

**UNIVERSITY OF ECONOMICS IN PRAGUE**  
**FACULTY OF ECONOMICS**

**MASTER THESIS**

**2015**

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# **Faculty of Economics**

Major: Economic and Regional Studies of Latin America



THE SHARING ECONOMY IN BRAZIL:

THE CASE OF GASTRONOMY

*Master's Thesis*

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The author hereby declares that she compiled this thesis independently, using only the listed resources and literature.

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In Prague, 19<sup>th</sup> of August 2015

I hereby want to express my very special thanks and gratitude to my supervisor Ph.D. Yoná da Silva Dalonso, who led my work professionally and carefully.

I would like to extend my special appreciation for the support received from my parents. This thesis would not have been achieved without their help.

## **Abstract**

After years of boom, Brazil will experience a recession this year. There was a significant imbalance in recent years from a budgetary point of view, inflation and foreign exchange. Protectionist Brazilian policy don't support foreign trade. Therefore consumers in the current recessive market environment are more willing to work with so-called collaborative consumption, even though Brazil is a country with one of the highest crime rate and the level of trust of consumers is lower than in other countries. Sharing economy pioneer offering short-term accommodation Airbnb used FIFA World Cup to bring sharing economy to Brazil and before the Olympic Games in Rio de Janeiro the company is booming. The collaborative economy projects spread the values and culture of sharing and collaboration in other Brazilian cities. At the same time worldwide service, Uber (mobile-app-based transportation network) was banned from the country. This Master's thesis aims to analyze the cultural and legal environment in the frame of sharing economy in Brazil, in the field of gastronomy. Could the concept of home restaurants, so called "meal sharing", which is currently spreading in developed countries, work in Brazil?

**Keywords:** Sharing economy, Collaborative economy, Brazil, Gastronomy, Sustainable development, Collaborative consumption, Latin America.

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## **Abbreviations**

CC	Collaborative Consumption
CDC	Código de Defesa do Consumidor
CL	Collaborative Lifestyles
IBGE	Brazilian Institute of Geography and Statistics
NGO	Non-governmental organization
P2P	Peer to Peer
PSS	Product Service System(s)
RM	Redistribution Market(s)
SME	Small and Medium Enterprises
UGC	User Generated Content
VAT	Value Added Tax

## **Introduction**

The sharing economy movement, firstly ignored by the economists, has become the global phenomenon that is changing our world. The term began to appear in the mid-2000s, as new business structures emerged due to increasing sense of urgency around global population growth and resource depletion. First defined by two economists Marcus Felson and Joe Spaeth in 1978 as "collaborative consumption" (Jane, 2010). Today the sharing economy has been widely spread out and practiced as a means of facilitating sales, rental, and barter transactions - with such a profound impact that, in 2011, Time Magazine named this economic trend as one of ten "ideas" poised to change the world (Kenny, 2011).

Among the supporters of the sharing economy, there is Shervin Pishevar, venture capitalist and peer-to-peer investor: "This is a movement as important as when the web browser came out" (Geron, 2013). The global economic downturn is one of the reasons that make us reevaluate our relationship with possessions and consumption. Thanks to the rise of the technology and the mainstream use of social networks, collaborative consumption has spread globally. Some of the hypotheses argue that the concept appeared as a logical reaction to the global economic crisis. Therefore, people will return to their "normal" habits of overconsumption when economic conditions improve. However the steady progress of the collaborative economy in the developing countries, Latin America included, which were experiencing economic growth in the last years gives more arguments to those who believe that collaborative consumption is a trend that goes beyond a reaction to the economic crisis.

The topic was chosen due to the fact that even though Brazil is the country with one of the highest violence rates in the world and the level of trust to a stranger is low, collaborative consumption is growing at fast pace. Trust is the currency of collaborative consumption, an absolute requirement. Around the world, business and government have suffered from massive trust deficits. Sharing economy brought new models of building trust and became a buzzword among economists. During the World Economic Forum in Davos, Professor Klaus Schwab, the founder and executive chairman of the Forum, said that trust was the defining issue for the Annual Meeting (Rinne, 2015).

The concept has been introduced to various industries; hospitality, transportation, fashion, and the media industry, in a very short amount of time. The aim of this thesis is to analyze the field of gastronomy within the concept of CC in Brazil. The model of home restaurants is spreading through Europe and the United States and it is a brand new topic to be researched.

## **1 Methodological Procedures**

### **1.1 Background of the study**

The “sharing economy” has attracted a great deal of attention recently. Despite the scarcity of literature on the sharing economy, it is not a new concept or phenomenon. Collaborative consumption can be defined as events in which one or more persons consume economic goods or services in the process of engaging in joint activities with one or more others. The literature on collaborative consumption only started to emerge during the 2010s, signaling the growing popularity of the model. The increasingly popular use of smartphones and social media has led to the rise of multi-sided technology platforms, collectively known as the sharing economy. Only recently, the academics have started to analyze the sharing economy and its ‘impacts on the economy and society. The basis for this thesis was a pioneering book on the sharing economy (Botsman & Rogers, 2010), furthermore, the thesis was based on online resources, trustworthy publishers in the technology and business areas, including Forbes, Economist or TechCrunch, as well as Collaborative Consumption; an informative source on the sharing economy that is operating on all continents, and that is supported by a global network of entrepreneurs, businesses and governments.

### **1.2 Objectives**

The objectives of the research are to gain a more in-depth and practical knowledge of sharing economy worldwide and in Brazil, and furthermore to analyze the concept in the

industry of gastronomy. This is accomplished by studying the literature about two-sided markets, reading articles by publishers in the technology and business areas, studying websites of successful projects, and conducting an empirical qualitative research using structured interviews. The main objectives of the thesis could be described as following:

- 1. To present collaborative consumption models in the world;
- 2. To analyze collaborative gastronomy in the world and in Brazil;
- 3. To yield descriptive and explanatory knowledge on the concept of home restaurants in Brazil by conducting qualitative research in the form of structured interview.

### **1.3 Methodology**

Mixed methods are applied in this thesis. In the first, theoretical part, the synthesis about the concept of the sharing economy is made from available literature and online sources. The data for research is collected mainly from industrial and business articles, news and interviews with founders and managers of the collaborative consumption companies and further meal sharing startups. In addition, the materials and content on the successful companies' website and their blogs are utilized as a source of data. This is due to the lack of academic literature, as it is specified in the limitations of this study. In order to ensure the validity of collected data, the sources chosen are the most respected and trustworthy publishers in the technology and business areas, including Forbes, Economist or TechCrunch.

In the second part, the empirical qualitative research is conducted, in the form of structured interviews. It is a means of collecting data for a statistical survey and allows for exact replication. The qualitative approach is chosen because of the exploratory nature of the research objectives, which seeks to understand if the concept of home restaurants could work in Brazil. Another motive is that the sharing economy is a recent phenomenon. According to Patton (Patton, 1990, p. 51), "the advantages of qualitative portrayals of holistic settings and impacts is that greater attention can be given to nuance, setting, interdependencies, complexities, idiosyncrasies, and context."

When designing a structured interview, there are three main factors that need to be considered: relevance, selection of respondents and ease of response (Using Structured Interviewing Techniques, 1991). Firstly, the questions should be relevant to the study being conducted and should have a good probability of yielding data needed for the final report. The next defining factor of the structured interview is a selection of respondents, meaning to give preliminary consideration to which people can be expected to answer given questions. In the study six specialist related with meal sharing or gastronomy in Brazil were carefully chosen. Lastly, the ease of response is a factor to be considered when designing structured interview. As the interviewed live in different states of Brazil, it was conducted in a written form (Structured Interviews, 2015).

#### **1.4 Structure of the thesis**

The research is presented in five main chapters. The first chapter presents the introduction, motivation, and general structure of the study. Main objectives of the thesis are introduced. The research methodology is discussed shortly afterwards with insights on why the chosen approach and design are suitable for the study. In this chapter, the hypothesis is presented at the end of the first chapter.

In the theoretical part, the chapter 2 of this study introduces the concept of sharing economy, the theory, definition and some examples. The implications of the sharing economy have been debated in the news media, and the research world is only now beginning to weigh in with deeper analysis. Further, the term peer-to-peer is defined. In the chapter 2.4, the principles of collaborative consumption are mentioned. As Rachel Botsman (2010) defines theoretical stepping-stone of the sharing economy, four factors are necessary for the concept to exist; critical mass, idling capacity, belief in the commons and trust. The chapter 2.5 describes what the drivers of the world sharing movement are, and further the sharing economy is categorized into four systems; Product Service System, Redistribution markets, Collaborative Lifestyles, Cooperative local systems. The economic theory related to the sharing economy is presented, namely the theory of transaction costs and the nature of access-based consumption.

As this new type of economy is on the edge of the law, the following subchapter analyzes regulations and legislation. The impact of disruptive businesses has been noticed across many industries; the subchapter 2.8 analyzes the impacts and the tools for measuring it. Followed by subchapter referring to business models for collaborative consumption and lastly the most successful example of sharing businesses, the story of California based startup that has been changing global hotel industry, Airbnb, is introduced.

In the third chapter, it is demonstrated how disruptive innovation spread across the food industry. In the first subchapter all the types of CC related with food are presented, including meal sharing, food preparation courses, food delivery, gastronomic events, platforms that redistribute left overs and therefore reduce waste and personal food shopping. The next subchapter analyzes the impact of meal sharing/ collaborative gastronomy on the society, and its economic impact. Safety, legal issues, and taxes are being discussed in the third subchapter of this section.

In the fourth chapter, the scene of collaborative consumption in Brazil is introduced as an example of the growing movement; significant Brazilian companies are elaborated into a table describing some important industries of the sharing economy. Followed by legislation related to collaborative consumption; The CDC, Consumer Defense/Protection Code is being presented with the main topics of each chapter. Lastly, the meal sharing scene in Brazil is analyzed.

In the fifth part of the thesis, the qualitative research is conducted. The empirical qualitative research is designed in the form of structured interviews. The structured interview is lead with six people. They are *stakeholders*, significant sample of specialists who are related directly to either meal sharing platforms or gastronomy and tourism. The interviewed are: a user, both on the demand and supply side (a home chef and a client of meal sharing platform), the owner of the most significant meal sharing Brazilian platform Dinner, a lawyer, the director of department of gastronomy at the University in Joinville, Santa Catarina state and a consultant in public tourism management. The tool for the collected data

analysis is an intertwining model, further explained in the previous chapter, the methodology of this thesis.

The last chapter concludes the study, with suggestions of the applications of its findings, limitations of the research and recommended topics for the future research. The applications of findings take form in a detailed managerial recommendation section, which can be used as guidelines for entrepreneurs launching and operating new meal sharing peer-to-peer platforms in Brazil.

### **1.5 Significance**

The phenomenon's economic impact and effect on consumer expectations have garnered attention for the sharing economy. This effect combined with the wealth of possibilities that expands with greater technological advancements makes the sharing economy an ideal topic to study. For the author, as a student of Regional and Economic Relations with Latin America and as a Portuguese speaker, Brazil was a suitable case to research. The purpose of this study is to research so called "meal sharing" or collaborative gastronomy as one segment of the sharing economy. The subject of the study is the potential of meal sharing on the Brazilian market. This study is significant for the purposes of meal sharing startups in Brazil, as well as similar services within the concept of collaborative consumption. The collaborative gastronomy is a brand new concept and it hasn't been studied yet, which was one of the motives for exploration.

### **1.6 The Hypothesis**

The hypothesized outcome is that on the current Brazilian market, people will be willing to work more with collaborative consumption in gastronomy. Brazilians are due to cultural reasons and economic conditions the country is experiencing open to the idea of gastronomy in the frame of sharing economy concept, in other words, to home restaurants.

## 2 Theoretical background

### 2.1 Sharing economy: concepts and definitions

This chapter introduces the concept of sharing economy, which could according to some supporters represent a major economic, social and cultural shift in the 21<sup>st</sup> century. However, the concept of sharing and collaboration within the community is as old as the world and can be traced back to the Romans. They used the term “the commons” to speak about resources that belong to all of us. The commons defined *res publica* (“things set aside for public use”) such as parks and *res communis* (“things common to all”) such as water and air (Vesa-Matti Lahti, 2013, p. 15).

The idea is not new; it was one of the world’s earliest forms of commercial activity, long before large corporations existed. The comeback of sharing assets among consumers has been stimulated by the growing influence of the Internet in everyday life across the globe. Therefore, it can be defined that this movement combines ancient collaborative practices with the modern technology. The origins as what is the sharing economy now can be dated back to 1995 with the founding of eBay (eBay, 2015) and Craigslist (Craigslist, 2015), two marketplaces for recirculation of goods now globally recognized that take part of the mainstream.

When it comes to a solid definition of the sharing economy it is nearly impossible, due to the lack of scientific publications. According to the pioneer authors on the sharing economy, Rachel Botsman and Roo Rogers collaborative consumption (alongside the term sharing economy) is an economic model which encourages the use of the ownership and allows to optimize resources through sharing, bartering, reselling, renting, lending or gifting of goods and services (Botsman & Rogers, 2010).

Collaboration had become the buzzword of the day for economists, philosophers, business analysts, trend spotters, marketers and entrepreneurs” (Botsman & Rogers, 2010, pp. 14-15). It takes a variety of forms, often leveraging information technology to empower

individuals, corporations, non-profits, and government with information that enables distribution, sharing and reuse of excess capacity in goods and services (Hamari, 2015).

A worldwide expert on the sharing economy, Benita Matofska, defines the CC as a large-scale social shift with firm roots in the invention of the Internet, a socio-economic ecosystem built around the sharing of human and physical resources. It includes the shared creation, production, distribution, trade and consumption of goods and services by different people and organizations (Matofska, 2014).

For a more detailed image of what the concept includes Matofska (2014) defines that CC encompasses the following aspects: swapping, exchanging, collective purchasing, collaborative consumption, shared ownership, shared value, co-operatives, co-creation, recycling, upcycling, re-distribution, trading used goods, renting, borrowing, lending, subscription based models, peer-to-peer, collaborative economy, circular economy, pay-as-you-use economy, wikinomics, peer-to-peer lending, micro financing, micro-entrepreneurship, social media, the Mesh, social enterprise, futurology, crowdfunding, crowdsourcing, cradle-to-cradle, open source, open data, user generated content (UGC) (Matofska, 2014).

The sharing economy coordinates exchanges between individuals in much the same way as a traditional market but does so in a flexible, self-governing, and potentially revolutionary way. It empowers consumers to capitalize on their property and skills and provides them with a possibility of micro-entrepreneurship.

Some services that have been monopolized and controlled by the state, such taxis and restaurants, experience democratization. “We used to live in the world where there are people ... and where there are businesses. Now we live in the world where people can become businesses in 60 seconds. That’s a profound shift,” Airbnb co-founder and CEO Brian Chesky explains (Godelnik, 2015).

In response to movement of economic crisis and the changing global economy, Rachel Botsman (2010) proclaims that CC is not a niche trend, and it is not a reactionary blip

to the 2008 global financial crisis. “It’s a growing movement with millions of people participating from all corners of the world” (Botsman & Rogers, 2010, p. 5). Joe Kraus, a shareholder of the venture capital investment company Google Ventures has a similar opinion: “The sharing economy is a real trend. I don’t think it’s small blip. People are really looking at this for economic, environmental and lifestyle reasons.

By making this access as a convenient ownership, companies are seeing a major shift”, he said in a Forbes interview in February 2013 (Geron, Airbnb And The Unstoppable Rise Of The Share Economy, 2013). The fact is that CC is a growing trend around the globe, even in developing countries as mentioned further in this study. Even though the concept is still in its infancy, the potential market for collaborative consumption is enormous with no limited opportunities in any industry in which the market is inefficient; unless it is regulated legally.

There is no way to simple data extrapolation to plot the precise future of CC, it can be only estimated how big, far, and fast it will grow. Nevertheless, it was estimated that transactions of sharing economy would be above \$3.5 billion dollars in 2013 with growth exceeding 25% (Geron, Airbnb And The Unstoppable Rise Of The Share Economy, 2013). At such rate, P2P model is transforming from an income boost through a stagnant wage market, into a disruptive economic force. The potential goes beyond out imagination, MIT Sloan Expert projects collaborative consumption to potentially become a \$110 billion market (Contreras J. , 2011).

Only Airbnb has at six years old has a valuation of \$25 billion (O'Brien, 2015), and Uber, which at four years old has a valuation of \$50 billion (Myers, 2015). Some traditional businesses have already expressed their concern due to the growth of the sharing economy. All collaborative economy startups have in common is the ability to connect sellers with consumers on a scale that is enormous in comparison with what was possible even a few years ago.

There are some conditions due to them sharing economy appeared: (Vesa-Matti Lahti, 2013, p. 15)

- An ongoing shift in which access trumps permanent ownership
- Technological advances, such as better web infrastructure, the new frequency of broadband connections, and the development of online applications and related service systems, have enabled new social networks and consumer-to-consumer market places since the beginning of the noughties
- The role of ecological sustainability has been emphasized. The consumers have an increased concern for the environment and have taken initiative to ration the use of resources and increase recycling
- The economic crises have created pressure to denounce hyper consumerism and embrace re-use of things and materials. “Waste not, want not” and ideology and invention of new earning possibilities have newfound value
- The new generation of entrepreneurs and financiers has noticed the business potential of the new ways of sharing that are made possible by the Internet.

The proponents of the concept claim the new technologies will yield to following outcomes: empowerment of ordinary people, efficiency, and even lower carbon footprints. Collaborative consumption has been expected to alleviate societal problems such as hyper-consumption, pollution, and poverty by lowering transaction costs related to coordination of economic activities within communities. The sharing economy is not communism, but it seems that capitalism, as was known until now is changing, and the movement could lead to a complete rethinking of capitalism as a whole.

**Figure 1: Growth of participation in sharing economy**



Source: (Vision Critical, 2015).

## 2.3 Definition of Peer-to-Peer

Another buzzword within the concept is peer-to-peer (P2P) economy. P2P systems can be defined as decentralized networks, and the term “peers” refers to are equally privileged participants in the application. As a German expert on the topic Ruediger Schollmeier defines “peers make a portion of their resources, such as processing power, disk storage or network bandwidth, directly available to other network participants, without the need for central coordination by servers or stable hosts” (Schollmeier R. , 2014) . In other words, P2P marketplaces are eliminating the need for a traditional intermediary in many types of transactions and are therefore facilitating the sharing economy. Schollmeier highlights that the most distinctive difference between client/server networking and peer-to-peer networking is the concept of an entity acting as a “servent”- an artificial word, which is derived from the

first syllable of the term “server” and the second syllable of the term client (Schollmeier R. , 2005). Thus, this term server shall represent the capability of the nodes of a P2P network of acting at the same time as a server as well as a client.

Thanks to the expansion of smartphones, Wi-Fi, and social networks, P2P platforms enable any user who chooses to participate and publish content on the web regardless of time and space. Verified identity helps to build trust between strangers, which is crucial to the success of the sharing economy.

## **2.4 Principles of CC**

Pioneer authors Botsman and Rogers (2010) have examined among the first ones the collaborative economy in an academic way that enables a structural analysis of the phenomenon. For a better understanding of the concept of CC, I will introduce basic characteristics that they identify as well as their categorization of CC systems. According to (Botsman & Rogers, 2010) collaborative consumption is based on four fundamental principles: critical mass, idling capacity, belief in the commons and trust between strangers.

### **2.4.1 Critical mass**

Critical mass, a sociological term used to describe the existence of enough momentum in a system to make it become self-sustaining (Ball, 2006). Critical mass is important for the concept of sharing for various reasons. It widens the choice, and therefore it enables to compete with conventional shopping. The more participants, the wider is the choice of the products and services. A good example is clothes swapping, more participants mean more possibilities of sizes, colors, styles, etc. As to demonstrate the potential of the market, when you insert “clothing swaps” in Google, there are around 924 thousand page views until 02.08.2015 (Clothing swaps, 2015). Another example of how important is the critical mass is Airbnb, they currently operate in 192 countries, in 34 000 cities (Airbnb, 2015); apparently these numbers give them a comparative advantage to similar platforms. In the case of home restaurants, the critical mass allows the users of the service to easily find food preferences, follow their diet restrictions or discover the location they seek.

### **2.4.2 Idling capacity**

When talking about idling capacity, we refer to unused potential of goods we own and rarely use. An example could be a bike we use only on the weekends, or a drill stored in a garage. The collaborative consumption only makes sense for goods with idling capacity or untapped value of unused or underused assets” (Botsman & Rogers, 2010). This applies especially to products with a high value that are rarely used, such as bikes and cars. Although idling capacity is related not only to physical products but as well to less tangible assets such as time, skills, space, or commodities like electricity. With the help of IT, the CC redistributes unused potential of objects in order to maximize its benefit. Without the social networking capacity of the Internet, sharing objects would have only a small chance of matching want with need and reaching scale fast.

### **2.4.3 Belief in the commons**

Third, these initiatives rest on ‘belief in the commons’. Botsman (2010) argues that through digital experiences, people recognize that by providing value to the community, they enable their own social value to expand in return. The principle of belief in the commons explains that participating in these platforms, both by sharing or consuming, supports the system and adds value to the community as a whole. Recognizing this fact is essential for the sharing economy to be functional.

### **2.4.4 Trust**

Finally, sharing economy relies on “trust between strangers”, who are brought together through social networking technologies. Most forms of CC require us to trust someone we do not know to different degrees. In the past, people naturally developed trust within the community they lived in through everyday life interactions. The level of social trust has diminished with the process of urbanization. The research (Pew Research Center,

2014) conducted among Americans in 2014 demonstrates that Millennials <sup>1</sup> have low levels of social trust; only 19% believe most people can be trusted while older generation demonstrate higher percentage; 31% for people born between 1965 and 1980, and 40% for generation born between 1944 and 1964.

The sharing economy utilizes the technology to build trust between strangers. In April of 2013, Airbnb added identity verification to its platform, adding more transparency and reducing the fear and friction that can occur when strangers do business (Ufford, 2015). Verifying user's identity increases trust, and from there users begin to build their online reputations, for CC this is essential. The growing trust amongst peers is parallel to the growth of collaborative consumption business models.

## **2.5 Drivers of CC**

What motivates consumers to take part in the CC? "People are attracted to this peer-to-peer model for economic, environmental, lifestyle and personal reasons," says James McClure, General Manager UK & Ireland at Airbnb (French, 2015). Besides motivational factors, networks, (social) media and recommendation prove to be explanatory factors for the willingness to take part in CC. These findings correspond well to the four drivers identified by (Botsman & Rogers, 2010):

- Technological innovation: Social networks to payments to online identity systems and of course, mobile devices create the efficiency and trust for these ideas to work at scale;
- Values shift: A connected society that is rethinking what ownership and sharing mean in the digital age;
- Social proofing: People get to know Collaborative Consumption enterprises, websites, organizations or places because they have heard about it. Recently, we hear more and more about people experiencing car sharing, bike sharing, Couchsurfing, swapping books or DVDs, or sharing the land. It is a new and trendy conversation topic. More and more

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<sup>1</sup> Generation born after 1980.

people think that owning the very last, big and highly consuming 4 x 4 is not something you pride on anymore. This feedback from peers, called as well social proofing, is crucial in CC. Moreover, the impact of advertisement is decreasing. Only 14 percent of people trust advertisers, yet 78 percent of consumers trust peer recommendations;

- **Economic:** The growing realization that we need to think about wealth and assets through a new lens and measure ‘growth’ in a more meaningful way. In order to make use of something without paying or paying a lower price, the best option is to buy it at a cheaper price, swap it for something you do not use anymore or lend it from someone. This is what Collaborative Consumption offers, and even much more. In those times of economic crisis, especially in Spain where unemployment is as high as 20%, the economic driver of consumers can be easily identified;
- **Environmental pressures-sustainability:** The amounts of carbon released by humans, as well as average temperatures worldwide are increasing every year. Glaciers, polar ice, and the permafrost are melting. A number of forests keeps decreasing, and ecosystems suffer both at land and at sea. Biodiversity is rapidly declining, and the numbers of natural disasters, as well as their impact, are increasing. There is need to make much better use of finite resources. Civil society, public institutions and government, NGOs and the society as a whole is much more aware of the environmental and social challenges we are facing. Sustainability is not a trend anymore, and sustainable development is a necessary step towards the future.

## **2.6 Systems of Collaborative Consumption**

The systems can be categorized into four sections (Botsman & Rogers, 2010) (Grave, ShaRevolution, 2015) as discussed in the following topics:

### **2.6.1 Product Service System (PSS)**

“Goods remain in the ownership of the provider(s) and what a PSS customer actually buys is the functionality or performance of the goods in the form of a service” (Ericson, 2009,

p. 62). In this system of CC goods (cars, bikes) that are privately owned can be shared or rented out via P2P marketplaces. As example, US based startup Zipcar can be mentioned, a subsidiary of Avis Budget Group, which enables its members to access rental cars at an hourly rate of \$6 –\$10, which includes insurance and gas costs up to 240 km. In July 2015, the company had more than 900,000 members and offered nearly 10 000 cars; ZipCar operates in seven countries (ZipCar, 2015). Car renting is an alternative for consumers who wouldn't use the car on daily bases. There are various P2P rental sites; for books (Chegg), fashion (Dress Vault), toys (Rent-a-toy), art (Artsicle) as well as generalized rental sites like Zilok, Getable, Snap goods and Leihdirwas enable consumers to receive the value of a product without actually owning it, thus maximizing its utility (Botsman & Rogers, 2010, p. 72).

### **2.6.2 Redistribution markets: Unwanted or underused goods redistributed**

Another system of CC is Redistribution Markets, where people transfer used or unwanted goods to somewhere or someone where they are wanted. As defined by Botsman (Botsman & Rogers, 2010, p. 72), “redistribution markets reallocate pre-owned goods from a person who no longer needs them to someone who does. They promote the reuse of products as an alternative to buying new ones and thereby drastically reduce the amount of waste.” Besides the most famous one, eBay, there is a growing number of specialist marketplaces for preowned items (books, clothes, sports equipment).

### **2.6.3 Collaborative Lifestyles**

Not only tangible goods can be shared, swapped or bartered. Non-product assets are as well exchanged and traded within the concept of sharing economy. The sharing of “less tangible assets such as time, space, skills and money” (Botsman & Rogers, 2010, p. 73) can be described as collaborative lifestyles. Below I mention some examples of collaborative lifestyles:

- Coworking: shared working environment, growing globally;

- Shared Tasks, Time, and Errands: Taskrabbit - platform that enables to hire neighbors to carry out tasks, time and skills are shared;
- Shared Gardens: Urban Gardenshare - project is and experiment in Urban Agriculture, Yard Sharing, Organic Food Gardening and Edible Landscaping;
- Skills: Freelancer – services by freelancers from all the world;
- Food: Neighborhood Fruit- helps to find and share fruit locally: both backyard bounty and abundance on public lands;
- Parking Spots: ParkatMyHouse;
- Travel (Couchsurfing, Airbnb);
- Money: Zopa - a lending platform that works by connecting individual savers and borrowers, without big banks in the middle.

#### **2.6.4 Cooperative local systems**

A system identified by French writer and a supporter of CC Grave. Cooperative local system relies on the mobilization of the local communities without resorting to an online platform. An example of this form could be mentioned a Brazilian platform [www.temacucar.com](http://www.temacucar.com) that enables you to share things (example: sugar from the name of the site) with the neighbors (Grave, A study of diverse collaborative consumption actors, 2015) (Botsman & Rogers, 2010).

#### **2.7 Economics of the sharing economy**

The sharing economy is a shift, a new economic reality where individuals cooperate. According to its proponents, it could lead to more efficient allocation of scarce resources. The concept proposes an increase in convenience, lower costs, and economic incentives. Besides restrictions, the risk for the concept is an imbalance in supply and demand, the insecurity of participants not finding usefulness in the market. An excess of supply and very low levels of demand could be called “startup bubble”; too many platform, applications and low demand. On the other hand, establishing a solid supply can be a challenge as well.

The global economic crisis was a strong motivation for entrepreneurial attempts, as people realized they cannot rely on the governments. As there is a lack of theoretical literature on the economics of the sharing economy, two subjects which are related with collaborative consumption are introduced; the theory of transaction cost and the nature of access-based consumption.

### **2.7.1 Transaction costs**

The sharing economy emerged from dramatically falling transaction costs that had prevented certain markets from developing (Allen & Berg, 2014). Transaction costs refer to costs incurred when making any economic exchange. The term transaction costs refer to the costs of providing for some good or service through the market rather than having it provided from within the firm. The term transaction costs were first mentioned by Commons (1931), who described the concept of transactions as follows:

“...Transactions are, not the “exchange of commodities,” but the alienation and acquisition, between individuals, of the rights of property and liberty created by society, which must therefore be negotiated between the parties concerned before labor can produce, or consumers can consume, or commodities be physically exchanged. Transactions, as derived from a study of economic theories and of the decisions of courts, may be reduced to three economic activities, distinguishable as bargaining transactions, managerial transactions and rationing transactions” (Commons, 1931, pp. 648-657).

The theory of transaction costs was further developed and presented to public awareness by Coase, who emphasizes that the transaction costs are influenced by the institutional system of given country (legal system, political system, culture) and that the institutional environment is one of the most important aspects which influence the performance of an economy. (Medema, 2011)

Transaction costs became most widely known by Williamson (1985), who was awarded the Nobel Prize in Economics in 2009 (Nobel Prize, 2009). Williamson argues that

the level of transaction costs depends on the nature of the transaction and on the way how the transaction is organized.

The transaction costs can be described as costs that arise from a contract; they are not related to actual production costs. The transaction costs are not compensated by an increase in production, and their value is determined by the institutional environment of each country.

Coase's seminal essay, *The Problem of Social Cost* (1960), is one of the most cited articles in the economics and legal literature, and much of this attention is owed to a proposition that has come to be known as the Coase Theorem. According to the Coase Theorem, as long as transaction costs are zero, bargaining will lead to a maximally efficient allocation of resources no matter the initial allocation. The theorem itself is not explicitly mentioned in Coase's work; his argument was labeled as Coase Theorem by George Stigler in his *The Theory of Price* (1966) (Medema, 2011).

The nature of the sharing economy is of Ronald Coase's theory of reality. Before the Internet existed, the transaction cost of matching supply and demand was prohibitive. The sharing economy thanks to the Internet and the technology coordinates exchanges between individuals in much the same way as a traditional market, but does so in a flexible, self-governing way. It allows individuals to transact one with another having property rights clearly assigned, the price they set should be the most economically efficient price that they could negotiate.

### **2.7.2 Nature of access-based consumption**

With the movement of the sharing economy a new way of consumption appeared. It could be defined as transactions that can be market mediated but where no transfer of ownership takes place, is becoming increasingly popular, but there is little theory behind it. Access-based consumption is becoming popular as it frees consumers from the economic, emotional and social obligations of ownership. As the economist and professor at Cass Business School in London, Bardhi mentions in her article about access-based consumption in the case of car sharing, "The freedom, flexibility and mobility facilitated by access are

increasingly important values for urban consumers – especially among the so-called Generation Y<sup>2</sup> group” (Bardhi, 2014).

Access-based consumption marketplaces represent an important opportunity for marketers, policymakers, and urban planners, as they are more sustainable consumption models that reduce waste and encourage sharing of resources, especially in cities.

## **2.8 Measuring the impact of the sharing economy**

In spite of its mainstream acceptance, measuring the contribution of the sharing economy to overall economy activity has been a challenging task. Its proponents argue that the sharing economy is generating incremental economic gains, creating jobs, and stimulating spending. When it comes to measuring, the impact the economists struggle.

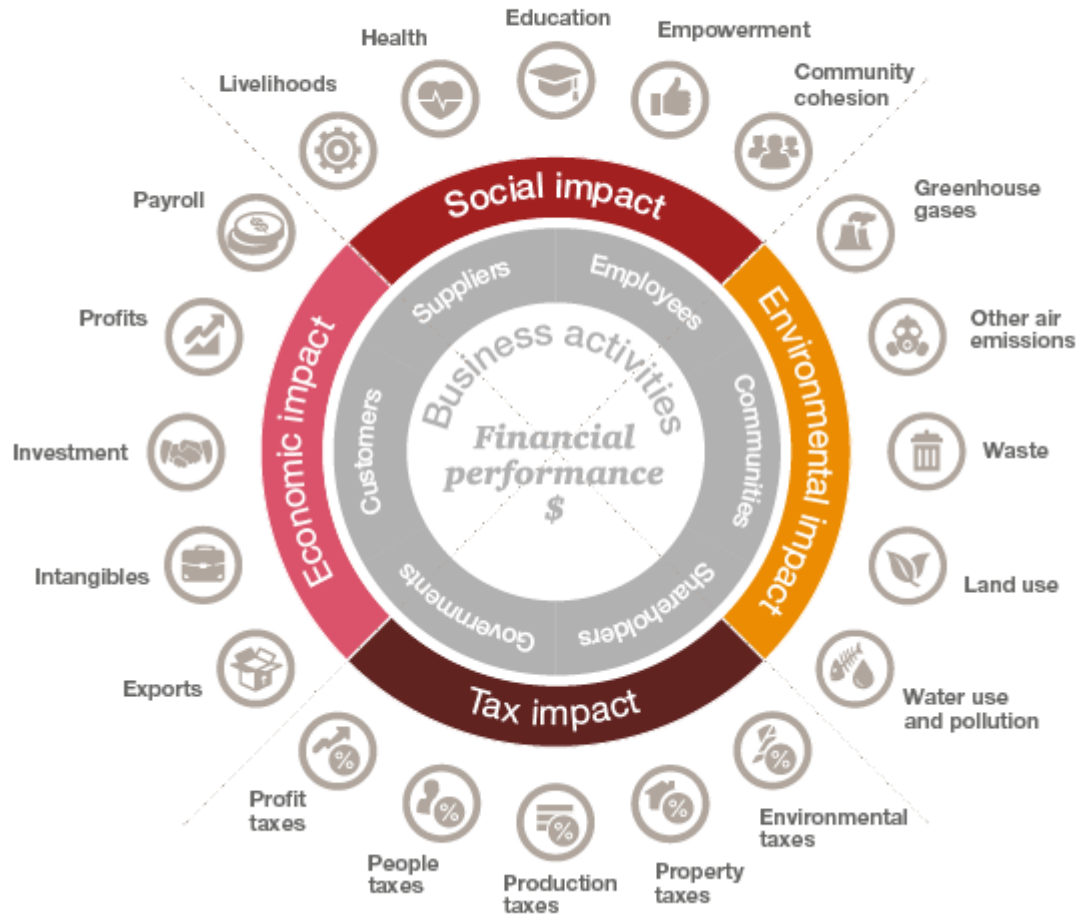
According to PricewaterhouseCoopers (PwC), one of the tools that help to understand the impact of the sharing economy is their “Total Impact Measurement and Management (TIMM)” approach. They divide the impact into four main categories as illustrates in the figure below; economic, social, environmental and the impact on the taxes. Each of them and the way they could be measured is analyzed below (Figure 2).

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<sup>2</sup> The same meaning as Millenials<sup>2</sup>, generation , which birth years ranging from the early 1980s to the early 2000s

**Figure 2: Total Impact Measurement and Management Tool**

## ***Total Impact Measurement and Management (TIMM) tool***



Source: (*The sharing economy – sizing the revenue opportunity*, 2015).

### **2.8.1 Economic impact**

Many assumptions are made about sharing; it boosts consumption and personal income in a period of low growth, but the economists struggle when it comes to evidence. It is difficult to measure the impact of these new earning opportunities as they are being introduced during a period of high unemployment and rapid labor market restructuring. The traditional variables they are used in economic science can't be applied when measuring the

sharing economy. Historically, economic measurement has been focused on production. When measuring GDP we focus on utility- a person buys a good/service, he/she receives the value.

Nevertheless, this concept totally decouples ownership from the utility. If the economy is measured only by goods and service sold, what about the money that is generating by renting, sharing, lending, how could it be tracked? As people begin to share more, fewer goods are bought. According to economic statistics as we know them now, the GDP will decrease, but people are receiving the exact same utility as they were previously. The more people participate in the collaborative consumption, the less the economy will produce. Forbes stated last October “Uber will lower America’s gross domestic product” (Hwang, 2014).

GDP is designed to measure the market value of production that flows through the economy. Hwang argues that the traditional method doesn’t apply to sharing economy. “If someone takes a Uber ride instead of a regular cab, the customer is spending less, a taxi driver somewhere is losing a customer, the Uber driver is making less than the taxi driver would have, and the customer gets where they want to go in a happier state. Alternatively, traditional taxi companies may try to compete and start lowering their prices, as they appear to be doing” (Hwang, 2014). To sum it up, GDP with these actions decreases.

The indicators, such as GDP, seem not having the ability to capture economic impact of the sharing economy. As an economist, Victor W. Hwang, says in his article in Forbes “GDP is a useful indicator of economic health when companies are mostly focused on manufacturing things” (Hwang, 2014).

However, it doesn’t have any validity when it comes to sharing and recycling. A good example is countries in northern Europe, where there is a little growth of GDP but very high standard of living, the economists call this phenomenon “The Nordic Mystery” (Schumpeter, 2014). Denmark’s GDP growth from 1991 to 2015 was only 0.36% (Denmark GDP Growth Rate, 2015). The question is: will the Western society start to measure economy as Bhutan

by Gross National Happiness? As the movement is so influential, the economists may be forced to rethink ways how to measure economic vitality.

The lack of a clear method how to measure economic activity is not an obstacle to the success of the sharing economy; nevertheless the global impact is still questionable. The sharing economy companies captivate their impact on the local economies and post the findings on their websites.

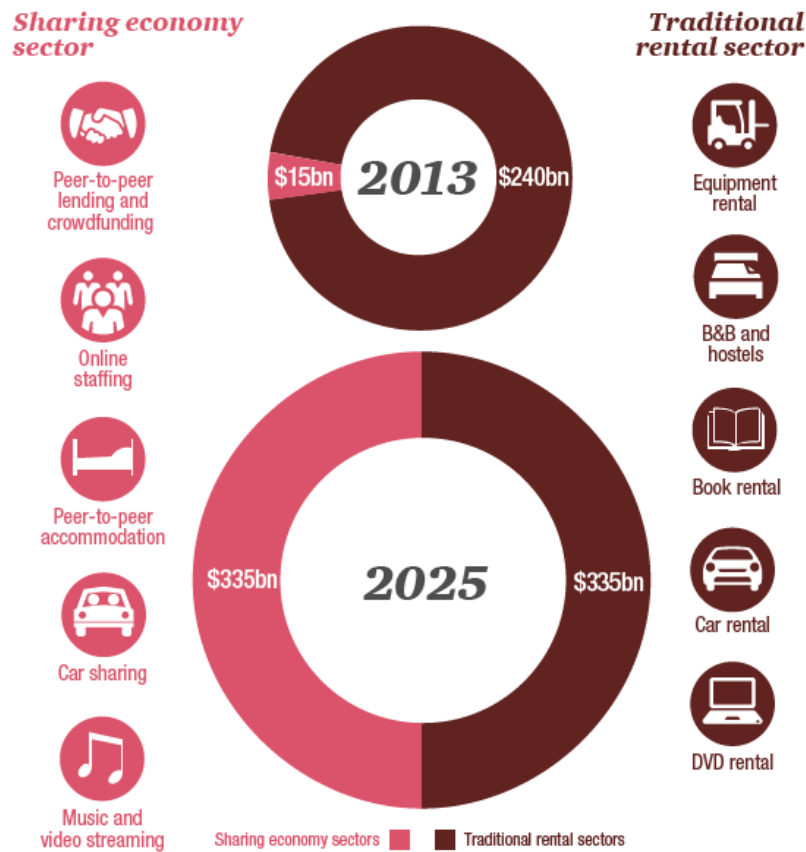
Airbnb, the world's leading marketplace to list and book accommodations, found out that in popular destinations like LA where hotel occupancy rates are high and room prices reflect this high demand, the collaborative economy has provided a viable accommodation alternative for travelers with low budget.

A recent Airbnb-commissioned study from December 2014 gained the following data: "in one year, there are generated 312 million dollars in economic activity and supported 2 600 jobs in LA. (2014) In the United States, on average a person would spend 50% less for renting a room and 20% for renting an entire apartment on Airbnb than what he or she would spend in a hotel (Airbnb vs Hotels: A Price Comparison, 2013).

In addition, Airbnb claims they even track a significant number of transactions in Southern Europe where the deep economic crisis is still present, like Greece and Spain.

The figure 3 is a study of PwC UK and demonstrates estimated proportions of traditional sector vs. sharing economy sector in 2025. The figures apply for the rental industry. The agency estimates that in 2025 the ration between the two will be 1:1, in 2013 when the study was published the ratio was 1:16 (the traditional sector represents the volume of revenues of 240bn USD).

**Figure 3: Sharing economy sector and traditional rental sector projected revenue growth**



Source: PwC (*The sharing economy – sizing the revenue opportunity*, 2015).

### 2.8.2 Tax impact

As far as the taxation of the sharing economy activities is concerned, there is no universal rule. It can be difficult to distinguish between the shared economy activities and the underground economy, which operates in the dark areas concerning taxation. This issue might be the most problematic, the framework must be updated, until then Airbnb, and other P2P companies remain in a legal grey area. The legislation differs from country to country and industry to industry.

The companies of the sharing concept have run up against the taxation issue in a number of places: in the case of Airbnb some cities like Hamburg, but as (Ure, 2015, p. 36) in his recent study comments “Airbnb’s business model has faced legal challenges in cities

such as Berlin and New York, where the state attorney general claimed that almost two-thirds of Airbnb's hosts were breaching a New York law prohibiting them from subletting their entire homes for less than 30 days". Airbnb itself gives advice on taxations on their websites. There are three taxes Airbnb mentions that their users need to take in the account.

For hosts they are Local Tax, Value Added Tax (VAT) and Income Tax (the US and some other countries). Airbnb is required to collect VAT on its service fees in countries that tax Electronically Supplied Services. Currently, that includes all countries in the EU, Switzerland, Norway, Iceland, and South Africa (Airbnb, 2015).

The European Union reacted to the new movement and on January 1, 2015, a new EU tax law took effect. The companies calculate VAT according to the rate in user's local country of residence. Many microbusinesses protest against the EU VAT Law, they even say "the law could force them to reconsider trading in Europe" (Dan, 2014).

In the United States, money earned from renting out a room in the apartment, loaning a car to a stranger or any other form the sharing economy business is considered as a standard income, and participants therefore may have to pay income taxes on those earnings (Tuttle, 2013). Airbnb in the US sends 1099-Misc forms to all hosts who are supposed to pay taxes on their rental income (Airbnb, 2015).

### **2.8.3 Social impact**

The traditional metrics for gauging business success do not capture the social impact from sharing. According to Airbnb "peer-to-peer transactions build community, foster cultural exchange, and strengthen empathy and understanding" (Social Impacts in Athens, October 2013 September 2014). Many initiatives say that their purpose is social; nevertheless, the truth is that companies are driven by very powerful business motivation. The positive social impact can include following: consumer empowerment, community building, access to new services and products, access to high-quality products for lower-income consumers, mobility (car sharing,) social trust building, simple life values, ethical

values, small entrepreneurs empowerment, empowerment of female entrepreneurs and freelancers, social interconnections, boosting regions in economic crisis.

Airbnb claims its positive impact in Athens, city strongly affected by the deep economic crisis. One of the hosts, Doros T, says, "I feel a sense of fulfillment since I started hosting on Airbnb. The apartment where I live is now open to the world. The overall hosting experience has enriched my life. It feels like traveling through the eyes of my guests" (Social Impacts in Athens, October 2013 September 2014). The concept of CC could boost among others south European regions that suffer the economic crisis.

Sharing is a method in which individuals, particularly among low-income groups, have saved money as for sharing expenses and transportation. Another social impact is that platforms provide social and emotional support and barter services such as childcare. As the study of agency Havas (Communities and Citizenship, 2013), people are increasingly craving community and the deeper interpersonal relationships they feel have been lost in the disconnected hubbub of modern life. Smart brands are offering products and services with a dash of interconnectedness.

Another social impact has been observed in emerging economies. Thanks to P2P platforms, the small entrepreneurs become more competitive as they decrease costs and widen their supply. For evidence, eBay was able to show that access to international markets through its online platform improves business survival rates for small commercial traders from 30-50 % up to 60-80 % in eight emerging economies (Jacob, 2015). The European Union is currently researching the social impact within the EU. The sharing economy comes with the proposal of future in which socially responsible business is a norm, but better metrics is necessary in order to measure such impact.

#### **2.8.4 Environmental impact**

Participation in CC is generally expected to be highly ecologically sustainable (Collaborative consumption: new opportunities for consumers and businesses on the EU market, 2014). Sharing economy companies claim to be green and to have a positive impact

on the planet. However, this impact seems to be considered side effect of the collaborative economy rather than a core purpose. Uber and car-sharing companies diminish the number of cars on the road, companies like Leftover and Food Runners efficiently allocate wasted food, Listia helps you trade in all the items you do not use anymore. Clearly beneficial for the environment, but again when it comes to statistics, there is not much evidence besides the studies the companies post on their websites. ZipCar claims that every “zipcar”<sup>3</sup> takes fifteen cars off the road (ZipCar, 2015). For the companies their sustainability image is extremely important, they even come with green campaign, Uber claimed to plant one tree for each ride on the Earth Day, 22<sup>nd</sup> of April, on behalf of their riders and partner drivers (Uber, 2014).

Below the Airbnb study from 2014 compares impacts on the environment when staying with Airbnb host with a stay in a traditional hotel. The results (table 1) demonstrate how the users of Airbnb consume less energy by 78% in Europe and 63% in the US, less water by 89% in Europe and 61% in the US and recycle more compare to the regular guests of hotels. Airbnb claims that their hosts are more aware of sustainability and recycling. The study was made by Airbnb.

**Table 1: Environmental impacts of home sharing**

	<b>Europe</b>	<b>USA</b>
Airbnb properties consume less energy than hotels by	78%	63%
Airbnb properties produce less greenhouse gas emissions than hotels by	89% equals 200 000 cars off the road	61% equals 33 000 cars off the road
Airbnb properties consume less water than hotels by	48%	12%
Waste reduced by	0-28%	32%
Sustainability awareness: hosts recycle or have at least 1 energy efficient appliance	79%	83%

Source: (Environmental Impacts Of Home Sharing, 2015).

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<sup>3</sup> Car using application ZipCar, sharing rides with other individuals.

The movement has made such an impact that big retail companies like H&M and Marks & Spencer's have begun reward customers for swapping old clothing with coupons. The benefits of sharing for the environment are obvious; however very few independent organizations actually measured the environmental impact. The impact analysis requires a lot of data and sophisticated tools.

## **2.9 Fights over rules and regulations**

There is a lack of clarity because existing legislation (globally speaking) does not cover certain activities, and transactions, or legislation developed for traditional industries is applied to markets in the sharing economy. There are many issues that need to be solved, one that have almost all domains in common, is to distinguish between sharing economy activities and conventional business. It is not clear at which volume a peer that cooks in his/her home should be treated equally as a small restaurant. In addition, if an individual that is sharing fifteen cars through an online platform should be considered as a peer or rather a rental company.

The growth of collaborative consumption has led to regulatory and political battles. The economists, as well as the policymakers, are divided in proponents of the new economy and the ones who are strongly against arguing the sharing economy should be illegal. The critics denounce the concept of being about economic self-interest rather than sharing, and for being predatory and exploitative (Schor, 2014) .

As an example, advocate Letitia James arguing: “Airbnb and the illegal hotel operators it enables are contributing to the affordable housing crisis.” (French, 2015) Dean Baker, Co-Director of the Centre for Economic and Policy Research, believes peer-to-peer businesses are providing a loophole for “a small number of people to cheat the system” (Baker, 2014), he adds “insofar as Airbnb is allowing people to evade taxes and regulations, the company is not a net plus to the economy and society – it is simply facilitating a bunch of rip-offs” (Baker, 2014).

Increased regulations are likely to increase prices for the consumers, which would lead to losing of the whole purpose of peer-to-peer companies designed to cut costs and move business away from the hands of untrustworthy authority. As Augustin Rossi from Global Public Policy Institute (GPPI) argues that „banning the sharing economy would only lead to invisibilization of markets created out of need.” He continues “ban Uber and people will drive unlicensed taxis without being background checked by anyone without paying taxes, and without insurance. Prohibit Airbnb and people will rent their houses or apartments through Craigslist’s and its equivalents” (Latin American lessons for Europe’s Sharing Economy, 2014) .

Other economists who are against the regulations of the model are for instance researchers from George Mason University. “The key contribution of the sharing economy is that it has overcome market imperfections without recourse to traditional forms of regulation,” they argue in a study. “Continued application of these outmoded regulatory regimes is likely to harm consumers.” (Koopman, Mitchell, & Thierer, 2014) They believe that the technology and innovations are doing much better job of serving consumer needs.

In Europe, the CC businesses have been relatively accepted by the lawmakers so far, falling below the policy radar, as sharing economy players are often self-regulating. The companies guarantee the quality and usually offer outstanding customer service, as mentioned below.

The fact that the European Union is open to the concept is evident from EU2020 strategy, which proposes, "the consumption of goods and services should take place in accordance with smart, sustainable and inclusive growth and should also have an impact on job creation, productivity and economic, social and territorial cohesion". (EUROPE 2020 A strategy for smart, sustainable and inclusive growth, 2010) Nevertheless, it is important for sharing economy organization to be proactive with European regulators, if they don't want to struggle with burdensome restrictions.

Protection of the consumers and their rights has long been one of the principals for economic regulation. As the authors of the study *The Sharing Economy and Consumer*

Protection Regulation: The Case for Policy Change under the traditional “public interest theory” of regulation, regulation is sought to protect consumers from externalities, inadequate competition, price gouging, asymmetric information, unequal bargaining power, and a host of other perceived “market failures” (Koopman, Mitchell, & Thierer, 2014, pp. 1-5) .

However, as they mention “markets are not static and every information problem is also an information opportunity.” What is specific about the sharing economy companies is that the consumers ‘needs are above everything, they hire a significant portion of employees for customer service/customer success.<sup>4</sup> They tend to protect the customer’s welfare by themselves without any need of regulations from the government. As an example, Airbnb guarantees that the host will reimburse up to \$1 million in the case of damage to property by the guest (Airbnb Guarantee, 2015). This approach of a private subject hasn’t been seen before.

The result of such a user experience is that the customers now expect the company to play the regulatory role of monitoring and regulating the relationships among peers. Another tool of customer’s protection is the system of online ratings, they allow customers to do what tight regulations were needed for. Before the technology enabled the customer to have access to the feedbacks and ratings, it was impossible for companies to argue that regulations are not needed because they prevented customers from being ripped off, and safety requirements violated.

Now with the access to information this has changed and therefore the regulations should change alongside. The function of official licenses is substituted by the system of reviews. The access to the information has changed the mentality and trust to solely official

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<sup>4</sup> A proactive, holistic, and organization-level approach that leverages technology and real-enough-time visibility into customer health (not just usage data, but any contextual inputs) to ensure your customers – including those who directly use (users, administrators, etc.) and those who benefit from the use of your product – continually and increasingly receive value from your product over the course of their lifetime as a customer. Available at: <http://sixteenventures.com/customer-success-definition>

regulations. The technology and Internet enabled word of mouth to become a tool of regulation at a large scale.

Examples from elsewhere in the world show such fractious relationships with regulators need not be the norm. In February 2014, Amsterdam became the first city to pass so-called “Airbnb friendly” legislation. A law allowing short-term rentals by permanent San Francisco residents was finalized in October 2014, but requires them to collect city hotel taxes and imposes other restrictions. Similarly, while some traditional operators have fought sharing start-ups, others have chosen to get in on the game themselves: In 2013, Avis paid half a billion dollars for the car-sharing service Zipcar, and Hertz has started a similar service. (Uber, Airbnb and consequences of the sharing economy: Research roundup, 2015)

As there is a lack of legal framework, policy makers might inappropriately apply conventional industry standards and legislation. In the study of the European Union about the sharing economy from 2014, the authors suggest that the policy makers could focus on following measures (Kristina Dervojeda, 2013):

- Tailor tenders aimed at innovation within start-ups to the restriction those companies face;
- Facilitate the creation of minimum safety and quality standards for peer-to-peer markets;
- Provide more project-based education for programmers and developers: currently there is a lack of programmers and developers.
  - Demand for these technical skills is often high, while supply is very limited (Omojola, 2013)
- Create more flexibility in employing workers: many companies outsource most of their technical activities to external parties, because it is too risky to put too many employees under contract. Big corporations attract workers by providing superior salaries, start-ups cannot compete. Potential employees often choose to pursue a career in a large firm, with a stable income;

- Make it more attractive for employees to receive company shares, and receive future dividends for instance in the form of tax exemptions for future dividends or reduced tax tariffs on salaries, in order to enable SMEs to better attract talented staff with limited cash reserves.

The disputes need to be solved as the sharing economy is growing at fast pace. Governments should provide a reliable and predictable legal system in which contracts are enforced and property rights defined. As the study of Australian Institute of Public Affairs (IPA) on sharing economy argues, “under a neutral and uniformly enforced legal system, the sharing economy will thrive” (Allen & Berg, 2014, p. 4). If there are some strong regulations, it is likely that peers will continue to connect without consumer-versus-provider structure. Therefore, the big players should find a way to adapt if they want to continue to profit from the tendency. It would be beneficial to have specific legislation for sharing initiatives in various industries.

## **2.10 Business models in the sharing economy**

### **2.10.1 Features of the business models**

CC business models emerge from our oldest instincts as humans: renting, bartering, loaning, gifting, swapping and other forms of shared ownership such as cooperative structures (European Sharing Economy Coalition, 2015). The sharing economy is disrupting what we call traditional business models. The most significant change in the business model is a breakdown of the distinction between companies and customers, with P2P models giving consumers the opportunity to become entrepreneurs on a part-time, temporary and flexible level. Breaking consumer-producer wall is something social media has already done, customers are playing a more important role than ever before, and the sharing economy seems a logical continuation of the trend.

According to The European Sharing Economy Coalition (EURO-SHE)<sup>5</sup> “the most widespread business model utilized by CC companies features an online market-place where the demand for certain products or services among peers is paired with the ownership of those products and services by other peers” (European Sharing Economy Coalition, 2015). What differs the companies is the mechanism of matchmaking; can be demand-driven, supply-driven or a combination of both.

As far as the financial resources for P2P companies are concerned, they range from government subsidies, angel investments, prize money, accelerator/incubator funding, founder capital and donations from NGOs as well as venture capital. There are already some startups, especially in the US, which attracted substantial amounts of venture capital (Airbnb, Task rabbit, Uber) (Geron, 2013). The availability of funding differs per company, depending on many factors (size, purpose, market).

### **2.10.2 Challenges related to P2P business models**

Regulations and laws are a threat to sharing economy. The Western current regulatory structure is oriented toward professional, large-scale businesses and did not contemplate consumers becoming providers. Further information on the topic of regulations can be found in chapter 2.9. On the side of the customer, most of the challenges the platforms face are associated with the lack of trust and familiarity with clients. As mentioned in the chapter, there are tools that increase the trust to a stranger such as verifying IDs and Social Media profiles. The security of online payment system like PayPal<sup>6</sup> is continuously increasing as well.

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<sup>5</sup> EURO-SHE was launched at a public hearing in the European Economic and Social Committee (EESC).

<sup>6</sup> PayPal Holdings, Inc. is an American company operating a worldwide online payments system. Source: (Paypal, 2015)

Another challenge in the sharing economy is that this movement appears in the cities and the platforms that facilitate sharing of physical goods, or services of low benefit are yet not much suitable for rural areas. Especially, as it is more difficult to reach the required critical mass out of urban areas. Founder of Greek meal sharing start up Cookisto, Michalis Gkontas adds to this topic, “Cookisto has some traction even in smaller cities, but that’s not from where we plan to scale our marketplace.

Because of lack of liquidity and lower levels of internet penetration in rural areas, you’d need a total different approach although I am pretty positive there are many opportunities there as well”. Co-founder of the most significant US based meal sharing start up Feastly, Noah Karesh , adds ”the conditions that helped our business to grow were: highly dense areas, spaces that can be easily filled with people and underutilized skillsets” (Torregrossa, 2014).

The sharing movement is happening mostly among the younger generation and older population are sometimes completely unfamiliar with the manner in which online peer-to-peer platforms conduct business. These customers don’t have necessary skills in conducting no online activities or online transactions. Gkontas mentions interesting feature; older generation might be more open to the concept of sharing. “My grandparents got the idea of collaborative consumption much better than my parents’ generation, and this is probably because they did not grow up in the mass consumerism age” (Torregrossa, 2014) .

An enormous challenge for the movement is the fact sharing economy doesn’t provide the social services as the state does. In the times when individuals cannot participate due to health reasons or women go to maternity leave, the concept fails. “The sharing economy does give people the opportunity to work for themselves, but I also think that the government must support diversity and supporting women,” says in the interview for StrategyEye Digital Media Jackie Grech, legal and policy director for the British Hospitality Association. “From the perspective of a woman, it's not as approachable to enter into. We need to give up things like maternity leave to join the sharing economy. You cannot be self-employed and have maternity leave, and that makes it not a viable option for many young

women to forego an income. It's important that the government steps in to ensure that diversity, which is not something that will not happen on its own" (Graham, 2015) .

### **2.10.3 Consumer's behavior**

The sharing economy changes the way people consume. It was created among others to face hyper-consumption and other current global environmental issues. Agency Havas, one of the world's largest global communications groups, conducted a survey of consumers in 29 markets around the world with the aim of developing a deeper understanding of people's feelings about consumerism (Havas Prosumer Report: The New Consumer and The Sharing Economy, 2014).

According to the survey of Havas, 70% of the ten thousand people surveyed around the globe believe that overconsumption is actually putting our planet and society at risk. Half say they could happily live without most of the items they own. 65% of respondents agree: "Our society would be better off if people shared more and owned less." In addition, two-thirds make it a point to rid themselves of unneeded possessions at least once a year. This is an enormous shift in consumer's behavior (Havas Prosumer Report: The New Consumer and The Sharing Economy, 2014).

Havas introduces in the study new wave of consumerism that promises to significantly change current economic models and the roles brands are expected to play. The survey as well brought a conclusion that most of the consumers are convinced that high levels of consumption are critical to economic growth but they choose to buy more durable and sustainable products. The majority highlight the importance of human elements of transactions. This emerging consumer's behavior is driving a new economic model that focuses on community and collaboration over accumulation and ownership (Havas Prosumer Report: The New Consumer and The Sharing Economy, 2014).

While so called hyper-consumption is a synonym of credit, advertisement and individual ownership, the sharing economy of reputation, community and shared access. People are part of a community, reputation creates their image and the way trust between

strangers can be established. Individuals consume in their community following a sharing ownership model. Sharing in the 21<sup>st</sup> century became socially acceptable, which is an enormous shift in consumer's behavior. The consumers will have to trust strangers when renting their spare bedroom during holidays, when sharing a car (Havas Prosumer Report: The New Consumer and The Sharing Economy, 2014).

#### **2.10.4 Ownership**

With the concept of the sharing economy, access to goods and skills is increasingly becoming more important than ownership. Consumers begin to prefer to have the possibility of usage of goods, paying for the experience of renting or sharing them, instead of buying and owning them. While property continues to exist, it is less likely to be exchanged in the market (Rifkin, 2000). An interesting feature can be observed around the globe; owning things is no longer the ultimate expression of consumer desire. As American professor of marketing, Russell W. Belk, in his study of sharing economy observes, "sharing is a culturally learned behavior. The same is true of possession and ownership" (Belk, 2007, p. 130).

The Western society has been based on buying and selling, leading to ownership. People define who they are with what they own. The Collaborative Consumption proposes a new ownership model, being the shared access.<sup>7</sup> In order for this transition from individual ownership to shared access to be accepted widely, individuals need to see the benefits. It is a big step for the society to openly share and distribute their own goods online with millions of others. An unexpected example that sharing assets is already happening is Wikipedia where knowledge is being shared, or crowdfunding; funding by raising monetary contributions from many people. Regarding the pace at which the movement is rising, it can be expected that more companies will reduce transaction costs and help reshape our understanding and expectation of ownership.

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<sup>7</sup> Nature of access based consumption explained further in the chapter

### **2.10.5 No partnership between sharing economy platforms and conventional business**

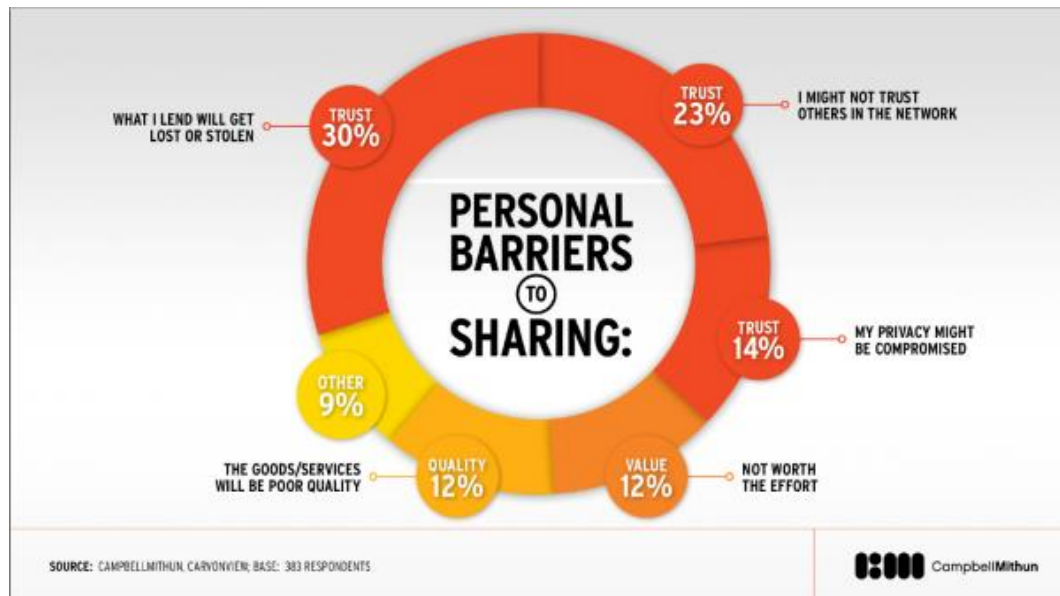
The partnerships that have been established with other industry players are still relatively insignificant. This fact is an impulse for lobby of conventional businesses against the sharing economy projects, as happened for example in Brazil with Uber. The company was ordered to suspend services in Brazil by Sao Paulo Court. The request came from taxi drivers union set a fine of 100,000 reais (\$34,000) a day. The judge said, “The company is providing a clandestine service” (Godoy, 2015).

The taxi union had claimed that providing rides on demand in the country is the exclusive right of drivers with a license for the purpose, which Uber its ‘drivers don’t have. In theory, if no deeper cooperation appears between the traditional business and CC companies this could lead to a battle between the two subjects. The hotel union could request banning Airbnb or restaurants meal sharing services. Due to the enormous potential of CC companies that became direct competitors to many established firms, collaborating with non-sharing economy companies might be inhibited.

### **2.10.6 Personal barriers**

The P2P companies face the problematic of personal barriers and how to reduce them. Companies seem to understand the consumer’s preoccupations and surrender them with technology. In the past, 20 years ago it wasn’t even imaginable to share a car with a total stranger. The uncertainty remains as we can observe in a research conducted by marketing company Campbell Mithun in the US (Cambell Mithun, 2015): two-thirds (67 %) of consumers’ perceived fears about participating in the sharing economy. Biggest barrier: concern that a lent item would be lost/stolen (30 %), followed by worries about trusting the network (23 %) and privacy concerns (14 %). 12% of respondents expressed fears that ‘sharing is not being worth the effort and the same portion expressed concerns about quality - goods/services being of poor quality (Figure 4).

**Figure 4: Personal barriers to sharing**



Source: Cambell Mithun (2015).

Now, in the year 2015, the business of car sharing is growing at fast pace. According to the strategy advisor Philip Lay (Lay, 2014), there are some ways CC companies ensure this trust by:

- Applying a strict rating of the experience and the users after all deals.
- Building guarantees within the platform, be it insurance in case of a problem, a well-designed deal details to avoid as many surprises as possible, a payment process completed after the deal, etc.
- Providing an outstanding support before the transaction and in case of a problem. In the sharing economy, there is no such thing as “after-sales” most of the transactions happen at the moment, so if there is an issue to solve it has to be immediate. Airbnb reports having now 80 people dedicated to ensuring trust and safety.

## **2.11 Successful story: Airbnb is changing world hotel industry**

The sharing economy business model might become particularly disruptive to conventional rental solutions for mobility, accommodation, catering and other sorts of services, because it is able to serve the same needs at a significantly lower price. The manner in which these companies generate revenue and impact the economy depend on their commercial interest. For all of these business models, however, community building and creating social relevance is crucial. Airbnb is cited many times in this study; it was chosen as it is a reference model for other sharing economy projects

Airbnb defines itself as “a trusted community marketplace for people to list, discover, and book unique accommodations around the world — online or from a mobile phone or tablet.” The company was founded in August of 2008 and is based in San Francisco, California (Airbnb, 2015). As many good ideas in human history, this one was born out of coincidence, Airbnb founders Joe Gebbia and Brian Chesky created a website to rent out an air mattress to three guests in town for the weekend. They understood this was a niche on the market and formulated a business plan based upon sharing economy model. An interesting curiosity is that the idea only became successful when they decided to hire a professional photographer in order to take pictures of hosts ‘places for their Airbnb profile.

The idea wasn’t new, before there was a travel social network Couchsurfing, which connects travelers with individuals who are willing to host them in their homes. The service is free of charge. Couchsurfing is paid by charging users \$25 to verify their real identity, something many serious hosts and travelers are eager to do – though it is not required (Couchsurfing, 2015).

Airbnb’s business model currently operates with minimal regulatory controls in most locations, and as a result, hosts and guests both have incentives to use signaling mechanisms to build trust. To reinforce this behavior, Airbnb has built an online feedback system that enables and encourages each guest and host to leave a review after each stay. Guests use star ratings to rate features of their stay, e.g., cleanliness, location, and communication. Both guests and hosts can provide other information about aspects of the stay, including personal

comments. Airbnb hosts list their spare rooms or apartments, establish their own nightly, weekly or monthly price, and offer accommodation to Airbnb guests. Airbnb's income is a fee for enabling the service divided between the guests and hosts. The guests are charged by 6 – 12% fee (Airbnb, 2015), depending on the length of the reservation, and hosts pay 3% fee as administration cost.

Since its launch in 2008, the Airbnb online marketplace has experienced very rapid growth. Currently it has over 1 200 000 listings in 34 000 cities and 192 countries (Airbnb, 2015). Airbnb estimated 37 million one-night stays in 2014. The company has received funding by investors such as Y Combinator, Sequoia Capital, Keith Rabois, Andreessen Horowitz, Ashton Kutcher, and Founders Fund. In April 2014, the company closed on an investment of \$450 million by TPG Capital at a valuation of approximately \$10 billion. In March 2015, Airbnb raised a new round of funding that placed the company at a \$20 billion valuation, in June has closed a new \$1.5 billion funding round valuing it at \$25.5 billion (Nusca, 2015).

Moreover, it is still growing; Airbnb is expected to double in size in 2015 according to Barclay's investor forecast. In addition, European leisure analyst Vicki Stern estimates is an approximate 10% per year increase in supply in several key markets (tnooz, 2015) .

Payments on Airbnb is safe and secure, transferring money between hosts and guests is simple and reliable, Airbnb has designed its booking system, cancellation policies, guest refund policy, which are flexible. Airbnb offers pioneer model, in which payments are kept by the system until a stay is complete, and all parties are satisfied. Airbnb is very successful in creating a marketplace by significantly reducing transactional costs for an asset to rent on a short-term basis. This was previously more expensive, and one global platform or engine didn't exist. The firm has achieved to widen supply and flexibly offers all categories of travel accommodation, globally (Airbnb, 2015).

To which extend is Airbnb affecting the hotel industry? According to a recent report from Boston University (Zervas, 2015), a 10% increase in Airbnb supply results in a 0.35% decrease in hotel revenue, in Austin, Texas, where there is the highest Airbnb supply, the

impact on revenue for hotel industry is 13% decrease. Sharing economy pioneer Airbnb and its successful story represents a tempting model to other P2P business. It is transforming travel and hospitality industry, laws, regulations, and consumers' mindsets. However, some local regulatory issues and payment on regional or national tourist taxes could diminish the influence and the growth.

### **3. Sharing Economy in the Food Sector**

#### **3.1 Collaborative gastronomy**

The collaborative economy is now rooted in each of the five key elements of the travel ecosystem: getting there, sleeping, eating, visiting, and the overall experience (Gonzalo, 2013). Many of these opportunities have existed for years; it has just taken the sharing revolution to make them more socially acceptable. Thanks to the fast-growing sharing economy, anyone can make money renting out his home or car or by becoming a personal chef. Disruptive innovation is a hot topic across gastronomy.

The range of businesses connected with food and drinks within the concept of the sharing economy is quite wide; these services reduce waste and bond community. Around the globe, innovative online platforms are connecting ordinary people who enjoy cooking for guests who want to eat home cooked meals. Below are the most significant ones, they could be categorized into following:

- Meal sharing: people are turning their kitchens into restaurants:
  - Global: Cookening, EatWith, MealSharing, Feastly (meals organised between locals), Plate Culture, Traveling Spoon, Plated, Bookalokal, VizEat (eat at your neighbors), Kitchensurfing, SupperShare (community through shared meals, donating a percent of earnings to local charities in San Francisco), ShareYourMeal, CookApp, Cookisto;
  - Regional: Gnammo (Italy), Dine With The Dutch (Netherlands), VoulezVousDîner (France), Super Marmite (France);

- Food preparation courses: Kitchensurfing (home chefs, events, courses);
- Food delivery: Blue Apron (deliver food for on-site assembly), Munchery (enables chefs to cook and deliver meals), Mighty Tasty, Mealku (delivers home-cooked meals);
- Gastronomic events: Kitchit (helps create effortless dinner parties, powered by chefs), EatWithMe;
- Left overs (reducing waste): LeftoverSwap;
- Personal food shopping (Instacart).

The research was conducted in the area of meal sharing, which could be defined as an intersection of food, community, creativity and technology. The role of technology is that it has helped to reinforce the trust mechanism. As the Greek entrepreneur and founder of meal sharing start up Cookisto verifies, “Technologies nowadays make it so much easier to trust strangers and researches show that the number of people using sharing services is growing extremely fast every year “ (Torregrossa, 2014).

The radical change lays in the fact that these kinds of services are co-opting the restaurant; sharing economy brings democratization of food industry. In addition, meal sharing introduces a completely new experience: socializing with strangers. To attend a shared meal, the guest must be interested in engaging in conversation with strangers, which is actually one of the barriers for meal sharing sites to gain users. Another feature of meal sharing platforms is that money is not the main objective; it is rather an experience of the culture and socializing for both hosts and guests.

Airbnb sees potential in collaborative gastronomy and is currently developing the model in California; the core idea is allowing travelers to pay for meals in strangers' homes as a complement of their stays. This concept already exists naturally in some countries; it has been fully functional for many decades in socialist Cuba, known as “casas particulares”<sup>8</sup>.

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<sup>8</sup> Private houses in Spanish

Airbnb just adds technology to make the concept more efficient. “Although Airbnb is not a pioneer in meal sharing the powerhouse will undoubtedly be a threat to existing startups when it launches its food portal in earnest “ (Shih, 2014).

In comparison with a giant Airbnb, most of the meal sharing businesses didn’t receive any significant funding. The co-founder of Cookening, Frenchman Cedric Giorgi explains in the interview for Collaborative Consumption, “We did not raise any funds from investors because the market of meal sharing is rather unquantified.” The entrepreneur further mentions to believe the industry will be big but does not have means to prove it and adds that for investors it is difficult to bet on an emerging market (Torregrossa, 2014). The exception is EatWith that has raised \$8 million in funding led by Greylock Partners (Lawler, ‘Airbnb For Home-Cooked Meals’ Startup EatWith Raises \$8 Million From Greylock, 2014). American Feastly has raised \$1.25 million in seed funding. (Deb, 2015) California based food-sharing startup Gobble raised in 2011 \$1.2 million in venture capital and counted Greylock and Khosla Venture among its investors, as well as the Silicon Valley seed-funding outfit Y Combinator (Deb, 2015).

### **3.2 Meal sharing**

Despite the meal sharing be characterized as a new field in the research context, the concept is extensively used in the market. In general, hosts create a profile, which includes a table page showing photos of their home-cooked dishes, a preset menu/meal structure, and a price for the guests. The profile is verified by a meal sharing company. Non-locals then simply choose the host/table booking, and make contact through the platform. Like similar peer-to-peer marketplaces, payment is handled by meal sharing platforms in order to help establish and maintain trust between hosts and guests, and the host only receives payment the day after a successful meal. The startups charge between 10% to 20% commission<sup>9</sup>.

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<sup>9</sup> Analysis from observations made in the meal sharing services available on the web.

The practice existed in some countries before; the example is “Table d’hôte”<sup>10</sup> in France, where individuals host home cooked meals. One of the features of meal sharing services is the fact that hosts dine with their guests. This increases security and trust; both parties in theory eat the same food. Therefore it could be categorized as social gastronomic experience, cultural exchange.

The concept helps small businesses get started without having to open a commercial kitchen, which saves them money. Looking at the impact of shared economy organizations in parallel sectors Airbnb and Uber have disrupted their industries. As far as the potential volume of meal sharing is concerned, the theme to be researched is to which extend it will affect urban food systems and the restaurant industry.

Meal sharing startups like Feastly, EatWith, and Cookening, could be described as Airbnb for meals. They can be defined as marketplaces that connect diners and hosts, creating a unique social experience where guests get to know one another while also eating an authentic, home-cooked meal.

Meal sharing represents a niche on the market, nevertheless along with the growth of collaborative consumption, the meal sharing startups are attractive for the investors. Israel based startup Eatwith raised \$8 million from investment group Greylock last September. (Lawler, 2014). The company is operating in 190 cities and 30 countries around the world.

### **3.3 Impact of meal sharing**

The concept helps small businesses get started without having to open a commercial kitchen, which saves them money. Looking at the impact of shared economy organizations in parallel sectors; Airbnb and Uber have disrupted their industries. As far as the potential

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<sup>10</sup> Table d’hôte is a French phrase that literally means "the host's table". The term is used to denote a table set aside for residents of a guesthouse, who presumably sit at the same table as their host.

volume of meal sharing is concerned, the theme to be researched is to which extent it will affect urban food systems and the restaurant industry.

The question is if meal sharing becomes a threat to restaurants, the same way Airbnb did to the hotel industry. Angelo Rossini, a travel analyst at Euromonitor, who has been studying the social dining trend, does not think so. He says in the interview for the Sustainable Economies Law Center, “In this case I think it should be less of an issue because it’s more comparable to dining with friends. It’s not really on the same scale of a restaurant, which would need health code authorizations,” he said (Sustainable Economies Law Center, 2011). The business also has not completely disrupted the restaurant industry in the way Airbnb took a toll on hotel profits, Rossini added. With average rates of about \$40 per person, VizEat co-founder Jean-Michel Petit said it would be hard to make the case that these occasional eateries would become a competition to restaurants. “People will use our service maybe once or twice on a trip and the rest of the time goes to restaurants,” Petit said (Sustainable Economies Law Center, 2011).

The growth of meal sharing is not as steady as for the other industries. The movement goes along with the tendency of “slow travel” and “slow food”; nevertheless to change of consumer’s mindset in this sector is both time and money consuming. “Every connection that is happening through us is a success and changes the perspective of people, and that's when you know little by little, you're changing people," said Cookening CEO Cedric Giorgi in the interview for TechRepublic (Gilpin, 2015).

The notion of scale is the biggest challenge for collaborative gastronomy marketplaces, specifically the local ones. Naama Shefi, EatWith’s marketing director, admits that keeping up with the pace of a booming business is a challenge (Bell, 2013). To estimate the market size is complicated for many reasons among which the uniqueness of the service stands out. Nevertheless, the home-cooked online marketplace has a record of accomplishment. French company Super Marmite has been connecting eaters and home chefs for four years, with 500 to 1 000 transactions per week. However, the company does not make any money and has not decided if it will try to, says co-founder and CEO Olivier Desmoulin (Deb, 2015).

Meal sharing has potential for urban food systems and communities; it brings social impact into anonymous cities. Meal sharing creates time and space for people to connect offline in the most traditional way possible, over food. Meal sharing has a positive impact on humans' health, for guests who would otherwise be consistently dining out; eating homemade food on a regular basis usually means a lower intake of salt and fat, improving health. The entire concept of meal sharing is based on the importance of social connections over shared meal.

### **3.4 Safety, legal issue, and taxes**

Just as Airbnb hosts are in danger of being evicted if subletting without permission violates their leases, meal-sharing hosts are as well putting themselves at risk. Restaurants, which serve food and accept payment for it must get permits and licenses, which require them to pass rigorous health inspections. Though specific rules vary by counties and states, food codes generally cover areas that include employee hygiene, food handling, storage and preparation, and equipment standards. Health and safety laws are made at the state level and regulations are different in every jurisdiction.

The movement has been drawing the attention of local health departments. The answer of the platforms is that they exist to connect people. Feastly co-founder Noah Karesh said in the interview for techhive: "We're a platform, not a food establishment, which allows people to showcase their offerings and other people to come on and reserve seats". It is difficult to apply the same law as for the restaurants when some chefs charge just to over the ingredients; some even cook for free (McGarry, 2014).

The legality of sharing platforms depends on local regulations, which varies. The founder of EatWith, Guy Michlin says the law has not been a barrier in Israel or Spain. In Tel Aviv, he says, the tourism ministry has helped train hosts and promoted the service. Health inspectors have visited host kitchens in Spain (Tozzi, 2013). As mentioned in the article about meal sharing in Collaborative Consumption, in the UK there are more favorable local laws where one can legitimately cook and sell food from home, and other European countries might follow (Torregrossa, 2014) . The main problem and a reason why meal

sharing startups are accused of being illegal is that technology and the Internet are moving extremely fast, whereas regulations are not.

As far as regarding the liability, the platforms, which can enable it are using the same model as Airbnb, they offer a financial guarantee. Feastly is now covering each host with a \$1 million insurance policy to safeguard against risks such food poisoning. EatWith offers a similar policy for its hosts in Israel and Spain (McGarry, 2014).

As far as the taxes are concerned, the system differs from country to country. As in other segments of sharing economy, many of the platforms find loopholes in traditional legislation. In order to avoid taxes, the clients of some services don't pay the price but "suggested donation". The company EatWith claims, "Each host is responsible for managing his or her own taxes and adhering to his or her local regulations. If you have any questions, we recommend consulting with an accredited tax or legal advisor" (EatWith, 2015).

#### **4. Collaborative gastronomy in Brazil**

##### **4.1 Collaborative consumption in Brazil**

In Brazil, an explosion in the collaborative economy has been observed parallel to that in the Western countries. In Brazil, the leftward shift toward social solidarity, poverty alleviation, and democracy suggests a context more conducive to a cooperative and community-oriented sharing movement. The country has the right ingredients for sharing economy: a strong entrepreneurial spirit culture, a young population with high mobile internet usage, and a thirst from its citizens to find alternative to traditional system, which is not working.

In the cities in Brazil, co-working spaces and makerspaces are blooming, the first platforms for carpooling are being tested, and free public bicycle systems are surfacing. The traditional markets from producer to the consumer are widely being promoted thanks to the Internet.

The meal sharing sites have started to emerge, in the table below the numbers of hosts of all sites presented in Brazil are demonstrated. For a country with 204 million citizens (CIA World Factbook, 2015), the figures are low, even though meal sharing is still a small market anywhere. In addition, there is a general mistrust of Brazilian institutions that control the country, and people are now beginning to use CC services such as more efficient transportation, transparent financial services, and creative, needs-led education services.

**Table 2: The most significant Brazilian P2P businesses**

<b>Crowdfunding platforms operating in Brazil</b>	<b>Broota</b>	the first equity crowdfunding from Brazil. It connects entrepreneurs, investors and mentors in the same place
	<b>Catarse</b>	the biggest crowdfunding community from Brazil
	<b>Recorrente</b>	continuous crowdfunding projects, aiming for monthly contributors
	<b>O Sujeito</b>	crowdfunding channel for independent journalism
	<b>Benfeitora</b>	crowdfunding platform for social projects
<b>Money lending</b>	<b>Fairplace</b>	the first peer-to-peer lending community in the country
<b>Education</b>	<b>Cinese</b>	‘crowd learning’ <sup>11</sup> platform
	<b>Descomplica</b>	leading online learning platform for people studying for college admission exams
	<b>Gastromotiva</b>	the first cooking platform in Brazil enabling you to either learn or teach your cooking skills
<b>Transportation and mobility</b>	<b>Fleety</b>	the first car-sharing website from Brazil
	<b>Caronetas</b>	ride-sharing
	<b>Zazcar</b>	on-demand cars
	<b>ezPark</b>	sharing parking spots
	<b>Tripda</b>	ride-sharing
<b>Delivery</b>	<b>Mandaê</b>	“the easiest way to send something to someone.”

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<sup>11</sup>Crowd-learning means learning by interacting with each other. The tool is web-based, social and expands organically (Edumanity, 2015).

	<b>Cargo BR</b>	helps to find the ideal carrier for transporting your cargo
	<b>Lote Box</b>	saves money by sharing empty space in cargo containers
<b>Swapping things</b>	<b>Closit!</b>	marketplace focused on women's fashion
	<b>Descolaai</b>	general swapping
	<b>Bau Verde</b>	Toys
	<b>Mercado Livre</b>	Brazilian eBay
<b>Coworking<sup>12</sup></b>	<b>Nós-Coworking</b>	space located in the city of Porto Alegre, it was one of the first coworking spaces in Brazil
	<b>Somos goma</b>	coworking space focused on social innovation, creative economy, and sustainable design is Rio de Janeiro
	<b>Coworking Brasil</b>	website that helps to find a coworking space in Brazil
<b>Skills and Services</b>	<b>Bliive</b>	Brazilian-based startup is actually gaining ground outside of the country with its time exchange platform
	<b>GetNinjas</b>	finds professionals to facilitate your life
	<b>Cabe na mala</b>	finds a traveler who can bring a special product from foreign country

Source: Own elaboration (2015).

## 4.2 Legislation in Brazil related to Collaborative Consumption

### 4.2.1 Consumer Protection/Defense Code

Consumer Protection/Defense Code (Código de Defesa do Consumidor - CDC) (Presidência da República, 1990) was promulgated in 1990. It is one of the most advanced laws of the protection of the consumer rights in the world. (Câmara dos Deputados, 2013) Before this, Brazil lacked clarity in defining responsibility in consumer relations. CDC has

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<sup>12</sup> Coworking is a business services provision model that involves individuals working independently or collaboratively in shared office space.

helped to prevent abuses in contracts, product delivery, service, advertising, etc. The Law No. 8,078 / 90.

#### Basic Rights Consumer (CDC)

1. Protection of life, health, and safety against risks caused by practices, supply of goods and services considered hazardous or harmful;
2. Education and outreach on the proper use of products and services;
3. Appropriate and clear information about different products and services, specifying correct quantity, characteristics, composition, quality, and price, as well as its possible risks;
4. Protection against misleading and abusive advertising, coercive business methods or unfair, as well as against practices and abusive clauses or those imposed on supply of goods and services;
5. Modification of contractual clauses that establish disproportionate benefits, or the review if they become too expensive;
6. Effective prevention and repair of material and moral damages;
7. Access to judicial and administrative bodies;
8. Facilitating the defense of their rights, including the reversal of the burden of proof;
9. Adequate and effective delivery of public services in general.

The CDC regulates activities involving, at one end, corporate/business organizations, and in another, the consumer. There is no law in Brazil that would protect a consumer when he deals with another physical person. Collaborative actions, in other words when the exchanges, loans, sharing, carpooling, etc. occur between individuals. Therefore the CDC will not cover them (Economia compartilhada requer regulamentação, 2015). From the legal point of view, it is recommended to learn about the conditions directly from the sites. Collaborative consumption in Brazil has many challenges to overcome, as not to cause a setback in consumer relations. Maria Inês Dolci, the coordinator of CC incentive PROTEST, says in relation to the rights of consumer in the frame of CC: "It is necessary to set up

regulations that will clarify conditions and obligations for the intermediaries. In addition, to ensure legally that the services are provided in safe and fair conditions" (Economia compartilhada requer regulamentação, 2015). Among the issues that are still open in the case of sharing economy in Brazil, include:

- Definition when a consumer who sells becomes a professional
- Definition who is the contract partner, who the user of CC platforms enters into a contract
- Definition of responsibilities of intermediary
- Definition of what information the platform should provide
- Definition of responsible institution if problems between peers appear

These issues are problematic in other countries as well. It is necessary to add to this issue that CC companies put a high priority on consumer satisfaction and protection, often offer guaranties of a full refund. Nevertheless support and protection from Brazilian legal system is lacking.

#### **4.2.2 Public Policies in Brazil: National Tourism Plan**

Public policies are government initiatives that aim to promote the welfare, and the understanding of the society needs, often formed from the adoption of governmental planning tools (Álvares, 2008). A public policy of tourism can be understood as a set of intentions; guidelines and strategies established and/or deliberate actions within the government, under the general goal of achieving and/or continue the full development of tourism in a given territory. Therefore, a public sector policy - as the public policies of tourism must not be designed, necessarily under that name. Any guideline or strategy created by the government with the stated goal and within the set of measures established for the same purpose, will be assumed as the government policy in question (Dalonso, Loureço, Remoaldo, & Panosso Netto, 2013) .

Because it is an activity composed of many sectors, the development implementation and monitoring of public policies and guidelines oriented to national tourism are necessary

for an alignment of different projects and actions triggered in different Brazilian cities. In this sense, the adoption of a National Tourism Plan is essential to assist cities in the development of tourism, conveying the orientation of the strategic guidelines to be followed in order to suit the various tourism products in the country (Santos & Kadota, 2012).

Considered the main tourism policy in Brazil, the National Tourism Plan 2013/2016 aims to position Brazil as one of the world's top three tourist economies by 2022. Among the challenges of the plan is the increase in domestic Brazilian travel , from the current 197 million to 250 million per year and the arrival of foreign tourists to almost 8 million per year, generating an increase in international tourism revenues of R \$ 6.6 billion to R \$ 10.8 billion per year. (Ministry of Tourism, 2013)

The PNT 2013/2016 provides for studies and research, in order to promote greater knowledge of the tourism market and the territory; structuring of destinations; promotion, regulation and the qualification of tourist services; promotion of tourism products; stimulating sustainable development of the activity; strengthening of decentralized management, partnerships and social participation; and improvement of a favorable legal environment for the sector. For the implementation of the current plan, the following guidelines have been established:

1. Creating opportunities for employment and entrepreneurship
2. Participation and dialogue with society
3. Encouraging innovation and knowledge
4. Regionalization

Related to meal sharing platform the first and the third points are important, as they demonstrate that it is Brazilian priority to support innovative ways of entrepreneurship, especially the ones that could boost Brazilian tourism.

### 4.3 Meal sharing in Brazil

Disruptive innovation entered the food and beverage industry in Brazil. The scale of meal sharing services is still very small as demonstrated in the table below. The total number of hosts of all meal sharing services in a country with 204 million citizens (CIA World Factbook, 2015) is 91 and they are located in big Brazilian cities, mostly Rio de Janeiro and Sao Paulo. There are two Brazilian meal sharing startups, both founded in July 2015, KitchenND and Dinneer (Estevam & Henrique, 2015).

The most significant number of hosts reports the worldwide platform MealSharing with 33 users, followed by Dinneer; a small Brazilian start up launched recently (table 3). Interesting fact that could lead to the growth of the industry is that according to Brazilian Institute of Geography and Statistics, IBGE, the average Brazilian spends 25% of his/her income on dining out (Sao Paulo Times, 2015). Whether Brazilians as consumers and users are open to this kind of innovation and whether the institution would allow such a service is subject of the research in the next chapter.

**Table 3: P2P meal sharing companies operating in Brazil**

<b>Company</b>	<b>Hosts</b>	<b>Cities</b>
<b>EatWith</b>	13	3
<b>PlateCulture</b>	3	2
<b>Cookening</b>	3	2
<b>MealSharing</b>	33	3
<b>KitchenND (Brazilian)</b>	8	3
<b>Dinneer (Brazilian)</b>	31	7
<b>Home Bistro (Brazilian)</b>	28	4

Source: Own elaboration (2015).

## **5 Research**

An empirical approach was adopted that would allow for a deep critical exploration of the phenomenon of home exchange as a contribution towards a more conscious form of travel. The reasons for, and the appropriateness of, choosing a qualitative research paradigm will be explained in this chapter. In order to establish the conceptual interest and theoretical framework of the study, a literature review was conducted, assessing the background antecedents of wider thinking.

Methodological considerations accompanied and shaped the process of information gathering, investigation, and analysis resulting in an exploratory study of collaborative gastronomy in Brazil in the societal context of a shifting consumer mindset within the sharing economy. When doubting whether a qualitative research is appropriate to the study, I based the decision on the publication *Qualitative and mixed-methods research in economics: Surprising Growth and Promising Future* by Martha A. Starr published in *Journal of Economic Surveys* (Starr, 2012). Qualitative research is a technique employed in many academic disciplines, traditionally in the social sciences nowadays in market research by the business sector. This contributes to the purpose of this study to analyze environment of collaborative gastronomy in Brazil.

### **5.1 Research methodology**

#### **5.1.1 Structured interviews**

This study used qualitative research as investigation method (Merriam, 2009), based on content analysis and application of interviews with *stakeholders* related to the sharing economy.

For this, it used the content analysis (Bardin, 2006), characterized as a methodological tool that has been used more often in the social sciences (Flick, 2008). To Creswell (2002), any data analysis technique ultimately means an interpretation

methodology. As such, has peculiar procedures involving the preparation of data for analysis, because this process is to make sense of the text data and images obtained from the sources.

Therefore, the document analysis is performed from documents, contemporary or retrospective, considered scientifically authentic. Richardson says “the documentary research for the analysis of a variety of documents and content that enable scientific study, for example, records written in newspapers and magazines, diaries, memoirs, autobiographies, scientific and technical works, literary works, objects , iconographic elements, photographic papers, film and phonographic” (Richardson, 2005, p. 472).

All this diversity of documents is an inexhaustible element for Social Research, as they bring together and express often scattered and fragmented way, the manifestations of social life as a whole and in each of its sectors. It is not social phenomena per se, but demonstrations that record these phenomena and ideas drawn from them (Richardson, 2005, p. 473).

A structured interview or a standardized interview is a qualitative research method commonly used in survey research. The advantage of it is the consistency of data, which is why it was chosen for this study. Another benefit is that standardized questions make the process more efficient, and results can be used to make statements much easier than in less structured interviews. On a qualitative basis methodology, the number of subjects that will compose the framework of interviews can hardly be determined a priori. However, it depends on the quality of the information obtained in each statement, as well as the depth and degree of divergence and recurrence of this information (Dalonso Y. , 2015).

In general, qualitative research requires the realization of interviews, often long and semi-structured. In such cases, the definition of criteria against which the subject will be selected that will compose the universe research is something primordial, because it interferes directly with the quality of information from which you can build analysis and reach the broader understanding of the problem outlined (Dalonso Y. , 2015).

In the structured interviews, questioning is standardized, and the ordering and phrasing of the questions are kept. The condition of the structured interview is a well-developed understanding of a topic. Only deep understanding of the problematic will allow the researcher to create a highly structured interview guide or questionnaire that provides respondents with relevant, meaningful and appropriate response categories to choose from for each question. After deep studying the topic of sharing economy and collaborative gastronomy, this requirement is fulfilled. The structured interview is the most suitable for engaging in respondent or focus group studies in which it is beneficial to compare participant's responses in order to answer a research question (Patton, 1990).

Standardized interview allows greater comparability of the answers, as the respondents answer the same questions, in addition to reducing the effects and influence of the interviewer when they are conducted several interviews (Louis Cohen, 2011).

There is a range of ways how to collect and record structured interview data. Data collections methods include, but are not limited to: (Structured Interviews, 2015)

- paper-based and self-report (mail, face-to-face)
- telephone interviews where the interviewer fills in participants' responses
- web-based and self-report

### **5.1.2 Collection and processing of data**

Within the framework of primary sources resorted to the application of standardized interview surveys or policy with stakeholders linked directly and indirectly with collaborative gastronomy in Brazil. A standardized interview allows greater comparability of the answers, as the respondents answer the same questions, in addition to reducing the effects and influence of the interviewer (Dalonso Y. , 2015). The method, similarly, facilitates the organization and analysis of data obtained in the interview. For structuring the questions, a set of themes that allow consistency and uniformity to the various interviews realized was structured (Table 6).

### 5.1.3 Topics of the questions in the interviews

**Table 4: Topics of interviews**

Topic	Title
1	Importance of sharing in Brazil
2	Potential for meal sharing in Brazil
3	Legal issues (safety, health, sanitation)
4	Managing low social trust in Brazil
5	Motivation (social, economic motives)
6	Participants (Brazilian or foreigners)
7	Growth of tourism along with sharing economy

Source: Own elaboration (2015).

One of the criteria used for the selection of respondents was to ensure the presence of *stakeholders* connected directly and indirectly with collaborative gastronomy. The study conducted by Bramwell and Sharman (1999) shows some potential benefits when *stakeholders* collaborate at building a consensus on the policies of a given destination. Firstly, such collaboration solves many conflicts that may arise in the long term between *stakeholders* (Healey 1998). Second, cooperation between the involved public can be more legitimate in political terms (Benveniste, 1989). Third, this collaboration improves coordination of policies and actions and promotes awareness of the economic, environmental and social impacts on the destination (Dalonso, Loureço, Remoaldo, & Panosso Netto, 2013).

Accordingly, the sample resulted in the identification of six respondents.

**Table 5: List of interviews with *stakeholder***

Identification of <i>stakeholders</i>	Their function and relation to meal sharing in Brazil
1. Flavio Estevem	Founder of Dinneer, the biggest Brazilian meal sharing platform
2. Tais Rissi	User of meal sharing service in Brazil, the chef at Dinner
3. Saulo Arruda	Customer of meal sharing platform Dinneer
4. Marina Simião	Consultant in public tourism management (Federal and Regional Government)
5. Elaine Borges Scalabrini	Director of gastronomy department at Univille, Joinville, Brazil
6. Patrícia De Oliveira Areas	Lawyer and director of cultural heritage in Joinville, Brazil

Source: Own elaboration (2015).

The purpose of this application was to assess the different variables presented in, identified in the secondary sources of research. Throughout the investigation, approaches have been made with agents linked to meal sharing, in order to discuss some of the ideas regarding collaborative gastronomy. The completion of the interviews took place between 20<sup>th</sup> of July and the 10<sup>th</sup> of August 2015.

## 5.2 Analysis of the research

The data analysis is carried out based on the structured interview, which allows establishing a hierarchy of responses given by respondents, as well as it enables the comparison of perceptions of each participant in the interview.

Assuming that meal sharing is an activity that so far involves a narrow group of actors, this chapter proposes the analysis of the perception of *stakeholders*. The interviews discussed in this chapter were designed primarily to assist in the validation of the information obtained through secondary sources of the studied topic.

### 5.2.1 Analysis of the interviews

The data analysis is conducted on standardized interview, which allowed to establish a hierarchy of answers given by respondents, as well as the comparison of perceptions of each participant in the interview.

The methodology is not intended to generalize the answers given by the participants, but rather contribute to the complement of information relating to meal sharing in Brazil. According to the seven themes from the interviews, the structure-analysis is made in Table 6.

**Table 6: Analysis of the interviews**

Topic	Title	Question
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1	Importance of sharing economy in Brazil	What is your opinion about the sharing economy?
2	Potential of meal sharing in Brazil	Do you see the potential in sharing economy and collaborative gastronomy in Brazil?
3	Legal issues (safety, health, sanitation)	In your perception, are there limiting legal issues related to P2P meal sharing? (Safety, health, sanitation)?
4	Managing low social trust in Brazil	In your opinion, how can P2P meal sharing can manage low social trust in Brazil? Is the system of references sufficient?
5	Motivation (social, economic motives)	What are the motivational factors for the participation in meal sharing? Social, economic motives? Please mention for both guests and hosts?
6	Participants (Brazilian or foreigners)	Do you see meal sharing expanding among Brazilian tourists or more likely as an attraction to foreign tourists?
7	Growth of tourism along with sharing economy	7. Can you imagine the growth of tourism going along with the growth of sharing economy?

Source: Own elaboration (2015).

### 5.2.1.1 Importance of sharing in Brazil

The research begins with the topic 1: the importance of sharing economy. All respondents agreed that sharing economy is of high importance for Brazil (Table 7).

**Table 7: Importance of sharing economy in Brazil**

Flavio Estevem	1
Tais Rissi	1
Saulo Arruda	1
Marina Simião	1
Elaine Borges Scalabrini	1
Patrícia De Oliveira Areas	1

Source: Own elaboration derived from the interviews (2015).

Note: For ranking purposes of the importance attributed to sharing economy in Brazil, was structured the following scale:

Category 1 - high importance

Category 2 - minor

Category 3 - did not answer directly

According to the perception of all *stakeholders* has the sharing economy in Brazil high importance.

Mr. Estevem, who is the owner of Dinneer, the most significant meal sharing platform says the Brazilians are very open to the whole concept of sharing economy. He stated that “as soon as people understand the concept of sharing economy, they identify themselves with the amount of benefits that the concept involves.” He also highlights the importance of collaborative consumption in relation to bring positive changes and more competitiveness to the Brazilian market. He states” this “revolution” is to break existing rules and change the various market segments, leading to disruption of the markets dominated by closed groups of companies such as taxi companies, hotels, and restaurants.” he adds that, the sharing economy perfectly matches the Brazilian entrepreneurial spirit. “ I see very clearly a revolution among many niches on the market, especially those founded in Brazil, considering the country is known for having an entrepreneurial spirit ” (Flavio Estevem).

Mrs.Rissi, who is a user of meal sharing service in Brazil, answered that “it is a way how to optimize resources and provide new experiences with more affordable costs.”

The perception of Mr. Arruda is that sharing economy can facilitate working relations. “It is a very interesting option for use of idle resources and facilitation of working relationships between people” (Saulo Arruda).

Mrs. Simião, consultant in public tourism management, argues “I believe the sharing economy will not replace the so-called "traditional economy." She mentions the sharing economy could be a chance for development in rural areas” (...) “I believe will facilitate the relationship and the development of market relations in sectors that work with craft production and / or small-scale and even in rural communities and small towns” (Marina Simião).

Mrs. Scalabrini, the director of Gastronomy Departament at Univille, Joinville, believes that sharing economy is an opportunity for new young entepreuners. She says, “I

believe it is a new trend, which represents an opportunity for new and young entrepreneurs, who still struggle with resistance in some regions” (Elaine Scalabrini).

The lawyer, Mrs. Areas concludes the topic of importance with a statement that sharing economy is an alternative to the failure of the economy as has been seen in Brazil recently. She says, “. A great opportunity, representing alternatives to the challenges and market failures which exist in the capitalist system, as we have seen recently.” (Patrícia Areas de

Flavio Estevem	1
Tais Rissi	1
Saulo Arruda	1
Marina Simião	1
Elaine Borges Scalabrini	1
Patrícia De Oliveira Areas	1

Oliveira).

### 5.2.1.2 Potential of meal sharing in Brazil

In the analysis of the narratives related to the topic 2 (Potential of meal sharing in Brazil), the question was considered: Do you see the potential in sharing economy and collaborative gastronomy in Brazil?

**Table 8: Potential of meal sharing in Brazil**

Source: Own elaboration derived from the interviews (2015)

Note: For ranking purposes of potential attributed to meal sharing in Brazil, was structured the following scale:

Category 1 – positive

Category 2 - neutral

Category 3 – negative

One of the crucial topics of this thesis, the potential of meal sharing in Brazil. The question was answered. All *stakeholders* expressed their belief there is a potential for collaborative consumption on the Brazilian market.

Mr. Estevem highlights the importance of gastronomy as being a part of Brazilian culture. He says “Food is extremely emotional for Brazilians and believe there is a huge potential for collaborative gastronomy in Brazil” (Flavio Estevem). Mr. Rissi talks from her

own experience as she is the user/home chef. She says, “I see that there is room, that people are interested in new experiences and friends” (Tais Rissi).

Mr. Arruda sees meal sharing as a small complementary part of the Brazilian market. He makes the comparison with the proportion of Airbnb and hotel industry; Airbnb takes a very small part of the hotel industry. The parallel he sees in meal sharing, he doesn’t believe it could become a threat to restaurants. To the question whether he sees potential he answers with the following “Yes, but not as a big market. A good comparison is the amount of reserves in hotels vs. reserves in Airbnb. There will always be more hotels (in our case, restaurants) available than people offering the same service” (Saulo Arruda).

Mrs. Simião believes that meal sharing has potential even in the areas that are difficult to access. She argues this new form of the economy could bring development and preserve the cultural Brazilian heritage. She says, “I believe the collaborative economy will grow. And even a way to collaborate with the preservation of the environment and maintaining cultural aspects involving the modes of production and forms of relationships between communities” (Marina Simião).

The head of gastronomy department at University Univille Mrs. Scalabrini believes there is a potential for meal sharing in Brazil (Elaine Scalabrini). Mrs. Areas argues there is a lot of potential due to cultural and gastronomic diversity. “Brazil is very rich when it comes to cultural and gastronomic diversity. Sharing economy is an interesting way to promote diversity and culture, avoiding risk of unsustainable economic exploitation of our heritage” (Patrícia De Oliveira Areas).

### 5.2.1.3 Legal issues (safety, health, sanitation)

Another crucial topic of this study is related to legal issues. The theme of legislation of Collaborative Consumption in Brazil is covered in subchapter 4.2. The scope of this research is to rather question the perception of each *stakeholder*, and then to research accurate, legal restrictions. It wouldn't be even relevant because the collaborative consumption/gastronomy companies use legal loopholes.

**Table 9: Legal issues (safety, health, sanitation)**

Flavio Estevem	3
Tais Rissi	3
Saulo Arruda	3
Marina Simião	3
Elaine Borges Scalabrini	3
Patrícia De Oliveira Areas	3

Source: Own elaboration derived from the interviews (2015)

Note: For ranking purposes of legal issues attributed to sharing economy in Brazil, was structured the following scale:

Category 1 – legal

Category 2 – not legal

Category 3 – nor legal neither illegal, legislation must react to the new type of economy

As far as legislation of meal sharing in Brazil is concerned, all of stakeholders (n=6) agreed on the fact that Brazilian law must react to the new trend. Some of them express their doubts about meal sharing being legal.

Mr. Estevem is the one with the most experience, as he is the founder of meal sharing company. He mentions that Brazilian legislation hasn't reacted yet to the changes that appeared with the raise of collaborative consumption. He verifies that there is no legislation that could ban meal sharing services, he says "The technological development comes first then the law. If there is no law for such activity, it is not illegal. There is no such a law in Brazil that regulates a person visiting another person in the house in order to eat meals" (Flavio Estevem).

An active user of meal sharing platform, Rissi, expresses her concerns about the legality of collaborative gastronomy. She argues that legal issues and safety are the main limitations.

An active user on the demand side of the service, Mr. Arruda expresses his concerned about food being a difficult subject of any kind of business. He says, "Food is always a tricky point. Even with all the inspection everyday people have problems, especially on issues related to cleaning. In collaborative cuisine that is not regulated and, therefore, depends on the good will of people and trust, especially the hosts." As far as the taxation and security are concerned he believes Brazilian legislation needs time to mature and react to the new movement". (...) "As for other issues such as taxation and security, I believe that is more related to the maturing of the concept of shared economy" (Flavio Arruda).

Mrs. Simião, believes that Brazilian legislation is extremely restrictive in several aspects. She argues that taxation of goods and services does not match the size of the institution. She mentions that "only a few years ago the micro and small businesses reached some legal achievements, and they are able to maintain themselves." As far as Brazilian sanitation is concerned, she says "SME are still considered and being treated as big companies." These facts according to Mrs. Simião "will interfere and hinder the establishment of collaborative actions in gastronomy" (Marina Simião).

Mrs. Scalabrini, is an expert on the issue of food security. She expresses her deep concerns about sanitation and food security. “I think one of the main issues would be at the health surveillance, as any plant producing food must be adequate to their standards.” She as the only stakeholder mentions the low security and social trust in some specific Brazilian regions. “Another issue would be security in some parts of the country. For example, some people may not feel safe to open your home to a stranger” (Elaine Scalabrini).

The lawyer Mrs. Areas, probably the most familiar with the topic verified what was researched in chapter 4.2, and that is that it needs some clarifications and legal adjustments. She highlights the need for health monitoring as the food sector is very sensitive to hygiene and health security restrictions. She says, “It may take some clarifications and adjustments, primarily related to legal issues and health monitoring” (Patricia De Oliveira Areas).

As far as the taxation is concerned, both the entrepreneurs and hosts at meal sharing platform are obligated to pay taxes. As it was researched the Brazilian startups use the Brazilian payment system *pagseguro*, which directly rates the tax and sends it to the state. For the hosts the tax is between 4%-6%.<sup>13</sup>

#### **5.2.1.4 Managing low social trust: system of references**

The system of references as a tool for dealing with a low level of social trust was questioned as the fourth topic. Except Mr. Estevem, who is the founder of meal sharing startup and Mr. Arruda, who is an active user, no other stakeholder is familiar with the reference system. There are two explanations for such a result, either that the *stakeholders* are not familiar with such a system or it could be caused due to the wrong formulation of the question.

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<sup>13</sup> Discussed with Flavio Estevem, the founder of meal sharing startup Dinneer.

**Table 10: Managing low social trust: system of references**

Flavio Estevem	1
Tais Rissi	3
Saulo Arruda	1
Marina Simião	3
Elaine Borges Scalabrini	3
Patrícia De Oliveira Areas	3

Source: Own elaboration derived from the interviews (2015).

Note: For ranking purposes of system of references as a tool of low social trust was structured the following scale:

Category 1 – system of references is efficient tool

Category 2 – system of references is not efficient

Category 3 – didn't answer or doesn't know system of references

Mr. Estevem believes the system of references has growing character in Brazil and is well accepted by users. He mentions as an example two successful Brazilian marketplaces; Mercado Livre and OLX.

Mr. Arruda believes the system of references is a suitable tool to deal with the low level of social trust but that is not working properly even with the well-established business such as Mercado Livre or Uber.

The four stakeholders who aren't familiar with the concept answered the following:

Rissi: "I don't know" (Tais Rissi).

Simião: "I am not aware of this system and would like to know more" (Marina Simião).

Scalabrini: "I don't know this system" (Elaine Borges Scalabrini).

Areas: "Very little knowledge" (Patrícia De Oliveira Areas).

#### **5.2.1.5 Motivation (social, economic motives)**

The motives behind participation at Airbnb are mostly economic on both sides, the demand and the supply. As meal sharing doesn't involve such big volumes of money, the motivational factors can vary.

**Table 11: Motivational factors (social, economic motives)**

<b>Stakeholders</b>	<b>Guest</b>	<b>Host</b>
Flavio Estevem	1	2
Tais Rissi	1	2
Saulo Arruda	4	4
Marina Simião	1	1
Elaine Borges Scalabrini	1	1
Patrícia De Oliveira Areas	1	1

Source: Own elaboration derived from the interviews (2015).

Note: For ranking purposes of motivation for participating meal sharing in Brazil, was structured the following scale:

Category 1 – Social (cultural, meeting people)

Category 2 – Economic (income for hosts, cheap price for guests)

Category 3 – Both

Category 4- Different motives

According to the founder of Dinneer, Mr. Estevem, the main driver to join meal sharing platforms are interest in cooking, Brazilian hospitality, and chance to have an extra income: “I would say that the interest in cooking is one of the biggest motivators followed by the hospitality as a natural feature of Brazilian culture. And the third is the possibility to have an extra income” (Flavio Estevem).

According to Mrs. Rissi, the main drivers are curiosity, chance to meet new cultures, lower price for the consumer and opportunity for economic income for the hosts.

Mr. Arruda believes that motivational factors “differ, depending on the profile of the client” (Saulo Arruda).

Mrs. Simião believes that Brazilians are always more aware of social, political, economic and environmental factors. She says “I have noticed that in the recent years, terms like social economy, cooperative economy, creative economy has been gaining momentum, falling to the "taste" of people without necessarily having knowledge of what it really is” (Marina Simião). The tendency to follow the Western trends is according to her the main motivational factor.

Mrs. Scalabrini mentions that the main motivation to participate in meal sharing is the experience of eating in the home of a local family.

Mrs. Areas states that the main driver to participate in meal sharing is an interest to "taste the traditional dishes and concern about sustainability of consumption"( Patrícia De Oliveira Areas).

To sum up the topic, according to *stakeholders* the main drivers are following:

1. Experience (hosts and guests)
2. Opportunity to meet new cultures (hosts and guests)
3. Interest at cooking, hospitality as one of the main feature of the Brazilian culture (hosts)
4. Chance to taste local home-cooked meals (guests)
5. Extra income (hosts)

#### **5.2.1.6 Participants (Brazilian or foreigners)**

The sixth topic covered by this study is the question whether meal sharing as a new way of entrepreneurship for the hosts and experience for the guests is likely to be more used by Brazilians or foreigners. Despite the significant demand of international tourists in Brazil (The World Bank, 2015) the number of international tourists is still very low compared to the existing demand.

**Table 12: Participants (Brazilian or foreigners)**

<b>Stakeholders</b>	<b>Brazilians</b>	<b>Foreigners</b>
Flavio Estevem	1	1
Tais Rissi	1	2
Saulo Arruda	1	2
Marina Simião	1	1
Elaine Borges Scalabrini	0	1
Patrícia De Oliveira Areas	1	3

Source: Own elaboration derived from the interviews (2015).

Note: For ranking purposes of the participants of meal sharing in Brazil, was structured the following scale:

Category 1 – positive

Category 2 – negative  
Category 3 – neutral, didn't mention

During the FIFA World Cup in 2014, Airbnb helped the country to deal with extra 600 thousand foreign tourists. (Schoon, 2014) Brazil lacks the capacity of hotels, especially the ones which are meant to be for medium and low budget travelers. Airbnb's business has skyrocketed in the country, even in the favelas.<sup>14</sup> Nevertheless, participation in meal sharing is driven rather by different experience than by the necessity or economic motivation.

The ones who believe international tourists would as well participate in collaborative gastronomy are Mr. Estevem, Mrs. Simião from Ministry of Tourism and Mrs. Scalabrini.

Mr. Estevem argued that Brazilians will be very interested as regional cuisines are part of the cultural heritage. "During the Brazilian immigration, people adjusted their traditional cuisines to the local options, and they created a great diversity. Brazilian tourists have very strong interest at tasting local foods from other Brazilian regions." He adds that it will work also for tourists as an unique chance to experience local culture." For foreigners, meal sharing is a chance how to enter the local gastronomic culture and to eat at someone's home rather than a restaurant where meals are often industrialized" (Flavio Estevem).

Mrs. Rissi argues that the idea will spread around Brazil as an inspiration from abroad. She says "I see there is growth among Brazilians, who are influenced by what is the hot theme on the international market" (Tais Rissi). Does not mention anything about foreigners.

Mr. Arruda argues the concept is not meant for foreign tourists. "I believe that the expansion will be more likely among Brazilians, rather than among foreigners visiting Brazil" (Saulo Arruda).

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<sup>14</sup> The so-called urban "slums" or low-income barrios that sprawl up Rio de Janeiro's hillsides and other Brazilian cities in the outskirts.

Mrs. Simião says it will work for both. “I believe that the tourism sector is innovative, lately there is an emphasis on the interaction between tourists and local communities. I think that's a real possibility for foreign tourists something yet to be developed and promoted among Brazilians” (Marina Simião).

Out of all six respondents, only Mrs. Scalabrini argues the concept will be firstly accepted by foreigners travelling to Brazil. She says ”I think it's more for foreign tourists, as it is still something very new in Brazil, and Brazilians need time to adapt” (Elaine Scalabrini).

Mrs. Areas argues it will rather work for Brazilians”Yes, a lot.”

#### **5.2.1.7 Growth of tourism along with the sharing economy**

The *stakeholders* have a different perception on the growth of tourism together with the sharing economy. Four of them make connection between the two features, two of them don't see any relation.

**Table 13: Growth of tourism along with the sharing economy**

Flavio Estevem	1
Tais Rissi	1
Saulo Arruda	2
Marina Simião	1
Elaine Borges Scalabrini	2
Patrícia De Oliveira Areas	1

Source: Own elaboration derived from the interviews (2015).

Note: For ranking the potential growth of tourism along with sharing economy in Brazil, was structured the following scale:

Category 1 – related with the growth

Category 2 – not related

Mr. Estevem mentions that “Airbnb is an example” of the growth of tourism along with the sharing economy (Flavio Estevem).

Mrs. Rissi believes services like ride sharing could facilitate travelling and therefore boost the growth of tourism.” Yes, I believe they can use hitchhike and similar services”(Tais Rissi).

Mr. Arruda doesn't see the direct relation between increasing tourism along with the growth of the sharing economy. “I don't see the direct relation”(Saulo Arruda).

On the contrary, Mrs. Simião believes that tourism is a sector which is characterised by the ability to adapt and reinvent, but doesn't mention whether she sees the growth of tourism accompanying the development of the sharing economy.

Mrs. Scalabrini argues that “tourism in Brazil is already well established.”(Elaine Scalabrini) and Mrs. Areas believes that “tourism would be the main sector to foster the growth of the sharing economy” (Patricia de Oliveira Areas).

## **Conclusion**

In the theoretical part of this study the concept of the sharing economy was analyzed. As it is defined in the objectives of the study, the purpose was to gain a more in-depth knowledge of the sharing economy. Other objective of the theoretical descriptive part was to analyze the concept of the collaborative gastronomy in the world and further in Brazil.

The sharing economy is a new phenomenon and needs to be further researched. The volumes of transactions are increasing and therefore it calls the attention of the researchers. The potential of the global market of this new type of consumption is difficult to establish, however there are some agencies and the economists who have attempted to estimate it. One such an agency, MIT Sloan Expert, estimates that the projects of collaborative consumption could potentially become a \$110 billion market (Contreras J. , 2011).

As far as the findings about legislation of the sharing economy are concerned, they vary from a country to country. Existing legislation in many countries does not cover certain activities, and transactions. Therefore it results that the legislation developed for traditional

industries is applied to markets in the sharing economy. The P2P platforms agree on the fact that the legislation should distinguish between the sharing economy activities and conventional businesses.

It is not clear at which volume a peer that cooks in his/her home should be treated equally as a small restaurant. As far as the protection of the consumer's rights is concerned, the sharing economy companies tend to protect the customer's welfare by themselves without any need of regulations from the government. As an example, Airbnb guarantees that the host will reimburse up to \$1 million in the case of damage to property by the guest. Nevertheless, the formal legal support for the users is lacking.

The information gathered about taxation in the frame of the sharing economy shows that in some countries, the users are taxed as they were entrepreneurs, in others they are not obligated to pay any form of taxes. In general it could be argued that in the countries, where the concept of sharing has been well established, the government reacted and the payment of taxes is compulsory for the users of P2P activities. The companies calculate VAT according to the rate in user's local country of residence. In many countries of the world, the users of the sharing economy projects are not subjects of taxations. This topic itself is wide and could be a subject for a single research.

In the third chapter of this study the sharing economy in a food sector was researched. There is a wide range of businesses connected with food and drinks within the concept of the sharing economy. There are several categories related with the sharing and food: meal sharing, which is the subject of this research, food preparation courses, food delivery, gastronomic events, redistribution of left overs and therefore reducing the waste and personal food shopping. Many of the startups were inspired by the successful story of Airbnb and promote their businesses as "Airbnb for food". There are several startups which have succeeded to grow globally, among them EatWith, Cookening, Feastly, Cookisto, and Mealsharing.

In the third section of the third chapter the impacts of meal sharing were researched. The founders of the most significant meal sharing startups agreed that has rather "one time

experience” character and it is unlikely to disrupt restaurants industry. The impacts on a region with high density of participants, for example, Tel Aviv or Paris could be a subject for a study. In the fourth part of the third chapter, safety, legal issues and taxations were analyzed.

It was found out that as it applies for the other segments of the sharing economy, the legality depends much on local regulations. In the future it would be very useful to make a list of countries where sharing economy/ meal sharing activities are legal and where they are operating in a grey area of law. As far as regarding the liability, the platforms, which can afford so, are using the same model as Airbnb, they offer a financial guarantee. Feastly is covering each host with \$1million insurance policy to safeguard against risks such as food poisoning. As it is for other sectors of CC, meal sharing companies seek loopholes in order to avoid taxation. The clients of some services don’t pay the price but “suggested donation”.

In the first section of the fourth chapter, the sharing economy scene in Brazil is introduced. In Brazil, the leftward shift toward social solidarity, poverty alleviation, and democracy suggests a context more conducive to a cooperative and community-oriented sharing movement. In the theory, the country has the right ingredients that will allow the collaborative consumption to grow: a strong entrepreneurial spirit culture, a young population with high mobile internet usage, and a thirst from its citizens to find alternative to traditional system, which is not working.

The sharing economy in Brazil has entered in different industries, they are introduced in a table in the chapter 4.1. As far as the legislation related with the CC projects is concerned, there are two laws analyzed. The first one is CDC- Consumer Protection Code. It resulted that it doesn’t cover the rights of the users of the sharing economy on the side on demand. Another policy which was analyzed is the national tourism plan, as the gastronomy is much related with tourism.

It resulted that is the priority for the government to support innovative ways of entrepreneurship, especially the ones that could boost Brazilian tourism. This statement and policy might become a solid basis for collaborative gastronomy users and entrepreneurs. As

far as the current scene of meal sharing in Brazil is concerned, there are seven startups operating in this niche. They are elaborated into a table, including the number of cities in which they operate and the number of users.

To yield descriptive and explanatory knowledge on the concept of home restaurants in Brazil by conducting qualitative research in the form of structured interview.

The questions of the structured interview were prepared in accordance with the purpose of the study. The questions were organized into seven themes. This methodology was selected as a research tool, firstly due to the fact collaborative gastronomy is a niche and it has been only recently entering the Brazilian market. The users are not familiar with the concept yet, therefore the classical quantitative research that is more common in economic science, was opted for the empirical qualitative research conducted with specialists. The group of the representative sample of specialists-*stakeholders* was chosen carefully in order to come to needed findings.

As far as the importance on the sharing economy in Brazil, all *stakeholders* agreed that it has a high importance for the future development. They argued the sharing economy will bring positive changes to the Brazilian market and more competitiveness. Mrs. Simião from the Ministry of Tourism stated a belief that it could economically boost rural regions. The lawyer, Mrs. Areas concludes the topic with a statement, the sharing economy is a chance for young entrepreneurs.

One of the key subjects of this study was to research the potential of the collaborative gastronomy on the Brazilian market. All six *stakeholders* believe there is the potential for meal sharing in Brazil. The founder of the meal sharing startup, Mr. Estevem highlighted the cultural importance of cuisine for the Brazilians and also the hospitality that represents one of the key features of the Brazilian culture. The active user, Mr. Arruda sees meal sharing as a very small niche that can work in Brazil. To conclude this question, the main motives for the potential of collaborative gastronomy in Brazil were cited the following: space on the Brazilian market, cultural and gastronomic diversity as well as the importance and interest in cuisine as being part of the culture.

As far as the legal issues are concerned, the purpose of this question was not to receive accurate data about Brazilian legislation, but rather the perception of the *stakeholders*. They all agreed that collaborative gastronomy is legal, as there is no such a law that would define it and they stated that the legislation must react to the new movement. Until then it will remain in the grey area of the law. As the founder of the meal sharing company, Mr. Estevem, and also an expert on the problematic, mentioned that there is no law that would ban or regulate a person visiting another person in their home in order to eat home-cooked meals.

The concept of collaborative gastronomy is brand new, not only in Brazil and Latin America, but also in the rest of the world. How the legislation will react, whether there will be any regulations or restrictions from the Brazilian government as we could see on the example of Uber, these questions could be the subject of the next studies on the topic. Concerning the unstable political situation in Brazil and the high level of corruption, it is necessary to formulate better diagnosis of the fact that many peer-to-peer business have been entering the market and adapt better policies and to establish the clear legislation.

As far as the taxation is concerned, both the entrepreneurs and hosts at meal sharing platform are obligated to pay taxes. As it was researched the Brazilian startups use the Brazilian payment system *pagseguro*, which directly rates the tax and sends it to the state. For the hosts the tax is between 4%-6%.

Researching the topic of dealing of the low social trust and the system of references as a tool for increasing the trust, four out of six respondents mentioned they weren't familiar with the topic. There is two explanation for such an outcome; either the *stakeholders* are not familiar with such a system. This result demonstrates that the concept is still new in Brazil and lack a maturing in relation to the operation of this economic activity.

However, the fact is Brazil being one of the most violent country, has for the sharing economy positive and negative sides; the positive is that with the system of references and verification of identity and tracking of each user's actions, the level of security could increase. The negative side is that level of social trust to the stranger is due to high violence

rate still very low. The topic of the sharing economy startups operating in a country with high violence could be a subject for the next study.

The *stakeholders* agreed that the main motivational factors for participation at meal sharing are following: experience, opportunity to meet new people/cultures, interest at cooking, chance to taste local food, extra income. It is an interesting finding that while for the users of Airbnb, the main motivational factor is economic, and in the case of meal sharing it is mostly the interest at gastronomy and an experience.

Another subject of the research was whether the participants of meal sharing platforms are likely to be Brazilians or foreign tourists. The *stakeholders* agreed on the fact that Brazilians are more likely to become users, although three of them mentioned the foreigners would be interested in using such a service, among them, Mr. Estevem. In his platform Dinneer, the users are mostly Brazilians, nevertheless the tourists from Argentina and France used the service as the guests.

The question about the nationality of the users is related to the following researched topic; the growth of tourism along with the sharing economy. In Brazil, infrastructure and service are still lacking. This fact can sometimes make negative motivation to foreign tourists. The high prices of transportation and accommodation can be motivational factors for Brazilian tourists to rather travel to the US or to Europe than to their own country. Airbnb proved that sharing economy services can support the major touristic event, as they did during the FIFA World Cup in 2014. The four interviewed believe that the growth of the sharing economy could facilitate travelling to and around the country and therefore give a solid support for tourism. Two of the stakeholders stated they don't see any relation between the two topics.

The hypothesis saying that meal sharing has the potential on the Brazilian market was validated by conducting the qualitative research in the form of the structured interview with six specialists-*stakeholders* and additionally by studying the scene of the sharing economy startups on the Brazilian market and the legislation that could restrict the innovative concept.

The strength of this study is the inductive and explorative approach. The great purpose of the interviews was to confront the information found in secondary research sources in order to validate the hypothesis in this thesis.

### **Reflections and limitations**

There are limitations to this research. In the theoretical part, the implications of the sharing economy have been noticed globally, but the academic research is only recently beginning to weigh in with deeper analysis.

In the practical part, in the qualitative research, the limitations have the subjective character of the research, which is vulnerable to the interpretation of the researcher. The empirical findings are qualitative and exploratory in nature and can be used as general guidance rather than used as validated benchmarks for future studies.

Another limitation is observed in relation to selected respondents. As the research directed to the stakeholders directly or indirectly related to the activity, it would be timely application of interviews with users of the meal sharing. This analysis would enable a broader look toward activity.

Further limitation of this study that there are only few publications on the sharing economy in Brazil and very few material about collaborative gastronomy/meal sharing. The chosen topic is very narrow and there are so far only seven meal sharing startups operating on the Brazilian market.

Within the limitations of this research, the intention was to make a contribution in the discussion regarding the meal sharing in the world, especially in Brazil. In the future it would be interesting to conduct research in the areas of high density of meal sharing services and the measure economic impact in such regions.



## **Appendix I**

### **Questions of the structured interview**

1. What is your opinion about the shared economy?
2. Do you see the potential in sharing economy and collaborative gastronomy in Brazil?
3. In your perception, are there limiting legal issues related to P2P meal sharing? (Safety, health, sanitation)?
4. In your opinion, how can P2P meal sharing can manage low social trust in Brazil? Is the system of references sufficient?
5. What are the motivational factors for the participation in meal sharing? Social, economic motives? Please mention for both guests and hosts?
6. Do you see meal sharing expanding among Brazilian tourists or more likely as an attraction to foreign tourists?
7. Can you imagine the growth of tourism going along with the growth of sharing economy?

### **Complete answers, translated from Portuguese by the author**

#### **Flavio Estevem**

1. As soon as people understand the concept of sharing economy, they identify themselves with the amount of benefits that the concept involves. This “revolution” is to break existing rules and change the various market segments, leading to disruption of the markets dominated by closed groups of companies such as taxi companies, hotels, and restaurants. I see very clearly a revolution among many niches on the market, especially those founded in Brazil, considering the country is known for having an entrepreneurial spirit .

2. Cuisine is one of the main features of the Brazilian culture. Food is extremely emotional for Brazilians and I believe there is a huge potential for collaborative gastronomy in Brazil.

3. The technological development comes first then comes the law. Of course, this causes some discomfort because if there is no law for such an action, it is not legal, neither illegal. There is no such a law in Brazil that regulates a person visiting another person in the house in order to eat meals. I hope this will soon be resolved by creating optimal legislation for meal sharing.

4. It is a growing concept in Brazil and well accepted by users. There are success stories like Mercado Livre and OLX.

5. I would say that the interest in cooking is one of the biggest motivational factors. Followed by the hospitality as a natural feature of Brazilian culture. And the third is chance to receive an extra income.

6. During the Brazilian immigration, people adjusted their traditional cuisines to the local options, and they created a great diversity. Brazilian tourists have very strong interest at tasting local foods from other Brazilian regions. For foreigners, meal sharing is a chance how to enter the local gastronomic culture and to eat at someone's home rather than a restaurant where meals are often industrialized.

7. There is Airbnb as an example of this, and we want Dinneer to be to restaurants what Airbnb is to the hotels. To be a reference in local cuisine around the world.<sup>15</sup>

**Tais Rissi**

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<sup>15</sup> Flavio Estevem is talking about his startup Dinneer at [www.dinneer.com](http://www.dinneer.com)

1. Sharing economy is a great way how to optimize resources and provide new experiences with more affordable costs. I am an adept.
2. I see that there is room; people are interested in new experiences.
3. I think the main limitation is the safety and legal question.
4. I do not know.
5. Curiosity, opportunity to meet new cultures and make friends, lower price and even opportunity for business.
6. I see there is growth among Brazilians, who are influenced by what is the hot theme on the international market.
7. Yes, I believe they can use hitchhike and similar services.

### **Saulo Arruda**

1. It is a very interesting option for an usage of idle resources and facilitation of working relations between people.
2. Yes, but not as a big market. A good comparison is the amount of booking in hotels vs. Airbnb. There will always be more hotels (in our case, restaurants) available than people offering the same service.
3. Yes, food is always a tricky point. Even with all the inspection everyday, people have problems, especially on issues related to sanitation. In collaborative cuisine that is not regulated and, therefore, depends on trust and good will of people, especially the hosts. As for other issues such as taxation and security, I believe that is more related to the maturing of the concept of sharing economy.
4. Yes, but it is still very weak in Brazil, even with services already established as a Mercado Livre / OLX and more recently the Uber.

5. I think there is a very distinctive profile of a client who is interested in this type of service. People who are open to new experience, collaborative gastronomy gives a great range of options.

6. I believe that the expansion will be more likely among Brazilians, rather than among foreigners visiting Brazil.

7. I do not see a direct relation. I believe that tourists will feel more comfortable with the traditional ways of tourism.

### **Marina Simião**

1. I believe the sharing economy is a new form of relationship will not replace the "traditional economy", but I believe it will facilitate the development in sectors that work with craft production and / or small-scale and even in rural communities and in small towns. I believe this new form will increase, in future it could reach new proportions.

2. Yes. I believe the collaborative economy will grow due to the size of the country. It could support rural areas thorough Internet, that are difficult to be reached. And it could work as a tool of preservation of the environment and maintaining cultural aspects involving the modes of production and forms of relationships between communities.

3. I believe that Brazilian legislation is extremely restrictive in several aspects. The taxation of goods and services does not match the size of the institution, only a few years ago the micro and small businesses reached some legal achievements, and they are able to maintain themselves. Small and medium enterprises are still considered and being treated as big companies. These facts will interfere and hinder the establishment of collaborative actions in gastronomy.

4. I am not aware of this system and would like to know more.

5. I believe that gradually people are more aware of social, political, economic and environmental factors. I have noticed that in the recent years, terms like social economy, cooperative economy, creative economy has been gaining momentum, falling to the "taste" of people without necessarily having knowledge of what it really is. They follow whatever appears abroad. The term collaborative cuisine, on the other hand, is still little known, or at least not well known in the country.

6. I believe that the tourism sector is innovative, lately there is an emphasis on the interaction between tourists and local communities. I think that's a real possibility for foreign tourists something yet to be developed and promoted among Brazilians.

7. Yes. I think the markets are going to adapting and reinventing itself from cycles. Thus, I believe the same will happen with the development of collaborative consumption. Tourism is a sector which is by ability to adapt and reinvent, so this will be a way how to adjust.

### **Elaine Borges Scalabrini**

1. I believe it is a new trend, which represents an opportunity for new entrepreneurs, who struggle with resistance in some regions.

2. I believe there is potential

3. I think one of the main issues would be sanitation, as any plant producing food must be adequate to their standards. Another issue would be security in some parts of the country. For example, some people may not feel safe to open their home to a stranger.

4. I don not know this system.

5. The experience to see the life of a local family.

6. I think it's more for foreign tourists, as it is still something very new in Brazil, and Brazilians need time to adapt.

7. Tourism is well established, but I imagine the sharing economy will be a major support for tourism.

### **Patrícia De Oliveira Areas**

1. A great opportunity, representing alternatives to the challenges and market failures which exist in the capitalist system, as we have seen recently.

2. A lot of potential. Brazil is very rich when it comes to cultural and gastronomic diversity. Sharing economy is an interesting way to promote diversity and culture, avoiding risk of unsustainable economic exploitation of our heritage.

3. It may take some clarifications and adjustments, primarily related to legal issues and health monitoring.

4. Very little knowledge.

5. Actually, taste the traditional dishes and concern about sustainability of consumption.

6. Yes, a lot.

7. I believe that tourism would be the main tool to foster the growth of sharing economy

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