Digitalization & New Dimensions of Competition: Sharing Economy Platforms

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Digitalization and Sharing Economy

- Socio-economic trends:
  - Access-based consumption
  - Peer-to-peer transactions (coordinated by trust and reputation)
  - Allocation of idle resources: individuals participate casually in economic activities by sharing privately owned resources (assets or labor)

→ Scalability: critical mass of users hosted by digital platforms
Digitalization: Challenges and Opportunities for Businesses

Digital Platforms are intermediaries, matchmakers, and gatekeepers that use algorithms and user-generated data:

- Lower transaction costs
- Reduce information asymmetries
- Build trust among the participants

Incumbent businesses’ react by:

- acquisitions (e.g. hotel operator Accor acquiring Travel Keys, a platform for renting private luxury villas)
- collaboration (e.g. Uber and Toyota signing an auto leasing deal)
- direct competition (e.g. local taxi companies creating mobile apps to compete with Lyft)
- wait-and-see approach (e.g. most international hotel chains)
- develop complementary business models (e.g. Daimler’s short-term rental service Car2GO)
Digitalization and New Dimensions of Competition

- The emergence of digital platforms changes the nature of competition
- Traditional business models and supply chain models not applicable
- New competitive dynamics in traditional industries (e.g. low entry costs and new organizational structures)
- Two new dimensions of competition → multi-dimensional competition
  - Competition among platform participants
  - Competition between the platform and the participants
→ Strategic choices between competition and control