"A book worth reading...from a leader of real consequence."
—**WALTER ROBB,**
co-CEO, Whole Foods Market

THE SOCIAL BUSINESS IMPERATIVE

ADAPTING YOUR BUSINESS MODEL TO THE ALWAYS-CONNECTED CUSTOMER

CLARA SHIH

Foreword by ***Howard Schultz,*** *Chairman and CEO, Starbucks*

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Praise for *The Social Business Imperative*

"Whether you're a global brand, small local business, or individual who wants to turn your passion into a livelihood, this book simply and clearly articulates how to channel the power of social media to delight audiences and grow your business."

—Marne Levine, COO, Instagram

"Clara literally 'wrote the book' on social media with her first book, *The Facebook Era*. In this follow-up, she gives us a practical guide on how to drive social, mobile, and digital platforms to transform and elevate the customer and employee experience. This is a must-read for any business leader who wants to thrive in this time of disruptive change."

—Chip Bergh, President and CEO, Levi Strauss & Co.

"The combination of social media expansion and increasingly powerful data analysis capabilities is creating unmatched opportunities to fundamentally reorganize our businesses and ultimately better serve our customers. Clara Shih helps us understand how and why. This book is a milestone for all of those who want to successfully transform their traditional companies into a powerful and more customer-friendly social business—a business of the 21st century!"

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"Every company today must think of itself as a technology company and become customer-obsessed. *The Social Business Imperative* elegantly, succinctly, and powerfully describes why, how, and what to do."

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"When it comes to mapping the brave new terrain of social technologies, Clara is miles ahead of the curve. *The Social Business Imperative* serves up a detailed and flexible plan of attack that will prove invaluable to forward-thinkers everywhere."

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"In contrast to so many books about the promise and tactics of social media, Shih offers something much more valuable. *The Social Business Imperative* is a strategy and execution roadmap for everyone from boards and CEOs to front-line employees."

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"Advancements in technology coupled with changing consumer preferences have ushered in a new, always-on era of the consumer. From understanding the needs of millennials to powerful marketing and customer strategies that drive sustained growth, *The Social Business Imperative* offers a comprehensive guide to implementing a social media platform and culture change to address the complex demands of today's social, mobile, digital, and in-charge customer."

—Dave McKay, President and CEO, Royal Bank of Canada

"From professional sports to media, entertainment, and retail, no aspect of business or consumer life has gone untransformed by social business. Clara's book is a clear and compelling guide for navigating and succeeding in this new era."

—Larry Baer, President and CEO, San Francisco Giants

"In her latest book, Clara explores an important reality we all face today: Consumers are socially connected, digitally minded, and have higher expectations than ever before. Read this and you will think differently about how to reach and serve your customers in this new digital environment."

—Helena Foulkes, President, CVS/pharmacy

"A must-read for today's business leaders, who must drive their organizations to embrace the growing opportunity on social media and stay relevant with customers."

—Ivan Chu, Chief Executive, Cathay Pacific Airlines

"Paraphrasing Maslow's hierarchy of human needs, after air, water, and food, what we all need and crave most is social connection—friendship, intimacy, and family. Maslow would have loved Clara Shih. Since her breakout book *The Facebook Era* in 2009, Clara has been showing us the way social media is changing our world. Clara's new book cuts through the tech-world jargon to deliver a message to business leaders everywhere: We are all social beings and in business, as in life, building relationships first is the key to success."

—Jim McCann, Founder and CEO, 1-800-FLOWERS.COM, Inc.

"*The Social Business Imperative* is a must-read for all client-facing business professionals, field leaders, and organizational leaders. Written by a master strategist, it will transform the way you conduct business."

—Robert R. Johnson, PhD, CFA, CAIA, President and CEO
of The American College of Financial Services

"Almost overnight, social media has transformed business and the way we as companies interact with our customers. In a way, social media has become part of everyone's job. Clara's book gets right to the heart of the matter and gets us thinking critically about what could be next on this roller coaster ride."

—Robin Hayes, President and CEO, JetBlue

"This book is a guide that connects social technologies to other critical technology-enabled trends that every business leader should understand: the Internet of Things, big data, mobile, and omnichannel. Clara peppers these insights with practical advice from her experience as CEO of a company taking advantage of these trends."

— Michael Chui, Partner, McKinsey Global Institute

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THE SOCIAL BUSINESS IMPERATIVE

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THE SOCIAL BUSINESS IMPERATIVE

ADAPTING YOUR BUSINESS MODEL TO THE ALWAYS-CONNECTED CUSTOMER

Clara Shih

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To Little Blake, who lights up my world.

In loving memory of Uncle Peter.

Contents

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Foreword

Innovation, I have long believed, is not only about rethinking products and processes, but also about rethinking the nature of relationships. This has never been truer than in the digital age.

For Starbucks, constant, relevant innovation around our relationship with our customers has always been a focal point. For more than 40 years, reimagining the way people connect—in our stores and in the communities we serve, and now online—has made Starbucks a brand that is about so much more than coffee. Our retail stores remain the Third Place, a welcome respite between work and home, because our partners (our employees) understand that human connection is as core to our business as crafting the perfect beverage.

Although my perspective on the role of digital innovation is seen through the lens of a consumer-facing brand rather than a traditional technology company, the truth is that no organization today is immune to the sweeping changes brought about by social, mobile, and digital. These technologies have forever changed how consumers experience the world and, as a result, how companies must interact with their customers. In our digital era, opportunities to connect with everyone, from customers to coworkers to community members, are greater than ever.

The question we must ask ourselves is no longer whether the ever-expanding assortment of digital tools poses a threat to the traditional ways we do business—that question has already been answered affirmatively. The question we should be asking, every day, is how our companies can maintain and enhance their relevancy in a world where digital and social media's effects will undoubtedly continue changing consumer and employee behavior at an accelerating pace.

We learned early in our company's digital and social journey that connecting with our customers online and in our stores should not be mutually exclusive experiences. Far from it: The potential for meaningful connections is what makes digital and social about much more than speed, convenience, and the cool factor. For any brand, digital and social have the potential to be about personalization, accountability, transparency, and authenticity. Used wisely, digital channels enhance loyalty and trust. That's why the digital domain truly is the Fourth Place.

Today, digital and social innovation is as critical to Starbucks as sourcing the highest-quality coffee beans. There is no doubt in my mind that any organization's growth, customer loyalty, reputation as an employer of choice, and long-term shareholder value are directly linked to a commitment to fully integrate digital and social into the foundational elements of the company.

When it comes to ongoing innovation, we must all put ourselves in the shoes of our customers by asking what they want, what they do every day, what they need, how they feel. Every business must ask these questions on behalf of its existing customers, whose behaviors change as technology evolves, as well as on behalf of its future customers—younger generations that leapfrogged over landlines, email, and cable, and grew up in the era of mobility, texting, and streaming.

Six years ago, putting ourselves in the shoes of our customers inspired Starbucks to create one of the first Facebook Pages for a consumer brand; today, Starbucks has 36 million followers on

Facebook as well as almost 6 million on Instagram. Three years ago, we built one of the most unique and powerful tools in the retail industry—our Starbucks card and mobile payment platform; today, that platform seamlessly integrates with our equally powerful loyalty program, and we process more than 9 million weekly mobile payment transactions in the United States. During the past year, we have created our own mobile apps so our customers can use their mobile devices to pay and order before they arrive at a store. Our partnerships with digital products, services, and media companies are helping us create a unique ecosystem of digital loyalty. Today, our customers can earn redeemable awards in the form of stars as they discover new music with Spotify, read stories that matter to them in *The New York Times*, and request a ride from Lyft drivers.

Each digital innovation, each new app, adds to the texture and relevancy of the overall Starbucks experience. Ultimately, the sum of the digital parts is greater than any one application.

Key to our efforts has been having members of the digital generation at the table, as part of our executive leadership team and in the boardroom. In 2011, Clara Shih, the CEO and founder of Hearsay Social and this book's author, joined Starbucks' board of directors. Clara's intelligence, her comprehensive understanding of technology and trends, and her proximity to the front lines of digital business in Silicon Valley give Starbucks necessary perspective. The fundamentals Clara shares in the following pages make *The Social Business Imperative* vital reading for any organization aspiring to be digitally smart. For existing companies, the book will elevate the role of digital throughout the enterprise. For entrepreneurs and startups, it will help ensure digital remains a priority.

For Starbucks, the same guiding principles that help steer our growth also inform our digital and social thinking:

- Only with *humility* can we remember that success is not an entitlement, but must be earned every day.
- Only with insatiable *curiosity* can we continue to explore the unknown.
- And only with *courage* can we constantly innovate.

In the Fourth Place, Clara continues to help Starbucks become even more humble, curious, and courageous.

Never before has it been so critical for companies to challenge the status quo. As seismic changes in consumer behavior continue unabated, businesses are both witness and participant. Those that commit to investing in digital and social in ways that surprise, delight, and matter to customers will not only enhance their relevancy in the marketplace, but also be seen as employers of choice.

We are all part of the inevitable digital future that is unfolding at our fingertips. That's why, today, digital is everybody's business.

Howard Schultz
Chairman and CEO, Starbucks Coffee Company

List of Case Studies and Guest Author Sidebars

In my own experience, business books are most helpful when they include real-world examples and case studies. I have endeavored to include as many of these as possible in the pages that follow, including those listed here:

Chapter 2

- CASE STUDY: John Hancock Insurance Company and Fitbit

Chapter 3

- SIDEBAR: Millennial Attitudes and Ride Sharing by Logan Green, Co-founder and CEO, Lyft

Chapter 4

- CASE STUDY: Disney
- CASE STUDIES: CEOs at Virgin Group, American Family Mutual Insurance, General Electric, Medtronic, and Auto Nation on social media
- SIDEBAR: A Social CEO Leading by Example by Scott Ham, CEO, Transamerica Life & Protection

Chapter 5

- CASE STUDY: Misty Farukh, Raymond James Financial Advisor
- CASE STUDY: Florent Martin, Generali France Insurance Agent
- SIDEBAR: Perspective from a Field Leader by Marty Flewellen, Chief Distribution Officer, Transamerica Life & Protection

Chapter 6

- CASE STUDY: Karen Goodwin, Ameriprise
- CASE STUDY: Joel McKinnon, Farmers Insurance
- CASE STUDY: Warby Parker
- CASE STUDY: Penn Mutual Rugby

Chapter 7

- CASE STUDY: Operator
- CASE STUDY: Mave
- CASE STUDY: WeChat

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Sincere thanks also to my writing partner Jessica Carew Kraft and book team Michael Thurston, Olivia Basegio, Marissa Lui, Nicole Johnson, Harry Go, Connie Sung Moyle, Gary Liu, Jill Hobbs, and Jack Cranston.

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- Als, Bex, Ev, Hayes, and Boots.

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About the Author

Clara Shih is a Silicon Valley tech entrepreneur and best-selling author. She is founder and CEO of Hearsay Social, an enterprise software company whose predictive omnichannel marketing platform helps financial advisors engage clients across social, text message, email, and websites while complying with industry regulations. A pioneer in the social media industry, Clara developed Faceforce, the first social business application, in 2007 and subsequently authored the *New York Times*–featured best-seller, *The Facebook Era* (Prentice Hall, first edition, 2009; second edition, 2010).

Clara has been named one of *Fortune*'s "Most Powerful Women Entrepreneurs," *Fast Company*'s "Most Influential People in Technology," *BusinessWeek*'s "Top Young Entrepreneurs," and both *Fortune*'s and *Ad Age*'s "40 Under 40." She was also named a "Young Global Leader" by the World Economic Forum.

Clara is a member of the Starbucks board of directors and previously served in a variety of technical, product, and marketing roles at Google, Microsoft, and Salesforce.com. She holds a B.S. and an M.S. in computer science from Stanford University, as well as an M.S. in Internet studies from Oxford University, where she studied as a U.S. Marshall Scholar.

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Introduction

"A sequel is such a daunting thing, because you don't want to lose the magic and the charm of the first one."
—Sandra Bullock

When I wrote my first book back in 2008, social networks were just getting off the ground. *The Facebook Era* articulated a radical vision for how social media would transform media, relationships, and influence, creating new opportunities for businesses in the process. Skeptics abounded. Even the title of the book was controversial at the time. People needed a lot of convincing that social media wasn't just a fad, so I drew on academic sociology research and drew parallels to the rise of the Internet 15 years earlier.

What a long way we have come. Today, you'd be hard-pressed to find someone who *doesn't* believe in social media's profound impact on every aspect of work, life, and society. As consumers, we live the social, mobile, and digital transformation every day—from the moment we wake up and scroll through Facebook to when we tweet the world good night just before falling asleep. Social media now drives more traffic to most websites than search engines do, and last year social media surpassed even email as the top Internet activity.

Businesses, too, have made great strides. Nine in 10 companies now use social media in some capacity. Yet tremendous untapped opportunity remains—$1.3 trillion in business value, to be exact, according to McKinsey Global Institute. Most organizations are still using social media only in superficial ways or only in select departments (generally brand marketing, recruiting, and customer service), but the rest of the organization has yet to catch up. And *very* few companies more than a decade old have built or adapted their entire business model for the Facebook era. Yet that's precisely where the biggest prizes await.

Social Business Imperative is the execution-oriented sequel to *The Facebook Era*'s vision. The pages that follow describe how social media has come of age for businesses (what I refer to as *Social Business*) in an increasingly mobile world, how organizations can take a strategic, proactive approach to operationalize Social Business in every major function and department, and how these currently siloed initiatives can be tied together cohesively to deliver efficient, consistent customer experiences and unlock transformational new business models.

There are two reasons why Social Business has become an imperative. First, social media is where customers spend their time and expect to engage. The continued dramatic rise in smartphone penetration and usage is driving up social engagement even further. Second, the so-called big data generated by customers on social, mobile, and digital platforms can be harnessed for predictive analytics—which in turn can be used to power new business models and practices that delight customers with personalized experiences, curation, and convenience.

Customers—The Center of Social Business

Some organizations are still trying to force customers to endure frustrating, outdated communication methods such as never-ending customer service phone trees and impersonal web forms, but new and better alternatives are emerging every day for these customers. Across every industry and geography, today's customer has an entire universe of insight at her fingertips about millions of companies, products, and services. She also has an instant global platform through which to voice her opinions. The customer can tweet her questions, grievances, and suggestions, igniting a conversation with strangers and friends, and providing a great opportunity for companies to respond . . . if only they would listen.

In today's constantly connected world, where prospective buyers come to the table with opinions already formed, companies must first listen to what's being said about their products and services. (When's the last time you went to Twitter and searched for mentions of your company?) And in an age when buyers prefer to call the shots and research products rather than be sold to, companies desperately need to invest in content marketing that is authentic, easily readable and sharable, and able to teach the buyer something she does not already know. Companies ignore these needs at their peril, as laggards on the Social Business front risk becoming less relevant over time.

Today's customer demands a seamless experience across mobile, social, web, and in-store environments. To meet these demands, companies must re-architect their business processes and structures with customers at the center, breaking through what are often decades-old departmental barriers and technology silos. Leaders must enable and motivate cross-channel teams to work together for the common goal, instead of keeping mobile and online retail separate from in-store sales and print advertising. Each is a unique touchpoint in the customer journey. Treated as silos, they may cause customer confusion and even anger (just ask anyone who has ever been denied relief when trying to return an item purchased online to a retail store location). In the integrated Social Business venture, these spokes become a powerful wheel of customer interaction, a vehicle for establishing fierce loyalty and brand differentiation.

An Organizational Transformation Imperative

In less than 10 years, social media has evolved from a fun website for college kids to write on each other's walls and 'poke' one another to become a robust series of networks defining a new set of relationships and interactions among people, brands, global causes, and political movements from the ALS Ice Bucket Challenge to ISIS.

Social Business has permeated every step of the buyer's journey and reshaped the rules of marketing, selling, customer service, product development, and much more. Take the sales function, for instance. Facebook, Twitter, and LinkedIn offer access to a wealth of personal and social context, providing reps with the right information to reach out through a warm introduction, tailor their outreach, and ultimately connect more meaningfully. Even prior to social media, consulting firm McKinsey had shown that salespeople such as insurance agents sell more when they know more about their customers. From new babies and new cars to job changes and relocations, social media has become one of the first places people go to share special news with the world. Social selling unlocks these insights in ways that are complementary and transformational to traditional relationship-building.

Social networks have also become *the* place where billions of consumers go to learn about and discuss new products and services, then to share their experience with friends and strangers. Until recently, social networks surrounded commerce transactions but didn't meaningfully enable transactions. The explosive growth of 'buy' buttons and payment-enabled mobile messaging apps (including WeChat and Facebook Messenger) is changing this. With their foundation of trusted-reputation networks, friend graphs, and social data, combined with these new transactional capabilities, social networks are fast becoming more than just a place to discover, validate, and review products. Indeed, they are poised to become robust commerce and service transaction platforms that will again reinvent how all of us live, work, and do business. Organizations have no choice but to mobilize and adapt accordingly.

How This Book Is Organized

This book is divided into three parts. Part I discusses new business models that intersect with and are enabled by Social Business and millennials. Part II walks across the externally facing functions of an organization and examines how Social Business is applied in each case. Part III focuses on how to move from vision to execution and how cross-functional efforts can become aligned to create a whole that is greater than the sum of its parts.

Part I: New Business Models

As we'll expand upon in Chapter 1, "The Social, Always-Connected Consumer," the ubiquity of smartphones and constantly updating stream of content, messages, and notifications have created a consumer that is connected 24/7. The unprecedented amount of engagement, enormous number of clicks, and sheer minutes and hours spent by consumers on a growing number of social media services translate into an enormous amount of data that, thanks to cheap cloud storage and processing, can now be fed into predictive algorithms across a variety of applications. The practice of predictive analytics—which is how we determine patterns and predict future outcomes and trends from this data—will play an increasingly important role in helping businesses serve and delight their customers.

Chapter 2, "The Internet of Everything and Big Data Explosion," explores how consumers now want to digitally connect and access not only virtual games, goods, and content, but also physical ones—such as their cars, homes, and personal health. In so doing, they are creating radically new streams of data. Companies will need to respond with new business models and customer engagement models optimized for frequent or even constant connectivity to the customer. One terrific example is what a South African insurance company, Discovery Limited, has done through its innovative Vitality Program, which issues wearable activity trackers to insurance customers.

The always-on connectivity of consumers has created simultaneously a sense of trust and community on the one hand, and a desire for instant gratification and convenience (some call it "laziness") on the other. Chapter 3, "Trust, Convenience, and Millennials: The Collaborative Economy," contemplates what these new norms will mean for traditional businesses.

Part II: Business Functions Reimagined

Part II opens with Chapter 4, "The Management Team and Board Mandate," which makes the case that the game-changing potential of both totally new business models and totally new business practices call for management teams and boards of directors to become educated and directly involved in Social Business strategy and execution.

The five subsequent chapters walk through five respective major functional departments in a typical enterprise and consider how each should be capitalizing on Social Business: Social Sales, Social Marketing, Social Commerce, Social Customer Care, and Social Hiring. In the realm of social commerce in particular, a number of recent developments are giving rise to fascinating new use cases for transacting both on-demand services and product e-commerce.

Traditionally, functional leaders might read only the chapter describing their function, but in the new digital, customer-centric world order, everyone from boards of directors to front-line sales managers and chief marketing officers to recruiting, IT, and compliance directors must seek to understand the digital transformation taking place not only in their own department but in all departments. Only with this broader understanding can functional leaders collaborate on delivering a cohesive customer experience spanning previous organizational silos.

Although specific best practices differ by functional area, the common thread across all of these operations is the requirement for a new kind of leadership—one that encompasses both functional excellence and an innovation-oriented mindset.

Part III: Enterprise Execution Playbook

The final section, beginning with Chapter 10, "How to Operationalize Social Business," looks at how enterprises can bring together multiple Social Business initiatives spanning different departments, product lines, and geographies to unlock synergies without unleashing bureaucracy.

Social Business presents enormous benefits for building brand trust, qualifying leads, communicating with customers, as well as recruiting and employee engagement. It's also brought to the forefront a set of complex issues involving legal, compliance, and cybersecurity. Chapter 11, "Legal, Governance, and Compliance Frameworks," discusses key risk areas introduced by Social Business and mitigation strategies, including those for highly regulated industries. Chapter 12, "The Changing IT and Information Security Landscape," weighs the role of traditional information technology organizations in today's age of disruptive innovation.

My Personal Journey: From Engineer to Author to Entrepreneur

It's clear we are in a whole new age of innovation. Traditional firms will need to rethink their business models, organizational structures, and standard operating procedures. Entirely new firms will emerge that simply would not have been possible five years ago. My company, Hearsay Social, is one such firm.

Soon after *The Facebook Era* was published in 2009, my former Stanford classmate Steve Garrity and I quit our jobs (at Microsoft and Salesforce.com, respectively) to found Hearsay, an omnichannel marketing technology platform for financial advisors to connect with their clients on social media, websites, email marketing, and text messaging. Before "social business" and "big data" became part of the common vernacular, we founded Hearsay Labs (the original company name) out of my living room in San Francisco to take advantage of their intersection.

As part of a long list of regulatory requirements, financial services organizations need to retain records of all digital communications with clients. Most firms find this record-keeping incredibly onerous, but we decided to build Hearsay's entire value proposition around turning these retained records into big data opportunities!

When Steve and I first pitched our business plan, many venture capital firms dismissed our idea of building a Social Business platform. They thought social networking was a fad soon and sure to pass. Who would have guessed that five short years later, Facebook would be worth $300 billion and Hearsay would have 150,000 customers in 22 countries? We hope this is just the beginning, both for our company and yours.

Thanks to the countless many of you who read *The Facebook Era* and inspired me to found Hearsay. The book experience and startup experience have been life-changing, and I eagerly look forward to what the coming years and decades will bring.

See you on social media!
Clara
San Francisco, California

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3

"Give me what I want, when I want it."
—Consumers everywhere

Trust, Convenience, and Millennials: The Collaborative Economy

Drivers for hire. House rental this weekend. Valet service from anywhere. Ingredients for tonight's dinner recipe delivered to your doorstep. Someone to clean your house, mow your lawn, help you move, cater your party, walk your dog, or babysit your kid RIGHT NOW. The collaborative economy is all around us, accessible via mobile apps on our smartphones through which we can hire underutilized assets (such as empty houses, idle cars, and labor) from other community members via Lyft, Uber, Airbnb, Luxe, Instacart, Thumbtack, TaskRabbit, and other real-time service marketplaces.

While *collaborative economy*—also known as the sharing economy (though this is somewhat of a misnomer, given that people are really "renting" rather than "sharing"), gig economy, on-demand economy, or peer-to-peer commerce—is a relatively new and trendy term, the idea of sharing or renting is nothing new. As defined by my friend Jeremiah Owyang, founder of Crowd Companies and key thought leader in this space, the collaborative economy is "an economic model where commonly available technologies enable people to get what they need from each other." Certainly Vacation Rentals By Owner (VRBO), Craigslist, eBay, and even used clothing stores and carpools fit this description, and all of them have been around for decades.

What *is* new and unprecedented is the expected instant gratification and high participation rate, which have been fueled by nearly ubiquitous smartphone penetration and increased levels of online trust thanks to social networks. Mobile devices that are location aware and able to process real-time transactions have enabled widespread adoption of the collaborative economy by instantly connecting workers and consumers. There are now more than 2 billion smartphone subscribers worldwide, which means 2 billion people who can more easily than ever connect to the supply or demand side (often both) of the collaborative economy. As noted in Chapter 2, smartphones have become the remote control by which consumers can order almost anything with a tap and swipe. For on-demand workers, smartphones are the dispatcher and gig supervisor, continually collecting data on everything from GPS location to customer ratings.

Just as the Internet of Things digitally connects all physical objects, so the collaborative economy digitally connects on-demand labor with consumers. From transportation and hospitality to home improvement, dining, and child care, the collaborative economy is extending the digital last mile to traditionally offline services. The opportunities in this realm are enormous. PwC estimates the movement from traditional employment and services to collaborative, on-demand consumption is driving upward of $15 billion in annual revenues today, with this revenue stream expected to exceed $300 billion in the coming decade. Table 3.1 summarizes the top players in this market.

Table 3.1 Major Collaborative Service Categories and Providers

Category	Marketplace Companies
Transportation	Uber and Lyft are the largest and best-known ride-sharing services. Consumers can select from a traditional car service (town car or SUV), taxi, or community driver (least expensive option), and within minutes their ride will show up. Luxe is an on-demand valet parking service, targeting urban consumers who are frustrated with having to keep circling the block in search of a parking spot.
Food and food delivery	DoorDash, Postmates, and Caviar (acquired by Square) are mobile-first delivery services that enable consumers to order from popular local restaurants and have those orders delivered typically within an hour. Sprig, SpoonRocket, and Munchery actually make, sell, and deliver all of their own food; thus they are more like virtual restaurants. For consumers who appreciate the convenience of delivery but want to cook themselves, Instacart and Postmates provide on-demand grocery delivery and Blue Apron delivers preportioned ingredients for seasonable recipes it formulates.
Delivery	Shyp will send an on-demand courier to pick up packages that consumers wish to send, then take care of all the packaging and shipping, including comparing rates across FedEx, UPS, and USPS. In addition to food delivery, Postmates also provides general courier services for "anything." Uber has also expanded into delivery and logistics.
Tasks/gigs	Thumbtack, TaskRabbit, and Handybook help connect consumers with professional services delivered in the home, such as housecleaning, home repair, painting, and dog-walking.

Category	Marketplace Companies
Hospitality	Airbnb is the leader in allowing consumers to list, discover, and book apartments, rooms, entire houses, and all kinds of unique spaces, such as castles, yerts, and treehouses. HomeAway and VRBO are more traditional listing services and do not currently handle payments. Hotel Tonight provides consumers with great deals on last-minute hotel inventory.
Professional services	Priori, Upcounsel, and Lawdingo connect mostly small and medium business (SMB) clients looking to trim costs with experienced business lawyers for both one-off projects and ongoing legal services. Scripted is a marketplace for businesses to find writers who will draft blog posts, email campaigns, whitepapers, and other collateral. Upwork, Freelancer, and LinkedIn ProFinder are more generalist business professional marketplaces for everything from web and mobile development, design, and translation to accounting, legal services, and copywriting. Doctor On Demand, MDLive, American Well, and Teladoc offer quick virtual consultations with licensed physicians.

For traditional companies, the greatest risk is losing control of the customer as the last mile goes digital and onto someone else's mobile app. The threat isn't disintermediation (as was a common fear with the Internet), but rather *intermediation* by a collaborative economy platform such as Postmates or Uber. Perhaps that is the reason why GM invested $500 million in Lyft in 2016. As we'll discuss later in this chapter, the challenge for many product and service companies today is finding a way to stay relevant to a customer who increasingly seeks services over products and service marketplaces over service providers.

Social Networks Meet the Collaborative Economy

Social networks have provided an important foundation of online trust, which has in turn enabled the emergence of the collaborative economy. It's easy to take for granted now, but this online trust is relatively new. In the early days of the web, users didn't use their real names, and forums and chats were populated with fake identities prone to spamming and scamming. A *New Yorker* cartoon published in 1993 illustrates the state of online trust prior to Facebook, popularizing the saying, "On the Internet, nobody knows you're a dog" (Figure 3.1).

"Real identity" on the web, popularized by Facebook and LinkedIn's respective real-name policies, is actually relatively new. When you deal with a Facebook-verified person on the web whom you may not know personally, you are able to (usually) rule out that you're interacting with a fake bot or a scammer. All of the major social networks have invested tremendous resources in this area, and it has created a new level of trust online. The collaborative economy platforms are doing their part, too.

Figure 3.1
A 1993 New Yorker cartoon underscoring the lack of trust on the Internet (Source: The New Yorker)

Building Trust in the Collaborative Economy

Today, numerous collaborative economy sites, from Airbnb to Lyft, encourage customers to log in with their Facebook credentials to foster trust through use of real names, real user photos (Lyft drivers are shown the Facebook profile picture of whoever has ordered a pickup to help them identify the right passenger), and mutual connections.

Lyft and Uber conduct background checks and driving record checks on drivers, and Airbnb created a special Verified ID badge, which many hosts and guests look for when deciding whether to host or stay with someone. To earn the badge, users must submit a government-issued form of identification, connect a social profile (such as LinkedIn, Facebook, or Google) to their Airbnb account, upload an Airbnb profile photo, and provide a verified phone number and email address.

Generous guarantees and refund policies are also important for convincing skeptical consumers to transact digitally, as eBay demonstrated with its Money Back Guarantee for buyers and Seller Protection program for sellers. Airbnb has a similar Guest Refund Policy (say, if the amenities or number of bedrooms does not match what was in the listing) and Host Guarantee (protection against property damage up to $1 million).

But for Facebook and LinkedIn, providing trusted online identity is just the beginning. In very different ways, both of these organizations are seeking to play an even greater role in collaborative economy transactions. As we'll explore in greater detail in Chapter 7, Facebook Messenger's recently introduced payment capabilities will unlock many new areas of social commerce, including on-demand transactions. I would bet that in relatively short order, Facebook will become a major clearinghouse for consumer products and on-demand services between or involving its members. Facebook Messenger has already been integrated with on-demand service companies like Uber to allow consumers to transact within the Messenger app. In the Uber case, consumers can order rides in the context of making plans with friends (Figure 3.2). The integration automatically provides an estimated wait time and arrival time to all parties involved. In China, WeChat users have been able to hail a Didi Dache taxi from within the app since 2014, though it functions more as an "app-within-an-app" rather than in context with messages.

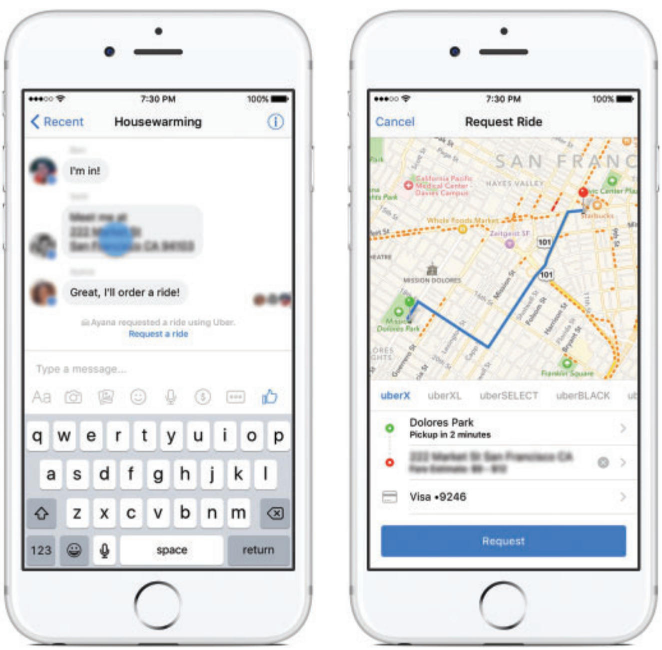

Figure 3.2
Consumers can order a ride from Uber from within Facebook Messenger (Source: Facebook)

Professional services, by comparison, are typically not on-demand services. Instead, they often involve extensive vetting, and the services are provided over a period of weeks, months, or years rather than instantly. Upwork (formerly Elance-oDesk) and Freelancer are the leading professional services marketplaces, but LinkedIn has recently entered into the space with its new ProFinder service, which connects businesses and individuals with freelance accountants, bookkeepers, content strategists, copywriters, editors, graphic designers, and more.

LinkedIn brings important elements of trusted online reputation, such as profiles, connections in common, experience, education, endorsed skills, and recommendations, to the equation and will likely be a formidable player. ProFinder is a logical extension to LinkedIn's existing Talent Solutions business, which enables recruiters to connect with qualified candidates generally for full-time positions. Both professional service marketplaces and transactional service marketplaces will dramatically change our economy and society.

Millennial Attitudes Transforming Business

Like social media, the collaborative economy has gone mainstream but hails from a millennial upbringing. Lyft, Uber, Airbnb, Thumbtack, TaskRabbit, and more were created by millennials for millennials. Generation Y attitudes and expectations continue to be a key driving force behind the growth of the collaborative economy. Therefore, we will begin with a short discussion of this fascinating generation.

Having grown up amidst the tech boom-and-bust of the late 1990s and housing boom-and-bust and Great Recession of 2008, and often mired by student loans, the millennial generation is skittish about consumption and employment. Unlike their parents, millennials are not as interested in owning a car or home. Instead, the most prized possession for millennials is their smartphone, which most say never leaves their side.

Millennials now constitute the largest population cohort the United States has ever seen and are the largest civilian labor force, accounting for more than one-third of all US workers. Millennials value flexible work hours and want jobs that enable them to be constantly connected, according to research by Internet analyst Mary Meeker. Consulting firm Archpoint found that one-third of millennials would actually forgo a higher salary to work at a company that did not limit their technology access, and more than half wouldn't accept a job at a company where social media sites are blocked. Nearly half use personal smartphones for work purposes (compared to 18% of older generations), and more than 40% of millennials are likely to download and pay out of pocket for apps to use for work purposes in the next 12 months.[1] It's no surprise that 2.7 million (44%) of the on-demand workers in the United States are millennials, according to findings from MBO Partners and Emergent Research.

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1. "Freelancing in America," survey of 5000 working Americans commissioned by Freelancer's Union and Upwork (formerly Elance-oDesk), September 2014; "Generation Y: Understanding the Work Habits of Millennials," Halogen Software blog, September 2014; "The State of Workplace Productivity Report," Cornerstone OnDemand, August 2013, survey of 1029 employed Americans age 18 and older; "Millennials at Work: Reshaping the Workplace," PWC, 2011.

On the consumption side of the equation, Barron's has calculated millennials' purchasing power to be $200 billion annually. Here are six additional millennial behaviors and attitudes worth noting. As you will see, many of these have crossed the chasm, so to speak, and are now true of the broader consumer population.

- **Prefer convenience, experiences, and access over ownership.** The Great Recession changed consumer attitudes toward possessions and social status. According to BAV Consulting, 66% of all consumers (and nearly 80% of millennials) now say they aspire to a more minimal lifestyle with fewer things. These individuals find more satisfaction and status in experiences (widely trumpeted through social media, no doubt), than in pricy material possessions. The sustainability movement, popular among millennials, has further aligned attitudes against a material culture. Finally, far more millennials than non-millennials report a desire to "visit every continent and travel abroad as much as possible," according to a survey by Boston Consulting Group.
- **Insist on access to information and transparency.** While millennials are highly skeptical of "corporate mouthpieces" and advertising, they trust and rely on online ratings and reviews. More than half reported accessing user reviews and researching products from multiple information sources while shopping. Cumulative ratings and reviews posted by previous customers have become incredible validators and drivers of purchase, influencing more than 80% of millennial buying decisions.[2] Would you buy a humidifier with a two-star rating on Amazon? Would you dine at a restaurant rated negatively by your friend on Yelp? Most millennials wouldn't.
- **Want to consult friends and family.** Although millennials self-identify as being independent, their behavior indicates a desire to constantly seek reassurance from friends and family on major purchase decisions from consumer electronics to financial advice. Often, they turn to social media to do so. More than 50% of millennials explore brands via trusted friend groups on social networks, and they tend to favor brands that have company Facebook Pages and mobile websites. A majority also use social media to talk about products and brands they are proud to support.
- **Expect constant mobile connectivity.** Nearly 90% of millennials have their phone on them at all times, and roughly half say they would sooner give up their sense of smell than give up their access to technology.[3] Technology firm Mitek found that more than 80% of millennials believe it's important for retailers to have high-quality mobile apps, while 86% say there are still many websites that lack good mobile functionality. In addition, 36% have made a decision on where to buy or switched providers based on mobile functionality, and 14% say they would not do business with a company that doesn't have a mobile site or app.
- **Demand instant gratification.** When millennial consumers tweet to complain about poor customer service, they expect an immediate response. When they order a Lyft or Uber ride, they expect the car to show up immediately. Many cancel the order if the

2. Archpoint, http://www.archpointconsulting.com/articles/8-truths-about-millennials-can-change-way-you-do-business

3. Archpoint, http://www.archpointconsulting.com/articles/8-truths-about-millennials-can-change-way-you-do-business

estimated arrival time is more than 10 minutes. Millennials carry these expectations of instant gratification with them into every arena of their work and home lives—and hence the explosive rise of the collaborative, on-demand economy.

- **Drawn to urban (and urban-like) environments.** In her book *The End of the Suburbs*, *Fortune* editor Leigh Gallagher follows the path of rapid urbanization in America. Consistent with millennials' preference for access and experiences over ownership, she found that many millennials are choosing to live in urban areas with a higher population density, which typically offer convenient access to shops, cafes, and restaurants, and cut down on commute times. This has been an important enabler for local on-demand service marketplaces, which depend on proximity of people and economies of scale.

Millennial Attitudes and Ride Sharing

Logan Green, Co-founder and CEO, Lyft

The culture of ownership is changing. A generation of millennials came of age against a backdrop of economic uncertainty, social change, and a shift in power dynamics away from institutions and back to individuals. My generation questions the status quo, invents new ways of doing things, and focuses on social impact in everything we do. This is the "we" generation, not the "me" generation. A generation that favors experiences over material possessions. A generation that trusts a recommendation from a friend more than an expert.

So it's not surprising that all of these dynamics intersect to create a shift away from individual ownership and to an economy that is based around goods and services when, and only when, they are needed.

At Lyft, we see these trends manifest themselves in people's everyday lives. Ride sharing is expanding rapidly because millennials don't value car ownership—they value time and convenience more. The cost of car ownership is real. It is still the second highest household expense in the United States, higher even than food. And it is utilized just 4% of the time.

For millennials, it doesn't make sense to own a car. The percentage of 16- to 24-year-olds with a driver's license is less than 70% for the first time since 1963. In 1984, young adults were almost 40% of new-car buyers in America—a record high. Today, that percentage is just 27% and declining. When we surveyed people, about a third said they don't need to own a car.

These ownership and attitudinal patterns will have major ramifications for our economy and our cities. When we move from individual car ownership to transportation as a service—a car when you need it, in minutes—we profoundly improve our cities and our communities. A city with less congestion isn't just a more pleasant place to live—though it certainly is. It's also an opportunity to rethink the way we build our cities. We can have parks instead of parking lots. Walkways, not freeways. A city built around people, not cars.

When we move away from individual ownership to shared services, we can redesign the physical infrastructure in a way that brings people and communities back together. We can spend less time in traffic and more time making an impact on our communities and the world. This will be the lasting impact of the collaborative economy.

Not Just Millennials

As much as people love to dissect Generation Y, the truth is that many of these attitudes have actually permeated the mainstream population. A lot of consumers these days—not just millennials—want to do their own product research, validate purchases with family and friends, and find convenience and instant gratification. These expectations are the natural result of constant connectivity. While millennials may have been the first generation to be digitally savvy, a lot more people across every generation fit this description.

Take the topic of trust in big banks and big corporations, for example. This level of trust has been on the decline for decades (Figure 3.3).[4] Occupy Wall Street—a protest against the lack of trustworthiness—was seeded by millennials but spread to a broad cross-section of society.

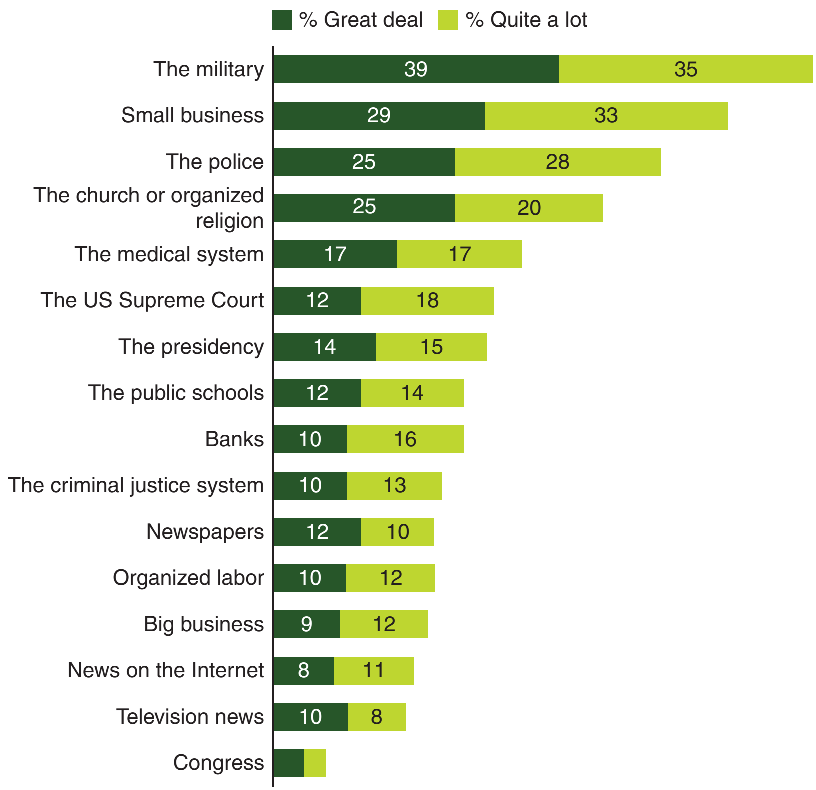

Figure 3.3

Of all US institutions, American consumers are most skeptical of Congress, big business, and big media—both television news and Internet news (Source: ©2015 Gallup, Inc. All rights reserved. The content is used with permission; however, Gallup retains all rights of republication.)

4. Millennial Disruption Index, a three-year study of roughly 10,000 millennials, conducted by Scratch/Viacom Media Networks. http://www.miteksystems.com/about/news-releases/millennial-study-one-in-three-want-to-communicate-by-snapping-a-mobile-photo

As trust in too-big-to-fail corporations and their advertising campaigns has eroded, there has been a simultaneous rise in trust of friends and peers to fill the gap. Through social media and online ratings and reviews, friends' and peers' opinions are now more accessible than ever before, creating and reinforcing this behavior of consulting the community.

Lessons from Collaborative Marketplaces

In ever-expanding categories, consumers have demonstrated they want instant access to products and services without the ownership and commitment. Today, there are at least a dozen unicorn (valued at $1 billion or more) collaborative companies, including Uber and Airbnb (both valued at double-digit billions), Lyft, Didi Kuaidi (China), Ele.me (China), Delivery Hero (Germany), Hellofresh (Germany), Instacart, Blue Apron, BlaBlaCar (France), Ucar Group (China), and GrabTaxi (Singapore). Incredibly, none of these companies existed a decade ago. To be fair, some may not exist a decade from now. Many of their business models are expensive and hard to scale, and it's not clear in all cases what the path to profitability looks like.

Even with these caveats, traditional businesses can glean important lessons from the early success of these collaborative services. Elements of their practices, such as branding and humanizing service professionals or offering online ratings and reviews, could be applied to any business. First and foremost, collaborative companies have adapted to the expectations of today's always-connected consumer (and worker), recognizing that convenience and a delightfully easy-to-use mobile app have become table stakes:

- **Create a dead-simple mobile app.** All successful collaborative companies start with a simple-to-use mobile app or build an integration into one of the top mobile messaging apps such as WeChat or Facebook Messenger. No matter how much complexity there is behind the scenes in matching drivers with riders or coordinating who cooks or picks up a meal, all of it is abstracted from both consumer and worker, and the end result is the consumer is able to order what she wants in seconds, with just a few taps.
- **Humanize service providers.** The Lyft driver who comes to pick you up isn't some anonymous cog. You are shown her name, photo, hometown, and hobbies. The etiquette is to sit in the front seat and fist bump: It is a truly human interaction. On Airbnb, people renting out their homes aren't called "landlords." They are "hosts" who share their photos and interests on their profiles. More broadly, the more skilled the professional, the more consumers expect to be able to research *that specific individual* online before they decide to go with him or her, even if they trust the company overall.
- **Provide community ratings and reviews.** After every Lyft or Uber ride, Airbnb stay, or Postmates delivery, both consumer and service provider rate each other and can leave detailed reviews. Consumers value transparency and have come to expect peer ratings and reviews. These days, many consumers, especially millennials, won't set foot

in a restaurant without first consulting Yelp, a dedicated community review site for local businesses. Online reputation has become so essential that LinkedIn has recently launched its own freelance marketplace, called ProFinder.

- **Offer speed and convenience.** Today's consumers expect things to happen instantly. They do not want to be put on hold or made to wait. Consumers routinely cancel on Uber drivers who are too far away, and they hang up when the hold music has been playing for too long. Consumers also value convenience. They do not want to walk to a taxi stand or even have to pick up their own groceries—they want everything to come to them. This is why Starbucks is testing delivery service as an extension to its Mobile Order and Pay app and why Amazon Prime has become so popular. Recently, Uber launched a new delivery service, UberRUSH, which allows customers ranging in size from 1-800-FLOWERS to local small businesses to tap into its local transportation network. The challenge is that last-mile delivery is extremely expensive.
- **Proactively share status updates.** Consumers also expect real-time status updates, such as how the ride-sharing apps display a map of where the driver is at precisely that moment. Consumers want to know how far away the driver is so they can come out and meet the driver just as he is pulling up. Online apparel retailer Everlane has started sharing order status updates via Facebook Messages so customers know when their order has been shipped and what the ETA is.
- **Store payments and preferences.** The beauty of mobile apps is it's generally secure to keep users logged in to your app. Lyft, Instacart, and Postmates all do just this. They also store payment information and preferences, such as recent orders and last pick-up/drop-off points, making it extremely easy and frictionless to place a new order.
- **Democratize access to luxury.** Private car service used to be reserved for busy executives, the wealthy, and special occasions such as prom or weddings. The same was true for courier service, private chefs, valet service, and on-location hair and makeup services. By mobilizing community labor and allowing for fractional ownership, collaborative marketplace companies have been able to drive down costs, increase demand, and democratize access to these once-luxury products and services.
- **Activate idle resources and find buyers in local regions.** A big aspect of the collaborative economy's cost advantage comes from tapping into unutilized or underutilized local assets, such as an idle town car, an empty house, or an unemployed person.

Collaborative companies are also fascinating from a business-model and supply-chain perspective.

- **Extremely lean supply chains.** Uber and Lyft are the world's largest taxi companies but own no vehicles. Airbnb is the world's largest hotel, but owns and leases no real estate. By claiming the digital last mile *for both workers and consumers*, these companies have been able to build multibillion-dollar businesses off of mobilizing and managing *other people's* underutilized time and assets.
- **Demand-based pricing.** Although demand-based pricing has been around for years, such as for plane tickets and even bridge tolls, it has not traditionally been applied to

most arenas. Uber's surge pricing and Postmates' blitz pricing have brought this practice into car service and deliveries, respectively, partly to help temper demand when it far exceeds the supply of workers at that moment.

- **Big data and machine learning.** Uber learns from every pickup, every ride, every rating. It collects data on which driving speeds were achievable on which roads, where there was gridlock traffic, and which routes drivers tended to take despite the driving directions suggesting otherwise. All of this data feeds into its self-driving car project. In a head-spinning twist, Uber is using its drivers to learn how to someday replace all or most of those drivers with an autonomous vehicle.

Once they solve the initial chicken-and-egg problem (generally by offering free trials to new customers and guaranteeing minimum earnings per hour worked for workers), collaborative marketplaces can get very large very quickly. They exhibit inherent network effects and, therefore, tend to be winner-take-all, monopoly-like markets. Ever heard of Summon, Hailo, Curb, or Sidecar? Neither have most people. Uber and Lyft dominate the ride-sharing space.

Often, collaborative companies claim to be removing the middleman. In reality, they are the new middleman, albeit a more efficient and tech-savvy one. As essentially monopolies, they have tremendous power in both setting prices for consumers and determining how to split revenues with workers.

The conventional view of the relationship between the customer and the company is like a one-way conveyer belt. The consumer sits at the end, waiting for products and services to roll off the line, so to speak. The company hopes it has produced or staffed for what the customer demands, and it is all very straightforward. This view has become outdated. In today's on-demand economy, companies must build a conveyer belt that goes in multiple directions. It is no longer one-way to consumers, but rather goes back and forth and around, involving consumers who also sometimes double as drivers and workers, and a whole new cast of characters who bring new value to the supply chain and customer experience.

In this new world, as Jeremiah Owyang has pointed out, product makers are being reinvented as service providers (think of the IoT business models described in Chapter 2 or Blue Apron delivering fresh ingredients and recipes), service providers are becoming marketplaces (Lyft, Uber, Luxe, Postmates, and Instacart are all great examples), and marketplaces are giving rise to products. For example, in "participatory commerce," community members get involved in the funding, design, or creation of products. Kickstarter and Indiegogo do this for crowdfunding. Threadless, Minted, and Local Motors do this for T-shirts, wall art/cards, and auto vehicles, respectively.

Retailers and product makers that fail to participate in serving or at least transacting with the customer risk becoming commoditized. As Silicon Valley tech executive Andy Raskin has pointed out, most people don't notice, care, or remember the manufacturer of the last plane, bus, or train they rode on. They don't choose to fly on United Airlines versus Virgin based on who made the plane or choose to have their laundry done by Laundry Locker versus Rinse based on which brand of detergent each uses (beyond, say, specifying they want detergent that is natural and eco-friendly) or where the detergent was purchased from.

For existing companies with a well-defined mission and organization, it can be hard to grasp—much less test and implement—this fundamental shift in the relationship with the customer. But it's not impossible, as furniture and housewares retailer West Elm has shown with its LOCAL program, in which the company essentially functions as a marketplace for the wares of local artisans. West Elm customers are asked to vote on their favorite small business makers from the local community. West Elm then provides the winners, such as Brooklyn-based jewelry designer Re Jin Lee, with a monetary grant and a platform both digitally and in West Elm stores to generate awareness and sell their goods.

Challenges and Criticisms of the Collaborative Economy

The collaborative economy has been under attack on several fronts. First, many of these marketplace companies are still fundamentally unprofitable and will require very large sums of capital to reach profitability. One reputable venture capitalist who invests in this space said he would be surprised if most of these companies survived over the long term, as they are very far from a sustainable business model. For some, the challenge is being able to raise enough money to reach profitability and have a shot at becoming self-sustaining.

Second, regulatory battles are still being fought over whether rules that apply to traditional industries such as taxi companies and hotels ought to apply to marketplaces such as Lyft, Uber, and Airbnb. Critics accuse collaborative companies of playing regulatory arbitrage, operating in gray areas just beneath the rule of law and maximizing user acquisition and profit until the laws can catch up.

Related to this is the ongoing debate about whether on-demand workers should be treated as contractors or employees. No one can deny marketplace companies have benefited immensely from the lower cost of hiring on-demand workers as contractors, but the tide seems to be turning on this point: Certain cities and jurisdictions, including Seattle, are allowing certain types of workers to unionize. In 2015, several marketplaces, including Sprig, Luxe, and Instacart, voluntarily began to transition some of their independent contractors to employees, complete with benefits such as unemployment insurance, worker's compensation, Social Security and Medicare contributions, and, depending on the number of hours worked, health insurance. Although this practice raised their labor costs by 30% or so, these companies say they are benefiting from being able to train employees, hold them to certain quality standards, and maintain a consistent schedule, which will ideally increase predictability and reduce turnover.

A third criticism leveled at collaborative companies is that they try to present a more social and community-oriented face to consumers than is actually the case. Critics argue that Zipcar, Capital Bikeshare, and Airbnb are just glorified renting and leasing. Even the words "sharing" and "collaborative" can seem like propaganda. As much as millennials self-report themselves as being mission driven, they and other consumers more broadly cite affordability and convenience—not a sense of community—as the top drivers of their decision to consume on-demand services. The truth is that most people don't want to befriend their Uber driver, get to know the previous owner of their designer dress, or spend a lot of (or any) time with their Airbnb host!

Ride-sharing marketplaces work because rides are relatively transactional, and it's more efficient to not have to rely on the same driver each time you need a ride. Airbnb works because most people don't want to rent the same place in the same city over and over again. For certain jobs, however, customers actually want to keep working with the same individual professional because of the trust and context that have been established. Home services, professional services, salons, and child care all fall into this category. This was the challenge for Homejoy, which was founded in 2010 as a marketplace for in-home cleaning services. Customers used the site to find and book a professional cleaner—but once they found someone they liked, many went off Homejoy, working directly with the cleaner. The company shut down after five years and raising nearly $40 million of venture capital.

A final challenge is what the future will look like for drivers in the ride-sharing economy given that Uber is developing its own autonomous vehicle and competitors like Lyft will just as easily be able to deploy autonomous vehicles being developed by Google, Tesla, Apple, and a handful of other companies. The automation of many job categories beyond professional driving is a much larger issue confronting society that is discussed at length in two of my favorite recent books, *Rise of the Robots* by Martin Ford and *Second Machine Age* by Erik Brynjolfsson and Andrew McAfee.

Summary

Although Airbnb, Lyft, and Uber are the standouts, the on-demand model that these companies helped to pioneer now extends far beyond extra space and shared rides. Almost anything can be shared, rented, and ordered.

Millennials may have started the collaborative consumption trend, but many other consumers have now followed in their footsteps. Our relationship with goods and services has fundamentally shifted because of our smartphones and social media. Large social network companies including WeChat, Facebook, and LinkedIn see the opportunities this trend has opened up and are rapidly moving to become facilitators of the collaborative economy.

For a small but growing segment of the population, access to goods and services now trumps ownership, and the idea of peer-to-peer transactions seems a more convenient, affordable, and trustworthy alternative to buying from big companies. Collaborative models are now firmly established within the transportation, hospitality, and food sectors, and will likely be applied to far more sectors in the future. Even where they are not directly applicable, traditional businesses stand to glean valuable lessons from the success of these marketplaces. In the new world order, customer expectations are higher than ever. Businesses will need to embrace speed, convenience, transparency, and mobile transactability while becoming much leaner and more agile in their operations and supply chains. Companies that empower individuals—be they employees, brand ambassadors, or customer evangelists—with information, flexibility, and convenience will win their hearts, minds, wallets, and hours, while companies that fail to do so will have a tough time staying relevant and staying in business for long.

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