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Changing models of ownership and value exchange

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From cars to music, houses to handbags, growing numbers of people no longer aspire to own. Belongings that used to be the standard for measuring personal success, status and security are increasingly being borrowed, traded, or simply left on the shelf. In the last 5 years, we've seen massive growth in new business models in which people are willing to tradeoff the right to own a product, in the fullest sense of that term (indefinite access, right to transfer, etc.), for new kinds of social capital. Indeed the integration of social capital with commodity work has been noted as an important new mutation in the private sector. New businesses are spawning to help people make use of products that otherwise sit underutilized including the spare bedroom, the snow blower, the ladder or extra bike. These new businesses span vertical industries and appeal to audiences at a range of socioeconomic levels.

OVERVIEW

Relationships between people and products are central to the EPIC community. The last two decades of design ethnography have focused on the product experience to make contextual recommendations on how products might be positioned, designed, and made available. Yet, underlying this focus are two assumptions. First, that when people really want something, they buy it. Second, that people buy products to keep and own them. Ethnography in industry has less frequently asked how people lose interest in products they own, what they do with them when they lose interest or symbolic value such as pride or status, or what people's relationship is to products they don't desire to own.

Our hypothesis for a recent project, Changing Models of Ownership, was that owning products is becoming less valuable to people and that the nature of ownership is changing. This raised several interesting questions for us as a consultancy primarily concerned with creating new forms of value for our clients. So last year Claro Partners, in collaboration with Hakuhodo Innovation Lab, conducted a project to examine how people are rethinking their relationships to products and to discover the new types of value exchange they participate in with businesses and each other. Additionally, we sought to explore the ways in which new businesses are already operating within these shifting ideas of ownership.

In this paper we share some of the key research insights from the project and discuss why emerging business models are able to provide new forms of value to people. We will conclude with some reflections on how these insights into new models of ownership and value exchange feed directly back into the ethnographic practice. We will discuss how we used some of our insight to frame our own work, shape our interactions with both clients and participants, and define our own value as a strategic consultancy.

ABOUT THE PROJECT

Claro and Hakuhodo invited companies to participate in this project with us, and ultimately created a consortium of five client companies across telecom, consumer electronics, mobile devices, public infrastructure, and computer technologies. Consortium members helped frame and interpret the topic, influenced the shape and emphasis of the approach and outcomes, and joined us in fieldwork globally.

To gather fresh insight on this topic, we conducted 55 ethnographic interviews/observations and site visits in Shanghai, Chengdu, Tokyo, Mumbai, Bangalore, Barcelona, Copenhagen, Sao Paulo, and San Francisco. Our participants had a range of backgrounds and experiences that shed light on the topic of ownership. We talked with an anarchist squatter and online buyer and reseller of Betty Boop collectables in Spain, the best Ultra Man bootlegger in China, a second-hand auto dealers and a newly rich housewife in India, co-housing adherents and illegal content downloaders in California, practitioners of minimal living and a community of back-to-the-landers outside of Tokyo, open source evangelists and an online nail polish maven in Sao Paulo.

This ethnography was situated within the broader context of 35 stakeholder interviews within the consortium client companies each of whom had specific concerns about the questions of ownership, as well as 17 interviews with domain experts, and extensive secondary research. Among the experts we spoke with were Nick Noles, Department of Psychology, University of Michigan; Michael Bhaskar, Digital Publishing Manager at Profile Books; Nishant Shah, Director of research at the Bangalore based Centre for Internet and Society; Neal Gorenflo, Founder & publisher of Shareable.net; Rachel Botsman, Author of "What's mine is (y)ours", and Gene Yoon, Founder, Bynamite.com.

PRIOR WORK

There is obviously a broad and deep body of prior work that is related to the topic of this study. Sharing has been looked at intimately by people such as Russell Belk and Markus Giesler, as has borrowing by Melody Roberts. On topics such as free software and its relation to a counterculture, the work of Chistopher Kelty and Fred Turner comes to mind. And Stewart Brand's focus on utopia, the commons as a means of managing limited resources, and radical class and status politics take concepts of sharing and post-consumerism to potentially far-reaching conclusions. But visions of a new tomorrow, ethical and altruistic motivations are outside our scope of study; we were focused on the economic decisions people make when changing from a traditional form of value exchange to something untried and unfamiliar. The work of Pierre Bourdieu and Amy Hanser's on status and class are of a different direction than our own except as we all broadly understand that status is an aspiration of ownership in many instances. Our project started with a much more mechanistic and applied approach than many of the researchers and their work cited above. Even concepts such as product dominant logic, service dominant logic, and product service systems are focused more on the concept of "value in use" perspectives, whereas our own focus was more directed to "value through exchange." And while the work of service design firms like Live|Work strive for equity in the service design with which we heartily agree, in our practice we are more interested in the elements that must be in place to develop better business models for our clients to meet the underlying needs of people we refer to as "post consumers."

WHY OWNERSHIP?

We chose to look at ownership and value exchange as an important lens on human-object and consumer-company relationships because we observed certain trends that together began to suggest a fundamental shift in cultural meanings of ownership:

- A weariness of hyper-consumption, especially in developed economies
- An overabundance of choice, leading to the desire for more meaningful experiences, and decreasing opportunities for product differentiation
- Digital technologies enabling consumers to do things more quickly and independently, eliminating the need for extra products or services
- More considered choices in an environment of economic decline
- New indicators of status and new symbols of value not based in material goods

An initial review of evidence, such as personal curation services (like media recommendation engines or TweetDeck that are replacing traditional news sources), shared access networks like Spotify, P2P networks like RelayRides and minimalist aesthetic moments in US, EU, and Japan led us to hypothesize that ownership is indeed already changing. It also raised several questions for further research: How are these changes manifesting across various types of products and services, geographies, and cultures? How are people reevaluating what they need and want? How will P2P and sharing practice affect the mass market? What are the successful business models in this shifting environment of ownership? If ownership is not part of the exchange what other types of value are being exchanged?

DEFINITIONS OF PROPERTY AND OWNERSHIP

To start exploring this topic, we needed to first define ownership and to understand property – that which is owned. Nick Noles, Department of Psychology, University of Michigan, offered the following definitions, which we used to frame our exploration:

Anything that is in demand and is in limited supply becomes property. If there is any way to itemize a thing, then it can be property. For example, we have been able to turn clean drinking water into property because:

- It is limited in supply.
- It is in demand.
- It has been itemized into standardized items for sales and delivery.

This leads us to ask how property is owned. According to Noles, ownership only exists if three rights are present: the right of access and use; the right to control permission; and the right to transfer the property. In other words, in order to enter into the state of ownership:

- I can use the thing when and how I want.
- I have the ability to allow or deny others to use it.
- I can sell or give it to someone else.

Possession, we began to realize, can be mistaken for ownership. But it is possible to have or hold an object without these three important rights present. Furthermore, lack of possession should not imply lack of ownership. We noted, too, the difference between access and. ownership, and wondered if it is possible for someone to actually own something that they only access and do not possess. The definition of ownership, which seemed straightforward at first, was further dismantled by our observations of people's relationships to goods today, especially digital goods.

THE DILEMMA OF DIGITAL CONTENT

By our definition above it is rather difficult – if not impossible – to truly own digital products and services. Digital content by its very nature is not limited by supply, it is infinitely shareable and its access and transfer are hard to control (by both organizations and individuals). But this doesn't mean people don't try.

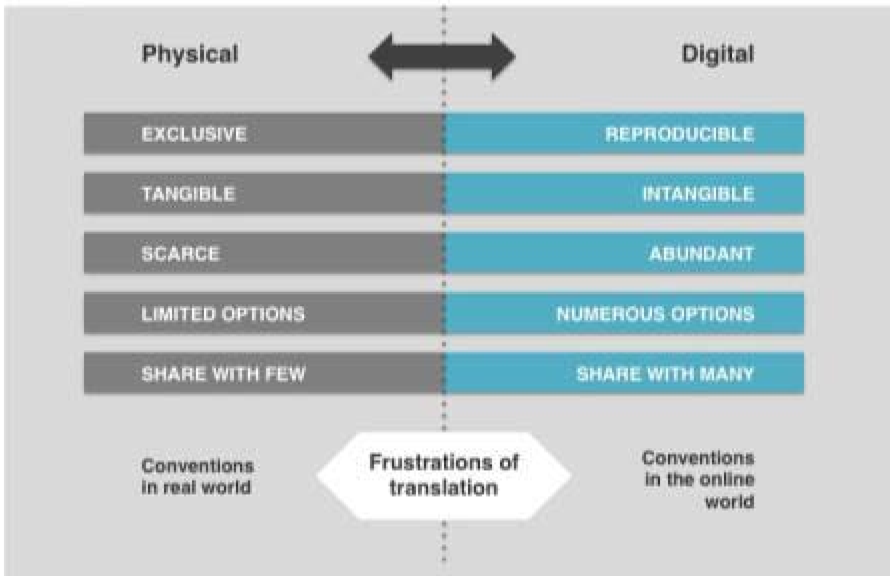

FIGURE 1. ***Differences between physical and digital create frustration.***

Alex Meshkin is a serial entrepreneur who has founded two businesses that attempted, or are attempting, to provide consumers with true ownership over digital content: Bopaboo, a failed business in the resale of MP3s and Huvi, a new venture that "promises to revolutionize what it means to own digital content."). Meshkin believes the rules and rights of ownership of physical things should also apply to our digital files. He argues that to fend off the illegal behavior often associated with digital property we must innovate true digital ownership experiences.

Because digital ownership is more theoretical than physical ownership, it leads to some of the confusion about what ownership means in these two realms. In the physical world, you can point to a book. You can hold it, mark it up, and resell it. You can walk around with it where others can see you with it and perhaps recognize it as a signal that says something about you. We lack many of these visible signals in the digital world.

Lack of possession and visibility of ownership creates moral and cognitive conflicts and bad behavior. For example, out of the 55 consumers we spoke to about digital content across the seven countries, not one was abashed about "stealing" digital content. In fact, people insisted they had no choice given the unfair and unclear rules of ownership.

TEN KEY THEMES OF OWNERSHIP AND VALUE EXCHANGE

From our global research, we developed a set of ten key themes that summarize changes in ownership and value exchange. Each theme is written as an opportunity for companies to begin to think about how they might offer new forms of value given the changes ideas of ownership.

Property and ownership

1. Help relieve the burden of ownership
2. Offer guidance in a sea of abundant choice
3. Cede control of identity and content back to individuals
4. Know when access is good enough
5. Create consistent experiences across physical and digital

Value exchange

6. Cultivate relationships that matter
7. Offer participation in something bigger
8. Help consumers optimize what they have
9. Accept that payment has become optional
10. Recognize value through alternative currencies

1. Help relieve the burden of ownership

It's hard for many people to properly take care of the things they own, and to ensure that they are getting the most value from them. At the end of the product lifecycle, people feel guilty about how to dispose of products – and this leads to more anxiety about purchasing new items.

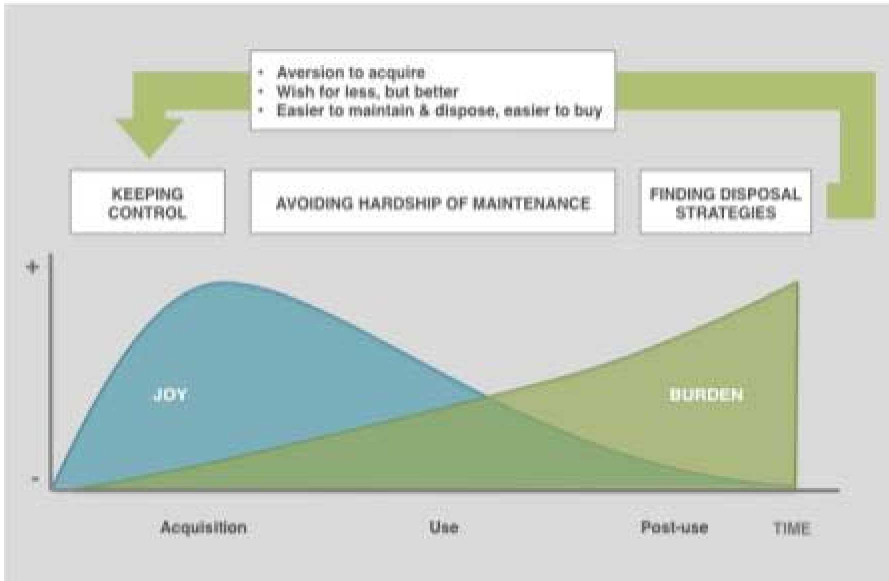

FIGURE 2. ***The causes and consequences of the burden of ownership.***

The concern over the destruction of value is not simply about getting a financial return on something we have but no longer use, but is related to a deeper ethical dislike for the loss of value within a system when there is the lingering thought "that someone could use this." This ethic was shared among consumers in both developed and developing markets. Whether their goal was to minimize their belongings, or to acquire more of certain things as a sign of status and modernity, we found consumer desires to not waste, and avoid destruction of value, as well as to avoid time and effort on maintenance to be nearly universal.

2. Offer guidance in a sea of abundant choice

With the explosion of consumption, especially of things digital, consumers need better ways to find things that are relevant to them personally. They no longer depend on advertising to guide them, but on friends and trusted sources. They seek ways to connect with opinions they respect – whether friends, affinity groups, or recognized experts – to help them make sense of what's out there. This may seem like old news, but within this context of this desire to escape from the burden of ownership, ephemeral content and even the curation of it can also be a heavy burden to people. People's computers and devices are full of stuff, duplicates, unorganized content, and unopened apps they can't find or use.

3. Cede control of identity and content back to individuals

We hadn't anticipated research participants raising the topic of identity, but people frequently brought it up in our conversations, especially so in developed markets. Until now, control of people's identities and digital belongings in the online world have been managed and controlled by businesses rather than by individuals themselves. There is clear and growing sentiment among consumers that this control must shift back to the individual. Though at present this is more of a latent need than overt demand, people do expect more transparent privacy policies and insurance that their data is being handled responsibly. There is a growing recognition among consumers that their identities, data, use patterns, and relationships all have value and growing sentiment that they should be compensated for it some form. Given the persistence, speed, and amplification of data across digital networks, people are also concerned about keeping track of artifacts of their digital identity dispersed across the Internet.

4. Know when access is good enough

People are increasingly choosing to access rather than own certain products and services. Convenience, cost reduction, and variety are the stated personal drivers, but what is really driving this is the web 2.0 infrastructure. New technologies enable broad segments of the global marketplace to quickly access information, entertainment, and goods and, beyond that, to imagine new value-exchange models for participating in music, movies, cars, work, and even housing.

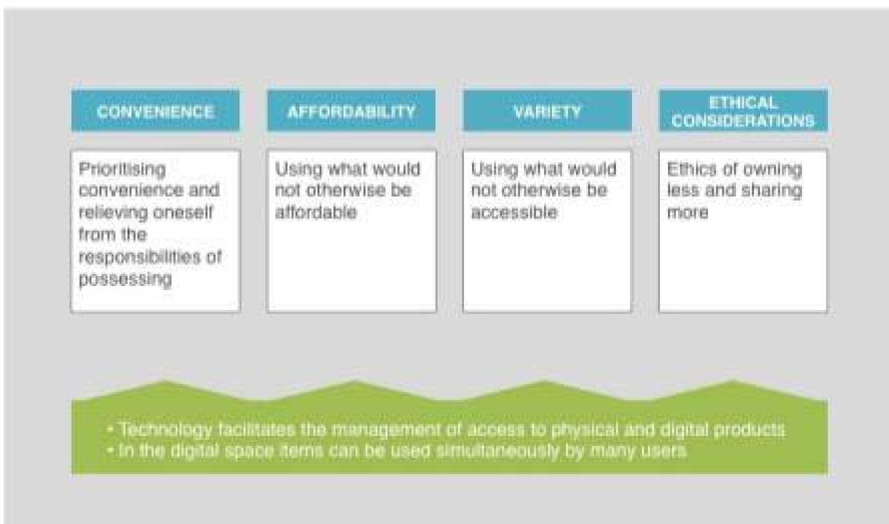

FIGURE 3. ***Consumers have various reasons for choosing access only.***

Choosing access-only solves many of the problems associated with managing, maintenance and curation. Additionally, on-going interactions around access provides new value by offering a sense identity and social connections.

BEYOND THE INDIVIDUAL

5. Create consistent experiences across physical and digital

As already explained above, when it comes to ownership, the digital world doesn't work like the physical world in either logic or values. The rules of real-world ownership don't apply in digital space, and consumers feel they have fewer rights over "their" digital content. People also lack methods to celebrate their efforts invested in creation, acquisition or personalization of digital content compared to physical goods. This may actually provide one of the stronger opportunity areas for businesses – to strengthen the ability to share, showoff, and associate identity to digital objects, and provide other means to attach stories to digital objects like our physical objects.

6. Cultivate relationships that matter

People put a higher value on products and services to which they feel they have a connection, influence, and control. When they don't own and possess an object, it is harder for consumers to feel loyalty to the businesses that make them. Ownership, however, is only one means of making a meaningful connection between people and things.

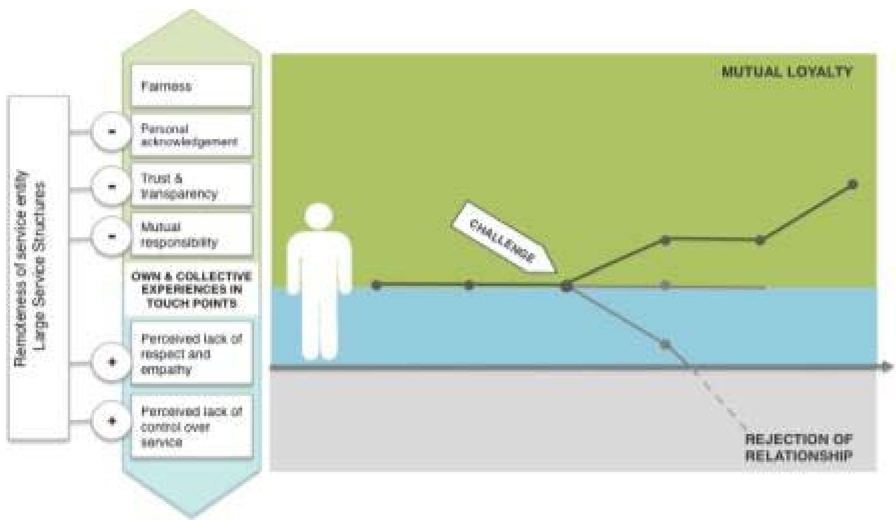

FIGURE 4. ***The bond between customer and company evolves around touch points, especially during challenging moments.***

Ownership may, in fact, be purely functional and no longer fulfill the emotional needs of contemporary consumers faced with overabundance and other burdens. More than new products, consumers are looking for experiences that are not just functional and efficient transactions but that are memorable and meaningful – and ones in which they feel they are interacting with real human beings. We talked to people about their functional and emotional connections to the services they used. Not surprisingly, they felt little connection to their utility, telecom, and cable services, but felt more strongly a part of companies like Netflix, Zappos, USAA and Apple. This is based on the nature of the interaction, not just the transaction.

7. Offer participation in something bigger

One of the central values of the social web is the ability to do things you couldn't do before, like take part in creating the world's largest encyclopedia, join with others to protest political decisions, or build virtual farms together. With each passing day, there are more and more tools available and a lower barrier to entry for creation of spaces and ways to collaborate – and this is occurring globally. This is kindling entirely new forums, forms, and behaviors to pursue the desire for self-expression and the creation of individual "kingdoms" on the Internet, and across an almost inconceivably huge and fine-textured canvas. This staggering choice is itself in need of curation lest it become a burden, so it is critical to offer meaningful ways for people to participate, create, and contribute. They want to participate in more than a monetary transaction, but those new transactions should also not add more burdens. Consumers are also overwhelmed with the excesses of ownership that come with participation, such as loyalty cards, mileage points, and other "rewards" that then must be managed.

8. Help consumers optimize what they have

The desire to be part of something bigger leads people into entering into various communities both virtual and physical. People are increasingly joining communities in order to trade, sell, share, or co-own. These interactions represent another way to engage in something; in this case the ability to experience in a product or service that one could not own individually– whether this is based on cost, availability, desire for variety, or that the experience could not exist in any other way than within a community exchange.

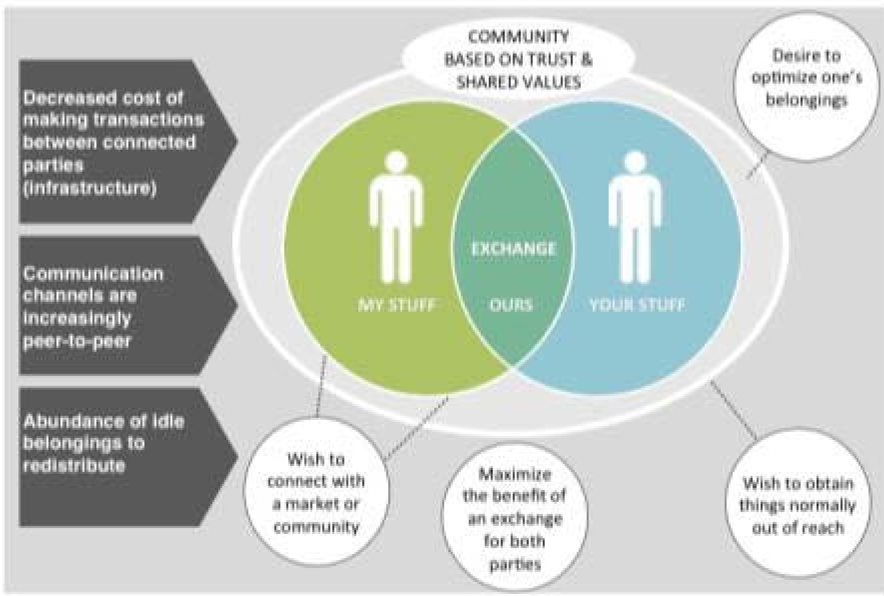

FIGURE 5. ***Individuals optimize their resources in a "win-win" exchange.***

This newfound opportunity dovetails with a growing desire to optimize one's belongings, whether that is to obtain things normally out of reach, or to connect with a market or community to make better use of what one already owns. There is a nascent realization that people can outsource non-core capabilities of their households in much the same way corporations do. The increase in peer-to-peer communication channels and the economies of scale that are reducing transaction costs between peers. More and more people are experimenting with, and even seeking out, direct value exchanges between peers (eBay, Craigslist, AirBnB). Furthermore, we found that once consumers participate in one such network successfully, like ZipCar for example, they begin to see the world in a very different way, and question whether they really need to own things such as cars, music, and even homes.

9. Accept that payment has become optional

Consumers can often choose when to pay and how much to pay for digital content. If they don't like the cost structure or restrictions, they will go elsewhere, steal it, or substitute it with something else. Between Google's "free" products (paid through by 3rd parties in exchange for consumers' attention to their advertising), and 'freemium' models, where 95% of users get a free ride on the revenues generated by the other 5%, and "good enough" solutions like Skype, people have come to expect free options. This behavior learned online is now spreading offline. Though "free" may be alarming to business, there are specific contexts that represent opportunities to monetize other products and services related to free items. Free is based on abundance, but every abundance is collocated to a scarcity. These areas of scarcity present aspects of an experience that people will pay for.

10. Recognize value through alternative currencies

Finally, many of the new activities that consumers take part in have value that is not easily monetized but still represent real value to business and the eco-systems of companies' offerings. Often in P2P exchanges, there is not a clean synchronous exchange of value between two peers. Person A has something of value to person B but person B has nothing valued by person A in exchange. There needs to be some form of value storage in the system so that person B can get value now and person A is guaranteed of receiving equal value eventually. We have given a name to these traditional offline value storage systems; we call it money. In these new online systems alternative currencies are arising that communities of people are becoming accustomed to without really thinking about it. People trade boxes of clothes, buttons, quids, credits, links, friends, or follows. By far the most important of these alternative currencies is reputation. As the power of mass advertising to persuade consumers decreases, the value of reputation and individua profile data rises. From the conversations we've had with consumers around the world on this topic, the use of reputation as a currency is mostly intuitive and contextually negotiable rather than rules-based at this point. We believe this is an area that will rapidly evolve and codify, raising the sophistication of consumers' conscious understanding of how to use their reputation as currency.

What does this mean for business?

Businesses are already emerging to provide alternative value propositions with different exchange models and consumer trade offs. These businesses are emerging because consumers are ready for the technology, behaviors, value propositions and trade-offs of non-ownership.

FIGURE 6. ***New models are enabling more complex, but more efficient value exchange, often between peers.***

We identified 17 key business models that describe over 50 new categories of value exchange among emerging businesses. Each is very different from the traditional exchange of money for goods or service, and these new models require consumers to consider some very different value propositions than they are accustomed to – what do they get, what do they give up, and what do they put at risk. But the general benefits to consumers are increased convenience, reduced cost, ease of access and use, variety, lack of maintenance and ability to partake in experiences formerly beyond their financial means.

We believe this is shift, and that it will continue to grow, driven by increasing consumer demand as familiarity with these business models grows. In some industries, the shift will be almost totally away from traditional ownership and will open up opportunities for more efficient challengers to supplant established players. In other industries, the shift may have a smaller initial impact.

There will be a shrinking of many traditional product markets in terms of total units shipped, the expansion of new product-service system opportunities, as well as access to additional addressable audiences newly able to participate in experiences that have previously been unavailable to them. It also means that even businesses not immediately and directly affected by the shift away from traditional ownership will need to respond to consumers expectations based on their experiences with industries that are on the forefront of offering new value exchange models. Products and services will be affected much in the way that mass customization was first offered (because it was easy to provide) on the web, but soon led to expectations of the same level of personalization across traditional non-Internet products and services.

No matter how unfair these expectations around personalization may have been, nor how difficult it may have been for more traditional products and services to deliver to this expectation, it was the new reality in the marketplace. Those companies that grasped the new reality quickly were the ones to fare the best in catering to this new expectation. For flexible ownership and value-exchange models, it will be much the same. Those companies that can enable value exchange between peers, provide value more efficiently, and deliver goods in a way that fits new expectations will flourish.

How does it relate to the framing of our work?

This disruptive alteration in the product and service landscape calls for changes in ethnographic approach to understanding people and framing business opportunities. The EPIC community's approaches have been grounded in the relationships between people and products, between people and companies, and between companies and their products. Our major contribution as ethnographers has been to help create products that are more useable, desirable, and meaningful to users and that connect them back to the company or brand.

Yet, there are certain incorrect, or at least incomplete, assumptions about value exchange and ownership that form the foundation of the people-to-product-to-company model. Lucy Kimball (2010) points out that much of how we understand value creation dates back to Adam Smith and the basic idea that businesses make objects to sell them--what she calls "value-in-exchange." Ethnographers, unlike economists, are usually more interested in the everyday practices that give objects meaning, their "value-in-use", and research the value of objects far beyond the moment of exchange. Yet, when it comes to research application, ethnographers often fall back on, or called upon to operate in, the old value-in-exchange model. That is, to recommend how to make something more useful, desirable, or meaningful to sell. If we are to continue to focus on people's relationships to objects our assumptions about ownership and the aspiration to ownership need to also be reconsidered. What if "want" no longer means "want to buy"? If consumers' focus shifts away from the product and monetary exchange, what other value may be exchanged? What will the new landscape look like if people lose interest in owning products?

In the more extreme consequences of this shift of ownership, it would mean a need for far fewer individual products in many categories. There is then opportunity to reposition our work to help our clients fundamentally redefine what they do and what they offer. This is a particularly interesting problem in emerging markets where we see changing attitudes towards ownership rising hand and hand with the desire to acquire a means of showing status and modernity.

We must begin to frame our strategic recommendations to clients in such a way that they do more than recommend how to redesign the product, service, or user experience, but offer ways to rethink and optimize the entire value-exchange system. That is, we should look for ways to not only research value-in-use, but leverage those findings to identify opportunities for creating new forms of business value from it.

BEYOND THE INDIVIDUAL

How does this affect the way we conduct our practice?

Claro Partners took this shift as an opportunity to rethink our approach to the work. We reconsidered our own ownership of ethnographic process and the deliverables we produce as well as our clients' unique ownership over the research. We openly sought collaboration with our clients, experts, and consumers to make sense of the ownership problem from a business, experience, and social science perspective. Furthermore, we asked our clients to partner with each other to both participate in and fund the research, and to help make cross-industry sense of the conclusions. Thinking about changing ideas of ownership and new forms of value exchange is one way we've refined our professional offer and the value we create.

We also experimented by embracing opportunities to integrate ethnographic practice with other forms of data gathering, research, and methods for enabling strategic decision-making, like workshops. Upon completion of fieldwork, analysis and synthesis, participating consortium members gathered for a workshop where we presented insights, future scenarios, and business models. Clients then worked together to define the landscape of emerging challenges and opportunities in each of their industries. Finally, after the group workshop, we conducted sessions with each company individually to apply the insights directly to existing company initiatives or circumstances. Experiments like this allow us to determine what our role(s) might be within a flexible framework of value-exchange among a network of collaborators, and how we might provide new forms of value to our clients as well as to ourselves. Our focus at Claro Partners is not on products, services, product service systems or even service design – it is on helping our clients go about creating value in an ever shifting value system. Our belief is that by applying new models of ownership and value exchange to our own work, we can learn what our value really is and deliver it in more meaningful ways.

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