

Research on the Current Situation of the Sharing Economy

Xinyue Fu^{1,a,*}

¹College of Arts and Science, New York University, 10016 NY, The United States of America
a. xf690@nyu.edu

*corresponding author

Abstract: With the development of science and technology and the popularity of online payment, increasing categories of shareable products entered the market, and the sharing economy has become a trend in people's lives. Citibikes, Airbnb are just the beginning of the expanding sharing economy market. This paper analyzes several typical cases of businesses and products in the B to C section of the sharing economy in the world. For methodology, this essay applies qualitative research, case analysis, and comparative analysis. This paper sums up the experiences of success and failure that can contribute to the development of the sharing economy and provides theoretical suggestions to solve problems and promote future transformation, development, and breakthrough. This paper concludes that abundant consumer needs indicate a large potential for new businesses in the sharing economy. Issues like internal management chaos, a lack of regulation, a lack of a clear plan, and neglect of product quality and customer needs may lead to failure. Companies should use technology to collect data from consumers to have a better understanding of the environment and population in their potential market. What's more, it is important for established companies to improve their products to meet customers' expectations.

Keywords: marketing, sharing economy, marketing analysis, sharing products

1. Introduction

In *What's Mine Is Yours: The Rise of Collaborative Consumption* (2011), Rachel Botsman described the new social and economic systems as "driven by network technologies that enable the sharing and exchange of assets from spaces to skills to cars in ways and on a scale never possible before" [1]. Nowadays, the rapidly increasing sharing economy has been integrated into our life. For instance, people can find sharing bikes and power banking everywhere in China; there are plenty of Citibikes and sharing scooters along the street in the US. Based on the development of the Internet and online payment, those products provide our daily lives with convenience. However, not all of those products are successful. In China, the "hot" Ofo bike has almost withdrawn from the market, and the market for sharing power banking is highly competitive and some products have already experienced aging problems. In the US, the borrowing and repayment of shared transportation is not convenient enough since customers have to spend plenty of time finding a certain place to return those products. This paper analyzes the current situation of the sharing economy by discussing some successful and limited factors in this industry. After analyzing those cases and questionnaires about consumers' opinions towards the sharing economy, recommendations are given to established and new companies. For methodology, this essay applies

qualitative research, case analysis, and comparative analysis to understand why some companies succeed, and how to gain progress in this industry. This paper sums up the experience of success and failure that can contribute to the development of the sharing economy, proposes consumers' needs for certain products and services in sharing economy, and provides theoretical suggestions to solve problems and promote future transformation, development, and breaking through.

2. The Foundation of the Earliest Products in the Industry of Sharing Economy

2.1. The Conditions that Lead to the Emergence and Popularity of Sharing Economy

There are mainly four factors that lead to the emergence and popularity of the sharing economy. In terms of financial factors, the sharing economy started after the financial crisis in 2008, when people experienced financial difficulties, and it became hard for people and companies to purchase items [2]. The emergency and growth of the sharing economy aim at exchanging idle resources with each other and reducing the expenditure of buying brand new and expensive products [3]. Besides the financial crisis, the development of science and technology also played an important role in generating the sharing economy. Technological developments and advanced digitization motivated the emergence and rapid growth of the sharing economy. Moreover, increasing urbanization and growing environmental awareness are also decisive factors. Finally, financial motives may contribute to this development, both among consumers and among suppliers of goods or services [4]. Based on people's need for cheaper payments, the popularization of mobile phones and the Internet, growing awareness of low-carbon travel, Citi Bike caught the opportunity and became one of the leading brands in the sharing economy.

2.2. Case Study of Earliest Business and Products – Citi Bike

Citi Bike, a popular bike sharing service in NYC, was established in 2013 in New York City. Citi Bike launched in May 2013 with 6,000 bikes at 332 stations in Manhattan and Brooklyn. By the end of 2017, Citi Bike will have doubled in size, with 12,000 bikes at 700 stations in Manhattan, Brooklyn and Queens. [5] To use those bikes, consumers need to download the Citi Bike App or Lyft App and scan the QR code on the bikes that they want to ride. Once they unlock the bikes, the system starts to calculate the fee based on the time of riding. When consumers reach their destination, they can lock the bikes in specified docking stations and end the use.

The appearance of Citi Bike provides people with more convenience than before. Those who had to bring their bikes everywhere do not need to worry about finding places to stop bikes and preventing them from being stolen. Also, Citi Bike provides people with the opportunity to change a way of transportation as well as their destinations immediately just by scanning bikes along the streets. In terms of expenditure, consumers like students and young adults do not have to pay a lot to buy a bike, instead, they can merely scan the bikes when they need and pay \$4.49 for a 30-minute journey [5].

Citi Bike's success is specifically due to five factors: density, weather, transport infrastructure, data-gathering technology, and network effect. Citi Bike chose a suitable place for the start of sharing bikes: New York City. New York City has a high population density, and bikes may be a better way of transportation because of the traffic jam. Moreover, since New York City has a culture of riding bikes and New York has lots of smooth bike lanes and suitable weather, sharing bikes has the environment to attract users. For Network Effect, since Citi Bike is the first sharing bike, when it had enough number of consumers, others would follow them, and Citi Bike can get more value from growing users.[6].

3. The Limitations of Market Products Under the Sharing Economy

This part discusses limitations of market products in the sharing economy. External and internal factors are analyzed separately with specific case studies of Sidecar and ofo. Each case study talks about the introduction and background of the product, and then points out essential factors that limited the development of the business.

3.1. External Limitations of Market Products under the Sharing Economy - Sidecar

Sidecar, the pioneer that combined online payment and sharing cars and was established earlier than the sharing car businesses of Uber and Lyft, used to be a leading company in the US, but it failed and shut down its operation in 2015.

Strong competitors and ignorance of market needs are the main factors that led to its failure. It is surprising that Uber, who learned from Sidecar's idea, used its technology to break the entry barrier and occupy the market. While Sidecar was building more features, Uber and Lyft were focusing on the features that would give the user most value - lower estimated pickup time, lower prices and more drivers [7]. Moreover, the beginning of the new way of transportation motivated consumers' requirement for lower prices than taxis, but Sidecar did not grab the opportunity to attract its consumer, while Uber actively collected consumers' data and modified its prices timely, letting Sidecar's potential passengers turn to cheaper substitutes like Uber and Lyft [8]. Therefore, without understanding consumers and competitors' strategies, Sidecar finally failed and left the market, making Uber and Lyft the predominant sharing car brands now.

3.2. External Limitations of Market Products under the Sharing Economy - Ofo

Ofo, established in 2014, is the earliest sharing bike in China, used to be the most popular sharing bike around the country. Until the first half of 2017, ofo had entered the market in 21 countries or regions, including the US, Britain, Spain, Singapore, South Korea, and so on. The capital brought by a large amount of financing brought plenty of profits. However, it experienced plenty of loss in the following years and chose to leave the market at the end of 2018[9].

There are four important internal reasons that lead to the final failure of ofo. The First reason is the lack of regulation. The lack of standardized supervision for different departments made corruption rampant inside the company, and ofo had not applied any measures to solve it, creating serious problems in the company's operation. The second reason is that ofo did not have a clear plan of running the business. After gaining a large amount of profit, ofo blindly spent money to purchase bikes, and it blindly placed too many new sharing bikes to the market without considering consumers, which brought it a large loss. The third reason is the enterprise's senior management issues. Senior managers and investors had the right to one-vote veto, and managers could easily make decisions and refute good plans. That caused frequent conflicts between investors, making it hard to achieve unified management. The final reason is the lack of bike maintenance and after-sales service. Since the first bikes were placed in 2014, many bikes had aging problems, but ofo did not repair or replace some of the oldest bikes, making consumers unwilling to use ofo while turned to ride bikes from other companies [10].

4. Recommendations to the Development of the Industry of Sharing Economy

From the case studies of ofo and Sidecar, there are distinct factors that may affect the profit of a product in the sharing economy. In terms of external issues, for some already established businesses, they need to pay more attention to their consumers' needs and modify their marketing strategies timely, and they should be aware of their competitors' movements and quickly react to it. In terms

of internal issues, companies should enhance the regulation of internal operation, strictly monitoring inflows and outflows of corporate assets to prevent corruption and other improper actions. Also, it is better for executives to be open to different ideas in decision making, or they may miss some great innovations. Furthermore, companies should make clear plans for the future so that they know specifically what they have to do to reach their goals.

In a survey among 43 college students, the main consumers of sharing economy products were 39.53% of them, who use sharing items nearly every day, which means that the market demand still has a lot of potential for new business as shown in figure 1.

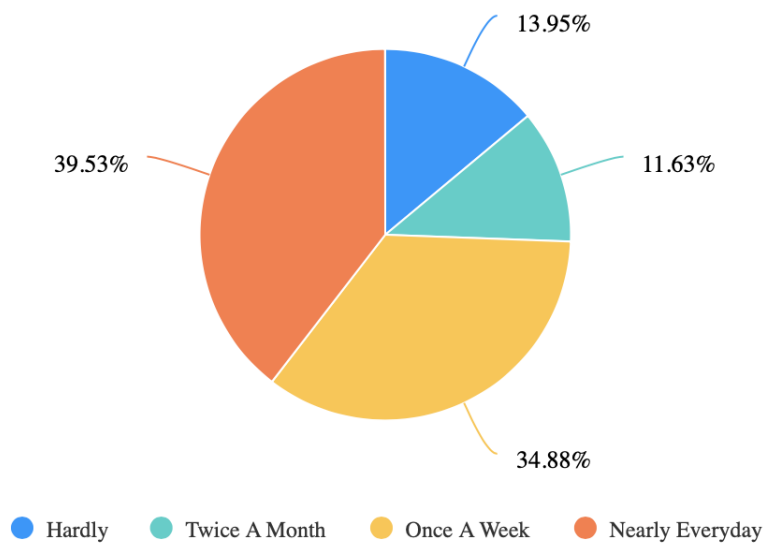


Figure 1: The Frequency of Using Sharing Products.

23 of them think of sharing bikes as the most successful product in the industry since sharing bikes make their lives more convenient while spending less to ride a bike as shown in figure 2. Due to the shortcomings of the sharing economy, a large number of interviewees found it hard to return the shared products.

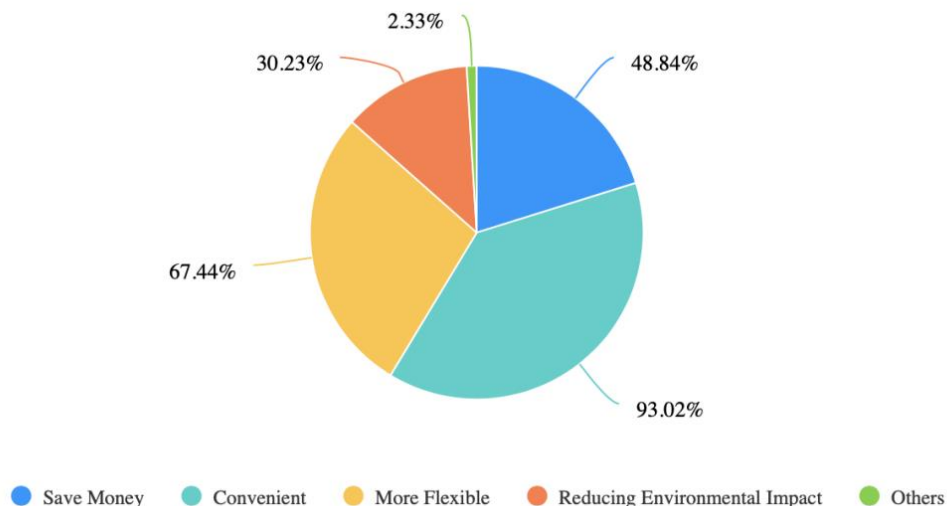


Figure 2: People's Benefits from Sharing Economy.

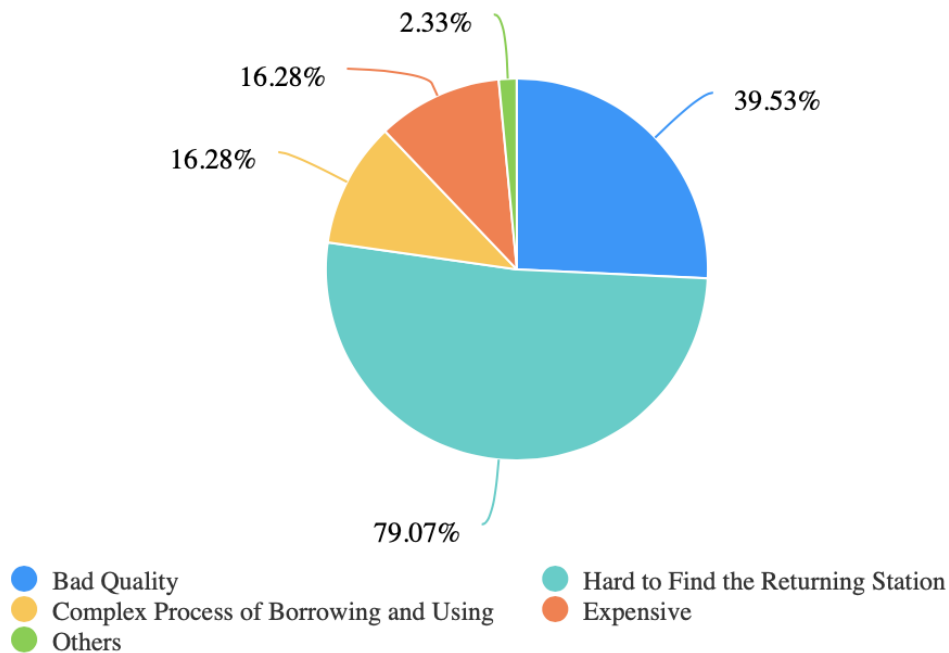


Figure 3: Shortcomings of the Sharing Economy.

Therefore, sharing bikes, sharing power banks, and so on require reasonably setting up more stations in areas with high demand as shown in figure 3. For instance, they can place some returning stations near residential areas, and consumers can easily borrow and return those products without wandering for a long time before coming back to home. Moreover, in the question “What else do you wish to be shareable?”, many students mentioned that they hope umbrellas and books can be shareable, and that may provide some new ideas for the future businesses in the industry. Finally, as for the additional recommendations to the current condition of sharing economy, some proposed that companies should care about the quality of those sharing products, and the functions of products need to be improved with time. For example, sharing power banks were really popular when it first came to the market, but as smartphone battery capacity increases, the charging speed of sharing power banks could not satisfy consumers’ needs, and companies should increase their speed of charging to prevent themselves from being eliminated by the market.

5. Conclusion

In conclusion, the sharing economy, sharing goods for B-to-C businesses in particular, is currently dominated by several big companies, and the industry has great potential in the future. Consumers have got obvious advantages from sharing bikes, cars, power banks, and so on. However, the cases of Citi Bike, ofo and Sidecar suggest that there are still many aspects of the existing products/businesses that need to be improved. A successful product/business has to consider both internal and external factors timely and those oligopoly companies have to keep updating their products to meet the growing demands of consumers to continuously occupy the market. This essay still has some limitations, for it only analyzes a few cases of the sharing economy, which may not accurately represent the current situation of the industry as a whole. Also, the questionnaire targets college students, and it cannot reflect the opinions of customers of other age groups. For future development, more products and services can also become shareable, since people welcome some new shareable goods that can enhance their quality of life. That provides companies with

opportunities to create new businesses and enter the industry, and sharing economy may become more diverse and high-quality in the future.

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