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Collaborative Consumption: Its Impact in the U.S.A. and China

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Report

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Dedication

This paper is dedicated to my mother GuiHua Pan. Happy Mother's day.

题献

这篇报告献给我的母亲潘贵花，母亲节快乐。

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我的父亲郑铭，我的母亲潘贵花，我的祖父母郑万华，杨杏宝，吴美娣，我的姑姑郑洁：感谢你们对我的支持和鼓励，这组成了这篇论文的90%。

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Abstract

Collaborative Consumption: Its Impact in the U.S.A. and China

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The University of Texas at Austin, 2011

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In 2010, an innovative consumer consumption model emerged and companies like Zipcar and Groupon were important examples that demonstrated how rapidly new collaborative ventures were able to attract venture capital funding and attract members. The term “collaborative consumption” became part of the Internet lexicon and demonstrated that such sites and services were more than a way of promoting and selling products; rather, it is a marketing reflection of the ways in which it is now possible to interact and to share ideas and creative initiative in this digitally connected, globalized world. This report will examine the background of collaborative consumption and provide a pilot study examining its use across two cultures (USA and China), the life style and attitudinal variables that characterize those who use it. The discussion will also include the impact of this collaborative behavior on the role of advertising agencies as well as informed guesses about future growth of this retail and networked phenomenon.

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Chapter 1. Introduction

While the concept of a group being formed to exercise more control for the buyers as opposed to the sellers is not new, the wide-spread publicity associated with the publication of “What's Mine Is Yours: The Rise of Collaborative Consumption” certainly increased the attention the issue received. The Financial Times (2011) said in its review “A remarkably hopeful and accessible book about a social revolution gaining momentum.” The Harvard Business Review (2010) said “A socioeconomic groundswell that will transform the way companies think about their value propositions.” The writer having spent some time earlier in her academic career studying the use crowd sourcing in advertising was easily drawn into this discussion and formulated a professional report proposal that would provide the opportunity for more extensive study. This document is the result of that effort.

Why do people collaborate? The question has caught the attention of philosophers, anthropologists and marketing and advertising people. Collaborations are driven by the desire to create difference and to refuse or find an alternative to “the absolutistic power of organization” (Schneider, 2006). French observer Alexis de Tocqueville noted more than 150 years ago that Americans seem to have a genius for collective action perhaps stemming from their cultural roots. And according to Tomasello (2009) in his recent book “Why We Cooperate.” human beings are evolutionarily inclined to do so.

At the outset it is important to define the term “collaboration.” According to Merriam-Webster and the Oxford online dictionary, collaboration means the action of working with someone, especially in an intellectual endeavor to produce or create something. With the definition of working together with others at its

core, collaboration is not a new phenomena and the notion has been applied across various fields. Examples include game theory which looks at situations where players make decisions in order to maximize their returns, social projects like Kibbutz communities where residents build a community with a common social, political or spiritual vision and shared responsibilities and resources, to collaborative learning projects like Black Mountain where “a variety of educational approaches involving joint intellectual effort by students, or students and teachers together” (Smith and MacGregor, 1992)

In business, collaborative actions can be found in trading markets that existed in the stone age as well as contemporary models from “the simplicity of a business partnership and crowd funding to the complexity of a multinational corporation” (Hodlin, 2010). The rapid growth and profitability of some of these new ventures is remarkable. Netflix now has more than 20 million subscribers who pay a fee to essentially share DVDs. Groupon now boasts of more than \$1 million in revenue per day (Gross Margin is 50%) with 1,000 employees. Every day Groupon e-mails 12 million people and the rate at which new members are added is two million per month.

Like Botsman and Rogers (2011, p.113) stated “Collaborative consumption describes the rapid explosion in traditional sharing, bartering, lending, trading, renting, gifting, and swapping reinvented through network technologies on a scale and in ways never possible before”. This writer accepts that definition but would add that the growth and importance of the activity so defined should have greater emphasis on the conditions at this point in time; a time of great economic uncertainty, digital connectivity and speed previously unknown, environmental concerns about global warming and ozone layers, and other issues which have combined to increase sensitivity about the

goods we buy, the meanings we attribute to ownership and the impact that that behavior has on our world and society.

The presence of a group offers a participative and informed sense to the individual. Collaborative consumption models – Groupon or Airbnb.com – provide that additional lift and confidence and the impact on purchase likelihood and satisfaction will be discussed.

Chapter 2. The Research

Three different research approaches were used in the preparation of this report.

Secondary Research:

First, secondary research was done to look at the most commonly used collaborative consumption sites. Several aspects were examined: 1) website structure; 2) the definition of the product/service it offered; 3) the business model and its dependence upon online, offline or combined involvement; 4) charges to users and clients; 5) How consumers interact with the brand and other users when use the site/service? 6) length of time in business.

A list of collaborative consumption sites/services that were examined by the writer is listed below.

| Launch Year | Company | Position of services |
|-------------|----------------|--|
| 1991 | Around again | A local consignment store where people can sell and buy old cloth |
| 1995 | eBay.com | An online auction and shopping website |
| | Clothing swap | A both online and offline community where people find information of events online and meet offline to swap second hand clothes. |
| 1996 | Craigslist.com | a centralized network of online communities that features free online classified advertisements |
| 1997 | Netflix | A provider of on-demand internet streaming video and flat rate DVD-by-mail |
| 1999 | MakeupAlley | Beauty community which also offers an online community for members to swap beauty products |
| 2000 | Zipcar | The world's largest car sharing and car club service |

Table 2.1 1991-2000 Collaborative Consumption site/services

| Launch Year | Company | Position of services |
|-------------|---------------------|---|
| 2002 | hubculture.com | A social network service that operates the global digital currency Ven, merge online and physical world environments |
| 2003 | yelp.com | A social networking, user review, and local search web site |
| 2004 | swapsimple | An internet based community for individuals to trade amongst each other the books, textbooks, DVDs, and video games |
| | Bag borrow or steal | designer bag, watch and jewelry rental services |
| | Couchsurfing | A non-profit community for sharing local rental information |
| | swapstyle | An interactive fashion website where members can swap designer clothes with other users |
| | swap.com | An interactive website focuses on trading among books, CDs, movies, and video games of members |
| 2005 | etsy.com | Homemade craft online marketplace |
| | homeaway.com | An online community connects homeowners and property managers with travelers who seek the space of vacation rental homes as an alternative to hotels. |

Table 2.2 2002-2005 Collaborative Consumption site/services

| Launch Year | Company | Position of services |
|-------------|----------------------|--|
| 2006 | BarterQuest | A trading platform designed for the individual to trade goods, services, and the use of real estate |
| | Prosper | An online peer-to-peer loaning system |
| | parkatmyhouse | An online parking marketplace created to connect people have needs(parking lots) and wants (parking) |
| | grouply | A combined online system of social group (Facebook) and online group like yahoo, Google groups |
| 2007 | Citizen space | A coworking space in San Francisco |
| | facebook marketplace | A social network community that features classified advertisements |
| 2008 | airbnb.com | An online community marketplace for people to list, discover, and book unique spaces |
| | relayrides | A peer-to-peer car rental or car-sharing service |
| | Groupon | A deal-of-the-day website that offers group deals majorly focuses on local businesses |
| | Nakedaprtment | An online community pairs brokers with renters to simplify search |
| | flippid | An online community connects buyers and sellers with current and potential needs and wants information |
| | thred-Up | An clothing swap site that concentrates on kid clothes |

Table 2.3 2006-2008 Collaborative Consumption site/services

| Launch Year | Company | Position of services |
|-------------|-------------------|---|
| 2009 | kickstarter.com | The largest crowd-funding platform for creative projects |
| | davezillion | An online community that helps you accomplish tasks |
| | share some sugar | An online renting and lending services among neighbors and social network friends |
| | landshare | An online community connects landowners and people who want to grow food, as well as people who have tools or supplements and are willing to help |
| 2010 | neighbor goods | An online borrowing, lending or reselling community |
| | urban gardenshare | An online community pars together gardeners and gardens, gather people together and co-operatively grow food |
| | snapgoods | An online community connects people to rent or borrow gear from within their network or neighborhood. |
| | yardsellr | A social network version of eBay, where allows people to sell and among Facebook friends |

Table 2.4 2008-2010 Collaborative Consumption site/services

Examining this development provided this writer with a more thorough understanding of the origination of collaborative consumption services, of the history and current trends of that development, as well as of the current business models.

In-depth Interview:

Secondly, 15 in-depth interviews were done with both Chinese and American collaborative consumption services users. The interview guideline can be found in **Appendix 1**. The direction selected, because of the limited research that was found dealing with consumer behavior, sought to address that issue. Why do they participate? What are the motivations that drive them to share instead of owning?

How do they consume collaboratively and do the sites really provide an opportunity for consumption? What do they share and are they concerned about with whom they are sharing? After several in-depth interviews with collaborative consumption users (part of a class study the writer initiated) framed a set of questions addressing these issues.

At first the interviews were intended to look at the frequency of the usage of so-called collaborative services, the motivations for participation, their positive or negative experiences, and their attitudes towards a “sharing” lifestyle versus one based on ownership. During the interviews, the writer found that the interactions among consumers and the interaction between the consumers and brands were determined by several key variables. Questions about awareness and trust, as well as influences from other group members often reflected the way in which the collaborative members contributed to the sites/services explained the perceived value participants believed the sites offered. Equally interesting were comments about “buyer’s remorse” or cognitive dissonance. Was the frequency of such feelings in collaborative consumption actions more or less frequent than was the case when purchases took place in a traditional real world retail location? After the first few interviews, questions dealing with these aspects were added to the interview guideline.

Sample: A convenience sample was drawn from users of collaborative consumption sites/services from both China and the USA. (The writer did try to balance the two samples in terms of gender, age, educational and socioeconomic-status. A description of the sample can be found below.

| American citizen 1 | American citizen 2 | American citizen 3 | American citizen 4 | American citizen 5 |
|--|--|--|---|---|
| 50-65 | 18-25 | 18-25 | 36-49 | 26-35 |
| graduate | graduate candidate | graduate candidate | graduate | graduate candidate |
| I am a lawyer, I am very competent on information searching. I know what's the right price should be, I know where to get them | I don't go to sites that I can't afford even though I am a fashion nuts. I keep a good control of my purchase since now I am a poor graduate student. I always sign up for new stuff because I like explore things | I hate mass-produced products, instead I like making things my own or buy second hand stuff, because I feel used goods have unique stories, It's just really fun to explore those stories. | I am the expert of new tech products among my friends, and I just love to give out advise on various topics, even though if it's not related to what I am really doing. As long as my friend ask me, I'll try my best to give them answers. | "I like boutique hotels. They are better services and pays more attention to details" |
| competant | control / explore | unique / expore | expert/ | boutique/better service |
| Americian citizen 6 | American citizen 7 | American citizen8 | Foreigner 1 | Foreigner 2 |
| 26-35 | 50-65 | 50-65 | 18-25 | 26-35 |
| female | male | male | female | male |
| graduate | graduate | graduate | graduate candidate | graduate candidate |
| "I am a shoe nuts, but for online shopping, the only websites I need are the once that are continent. " | I believed what people say on craigslist and I trusted it | I am a rational consumer who understands the importance of money, I do analysis on anything that is expensive, whether it is car or a house. | Since I am about to graduate, I feel shame to ask financial support from my family. At this point, price is a big factor for me | I call myself a "deal pro" or "Functional shopper", I tend to do things that are practical, I don't buy cars because I don't get to use them a lot. So I rent cars. |
| continent | trust | rational | price | functional / practical / pro |

Table 2.5 Profile of U.S.A. participants

| Chinese participant 1 | Chinese participant 2 | Chinese participant 3 | Chinese participant 4 | Chinese participant 5 |
|---|---|--|--|--|
| 18-25 | 50-65 | 18-25 | 18-25 | 18-25 |
| female | male | female | female | male |
| graduate candidate | MBA | graduate | college | graduate |
| I buy a lot of cosmetics, but I buy most of them online, because it's cheaper. Before I purchase, I will do a lot of research just to make sure I get the right product | I do a lot of online shopping, because it's cheap and convenient. And also I am a high-tech products fanatic. | I really value my time, I make purchase decision not only based on price but also based on how much time I need to devote in purchasing and consuming it. Because on hour of my time worth more than 2 RMB | I don't buy expensive things without doing enough research. I am a very rational and, maybe even conservative consumer | I just got a good job and since now I have more disposable income, I start to enjoy my life. |
| online / research | convenient / high-tech | valuable time | rational / conservative | enjoy |

Table 2.6 Profile of China participants

Approach: Fifteen one-hour in-depth interviews were conducted either face-to-face or through phone calls or the use of Internet chatting tool. Detailed notes were taken on all interviews and some were recorded when the situation allowed.

Exploratory Research:

In their book, Botsman and Rogers (2011) defined 3 models of collaborative consumption based on the forms of transactions.

(a) “Product Service Systems: Pay for the benefit, not the ownership (Example: ZipCar¹)” (Botsman and Rogers, 2011);

¹ Zipcar: world's largest car sharing and car club service, operates

(b) “Redistribution Markets: Exchanges that move used goods to where there’s new need (Example: SwapTreasures.com²)” (Botsman and Rogers, 2011);

(c) “Collaborative Lifestyles: People with similar interests band together (Example: Airbnb.com³)” (Botsman and Rogers, 2011);

In order to get a deeper understanding of the degree of collaboration consumers perceived in various collaborative services, the writer did an exploratory survey on Mechanical Turk⁴. The four questions survey looked at the interaction level participants believed exists among various collaborative consumption services. The collaborative sites/surveys ranked were Zipcar/Car2go, Kickstarter.com⁵, craigslist.com, Yelp.com, Groupon⁶ and Facebook (used as a control variable to get a sense of participants’ perception of interaction among sites/services’ users).

² SwapTreasures.com: One of the largest barter site that specializes in online swapping for various type of goods and services.

³ Airbnb.com: An online community marketplace where connect people who have space to spare with those who are looking for a place to stay.

⁴ Mechanical Turk: a crowdsourcing Internet marketplace that enables computer programmers to use human intelligence to perform tasks that computers are unable to do yet.

⁵ The largest online crowd-funding platform for creative projects

⁶ A deal-of-the-day website that offers group deals majorly focuses on local businesses

| | | | | | | |
|---|------------------------|---------------------|--------------|---------|----------------|----------|
| 1. What is your gender | Female | Male | | | | |
| 2. What is your age | | | | | | |
| 3. What is your highest achieved education level | | | | | | |
| 4. Rate the degree or the ammount of interaction among users from 1 to 3 (where 3 is the most interactive and 1 is the least), for each of the following services) | Zipcar or Car2go | Kickstart er.com | yelp. com | Groupon | Craigslist.com | Facebook |

Table 2.7 survey Questions

Chapter 3. Results and Analysis

A short history:

1991-2000: Started in early 90s, the old version of a garage sale was lifted to the Internet with the help of the dot.com bubble, companies such as Around again, Clothing swap, MakeupAlley started to offer an online platform that connected people on a larger scale, generated conversations among them, and then took members offline and let them consume collaboratively in the real world. Craigslist and eBay also appeared during that period of time, as services to remove middleman and make the data of needs and wants more readily transparent to the public. Netflix and Zipcar appeared in 1997 as an alternative to second hand purchases. They brought the notion forward that ownership can be completely taken out of the product experiences.

2002-2005: 1998, Google was born, and in 2000 the dot.com bubble busted. These two events made group and peer opinions more important. Seeing lots of self-acclaimed technology experts failed in the dot.com bubble war, people started to consider peer group opinions as more trustworthy resources when compared to singular expert. Riding with this wave, Yelp.com launched, offered a platform for people share and read peer opinions. The perception of sharing was extended to a new level with consumers' acceptance of Bag borrow or steal, a company offers rental services on designer watches, jewelries and bags. Swap is still a hot word in this period, however websites dealt with this service tended to focus on special categories such as DVD, CD and videogame that swapsimple.com provided, or designer clothes that swapstyle.com provided. Homeaway.com appeared as a further move on the wave of removing middleman, even within such category like real estate, which was traditionally considered requiring specific expertise.

2006-2008: 2004 Mark Zuckerberg launched Facebook. People had never been so excited about meeting and making friends online. And the ongoing passion about Facebook extended people's trust for peers on a larger scale, Relayrides, Aribnb.com, Facebook marketplace, Prosper, Parkatmyhouse, people started to share goods with not only families and friends, but also strangers, with things that they never wanted to share before, even things that were considered having high economical risk, such as a personal car, money, or apartments. Swap sites continued to tap into niche markets that have more potential in a sharing marketplace when compared to the traditional ownership marketplace. For example, Thread-up was launched to provide a swap service for kid's clothes and became very popular. In the classified field, businesses were not only trying to match current wants with needs, but also the predicted future wants and needs that were being predicted.

2009-2010: In the last two years, collaborative consumption services have become more social. Besides the services they offered, the social platform layer became an important attribute and contributed to the ability of those sites/services to get members. They started to be considered as a way to connect, as well as a way to be connected with communities both online and off. Yardsellr launched itself as the social network version of Craigslist. Neighbor goods and Snapgoods helped people to borrow, swap or purchase things within certain communities. The occurrence of Urban Gardenshare and Davezillion indicated peer-to-peer sharing services went from merely meeting consumers' daily needs to offering to handle their intermittent needs like gardening or requests for special skills.

This 20-year period shows the growth and range of services that may be identified as “collaborative consumption” businesses. These sites became social media opportunities that provided opportunities for members and interested parties to interact with each other and provide feedback and opinions about the product or service. This open-source aspect of social media and its appeal to a large new audience also attracted the attention of venture capital resources who saw great growth in the adoption of these resources. Other studies predicted the price benefits aggregated consumers could obtain – as well as convenience and the possibility of avoiding traffic and mall crowds. . Collaborative consumption was seen as not only a business model, but more of an emerging lifestyle. Collaborative consumption seemed to match globalization, new communication technology , loss of trust consumers have in authority and the relatively increased trust in peers, economic recession, increasing awareness of social causes and concern for environmental issues.

Interactive collaborative consumption segmentation:

“While Groupon connects people, I don’t see Zipcar does the same thing” – a U.S. participant and user of both Zipcar and Groupon.

In this report, the writer is interested in looking at the collaboration generated by consumers when they function collaboratively in the marketplace and how much it impacts their purchase decision. Botsman offered an analysis of the categories of collaborative consumption based upon usage availability, redistribution (e.g., swapping) or congregating because of lifestyle. The writer – after the data collection - explored another categorization scheme for the various sites related to the “collaborative model” based on the degree of interaction the site/service affords its participants.. Three broad categories emerged and each is described below.

1. **Invisible interaction:** Where the interaction mostly comes between consumer and the company.

The lack of ownership and the reduced involvement or attachment with the brand – as opposed to the attractiveness of the deal - makes the interaction consumers experience in this business model different from traditional commerce. In this model, while products are shared with other users the feeling of belonging to a special community simply do not occur. The ties among users are weaker and the trust participants have in other users are consequently lower. It's the most centralized model among the three and the company offering the services/products essentially controls the interaction among users. Consequently, when something goes wrong, for example, the anticipated usage or delivery does not occur, the companies lose control, and consumers frequently interact more with other users. Generally speaking, the data collected here showed that the valence of such communications was negative. (e.g. when Zipcar users fail to return the car on time, the next renter is displaced and inconvenienced). At such times the participants in the writer's interviews launched/wrote angry or disturbing comments, that, in turn spread negative views about the services and the companies. Examples of companies to which this happened are Zipcar, Car2go, Netflix, Prosper, etc.

2. **Group interaction:** Where the interaction mostly comes between an individual consumer and a certain group. In this model, like the first "invisible model", consumers get to complete each individual transaction by themselves and are less likely to have deep interaction with other users. However, the group behavior is a determinant factor that has influences on individual's purchasing decision and essentially determines if the final transaction will happen. Therefore, the sense of belonging to

- certain communities, the trust they place in other users, as well as the ties linking each user of the sites/services becomes stronger in this model. Examples can be seen in Groupon, tuan800.com, Kickstarter.com, etc.
3. **Peer-to-peer interaction:** This level of interaction happens among users with less control from the company that offers the services. It's the least centralized model among the three. Companies operating in this model are more likely to offer some kind of platform to generate the most collaborative and interactive behavior from their users. This is a revamp on an old collaborative consumption business model such as garage sales, clothing swaps, trading markets, carpools, etc. With the new technology, penetration of Internet and growing popularity of social networks, a new layer is introduced into collaborative consumption and lifts it to a brand new scale that surpasses the limitation of geography and economy. Reputation and trust are extremely important in this business model since most of them are, to certain extent, self-monitoring global communities. Also, they are easier to build in this model when compared to the other two. That is a consequence of the deeper interaction they have with others happening both online and offline. It turns out that consumers tend to trust like-minded people with whom they are more familiar. Examples of these models are Craigslist.com, ganji.com, douban.com, Yelp.com, Airbnb.com, Relayrides, etc.

In order to test this idea of models, the writer did a quick survey on Mechanical Turk. In less than 2 hours, the survey received 100 respondents, with an average age of 31, 46 females and 48 males. Forty-seven percent of them graduated from college or graduate school. They were asked to rate websites or online collaborative services from 1 to 3 (where 3 was the most interactive and 1 the least) in terms of the degree of interaction they felt existed among the

site/services’ users. The average score received by the set of websites in the survey confirmed the writer’s original assumption concerning the level of interaction that exists among the three models of collaborative consumption. Raw data can be found in **Appendix 2**.

Not surprisingly, Facebook got the highest score (essentially “3”) as being considered the most user-interactive website among the six. The respondents generally saw more interaction in sites like Craigslist and Yelp, that the writer believes belong to a peer-to-peer collaborative consumption model. It is that model that generates the most interaction among its users. While Zipcar and Car2go, which belong to the “invisible model”, were ranked by the participants as being the lowest user-interactive services.

And the ranking of the six sites didn’t change when analyzed by age. Dividing the sample into two groups – age under 35 and above 35 – did not reveal any significant changes. Although age group in this survey didn’t appear as a dominant variable, those over 35 tend to give a slightly lower score on all 5 sites except Kickstarter when compared with those under 35.

| Average score | zipcar/ car2go | Kickstarter | Yelp | Group on | Craigslist | Face book |
|--------------------------------|-------------------|-------------|------|-------------|------------|--------------|
| Total | 1.51 | 1.55 | 1.81 | 1.87 | 2.2 | 2.87 |
| Age under 35 | 1.53 | 1.53 | 1.85 | 1.91 | 2.29 | 2.9 |
| Age above 35 (including 35) | 1.47 | 1.59 | 1.72 | 1.78 | 2 | 2.81 |

Table 3.1 average score of perceived interaction degree

Interestingly, the writer found slightly higher scores for Groupon than for Yelp.com, even though the writer believed Groupon fit the “group interaction” model as opposed to Yelp.com, with its community nature, fit better into the peer-

to-peer model. It would be interesting to look at the reasons for Groupon's higher rank, as well as examining what kinds of interaction people experience with other users of Groupon when compared to Yelp.com.

However, the writer doesn't see that this model conflicts with Botsman and Rogers' model. Easily understood, the degree of interaction among people who share similar life styles and interests is higher than that seen with those who only share products or services. In those cases, while those two models are related, categorizing collaborative consumption sites/services based upon the degree of interaction has several benefits. Such a categorization helps to better understand trust, ties among users, group influences on their behaviors and purchase decisions, and essentially how to engage users and generate more collaboration.

Interview findings:

U.S.A. Respondents:

1. Consumer profile:

The summary presents in general, all the respondents to the survey graduated from college, most held (or were candidates of) masters or doctor's degrees. They all described themselves as rational consumers; the following comment is rather typical - "I tend to do things that are practical, I don't buy car because I don't get to use it a lot. So I rent cars." (U.S.A Participant 1). The heaviest users among the participants were also likely to describe themselves in general as explorers, they enjoy unique experiences and considered themselves as experts in some fields.

With a good-education background, expressed preference towards new ideas, a good level of confidence, wiliness to devote time and energy to become experts in certain fields . . . characteristics in general that classify them as early adopters and users of collaborative consumption

Although the practice was seen by the respondents as carrying a sense of risk and involving a financial and social cost of switching from their standard purchasing channels.

2. Usage pattern:

All ten participants were users of some collaborative consumption websites. At the beginning of the interview, they were asked to describe their usage of popular collaborative consumption websites such as Craigslist, eBay.com, Yelp.com, Groupon, Netflix, etc. For sites/services like Craigslist, eBay, Netflix, Yelp.com, Esty.com and Netflix, that also offer a platform for users to contribute to the community, whether to sell or to give out opinions/reviews, participants were not only asked how often do they buy or seek information, but were also asked how often do they execute such activities. Based on their verbal responses, the writer categorized and scored their answers on a 1 to 5 scale (where 1 refers to use of the site/service less than once a month and 5 refers to everyday).

The average score was lower than 1, which indicated the lack of popularity of most collaborative consumption sites/services among participants. When asked to distinguish the sites from those that they never used but heard of to those they had no awareness of at all, most of the sites listed in the questionnaire were known by the participants. Their actual participation, however, was fairly low. Netflix, Yelp.com and Groupon were the most popular sites/services in terms of usage of participants. Speaking of contributing to the community, Netflix ranked the highest, which was followed by Craigslist.com. One of the reasons for that, which the writer found from the comments of most of the Netflix users, was the positive relationship Netflix has established between rating movies and continuing to receive more accurate movie recommendations. Regardless of participants' frequency of usage, they showed a general reluctance to share or

contribute to the collaborative consumption sites/services. The reasons for that will be examined and discussed in the following section.

3. Motivations:

Questions #2 and #5 in the interview were intended to look at the participants' motivations for consuming as well as contributing to the collaborative consumption sites/services.

For consumption, previously existing needs and personal interests, low barriers for entrance, along with price incentives were the strongest drivers. And most of the participants appeared to need at least two of those to start using the site/service. Collaborative consumption was considered, among most of the participants, as an alternative to certain ownership in which they failed to see economic or social values. With the attention and publicity certain collaborative consumption sites/services have recently received, (e.g., Groupon and Zipcar) exploring new social trends was mentioned by several participants as a supporting reason to try out such sites/services.

Most of the participants showed a fairly low interest in offering contribution. As mentioned earlier, some participants rated the movies on Netflix so that they received current movie recommendations. In this case, Netflix, most participants agreed, did a good job in linking their personal interests with common interests. The participants thought that writing contributions was time-consuming and therefore were less willing to do so.

Some, however, still had a tendency to contribute to those communities where they benefited. And the tendency to comment was most likely to be stimulated by those times when their involvement with the sites had resulted in a bad experience. In those cases, their tendency to self-express, to vent and to warn

the community became stronger. It is possible to interpret those communications or postings as a way to cope with the cognitive dissonance that was associated with the purchase decision; this will be discussed later in reviewing cognitive dissonance and collaborative consumption.

4. Perceived values:

In questions #4 and #9, participants were asked the values/advantages they saw in using those collaborative consumption sites/services from both their own perspectives as well as for other users. All saw the values stay the same for themselves, as well as for other users. For businesses in which participants get to share tangible products, like Zipcar, Netflix, etc, they were seen as a less-hassle, peace of mind alternative to ownerships of the products. The higher productivity of their pay for the services is another major value, specifically when they don't see themselves using the products very often on a daily basis. Paying only for the time of usage was clearly seen as being of value.

Another advantage that was mentioned by some participants was the opportunity to enjoy new and unique experiences with less economical risks. Services like Groupon provided this value in terms of offering less expensive deals.

Participants saw Yelp.com or other websites providing peer opinions and reviews, as a more trustworthy and accurate resource when compared to marketing messages.

5. Experiences:

Questions # 6 examined the participant's overall experiences with collaborative consumption sites/services. In general they reported their experiences to be "okay". Occasionally some of the participants would have bad experiences, yet none of them mentioned quitting usage of the site due to one or two unhappy

purchasing decisions. Interestingly, some participants mentioned the fact that they paid less for certain services by consuming collaboratively and that the price lowered their expectations as well.

6. Perception of sharing life style:

Questions #11, #15, #18 and #20 dealt with conceptions of sharing. Topics included the values in ownership versus sharing, influences of other users that they were sharing with, their preferences in sharing in terms of product categories, as well as their behaviors in sharing personal thoughts and opinions. Most participants considered a stronger sense of control as the biggest advantage that ownership has over sharing. By owning the product, they expected to be more independent and had a greater sense of safety and certainty than that offered by sharing (e.g., knowing that your car would be there when you wanted it). However, instead of seeing sharing as an exclusive alternative to ownership, some participants saw it as a complimentary way to help them to better decide if they want to own things or not.

Sharing to them in some cases was a new way to try out things and get experiences at a lower cost and with less risk. Most participants said they didn't really care about with whom they were sharing things, although some of them did expect people who were similar to them in terms of lifestyles or personal interests as being more likely to use the same collaborative consumption sites/services.

There was not a strong tendency to recommend the collaborative consumption sites/services to their friends, close friends or family members, whom they thought might have needs similar to theirs. Interestingly, some of the Groupon users forwarded deals to friends or family members as a way to organize some offline social events. In those cases, they did add a layer of socializing into their collaborative consumption activities. When being asked about which category of

products they were more willing to share, low-involvement, low-risk, as well as less personal were the three dimensions of those categories that participants were more likely to share with others.

When the writer examined their behaviors in blogging and social networking, most of the participants showed a certain level of reluctance to share their personal thoughts and opinions. To the writer's understanding, the negative link between their tendencies in sharing services/products, and their lack of interest in contributing to the sites, (e.g., writing reviews or comments), are somehow due to their preference in seeking uniqueness. Perhaps as a result of the level of academic achievement of this convenience sample, most mentioned that they didn't want to say things that everyone else was saying. The majority of them were more willing to share other people's opinions or thoughts that they found interesting on social networks, but were less likely to share their own thoughts. In those cases, they saw self-expression as a reflection of who they are, and they were cautious about what they showed about themselves in public. This interesting linkage between being early adopters of this new consumerism trend and yet lacking the tendency to advocate or speak out on the Internet, would be an interesting issue for those collaborative consumption businesses to look at as well as a new research initiative..

7. Cognitive dissonance and collaborative consumption

Questions #7 and #8 were trying to draw a comparison between the cognitive dissonance participants experienced offline and online. In general, the majority of them claimed that they often if not always had post-purchase cognitive dissonance. Even they did return the purchase now and then, more often they would live with the dissatisfaction and let their negative feelings abate with time. In coping with cognitive dissonance associated with collaborative consumption

purchases, the two major strategies participants used was to lower their expectation or to communicate with other users by writing reviews or comments on the websites.

Purchase decisions can be viewed as representing a degree of risk; perhaps another choice should have been made or one could have paid less or it really wasn't needed and so on. It is not surprising that in the Cohen Report (2010) opportunities to confirm or to gain confidence in the purchase decision drives the consumer to the Internet for confirmation.

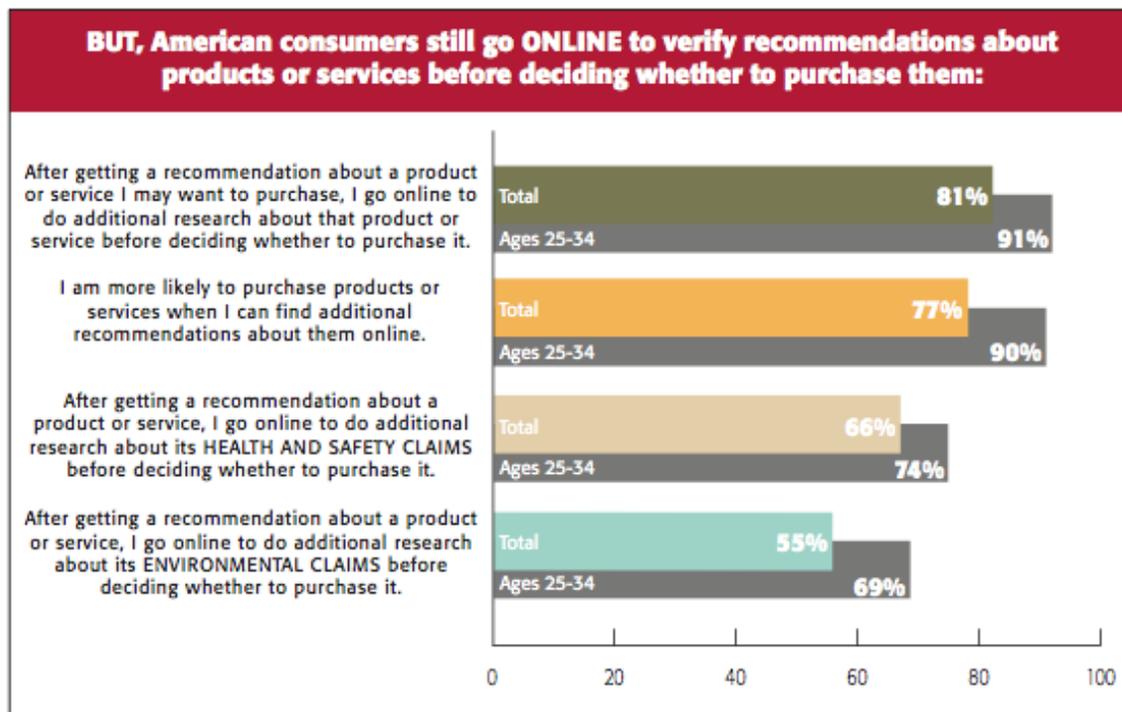


Figure 3.1 Cone Report 2010 Online Influence Fact Sheet

Question# was aimed at examining participants' sense of perceived-risk in order to get a sense of their pre-purchase cognitive dissonance in using collaborative consumption sites/services. Like most other businesses, price and quality were

the two biggest concerns of most participants. However, by featuring other users purchase decisions more clearly, (in fact, such participative decisions are dominant website feature on a site like Groupon), collaborative consumption sites successfully convinced some of potential users to participate. They claimed that group consensus did have impacts on their individual decisions.

8. Trust

The majority of the participants did not show a strong degree of trust of other users. Since collaborative consumption sites/services at its core require collaboration with peers to finish individual transactions, (e.g., your scheduled usage depends on if other users returned the Zipcar on time), the low trust of other users resulted in a lack of trust of the collaborative consumption sites/services. In the writer's understanding, that might be part of the reason that most of the users see collaborative consumption as a complementary alternative instead of a replacement for ownership. The trust issue might make collaborative consumption a weaker competitor than initially thought to ownership lifestyle. This might also be seen as an opportunity or advantage, since service sites like Zipcar might attract greater membership if the product were positioned as asking users to add flexibility and options, rather than asking them to give up certain aspects of the life that they previously owned.

The presence of a group offers a participative and informed sense to the individual. Collaborative consumption models – Groupon or Airbnb.com – provide that additional lift and confidence and ideally increase purchase likelihood and satisfaction.

9. Peer influence

By asking how did participants read views, the writer was trying to look at one

dimension of peer influences on their purchase decisions. In general, they didn't spend much time on those review sites, and they used peer reviews as a way to support their pre-existed perceptions that came from various other resources. (e.g., friends' recommendations, internet research, etc.). Most updated and highly ranked reviews were those they read most. The fact those participants didn't devote much time on those sites might come from the relatively low trust they had on peers. But the group power did overcome the doubts they had on peers to certain extent, most of them admitted that the average opinions the group represents had impacts on their purchase decisions.

Chinese respondents:

Due to multiple reasons, such as the popularity of this collaborative phenomenon, time zone differences and a general lack of interest in giving interviews, the difficulties in getting Chinese participants for this study went beyond the writer's expectation. The sample size of 5 was not good enough to generate a complete user profile of collaborative consumption sites/services, but it did raise some interesting points, as well as suggest a pattern across all five responses.

1. Consumer profile:

Similar to American participants, users of collaborative consumption sites/services in China share the commonality of being confident and comfortable with online shopping. They considered themselves as rational consumers in terms of their capability of getting information and the appropriate resources before they made their purchase decisions. Some of them were considered as experts in category like high-tech product. Demographically, they are all well educated and have middle to high-level incomes.

2. Usage pattern:

The Chinese users went through the same processes in evaluating their usage pattern of popular collaborative consumption sites/services. Tuan800 and dazhongdianping.com were the two most popular websites. After the conversations with Chinese users, the writer found that users of collaborative consumption in China were mainly focused on two businesses - group purchase and social group websites. Tuan800 and dazhongdianping.com are the most popular representatives of these two categories. Part of the reason might be the desire for ownership that Chinese culture represents, along with the trust issue Chinese consumers have in general; generally not believing the representations of strangers or companies. Most of the participants are heavy users of Tuan800 and dazhongdianping.com, they use them on a daily basis. But the range of their usage was relative narrow compared to their American cohort.

3. Motivations:

Similar to American users, price was the biggest incentive that drove Chinese consumers to use collaborative consumption sites/services. Some of them did claim catching up social trends or trying out some new consumption models as supportive reasons. However, exploring new venues and unique experiences was not a motivation of Chinese participants. When being asked for their reasons, most of them disclosed their low trust of brands, advertising and those collaborative consumption sites in general. With those conditions, clearly more cautious purchase behaviors would take place. The writer will discuss more about this in the following section deals with cognitive dissonance.

4. Perceived values:

Cheap and convenient are the two major values the majority of the Chinese participants experienced. However, they didn't see the implicit social function in

consuming those Tuangou websites when compared to their American cohort.

5. Experiences:

While most of the American participants claimed that their experiences with collaborative consumption were generally “okay”, most of the Chinese participants reported bad experiences when using coupons that they bought from those Tuangou websites. The major issue was that most of them felt that they had been treated worse when compared to people who paid the full price. And, along with the hassle of redeeming the coupons, the long wait for a reservation, the crowded environment, all served to discourage participation. These issues became the major reason given for quitting the usage of collaborative consumption sites/services according to some of the participants.

6. Perception of sharing life style:

Interestingly, different from their American cohort, all the Chinese participants showed a strong unwillingness to participate in sharing. They considered ownership as achievement and a reflection of their social status. Sharing was only acceptable to them when necessary. This perception was a mainstream notion; therefore, even if they saw some personal benefits in sharing, whether it be economical or environmental, they still found ownership more preferable. An interesting point of view was raised when being asked about their perception of renting luxury goods. All the participants perceived the behavior of renting high-end products as a way of showing off, an indication of people who tried to fake a high social status. However, the stigma of sharing didn't apply to hotels and restaurants, which essentially were sharing businesses as well. When the writer pointed out the fact, all of the participants claimed their acceptance of those businesses existed as a result of the lack of other options. They also pointed out that staying in hotels and dining in restaurants were activities with which they

were familiar.

In terms of sharing personal thoughts . . . Chinese participants are more active on posting their status and tweeting, as well as sharing their own thoughts with people. However their passion didn't transform into writing reviews on comments, or any other forms of contribution to the collaborative consumption sites. Apart from the same reasons mentioned by American participants such as time-consuming, one participant raised an interesting view by saying "I would rather share my thoughts on my own blog, because that's a place belongs to me, I only care about the feedback from people who know me".

7. Cognitive dissonance and collaborative consumption

As mentioned in the experience section, Chinese participants tend to experience more cognitive dissonance after purchase on collaborative consumption websites. Most of the participants mentioned that being more cautious on picking brands, avoiding buying big-ticket items, as well as verifying the information by looking at various resources, (including word-of-mouth and mass media) all helped. Even though most of them had unhappy purchase, most of them would chose to live with it due to the extreme degree of hassle on returning things online. Most of them would consider a bad experience as a lesson learned and then develop a strategy to reduce part of the dissonance.

8. Trust

Not surprising to the writer, Chinese participants had a fairly low trust on those collaborative consumption sites/services. Most of them considered any purchase on those sites to carry a certain level of risk. And recently many reports appeared in Chinese media on the truthfulness of the information those collaborative consumption sites/services provide. These allegations included false deal numbers, offering fake deals, etc. all of which make the trust issue even more serious. Well established brand reputation and word-of-mouth therefore became

extremely important influences on their purchase decisions.

9. Peer influence

Because of the low trust, Chinese participants do not really trust peer reviews. They still use those peer-review websites but with a different approach. They are really looking for the fact instead of opinions. What kinds of food those restaurants offered was considered more important than the thoughts and opinions of unknown “other people.” Consequently, they didn’t seem to be heavily influenced by unknown peers, although they did trust their friends and family members . . . and they were their main resources.

Chapter 4. Discussion

The issues that surround collaborative consumption are at once complex and inter-laced. Within the scope of this report the writer has elected to limit her comments to the following four areas.

- 1) Comparisons between the United States and China
- 2) Impact of collaborative consumption on Brands and Advertising Agencies
- 3) Occurrence of cognitive dissonance in both traditional purchases and in those purchases made on-line
- 4) Importance of “trust”

With the initiation of on-line purchases and the interactive nature of the web the use of crowd or frequent users and their choices became a key source of information, not only in search engines but in developments like craigslist and Groupon as well. Several of these websites have grown and are part of our everyday lives; others struggle and have failed. At some point the basis of success of the venture and its participants are virtually identical. If there were an equation that could express this point of view it might look something like this:

$CCS_p = \{\text{Individual experience set}\} + \{\text{situational variables}\}$

$\{\text{Acceptance of the collaborative platform}\}$

A metric based on these variables or issues (the terms in the equation and their contents are described below*) could show change over time and be used as a descriptor of the platform’s overall acceptance.

Although the “formula” presented is highly speculative at this time it may serve as an interesting and helpful directional concept for next steps in the research effort.

*CCS_P= Probability of Collaborative Consumer Action

*Situational variables = convenience, attractiveness/importance of offer, product & support information of product or service

*Individual experience set = tech savvy, retail shopping background, level of trust/acceptance of information, support & participation of F&F, use of CC Platform by friends, trust/distrust psyche level

*Acceptance of Collaborative platform = function of societal awareness, ease and frequency of engagement, participation by respected parties and friends

1. Comparisons between the United States and China

The conventional wisdom is that the collaborative purchasing phenomenon started in China. Called tuangou and referred to in the beginning of this report, the behavior succeeded (well in advance of the Internet) because of the collaborative information and evaluation a large cohort could offer about a variety of sellers. In addition, the traditional Chinese phenomenon of bargaining about price when purchasing goods and services in commercial or B-to-B markets, migrated easily to this group powered influence. And, like the Groupon activity, tuangou results in more attractive prices.

In the small sample described in this study the Chinese respondents were familiar with some of the same collaborative efforts as those in the USA. The attitudes while similar showed some striking differences.

While the majority of American participants see collaborative consumption as having inserted a new social layer into their life, to help them make new friends, try out new hot spots, etc., Chinese participants are relatively hesitant to explore when they consume collaboratively, in large part because of their low consumer trust.

Price is a big driver in convincing people to consume collaboratively. While American participants were also aware of the other benefits they gained through collaboration, such as social and environmental actions, Chinese participants seemed to be more price-driven and did not really think they were consuming with other users collaboratively. In another world, they see collaborative consumption as a more convenient way of shopping, while their American cohort tended to take it as a platform that generated unique experiences among users and their collaboration efforts.

2. Impact on Brands and Advertising Agencies

Brands have become the staple of the advertising industry and the personality or character that defines a brand has been a product of the consumer's attitude and experience - and the result of fundamental and defining efforts across the media spectrum by the client's agency. In looking at the impact of the collaborative consumption sites the overall conclusion is that the platform becomes the dominant highlight of the message rather than the brand being offered. Website creation, engagement techniques (e.g., gaming, chat, video posting, blogs, etc.) and the increases in web-based and mobile purchases have caused ad agencies to value digital and cross-disciplinary experience to maintain the brand character even when wrapped in a collaborative offer; Flowershop.com presented in Buywithme.com, or the Magic Kitchen brand presented by Mamapedia.com.

The value of brands may even be eroded through the use of collaborative sites like Groupon. A recent posting from Traupel (2011) is, in this writer’s opinion, very insightful. “Your putting your brand at risk working with Groupon. At the end of the day their massive email list is pushing out deals and your customers may associate brand value with Groupon and not with you. This is not a good thing. They “own” your customer to a certain extent.” Interestingly enough, a major slide from Botsman’s presentations essentially equates advertising with hyperconsumption and fails to even mention the importance of brands in the 21st Century.

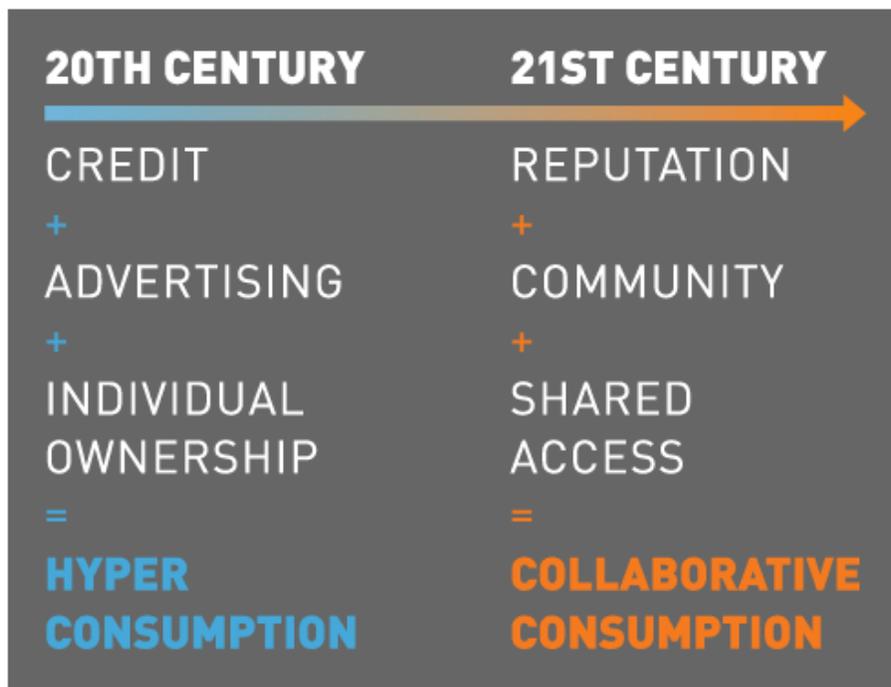


Figure 4.1. Hyperconsumption versus Collaborative Consumption

Agencies experienced at coping with changing client management and new competitors in the category need to develop methods of engagement with their brand loyal constituency. Ideally, those loyalists will serve as lead generating advocates within the collaborative network as well as in social networks. These

maven-like brand loyalists are members of a variety of networking groups, and their word-of-mouth-like blogs and reviews are among the most effective forms of lead generation.

The issue does not start and stop with Groupon; rather the role of collaborative consumption and its impact on the brand being offered is in need of time series analysis as well as a return on investment (ROI) analysis examination that clients today request so frequently . In short, do the advertising dollars or cost of the “deal” offered contribute to the brand character and help maintain its price point and desirability or – as some suggest – does the collaborative channel implicitly cheapen the product or service.

To try to get a view on this issue from some of those dealing with it in agencies today, the writer sent out six emails to agency executives and planners in her network. The question asked was:

I am writing to you at this point to ask for a favor. I am writing my professional report . . . In part, it deals with the effects of collaborative consumption (e.g.,groupon, airbnb.com <<http://airbnb.com/>> , Netflix, Zipcar, etc.) on advertising agency models and brands. If you can give me your thoughts-- a line or two on this topic, I will be greatly appreciative.

The email and the responses it generated are included in Appendix 3. The comments of Baldwin Cheng, a well-established and experienced strategic planner are very much to the point. Cheng said:

Collaborative consumption services are interesting new sales models, usually made possible by information technology. They offer new buying channels and can drive short term lifts in sales, but they don't pose a major threat to agencies or manufacturer brands in the long term because collaborative consumption brands face the same challenges as all other brands -- building customer recognition, trial, trust and loyalty.

Yet, this part of his answer reflects the concern that format of the collaborative placed offer essentially causes the “removal” of the brand being offered; as

suggested above it appears as if the brand is pushed aside and the relationship with the collaborative site or service grows. Cheng went on to say,

For product brands, collaborative consumption services are a great promotional tool to accelerate a launch or drive widespread awareness and trial. For agencies they also represent a new category of clients seeking to build strong brands for themselves. But they aren't disintermediating or revolutionizing the brand-building industry. That's Facebook and YouTube's job. ;)

A second respondent to the writer's e-mail request was received from Tom Flint, Director of Digital at Gabriel deGroot Bendt in Minneapolis. Again, this issue - the impact of collective behavior – was addressed in his response. Like another response received Flint sees the promotional strength as a major feature of the collaborative channel:

Groupon is simply a new way of doing promotions. So the impact on agencies is not that big. A promotion is a promotion, and Groupon is just a new way to tap into an audience and amplify the effect of that promotion.

Flint ended his comments by reflecting on cultural change and the fact that the old models of advertising communication had become ineffective.

As consumers rely more on each other and less on businesses to discover products and services . . . the role of advertising is changing. Agencies are now tasked with connecting their clients to their audiences in ways that are more complex than the old days of disruptive messaging. We used to interrupt a consumer's activity and insert a memorable message that would hopefully drive a purchase down the road. Now we need to make the brand relevant to the consumer, on a higher level, in ways that are enabling, not disruptive.

Another interesting observation was offered by Scott McAfee, Executive Creative Director of Sanders Wingo in Austin. He said that the shift from asymmetrical or one-way communications to interactive conversations was a major change in

agency thinking. Agencies have moved, he said, from

Mass media to "conversations" in social and digital media. We've got to insert ourselves into these existing conversations between passionate, like-minded people. Not easy. The good news is if we can do it credibly, we're much closer to the decision to purchase. Thanks to Groupon and other networks, the advertising and marketing models have shifted. But the task has not — be relevant and resonant to your audience. Smart brands will continue to do this, employing partnerships, events and cross-promotions more than ever before. Collaborative consumption and other forms of lifestyle networks make things harder for marketers.

As active participants in commerce ad agencies, the products and service they portray and the clients they represent are, in fact, the representations of change in economic transactions. Clearly collaborative consumerism and its representation are going to impact the thinking and work product of these shops. The thought also occurs that these major shifts in media use and cultural standards must suggest changes in client thinking as well. New concerns are initiated about the metrics used for estimating success, the appropriate advertising spend and anticipated ROI. Such changes are taking place and when major advertisers like P & G describe the shift in their media plans, the advertising industry listens — very intently.

In summary the shift of reliance and trust to the group or collaborative is a contemporary basis for belief and leads to purchase and repurchase. Trend analysis suggests that the process is attractive to many and that membership and transactional activity will continue to grow. Other advertising and promotional activities are still viable and compete for awareness, engagement, trial and purchase (e.g., experiential access in malls and at retail) and the likelihood that agencies will continue to be major influences in collaborative sites and services and defend the brand equity of their clients is — in this writer's opinion — high.

3. Occurrence of cognitive dissonance

People tend to seek consistency in their beliefs, perceptions and practices. When one of our beliefs conflicts with another previously held belief a sense of confusion - perhaps even confusion results. Cognitive dissonance describes the feeling of discomfort that occurs when two conflicting beliefs are present. For example, “a post-purchase thought similar to “I like these new jeans” is suddenly accompanied by a second thought like this ”I promised I would save money and not buy stuff I didn’t really need.” When there is a discrepancy between beliefs or behaviors, something must change in order to eliminate or reduce the dissonance. And the results show that cognitive dissonance may occur following on-line actions as well as those transactions that take place in traditional retail.

Purchase decisions can be viewed as representing a degree of risk; perhaps another choice should have been made or one could have paid less or the new purchase really wasn’t needed and so on. Searching for confirmation of the exhibited behavior can involve discussions with family or friends or examining the web, It is not surprising that in the Cohen Report (2010) opportunities to confirm or to gain confidence in the purchase decision drives the consumer to the Internet for confirmation. Perhaps there a blog or website can be found that supports one of the competing points of view.

Empowered by new communication technologies in a globalized marketplace, today’s business models of collaborative consumption are perceived as being different from those of the past. Given the fact that consumers are sharing products or services with peers, the deeper involvement they have within those groups might make group consumption decisions have a greater influence on consumers’ decision-making. Collaborative consumption sites also serve as a type of community, and the dynamic interactions between the members and the groups or communities as a whole is interesting to look at in terms of their

impacts on purchase decision-making.

Cognitive dissonance is considered as one of the most important determinants of the purchase decision-making process. The kind of cognitive dissonance that might occur, the reasons for its occurrence and how consumers address post-purchase dissonance when they consume collaboratively was a key part of the survey.

AsTrendsCovered.com points out, collaborative consumption engenders a sense of community by not only asking consumers to communicate and share their knowledge of a product but also asks them to “organize themselves and act unanimously in order to make the purchase”.

4. Importance of “trust”

One of the determining variables that impacts belief in the collaborative venture is trust in the cohort and its organization, trust in the data and representations of the website and perhaps even the national culture regarding belief in authority and personal history and experiences. In looking at “trust” the question always remains the same: “Can I trust you? I mean really?” New customers, current customers – and even persuaded ones want to know. It is a question that hits every aspect of the consumer-seller relationship . . . including the participants in collaborative consumption.

“Can I trust you to really be concerned about my health and that of my family?

“Can I trust you really do what you say in the guarantees your company offers or will it just be a long drawn out battle?” “Can I trust you to show corporate social responsibility?”

Generally speaking the only organizations that have maintained or increased the level of trust they enjoy from the population is the military and organized religion⁷ - and even those seem to currently be in jeopardy. Edelman's Global Trust Barometer, an index created by Edelman Public Relations (performs a world-wide examination of trust levels in various functional aspects of a nation) showed that overall trust in business rose between 2009 and 2010 in both the U.S. and Europe, although the level of trust in those countries had fallen to new lows in the previous year (a consequence of the USA recession). In China, however, the level of trust in business operations remained roughly the same.

In part that trust level has its roots in a relationship with family and friends – people known to all parties and trusted. Thus Business in China is most often characterized by dealing with friends. New collaborative networks in China must first be known, with positive valence in order to attract the kind of numbers the enterprise needs. The valence associated with a new collaborative venture in China, must be positive (e.g., sentiment analysis) and sustained to grow the customer base and to sustain it and to attract commercial opportunities for its participants. The success of some sites in China – and the slow growth of others has trust as a determinant. At some point the basis of success of the venture and its participants are virtually identical.

Wrapping up

The breadth and implications of collaborative consumption were, at best, only somewhat understood by this writer at the outset of this project. Looking in depth at the business model, reach and impact of sites like Groupon – in the USA and China, or Wahanda and their MobDeals in the UK, Movere.Me in Brazil – all

⁷ Source: Edelman Trust Barometer, 2010 <http://www.edelman.com/trust>

reflect the economic, social and environmental impact currently taking place and raise speculation about future growth and influence. Some variables cut across all efforts and, to varying extents, all nations. Trust in the site or service, belief in its claims and confidence in the integrity of the membership and their similarity to the inquirer's values and attitudes will pace their growth.

The globally dominant huge economies of the USA and China have embraced collaborative offers for both convenience and economic benefit. In that fashion their actions stimulate similar offers from other countries and well-funded new efforts appear weekly. The implications for brand equity are still not fully understood; perhaps these are simply new promotions that fit today's digital technology - - or the popularity and presence of the site or service overshadows the brand being offered and in fact, can change the market's perception of the brand character. Similarly, the economic implications of a business model in which shared goods or services are distributed via a market place to a community of users are not fully understood. For example, whole markets served by manufacturers representatives (e.g., automobile dealerships) were established and survive based upon an expected consumer demand. The introduction of short-term vehicle rentals will – in many cases – reduce consumer demand at retail. Each shared cars in a DMA reduces the number of private vehicles that were expected to be in circulation. The ecosystem also benefits and in Botsman's terms hyperconsumerism is reduced.

Status and its determining attributes have shifted – although not unanimously – in Western culture. The heady acquisition and display of conspicuous consumption identified by Thorstein Veblen, so long the symbols of success have been replaced by a questioning view of the value of ownership as opposed to periodic use when needed – particularly when social and environmental considerations come into play.

Collaboration can find its place in both China and the USA, whether a country covets ownership or appreciates the freedom of use without the responsibilities of total possession. Collaborative consumption will not soon replace current consumerism practice in either country. However, the new power the collaborative gives to its membership and the new trust and bonds it creates will impact certain markets in significant ways. We are waiting for answers to major questions (e.g., Is this trend creating new brands with more consumer trust, or, does collaborative consumption create brands killers?) and studying the underlying issues.

Appendix1: Interview Guideline

In-depth interview guideline for collaborative consumption consumers (U.S.)

Collaborative consumption refers to business models whereby products owned by companies or was privately owned by people are shared among consumers. Some examples would be Zipcar, Groupon, Netflix, etc.

Objective:

This interview is aimed at examining current collaborative consumption user's motivations, their attitudes and behaviors toward collaborative brand consumptions, their usage of old collaboration business models, as well as their collaboration lifestyles in general.

Introduction:

A brief introduction about the survey to make sure subjects understand the purposes and questions appropriately, as well as familiarize them with the process of conducting in-depth interview to a certain level in order to avoid subjects' potential misunderstandings of interview approaches.

"Today, during our interview I am going to ask you a few questions about your use of the web and Internet as a shopping or purchasing method. The interview is about 30 mins long and for the validation purposes of my research, during the interview, you might experience some repetitive or similar questions and you might also be asked about some personal experiences. I do not think there are any questions you will be concerned about answering, however, you may always choose to decline to answer a question. OK? Then let's start."

Interview questions:

1. Are you a user of any of the websites I am about to read to you? For any of those sites we have just mentioned/discussed do you personally "contribute" to the site, (like selling, writing comments and reviews, rating movies)? On a five point scale (where the number 1 is not very often and the number 5 mean frequently or a lot) how often do you use them?

| Business | Purchaser | Contributor |
|---|-----------|-------------|
| Craigslist.com | | |
| eBay.com | | |
| Etsy.com | | |
| Other similar sites (pls indicate the name) | | |
| Yelp.com | | |
| Zipcar | | |
| Car2go | | |
| Netflix | | |
| Airbnb.com | | |
| Homeaway.com | | |
| Groupon | | |
| LivingSocial deal | | |
| Second-hand stores | | |

For American collaborative consumption users

| Business | Purchaser | Contributor |
|--------------------|-----------|-------------|
| tuan800.com | | |
| Taobao.com | | |
| Dianping.com | | |
| Douban.com | | |
| Ganji. | | |
| Huanwu.org | | |
| Ddmap.com | | |
| Kaixin001.com | | |
| Second hand stores | | |

For Chinese collaborative consumption users

2. Why do you contribute?
3. Is there ever any feedback? Tell me more -- from whom, did they agree with you?
4. What are the values or advantages for you in using those sites/services?
5. How long have you been using them and what drove you to the use of them?

probe 1: drivers to the use of collaborative consumptions

6. Please tell me about any experiences, if any, that you have had with those services/sites that stand out in your mind.
 - A. Any really good ones? What did you do (actions, feelings, etc) afterwards?
 - B. Any really bad ones? What did you do (actions, feelings, etc) afterwards?
7. Have you ever bought or rented anything in a traditional retail store or outlet and afterwards regretted it?
 - A. If you could, did you return it or stop it?
 - B. If you kept it how did you get to feel OK and comfortable with the purchase?

8. Have you ever bought or rented anything in one of these collaborative websites (e.g., brand x) we have been talking about and afterwards regretted it?

A. If you could, did you return it or stop it?

B. If you kept it how did you get to feel OK and comfortable with the purchase?

9. Why do you think it is more valuable or advantageous to you and/or others to make your arrangements or purchases -- for new stuff or the brands you have used in the past -- collaboratively as opposed to the traditional way of purchase and acquisition?

[additional probes will be used]

probe for why does subject share

10. If you use several websites for same purpose/service, (say if the participant use both Groupon and Social living deal), probe for reasons they prefer one over the other (if it's the case)

11. Tell me about what are the values you see in owning that product Vs. the values in sharing the usage experience of the product.

12. What kind of concerns did you have before you decided to use those site/services? What finally convinced you to start to use the site/services.

prob for pre-purchase cognitive dissonance and the ways in which they address them.

13. If you ever have considered some of those sites/services but finally decided not to use them, what are the reasons?

14. Has trust ever been an issue in your experiences in using collaborative consumption sites? If so, tell me about those experiences.

15. With whom do you think you are sharing the product or services?

A. Do you think they are people like you and if so, in what ways?

B. Do you really care about whom you are sharing products with?

16. What do those reviews/comments, number of deals do to you in terms of your purchase decisions.

17. Have you ever recommended those sites that you are using to other people? if so, for what reasons? Through which medium did you recommend it to them?

18. For which categories of service or product are you more likely to share ownership and usage . . . and for which categories do you think you are less likely to share. . . that is you'd rather own them yourself)

Probe 1: willingness to share among product categories

choose the category that you are most willing to share:

| | |
|------------------------------------|--|
| basic needs | food/drink/mobility (vehicles)/spaces (working or living places) |
| safety and health needs | health/ tools/ sporting goods/electronics/furniture/ |
| belongings and social needs | love (on-line dating)/ interests (book club)/ kid's stuff |
| esteem needs | Luxury brands, social network recognition |
| aesthetic and cognitive | beauty/luxury goods/intangible knowledge (e.g. special skill sets, surplus time)/tangible knowledge (books, DVD, CDs,)/ clothing & other accessories/jewelry/ arts/ |
| self-actualization | volunteering time/unused stuff/ |

19. What do you think a collaborative consumption services/websites should have?

20. Do you consider yourself as sharing personal information, how often do you share /write comments on twitter/facebook/blog?

Age: () 18-25 () 26 -35 () 36 - 49 () 50 - 65 () 66+

Gender: () M () F

Education: () High School () College () Graduate

Appendix 2: Mechanical Turk Survey Raw Data

| age | zipcar/ car2go | kickstarter.com | yelp.com | groupon | craigslist | facebook | education | gender |
|-----|-------------------|-----------------|----------|---------|------------|----------|------------------|--------|
| 30 | 1 | 1 | 2 | 3 | 3 | 3 | BA | f |
| 31 | 1 | 2 | 1 | 3 | 3 | 3 | BA | f |
| 18 | 1 | 2 | 2 | 3 | 3 | 3 | high school | f |
| 35 | 1 | 2 | 3 | 1 | 3 | 3 | Graduate | m |
| 30 | 2 | 1 | 2 | 2 | 1 | 3 | some college | f |
| 31 | 2 | 2 | 3 | 3 | 3 | 3 | n/a | m |
| 20 | 1 | 1 | 1 | 1 | 2 | 3 | n/a | m |
| 23 | 1 | 1 | 3 | 2 | 3 | 3 | BA | m |
| 55 | 3 | 2 | 2 | 3 | 1 | 3 | BA | f |
| 35 | 1 | 1 | 2 | 2 | 3 | 3 | Associate degree | f |
| 54 | 1 | 1 | 2 | 2 | 2 | 3 | BA | f |
| 53 | 2 | 2 | 1 | 3 | 3 | 3 | some college | m |
| 22 | 1 | 1 | 3 | 2 | 3 | 3 | High | m |
| 23 | 1 | 1 | 2 | 1 | 1 | 3 | graduate | m |
| 30 | 1 | 1 | 2 | 3 | 3 | 3 | some college | f |
| 23 | 3 | 2 | 2 | 3 | 1 | 3 | BA | f |
| 27 | 1 | 1 | 2 | 2 | 1 | 3 | some college | m |
| 44 | 1 | 1 | 2 | 1 | 1 | 3 | graduate | f |
| 18 | 1 | 1 | 1 | 2 | 2 | 3 | high school | m |
| 28 | 2 | 3 | 2 | 2 | 1 | 3 | BA | f |
| 30 | 3 | 3 | 1 | 2 | 2 | 3 | BA | m |
| 27 | 1 | 2 | 3 | 2 | 3 | 3 | BA | m |
| 22 | 1 | 2 | 1 | 3 | 2 | 3 | BA | f |
| 42 | 1 | 1 | 2 | 2 | 2 | 3 | BA | f |
| 31 | 1 | 1 | 2 | 1 | 2 | 3 | BA | f |
| 43 | 1 | 1 | 3 | 1 | 2 | 3 | Associate degree | m |
| 30 | 2 | 2 | 2 | 2 | 3 | 3 | high school | m |
| 27 | 1 | 1 | 1 | 1 | 1 | 3 | BA | f |
| 28 | 2 | 2 | 2 | 1 | 2 | 3 | graduate | m |
| 56 | 1 | 1 | 1 | 1 | 3 | 3 | some college | m |
| 45 | 1 | 2 | 2 | 1 | 1 | 3 | graduate | f |
| 49 | 1 | 3 | 2 | 2 | 3 | 3 | BA | m |
| 27 | 3 | 2 | 3 | 2 | 3 | 3 | graduate | m |
| 23 | 1 | 1 | 1 | 1 | 3 | 3 | BA | f |
| 22 | 2 | 2 | 1 | 1 | 3 | 3 | BA | m |

| age | zipcar/carr2go | kickstarter.com | yelp.com | groupon | craigslister | facebook | education | gender |
|-----|----------------|-----------------|----------|---------|--------------|----------|------------------|--------|
| 49 | 1 | 1 | 1 | 1 | 1 | 1 | some college | f |
| 45 | 2 | 2 | 1 | 3 | 1 | 3 | some college | m |
| 30 | 1 | 1 | 2 | 3 | 3 | 3 | BA | f |
| 22 | 2 | 1 | 1 | 3 | 3 | 3 | BA | m |
| 22 | 1 | 1 | 1 | 1 | 2 | 3 | Associate degree | m |
| 40 | 1 | 1 | 2 | 1 | 2 | 3 | graduate | m |
| 23 | 1 | 1 | 1 | 1 | 1 | 3 | high school | m |
| 26 | 2 | 2 | 1 | 1 | 3 | 3 | some college | m |
| 22 | 1 | 1 | 2 | 1 | 2 | 3 | some college | f |
| 55 | 3 | 1 | 1 | 2 | 2 | 3 | graduate | f |
| 27 | 1 | 1 | 3 | 2 | 3 | 3 | high school | f |
| 20 | 2 | 2 | 1 | 3 | 3 | 3 | high school | m |
| 38 | 1 | 1 | 3 | 2 | 2 | 3 | BA | f |
| 23 | 1 | 1 | 2 | 1 | 3 | 3 | some college | m |
| 19 | 2 | 1 | 1 | 2 | 2 | 3 | some college | m |
| 40 | 1 | 1 | 1 | 1 | 1 | 3 | graduate | f |
| 23 | 1 | 2 | 2 | 1 | 2 | 3 | some college | m |
| 25 | 3 | 3 | 2 | 2 | 2 | 3 | BA | f |
| 31 | 1 | 2 | 2 | 2 | 3 | 3 | some college | m |
| 20 | 1 | 1 | 2 | 2 | 2 | 3 | some college | m |
| 45 | 1 | 2 | 2 | 1 | 2 | 3 | some college | m |
| 22 | 2 | 1 | 3 | 2 | 1 | 3 | high school | f |
| 41 | 1 | 1 | 2 | 2 | 2 | 3 | some college | f |
| 25 | 2 | 1 | 2 | 2 | 3 | 3 | BA | m |
| 37 | 2 | 2 | 2 | 2 | 3 | 3 | some college | m |
| 25 | 1 | 2 | 1 | 3 | 2 | 3 | BA | f |
| 21 | 1 | 1 | 1 | 3 | 3 | 3 | high school | m |
| 30 | 3 | 1 | 2 | 2 | 3 | 3 | BA | m |
| 23 | 1 | 1 | 3 | 2 | 3 | 3 | Associate degree | m |
| 54 | 2 | 2 | 1 | 2 | 2 | 3 | graduate | m |
| 26 | 3 | 1 | 1 | 2 | 3 | 3 | graduate | m |
| 22 | 1 | 1 | 1 | 2 | 3 | 3 | high school | m |
| 24 | 2 | 3 | 3 | 2 | 1 | 3 | graduate | m |
| 18 | 1 | 2 | 2 | 1 | 2 | 3 | high school | f |
| 28 | 2 | 2 | 2 | 2 | 1 | 3 | graduate | m |

| age | zipcar/ car2go | kickstarter .com | yelp.c om | grou pon | craig slist | fac ebo ok | education | gen der |
|-----|-------------------|---------------------|--------------|-------------|----------------|------------------|---------------------|------------|
| 26 | 2 | 2 | 2 | 1 | 3 | 3 | high school | f |
| 27 | 2 | 2 | 3 | 2 | 1 | 3 | high school | f |
| 29 | 2 | 2 | 2 | 1 | 2 | 3 | some college | f |
| 27 | 3 | 2 | 2 | 2 | 3 | 3 | BA | m |
| 23 | 2 | 2 | 3 | 2 | 2 | 3 | BA | f |
| 28 | 2 | 2 | 1 | 1 | 3 | 1 | graduate | m |
| 31 | 1 | 1 | 2 | 1 | 1 | 2 | BA | m |
| 27 | 1 | 1 | 2 | 1 | 3 | 3 | some college | f |
| 28 | 2 | 1 | 3 | 3 | 2 | 1 | graduate | m |
| 36 | 2 | 2 | 1 | 1 | 1 | 3 | graduate | f |
| 20 | 1 | 2 | 1 | 2 | 3 | 3 | some college | m |
| 37 | 3 | 2 | 3 | 2 | 3 | 3 | BA | f |
| 35 | 2 | 3 | 1 | 3 | 2 | 3 | Associate degree | m |
| 20 | 1 | 1 | 1 | 2 | 2 | 3 | some college | f |
| 18 | 1 | 1 | 1 | 1 | 1 | 3 | high school | m |
| 25 | 1 | 2 | 3 | 3 | 2 | 3 | BA | m |
| 28 | 1 | 1 | 3 | 1 | 3 | 3 | high school | m |
| 26 | 1 | 3 | 2 | 2 | 3 | 3 | some college | f |
| 35 | 2 | 2 | 1 | 1 | 3 | 3 | BA | f |
| 38 | 2 | 2 | 2 | 3 | 2 | 3 | some college | f |
| 40 | 2 | 3 | 1 | 1 | 2 | 1 | graduate | m |
| 27 | 1 | 1 | 1 | 2 | 2 | 3 | graduate | f |
| 46 | 1 | 2 | 2 | 1 | 1 | 3 | BA | f |
| 46 | 1 | 1 | 2 | 3 | 2 | 3 | BA | m |
| 57 | 1 | 1 | 1 | 3 | 3 | 1 | BA | m |
| 32 | 1 | 1 | 1 | 3 | 2 | 1 | some college | m |
| 41 | 1 | 1 | 1 | 2 | 2 | 3 | some college | f |
| 27 | 1 | 2 | 2 | 1 | 2 | 3 | high school | m |
| 23 | 3 | 1 | 2 | 3 | 3 | 3 | some college | m |

Appendix 3: Email communications

| | |
|-------------------|--|
| The writer | <p>I am writing my professional report so that I may graduate in a week. In part, it deals with the effects of collaborative consumption(e.g.,groupon, airbnb.com, Netflix, Zipcar, etc.) on advertising agency models and brands.</p> <p>If you can give me your thoughts-- a line or two on this topic, I will be greatly appreciative. (I'm in a bit of a jam academically)</p> <p>Thank you so much for your help!</p> |
|-------------------|--|

| | |
|------------------|--|
| Tom Flint | <p>That is an interesting question. And not a terribly easy one to answer. I think that if you isolate Groupon in the list of concepts that you mention, the answer is easier. Groupon is simply a new way of doing promotions. So the impact on agencies is not that big. A promotion is a promotion, and Groupon is just a new way to tap into an audience and amplify the effect of that promotion.</p> <p>However, the collective list of new business models you present illustrates a larger trend in business that had agencies trying to redefine themselves. As consumers rely more on each other and less on businesses to discover products and services, and get recommendations and deals on those products and services, the role of advertising is changing. Some say becoming less relevant. I think it is just evolving to serve a different purpose.</p> <p>Agencies are now tasked with connecting their clients to their audiences in ways that are more complex than the old days of disruptive messaging. We used to interrupt a consumers activity and insert a memorable message that would hopefully drive a purchase down the road. Now we need to make the brand relevant to the consumer, on a higher level, in ways that are enabling, not disruptive. And increasingly agencies are getting more involved in the actual business models of their client.</p> |
|------------------|--|

**Baldwin
Chen**

Collaborative consumption services are interesting new sales models, usually made possible by information technology. They offer new buying channels and can drive short term lifts in sales, but they don't pose a major threat to agencies or manufacturer brands in the long term because collaborative consumption brands face the same challenges as all other brands -- building customer recognition, trial, trust and loyalty.

The benefit they offer is a "value add" -- they don't make the primary product itself, but they make the process of buying or using that product faster, cheaper or better. In that sense, they're like traditional "value add" brands, such as retailers (Target), brokerage firms (Schwab), media properties (Discovery Channel) or celebrity curators (Martha Stewart). Value add brands usually create and reinforce the imagery of their own brand by drawing from the brand recognition and strength of the products they sell -- Target sells collections from high-end designers like Mossimo, and Zipcar highlights the cool, fun car models in its fleet. So they depend on their "product" brands to build a foundation. On top of that foundation, they must then build their own brand on the rational and emotional values they add -- like Netflix, which launched by advertising "no late fees" (in contrast to the then-dominant brand in the category, Blockbuster), as well as celebrating the love of movies.

Ultimately, like all brands, collaborative consumption brands are under pressure from imitators and competitors for mindshare and bonding. If they cannot maintain a sense of credible, relevant and rewarding differentiation in the eyes of consumers, they become commoditized. For example, Groupon is seeing a tremendous influx of competitive "deal" services. What will their brand stand for in a year or two -- the best place to find the best deal, or a generic term for online couponing?

For product brands, collaborative consumption services are a great promotional tool to accelerate a launch or drive widespread awareness and trial. For agencies they also represent a new category of clients seeking to build strong brands for themselves. But they aren't disintermediating or revolutionizing the brand-building industry. That's Facebook and YouTube's job. ;)

**Scott
McAfee**

We've all talked about the shift from one-way brand communication in mass media to "conversations" in social and digital media. "Collaborative consumption" and other forms of lifestyle networks make things harder for marketers.

We've got to insert ourselves into these existing conversations between passionate, like-minded people. Not easy. The good news is, if we can do it credibly, we're much closer to the decision to purchase.

Thanks to Groupon and other networks, the advertising and marketing models have shifted. But the task has not — be relevant and resonant to your audience. Smart brands will continue to do this, employing partnerships, events and cross-promotions more than ever before.

Appendix 4: Literature review

At the outset it is important to define the term “collaboration”. According to Merriam-Webster and the Oxford online dictionary, collaboration means the action of working with someone, especially in an intellectual endeavor to produce or create something. (The term also carries a negative meaning that was developed during the Second World War, which refers to “cooperate with or willingly assist an enemy of one's country and especially an occupying force”(Merriam-Webster); the infamous actions of the Norwegian politician, Vidkun Quisling are often used as an example of such behavior.) With the definition of working together with others at its core, collaboration is not a new phenomena and the notion has been applied across various fields. Examples include game theory which looks at situations where players make decisions in order to maximize their returns, social projects like Kibbutz Communities where residents build a community with a common social, political or spiritual vision and shared responsibilities and resources, to collaborative learning projects like Black Mountain where “a variety of educational approaches involving joint intellectual effort by students, or students and teachers together” (Smith and MacGregor, 1992).

In addition, collaborative actions can be found in trading markets that existed in the stone-age as well as contemporary models from “the simplicity of a business partnership and crowd funding to the complexity of a multinational corporation” (Hodlin, 2010). Other examples can be found in computer and Internet technologies including open Source Software like Linux and Mozilla Firefox, high-performance computing, data mining, cloud computing, etc. And in the art world, famed masters like Michelangelo were considered as “the head of a good-sized entrepreneurial enterprise that collaboratively made art that bore his name” (Wallace, 1994). The recent rise of user-created content sites, like Wikipedia,

Flickr, Youtube and Yelp that comprise various forms of media and creative works created by users, are other examples of application of the notion of collaboration.

Although the term is often confused, there is a distinction among cooperation, coordination and collaboration. Collaboration is considered as 1) having more of a pervasive relationship (Winer & Ray, 1994). “While cooperation involves identifiable individuals within and between organizations, collaboration expresses a differentiated relationship made up of heterogeneous elements that are defined as singularities” (Schneider, 2006); 2) commitment to a common mission (Winer & Ray, 1994). While in cooperation, “the workers do separate tasks each contributing to the final product, by participating in collaboration the workers actively engage, often on the same tasks, correcting one another, swapping ideas, exerting combined force, and so on” (Blunden). Collaboration therefore, “involves both cooperation (unity) and conflict (critique)” (Blunden).

Why do people collaborate? The question has caught the attention of philosophers, anthropologists and marketing and advertising people.

Collaborations are driven by the desire to create difference and to refuse or find an alternative to “the absolutistic power of organization” (Schneider, 2006).

French observer Alexis de Tocqueville noted more than 150 years ago that Americans seem to have a genius for collective action perhaps stemming from their cultural roots. And according to Tomasello (2009) in his recent book “Why We Cooperate” human beings are evolutionarily inclined to do so.

Collaboration is the result of two primary components: “social negotiation and creative output” (Elliott, 2006). In today’s digitally connected world, these two components are combined and leveraged on a brand new platform, which Peter Gloor (2004) called Collaborative Innovation Network, or CoIN. “It is a social

construct where self-motivated people with a collective vision, enabled by the Web, collaborate in achieving a common goal by sharing ideas, information, and work" (Gloor, Heckmann and Makedonm 2004) The scope of the collaborative effort also requires leadership, although "the form of leadership can be social within a decentralized and egalitarian group" (Kossuth, 2011)

Along with the spread of collaboration, and the advance of technology in communication, collaborative consumption in a digitally connected world has become a consumerism phenomenon not yet thoroughly examined as a new business model.

Botsman and Rogers (2011) in their new book "What's Mine is Yours" stated "Collaborative Consumption describes the rapid explosion in traditional sharing, bartering, lending, trading, renting, gifting, and swapping reinvented through network technologies on a scale and in ways never possible before. " New successful businesses like Netflix with more than 20 million subscribers who pay a fee to essentially share DVDs, or Zipcar, which gives more than 500,00 members the chance to drive cars without owning them are examples of the trend towards "an ownership society" --"The more ownership there is in America, the more vitality there is in America" (Bush, 2004) needs to be seriously questioned and has shifted.

Three kinds of collaborative consumption that currently exist are described in the Botsman and Rogers book. They are:

(a) "Product Service Systems: Pay for the benefit, not the ownership (Example: ZipCar⁸)" (Botsman and Rogers, 2011);

⁸ Zipcar: world's largest car sharing and car club service, operates in Atlanta, Baltimore, Boston, Chicago, London, New York, Philadelphia, Pittsburgh, Portland, San Francisco, Seattle, Toronto, Vancouver and Washington DC.

(b) “Redistribution Markets: Exchanges that move used goods to where there’s new need (Example: SwapTreasures.com⁹)” (Botsman and Rogers, 2011);

(c) “Collaborative Lifestyles: People with similar interests band together (Example: Airbnb.com¹⁰)” (Botsman and Rogers, 2011);

By leveraging the power of social network and internet, collaborative consumption activities carry deeper group impacts on consumers’ purchase decision comparing to normal consumption activities, which the writer believe will help reduce cognitive dissonance occurred in purchase decisions of collaborative consumption services.

First described by Leon Festinger (1957), cognitive dissonance is defined as a situation where people simultaneously hold two beliefs and behaviors that are at odds with each other - in other words inconsistent. The perception or recognition of this difference – its cognition, in turn produces what is called cognitive dissonance.

Since the rejection of alternative(s) is one of the consequences of making decisions, post-decision dissonance is inevitable. In a purchase decision-making context, Oshikawa (1969) found that dissonance was aroused due to a matter of inadequate justification, or the reasons in support were not considered good enough to justify the consumers’ purchase decisions.

Over time, dissonance has been examined through various measurements including “cognitive measures (e.g., evaluating the purchase, the wisdom of the

9 SwapTreasures.com: One of the largest barter site that specializes in online swapping for various type of goods and services.

10 Airbnb.com: An online community marketplace where connect people who have space to spare with those who are looking for a place to stay.

decision, or the actions that should have been taken), psychological measures (e.g., anxiety, comfort, and feelings), as well as behavioral measures designed to measure dissonance reduction” (Sweeney, Hausknecht and Soutar, 2000).

In 1967, Bell (1967) raised the point that customers do not always experience dissonance. A study by Sweeney, Hausknecht and Soutar (2000) was the first attempt to look at whether all customers experience dissonance or whether dissonance is experienced differently by different groups of customers. They later noted in their research that dissonance includes both cognitive aspects and emotional dimension and that “the richness of the dissonance construct makes it possible for customers to vary in the type and extent of dissonance experience.” (Soutar & Sweeney, 2003, p. 229)

Other research by these investigators examined whether dissonance varies “according to product, purchase features or customers’ backgrounds” (Soutar & Sweeney, 2003, p.237), they also suggested the presence of low- and high-dissonance segments, as well as a “concerned about needing the purchase’ segment” (Soutar & Sweeney, 2003, p. 236).

Yet, this work was all done in a traditional consumption environment where participants consumed or purchased individually. In this paper and in the associated research, the writer hopes to examine the occurrence of cognitive dissonance in collaborative consumption situations and the ways in which consumers reduce the dissonance that occurs.

Richard M Perloff (2002) suggested in the book “The Dynamics of Persuasion” that several techniques can reduce dissonance, including 1) a change of attitude; 2) adding consonant cognitions; 3) denigrate the unchosen alternative; 4)

increase the distance among the alternatives; 5) alter the importance of the cognitive elements; 6) work hard to suppress the mutually antagonistic thoughts; 7) find new ways to communicate to others and to self concerning the issues; and 8) alter the incongruent behavior.

When consumed collaboratively, consumers are sharing products or services with their peers. Collaborative consumption sites also serve as “communities”. Being a member in a community and consuming collaboratively apparently increases the chance of communicating during purchase decision-making and also might help generate other strategies to cope with dissonance after the decision is made. In the meantime, the dynamic interactions between the members and the groups or communities as a whole is interesting to look at in terms of the impacts group may have on purchase decision-making.

Reference groups, a term coined by Hyman(1942), refers to “a person or group of people that significantly influences an individual's behavior” (Bearden and Etzel, 1982, p.184). Three types of influence have been identified by Park and Lessig (1977): information, utilitarian, and value-expressive influences. Information influence serves the desire of making informed decision, utilitarian comes into play where people have “attempts to comply with the wishes of others to achieve rewards or avoid punishments” (Bearden and Etzel, 1982, p.184), and value-expressive influences “is characterized by the need for psychological association with a person or group and is reflected in the acceptance of positions expressed by others” (Bearden and Etzel, 1982, p.184). For these kinds of influences to happen on brand purchase behavior, Boume (1957) pointed out that products or brands that are exclusive, as well as can be seen or identified by others are the two required conditions.

Although much research has been done on collaboration, collaborative consumption is only described as a new consumerism phenomenon. Serious and important questions remain unanswered. What are the implications on brands and on agency business models? Can comparisons between traditional consumer models and collaborative consumption take place and be thoroughly discussed? Also research on this phenomenon in other countries, especially countries featuring different cultures and economic forms like China, is missing. This writer will attempt to bring focus to these questions as well as other issues in the pages that follow.

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Vita

Jia Zheng was born in November, 1985, in Shanghai, China. During her early years, her parents gave her piano lessons (she really liked Mozart), and she was encouraged to practice calligraphy. Later, she applied and was admitted to Tongji University in Shanghai. In college, her major was advertising. Therefore, while an undergraduate, she was an intern at Meikao, a local advertising agency, and then McCann Erickson, Shanghai.

She was encouraged by her family to go to a graduate school in the United States, and chose to apply and was admitted into one of the best advertising programs in the States, the Department of Advertising at The University of Texas at Austin. In her first year, she had an internship at LatinWorks, a major multicultural agency in Austin. In her second year, she became an intern at SicolaMartin, a Y&R owned agency. After her experiences in Creative, Account Management and Planning departments in several major agencies, she decided to take the Account Planning track. Her love of big cities drew her to New York, where she was awarded an internship at DDB World Wide in the winter of 2010. Returning to Austin for her final semester, she became involved in a study dealing with the nutrition of children, as well as a phenomenon known as crowdsourcing.

In her final semester, Jia launched a rather ambitious effort to seek employment at an advertising agency, she felt was global in scope. She received an offer from AKQA San Francisco in April 2011 and accepted it.

This report was typed by the author, Jia Zheng.

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