual person who is offering it and the platform or brand. That's a much more complex set of relationships.

To make it even more difficult, trust is in diminishing supply in our society overall, threatening the underpinnings not just of the sharing economy, but the economy as a whole.

WITHOUT TRUST, TRADE IS DEAD

But who will win the battle for trust? The sharing economy? Or the traditional economy? The battle for trust will not be over quickly.

The win will go to those who dig deep to understand their customer's expectations and fears. Everyone faces the same battlefield. The question is how do you win hearts and minds? What is the optimal strategy? What are the most effective tactics? The good news is that the answers to these difficult questions are available.

In this whitepaper we track use of the sharing economy, focusing on the millennials that are driving its growth. We also look at how lack of trust is a major barrier to usage and the reason for its slowing growth. We examine how trust can be built, see evidence of its effect, and look at examples of trust-building learning streams for both sharing economy and mainstream organizations.

“ If you're not working to build and demonstrate it, then the future might be about to leave you behind, as trust is quickly becoming the global—and most-valued—currency of modern time.

- Adriana Stan

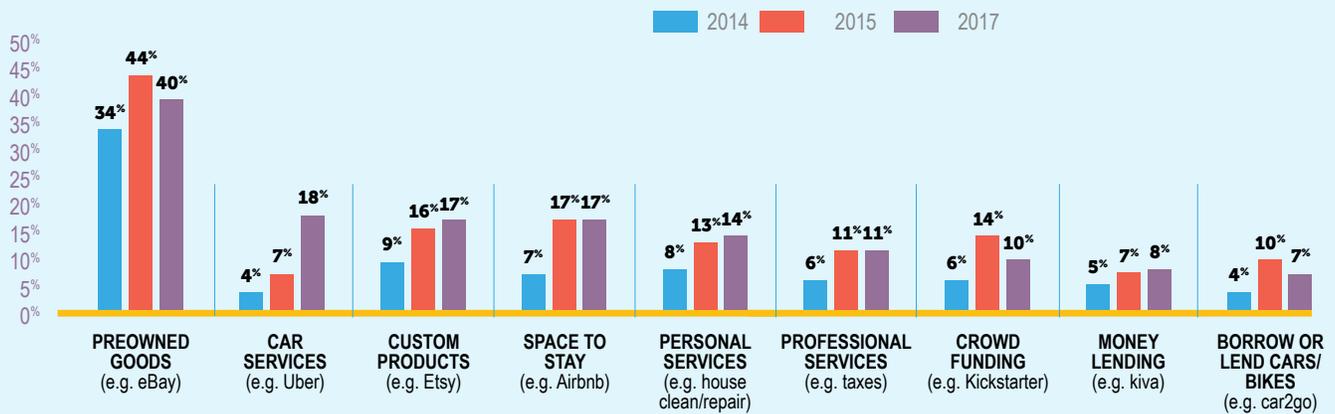
PARTICIPATING IN THE SHARING ECONOMY

In the early days of the sharing economy, growth was in the 50% a year range, hence the large proportional increase between 2014 and 2015 in North America. But when we look to 2017 we see, for the most part, little growth and perhaps even some decline from 2015. The one exception is car sharing services like Uber and Lyft—whose price and convenience

has proven attractive to some. But even they can expect their growth to slow, due to trust issues.

A forecast by eMarketer projects growth in participation in the sharing economy to trail off to 10% in 2018 and fall to just 7% in 2020. The cooling off period has commenced.

PARTICIPATION IN ELEMENTS OF THE SHARING ECONOMY OVER TIME



Source: 2014-2015, Vision Critical, "The New Rules of the Collaborative Economy," 2017, Maru/Matchbox

TRUST IS AN ENORMOUS BARRIER TO ADOPTION

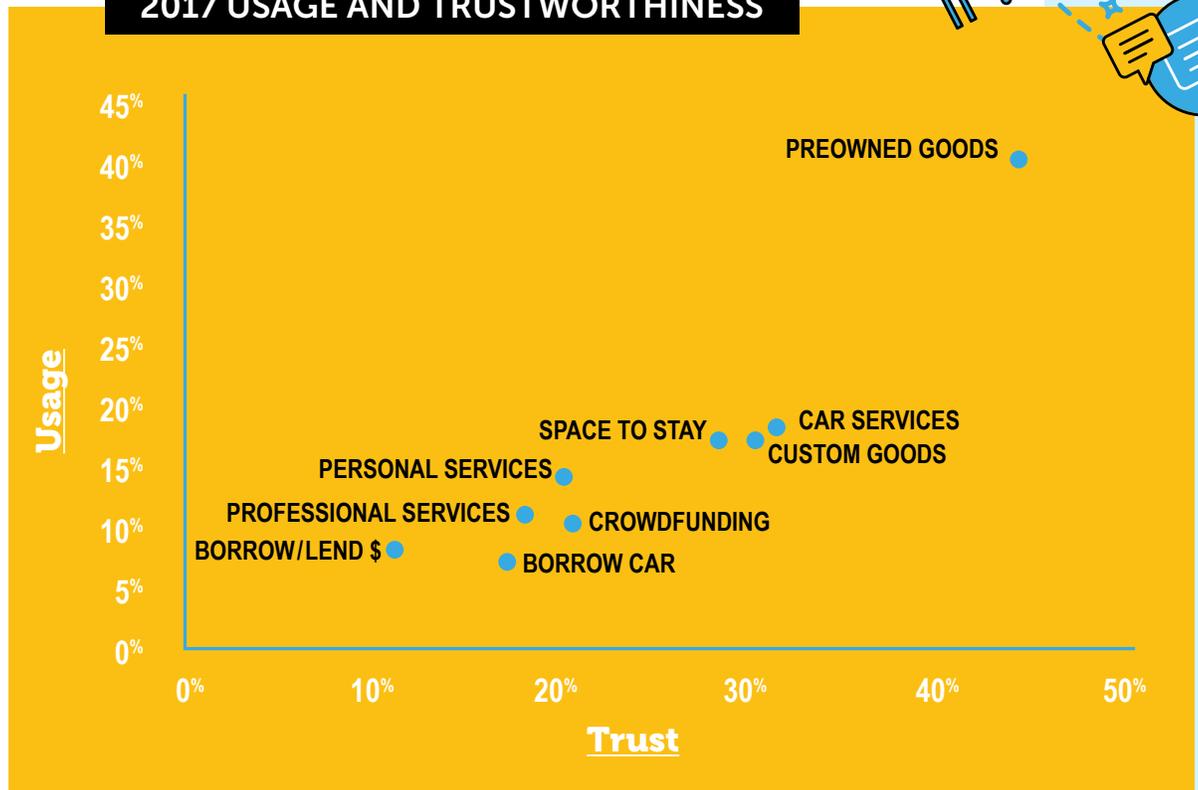
We asked a sample of Americans "overall, how trustworthy do you think sharing economy companies are?" Just 9% said they were "very trustworthy" and about 22% said they were "somewhat trustworthy."

We found that no one part is seen as trustworthy by a majority of North Americans. Just three in ten think car sharing (31%) or short-term renting (28%) is trustworthy. For borrowing a

car, the numbers are closer to one in six (17%). Even the services of eBay, which has been around since 1995, are not considered trustworthy by most North Americans.

What is striking is how closely trustworthiness and usage parallel each other. When trust is low, usage is low. When trust is high, usage is high.

2017 USAGE AND TRUSTWORTHINESS



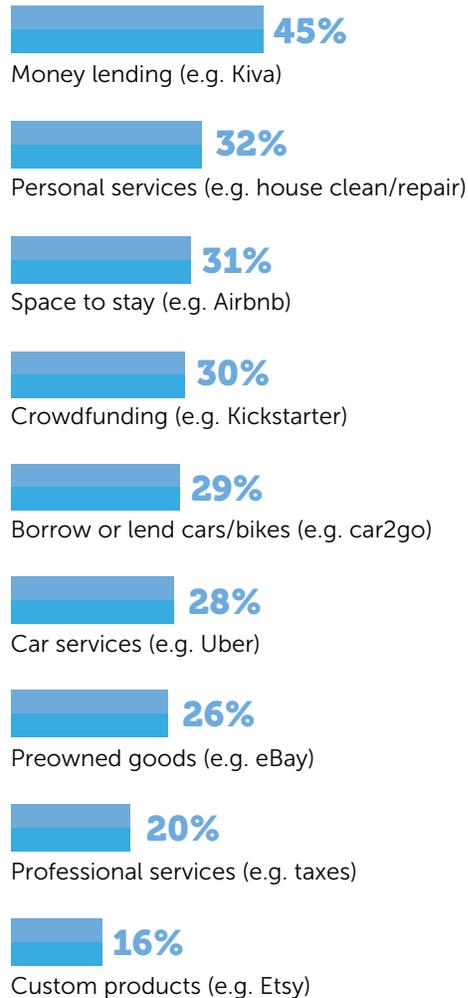
WILL IT BITE?

Lack of trustworthiness is one thing, but a sense that something is not safe cuts to the core of our primal being. Between a third and a quarter of Americans think many aspects of the sharing economy are not only untrustworthy, they are unsafe. And when it comes to lending money, close to half are afraid and feel that you might better throw your money away than lend it to someone you don't know. But times can change.

What might seem scary today can become commonplace. Horseless carriages were considered dangerous and unlikely to catch on. The President of the Michigan Savings Bank famously told Henry Ford's lawyer "the horse is here to stay, but the automobile is only a novelty—a fad."

If we look at peer to peer (P2P) loans in China we can see how circumstances can rapidly change. According to The Economist "outstanding P2P loans increased 28-fold from 30bn yuan at the start of 2014 to 850bn yuan today [2017]."³ Somehow those concerns about trust were overcome, however imperfectly, to create a thriving industry that is challenging traditional finance.

% CONSIDER IT "NOT SAFE"



WHAT ABOUT THE FUTURE?

Given the cooling of interest due to concerns about trust and safety, should traditional industries breathe a sigh of relief, while organizations in the sharing economy pine for the good old days of growth? The answer is “no” for a couple of important reasons, the first of which is that millennials have a very different take on the sharing economy.

With millennials, we see radically higher levels of participation in the sharing economy and much higher levels of trust—even though some of their experiences have not always been good.



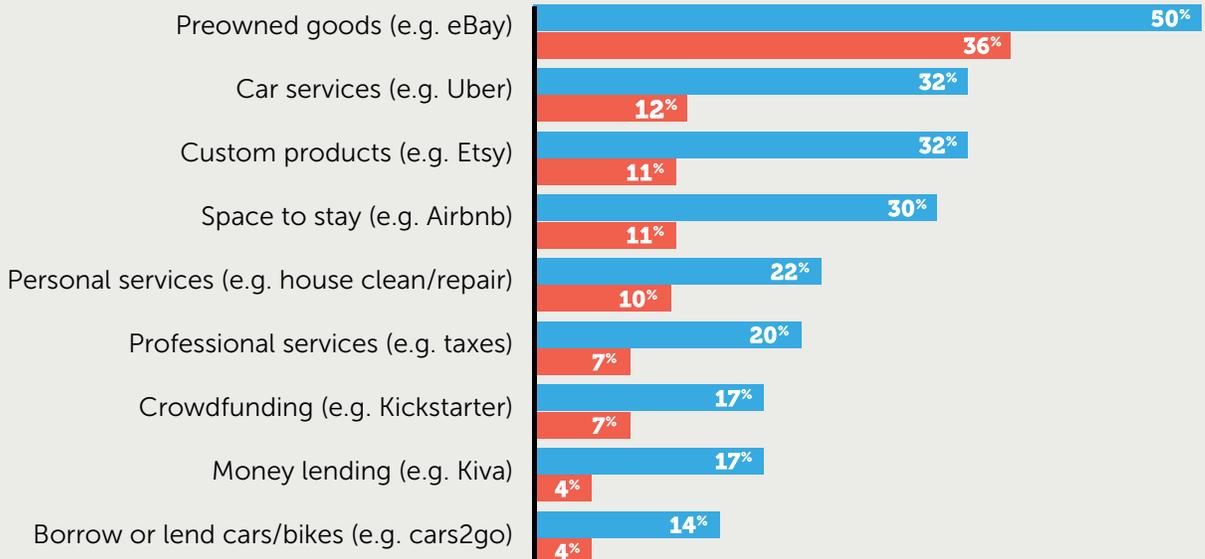
MILLENNIALS PARTICIPATE AND HAVE TRUST

Millennials are different in many ways, but the generation gap is especially wide when it comes to the sharing economy. Millennials are engaging with most aspects of the sharing economy at a level that is roughly three times greater than those who are over 35.

Millennials are also more trusting of the sharing economy. There is, however, less of a gap between the level of trust and usage than we see with older age groups. This suggests that to increase millennials usage the trust issue must be addressed. Trust is limited, in part, because millennials experiences have not all been rosy.

Millennials in the U.S. were more likely to report having had problems with things they have done through the sharing economy. Four in ten users (39%) have felt unsafe, and roughly three in ten have experienced each of the following: poor service, service not as advertised, unprofessionalism, unhelpful customer service and overcharging. While there is clearly room to improve, the fact that these millennials persist as users suggests there must be a reason for their continued engagement.

MILLENNIALS PARTICIPATION IN THE SHARING ECONOMY ■ Millennials ■ 35+



WHY DO THEY DO IT?

Millennials use the sharing economy to conserve two precious things: time and money. Roughly two thirds of millennials agreed that the shared economy can “help me save money,” “is much more convenient” and “easier to use.” Those who were older were much less likely to see these benefits. For example, only 38% of users 55+ thought the sharing economy saved them money and just 29% thought it was easier to use. That’s a big generation gap.

Being able to pay electronically is part of the charm for millennials. As the first generation to grow up witnessing an ever-declining use of cash, seven in ten (69%) agreed the “ability to pay via smartphone app and website is one of the major reasons I use the sharing economy.” The number that agreed with that among those 55+ was just one in five (22%). For millennials, cash is not king.

Price and convenience are reasons to buy, but they are also advantages that are easily eroded. When your benefits are commodities, you need to build emotional connections between your brand and consumers. To accomplish that you need to first get past negative emotions, one of the most powerful of which is fear.

Not feeling safe and not feeling an ability to trust is a profound barrier to building the kind of customer loyalty every seller seeks. Unfortunately, lack of trust and a sense of fear are emotions that are effecting not just the sharing economy. Lack of trust shakes the global economy.

Sharing STATS

**PAYING VIA SMARTPHONE
AND WEBSITE IS A MAJOR
REASON TO USE THE
SHARING ECONOMY**

69%

of millennials
- agree -

22%

of users 55+
- agree -

TRADE NEEDS TRUST LIKE PEOPLE NEED FOOD

Our history as a society has hinged on trust. For thousands of years, trust was limited to your tribe and village. Your reputation in the community determined who would and would not trade with you.

When we moved into trading between villages and regions, trust was made scalable by the development of governments and institutions that formalized the rules of how we interact. That meant the development of currencies like shells, salt and gold. This allowed people to trade beyond the circle of people they knew well. It fueled growth and set the stage for the development of powerful nations and trading empires.

In the new world of trade, if people bought from a company that would

give them what they needed, they would be loyal. Those were good days for large companies.

As the products and offerings companies provided multiplied, we moved away from companies being the ones we trusted, to the brands or product lines being the trusted ones. Not many people have feelings about Kimberly-Clark, but a lot of young parents count on Huggies.

Unfortunately, that trust in institutions, companies and brands has all been eroding significantly. And if large organizations think trust is an issue only for the sharing economy, they are sadly mistaken.



A GLOBAL CRISIS OF TRUST

Richard Edelman, who founded the global Edelman Trust Barometer almost two decades ago, wrote in January 2017 “it has been a year of unimaginable upheaval.”⁴ This year was the first time in its history that the study found a decline in trust across all four key institutions: business, media, government, and NGOs. In almost two-thirds of the 28 countries surveyed, the general population did not trust the four institutions to “do what is right.” The average level of trust in all four institutions combined was below 50%.⁵

Today, people are fearful for their jobs, their families and their futures. And that fear often drives them to make choices that are counterproductive. “We have moved beyond the point of trust

being simply a key factor in product purchase or selection of employment opportunity,” Mr Edelman explains; “it is now the deciding factor in whether a society can function. As trust in institutions erodes, the basic assumptions of fairness, shared values and equal opportunity traditionally upheld by ‘the system’ are no longer taken for granted.”⁶

Brands are not immune to the crisis of trust. In a recent study, three in ten (27% U.S. and 33% Canada) told us they trust national and global brands less than they did in the past, and that they trust smaller brands more than larger brands.⁷ This puts a lot of pressure on brands, especially big ones. And it is not an easy environment for the shared economy either.



...What ultimately keeps this economy spinning – and growing – is trust. It’s the elixir that enables us to feel reassured about staying in a stranger’s home or hitching a ride from someone we’ve never met.



- PwC⁸

POWER OF PEERS

There are, however, windows of opportunity to gain highly valued peer endorsement. Edelman's Trust Barometer reports "for the first time ever, 'a person like yourself' is now as credible of a source for information about a company as a technical or academic expert.... Fifty-five percent say individuals are more believable than institutions."

A study of American women shows an even starker contrast. Asked which source of product information was most trustworthy, 43% choose online reviews by "people who are like you" and 38% picked "reviews on shopping websites." Just 7% selected "reviews by journalists/analysts" and a paltry 2% picked "posts by brands/ companies on social media."⁹ The power is in the hands of the people.

Whether you are a big brand, or part of the sharing economy, it is essential to understand your customer's expectations, fears and the interactions at play. Exploring how you can better build trust is a powerful opportunity.

Sharing STATS

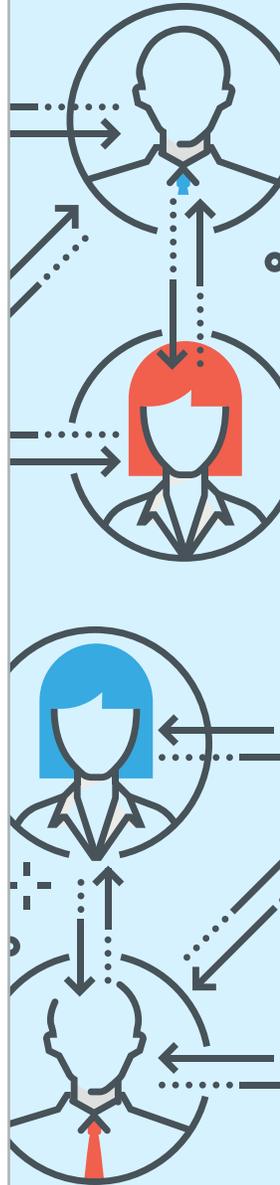
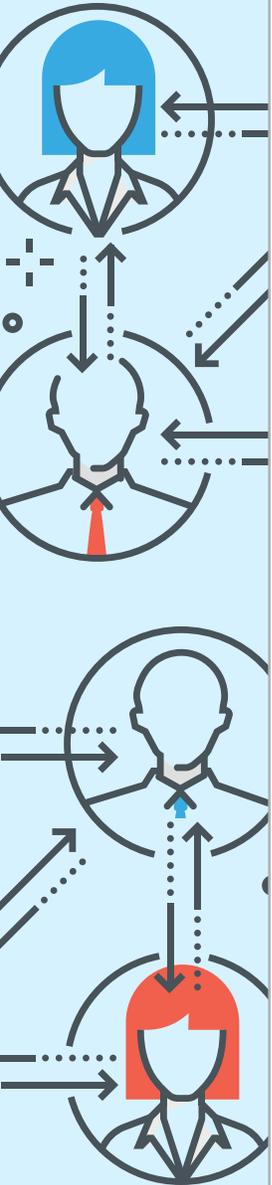
**ONLINE REVIEWS
PERCEIVED MOST
TRUSTWORTHY**

43%

- reviews by -
"people
like you"

38%

- reviews on -
"shopping
websites"



A LEARNING JOURNEY

One big player in the sharing economy in Europe is BlaBlaCar. “BlaBlaCar connects car owners and co-travellers to share city-to-city journeys through the largest carpooling service in the world,” according to their website. They have done extensive research to understand needs, develop trust building tools and test and revise them overtime. Their D.R.E.A.M.S. framework for building trust is focused on providing relevant information on prospective drivers and riders. Their research has focused on finding which pieces of information on a peer are most relevant and build the greatest level of trust.

D.R.E.A.M.S. stands for:

- D**eclared (photo and name)
- R**ated (ratings)
- E**ngaged (booking box)
- A**ctive (information on past activities)
- M**oderated (evidence of verification of information)
- S**ocial (Facebook and LinkedIn connections)

Their research has shown that D.R.E.A.M.S increases trust, and seems to enhance perceptions of the platform as well.¹⁰ How did they get to D.R.E.A.M.S? They describe it as a continuous journey of research and discovery.



With each year that went by, BlaBlaCar tested several different trust tools and developed a better understanding of the building blocks of trust. Central to this was feedback from ridesharers... Building a trusted environment is a continuous process. Through constant iterations, BlaBlaCar identified tools and product features, which facilitate peer-to-peer interactions, allowing the ridesharing platform to become one of the largest sharing communities worldwide.

- *Entering the Trust Age, BlaBlaCar*¹¹



LEARNING ABOUT TRUST BUILDING

In learning about building trust we have developed a series of engagements, often starting with online qualitative explorations of what people look at and for when searching or purchasing. Nuanced deep dives into how they feel about what they see and what frustrates them about the information they could not find, provides a rich starting point for generating ideas for ways to build trust.

We then often move on to an iterative process of testing, refining, retesting and optimizing tools that facilitate search and help build trust. We typically start with idea filtering, before refining and moving on to optimizing the offer, communication testing and in market monitoring. Along the journey we continue to probe for changes in interests and habits, and monitor and adapt to competitive pressures, all within the community.

Sometimes it is subtle things that make a difference in optimizing your offer. While we can't divulge what our clients have learnt about building trust, we can point to one example from academia to illustrate our point. Researchers

from Hebrew University investigated the relative importance of reviews, price and people's impressions of the trustworthiness of an Airbnb host's photo. They found that sellers whose "personal photo is perceived as more trustworthy charge higher listing price, and have higher probability to be booked."¹² Here we see that trust directly delivers value.

That's a small and subtle finding, but developing guidelines for 'how to take a profitable host photo' can increase perceived trustworthiness in a way that is valuable for all involved. That's just one example of why engaging in a trust building learning stream is profitable.

“ The question is what are you doing to actively build trust with your customers? In a world where your brand is less what you say and more the collective experiences of everyone using it, you can't simply rely on marketing to meet the challenge for you in the future. ”

- Adriana Stan¹³

LEARNING FROM RELEVANT STAKEHOLDERS

In a direct business to consumer model, the communities we construct often consist solely of consumers. We are interested in them and their relationship with the brand or company.

But when we move into environments like retail or brokerage models we often recommend the creation of influencer communities which, in the case of retail, would involve associates and other customer-facing employees. In the investment world, communities with people like brokers also provide unique insights into barriers and drivers of building trust.

In the sharing economy, building trust gets more complex. There are trust considerations among peers, with the platform and with the service or product itself. That has implications for ensuring your community is built in such a way as to include buyers and sellers, and to focus on how people relate to both the platform (e.g. Uber) as well as the service (the ride from the driver).

Researchers at Germany's Karlsruhe Institute of Technology have proposed a "3P" (peer, platform, product) model of interaction in the sharing economy. Their research validated the model and concluded:

"In this context, platforms not only need to appear trustworthy themselves in order to generate business, they also need to take into account and manage their users' mutual perceptions of one another as well as of the resources exchanged on the platform. Understanding the role of trust in a more fine-grained way will enable research to further explore the behavioral mechanics of the sharing economy, and also guide practitioners in creating viable markets. Future research should thus focus on how to build and sustain trust in peer-to-peer market settings as well as the antecedents and influencing factors of trust towards peer, platform, and product."¹⁴

In the sharing economy, research on how to build trust is not just important, it's essential. Given the global crisis in trust, it's just as important for big brands.

We are in a time where trust has become a precious substance. Trust is the new gold. The worldwide decline of trust is eroding customer loyalty and making it more difficult and expensive to attract and maintain customers.

In the world of the sharing economy the problem of trust is severely slowing growth. While millennials are more adaptive in that they are more trusting, counting solely on them greatly limits the size of the market. Even amongst millennials, trust is a concern that will inhibit further growth.

We believe those who will win the battle for trust are those who make understanding their customer's expectations and fears their number one priority, and then respond by building and testing strategies to build trust.

Can you afford not to invest in better understanding how to build trust?



TO LEARN MORE, CONTACT:

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- ¹ [The Sharing Economy: Dictionary of Commonly Used Terms](#), Rachel Bosman
- ² [The future is the trust economy Adriana Stan](#), Techcrunch.com, April 24, 2016
- ³ [The age of the appacus](#), The Economist Feb 25, 2017.
- ⁴ [An Implosion of Trust](#), Richard Edelman, Edelman.com Jan 15, 2017
- ⁵ [Survey: People's trust has declined in business, media, government and NGOs](#), Matthew Harrington, Harvard Business Review, Jan 16, 2017
- ⁶ [An Implosion of Trust](#), Richard Edelman, Edelman.com Jan 15, 2017
- ⁷ [Truth, Trust and the Power of Transparency](#): how mass CPG brands can survive and thrive in a post-truth world, Maru/Matchbox, Nov 2016
- ⁸ [The sharing economy: consumer intelligence series](#), PwC, April 2015
- ⁹ Edelman Trust Barometer 2017, [Executive Summary](#), Edelman.com
- ¹⁰ [Entering the Trust Age](#), BlablaCar and NYU/Stern
- ¹¹ [Entering the Trust Age 2016](#), BlablaCar
- ¹² [Trust and Reputation in the Sharing Economy](#): the Role of Personal Photos in Airbnb, in NA - Advances in Consumer Research Volume 43, eds. Kristin Diehl and Carolyn Yoon, Duluth, MN : Association for Consumer Research, Pages: 518-519. Eyal Ert, Aliza Fleischer, and Nathan Magen, 2015
- ¹³ [The future is the trust economy Adriana Stan](#), Techcrunch.com, April 24, 2016
- ¹⁴ [Trust in the Sharing Economy](#), Die Unternehmung 70(1):26-44, Florian Hawlitschek, Timm Teubner, Christof Weinhardt, 2016

About Maru/Matchbox

[Maru/Matchbox](#), a Maru Group company, has been pushing the boundaries of the customer market insights space for over a decade. We combine deep sector expertise with cloud-based customer insights communities, and take a results-focused, consultative approach to helping clients better understand what motivates their customers and influences their markets, so they can act decisively and win.

