MARKETING DEVELOPMENTS IN THE SHARING ECONOMY

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Abstract
Sharing economy is a common presence in our lives. This new form of consumption started a decade ago, following the 2008-2009 crises, the development in mobile communication and a trend toward sustainable consumption exhibited by more and more people. Today sharing economy is widely debated in academic journals and popular press. In this paper we analyse the marketing of the sharing economy companies. Our goals are twofold: to identify particular marketing tools that explain the success of the sharing economy companies and to spot differences with the “conventional” marketing tools. The marketing within sharing economy context has its particularities concerning the marketing mix and relationships with the customers. Marketing is part of the transformation that led consumers to embrace the sharing economy. Among the marketing tools used in sharing economy we can mention: customization and product-as-a-service, dynamic pricing mechanism, interactive communication on digital environment, multichannel customer interactions, rethinking of the consumer participation in company-customer relationship.

Keywords
Marketing tools, sharing economy, marketing strategy, consumer behaviour

JEL Classification
M30, M31

Introduction

In recent years, a whole new and different businesses have emerged. What their business models have in common is that they operate in sharing economy or collaborative consumption, in which people offer and share unused resources in a creative way. For example, Airbnb allows people to rent some or all of their homes for short stays, and Uber allows real-time access to a means of transportation, using an application that locates the driver and car on the ground. The collective consumption, often associated with the sharing economy, is realized in organized systems or networks, in which the participants carry out sharing activities in the form of renting, lending, trading, exchanging goods, services, transportation solutions, space-rentals or money-exchanges (Möhlmann, 2015). A paradigm shift that occurs in sharing economy is the transfer from ownership to access and optimization of the consumption. As a consequence, a product or service is accessed only when it is needed, as opposed to traditional forms of business where, in general, to consume you have to own the product. Sharing economy has created stress in some traditional industries such as taxi and hotels, but other traditional sectors can be at risk of being disrupted by the sharing economy: the auto industry, the restaurant and public catering sector, the labour market, etc. Therefore, traditional companies have sought to adapt part of their market offerings to make it attractive to sharing economy consumers. In line with the modification of the offer, the marketing mix, both that of the traditional companies and those active in the sharing economy, is modified accordingly. The objectives of the paper are to analyse how marketing is performed under the conditions of the sharing economy and how marketing in the sharing economy is different from the mainstream of marketing tools.

Changes brought by sharing economy. Particularities of the sharing economy

Sundararajan (2016) defines the sharing economy as mass capitalism, because there is a transfer from ownership to on-demand-access. The sharing economy can be described as having three central cores: access to resources and poorly used assets; community support through non-monetary interactions and intermediate and decentralized exchanges through specialized platforms (Acquier et al., 2017). Within sharing economy, consumers offer each other access to under-utilized assets for financial or non-financial compensation (Frenken and Schor, 2017).

The existing literature has provided a variety of definitions for the sharing economy. We consider that some of these definitions overlap with other contexts that are not related to the basic and core elements of this new disruptive innovation. Specifically, when we talk about the sharing economy, we consider three elements: a platform or a service enabler, the traditional consumers, and the suppliers which can be also the same consumers (prosumers). Therefore sharing economy displays three parties and a series of relationships and interdependencies, and the shift from ownership to access-based consumption (figure no. 1).

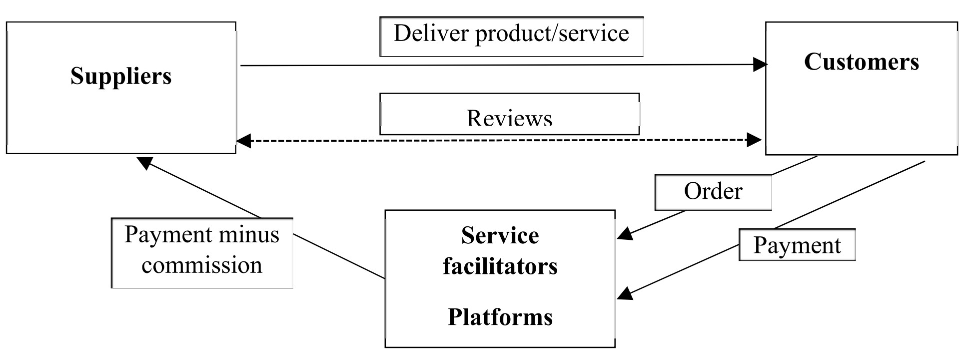

Fig. no. 1 The business model of the sharing economy

Source: adapted after Kumar, V., Lahiri, A. and Dogan, O.B., 2018. A strategic framework for a profitable business model in the sharing economy. Industrial Marketing Management, 69, pp. 147–160.

The sharing economy works by short-term rental of a particular service (for example, transportation for Uber, accommodation for Airbnb). Sharing economy is based on technology and interactivity (Sutherland and Jarrahi, 2018). The defining element of the sharing economy is a platform, usually digital, that connects suppliers and consumers (Kumar et al., 2018). In this way, traditional suppliers are replaced by many small suppliers. The attractiveness of customer platforms lies in the fact that they can quickly find an answer to a specific need. The digital platforms program and the supplier-consumer interactions are usually carried out 24/24 hours. The platforms use digital technologies to outsource most of the production activities to people who interact in a peer-to-peer manner and to ensure and control remote transactions.

Sharing economy has a number of characteristics that distinguish it from the traditional economy: it is oriented towards access rather than property, it generates economic exchanges, it is based on a platform that mediates trade, consumers are also suppliers - the so called prosumers (Eckhardt et al., 2019).

Sharing is a pro-social behaviour and its roots can be found in early history. Modern times seen a revival of sharing practices due to a variety of reasons: economic crises, a more sustainable consumer practices, the need for social interactions in traditional settlements, etc. Social sharing and sharing in general are becoming a distinctive mean to deliver valuable results (Benkler, 2004). Sharing is in general performed outside the traditional markets and can be conceptualized as a new form of production and value creation based on social interaction. The outcome is that collaborative consumption is more and more present and the sharing does no resume to tangible assets but also to nonmaterial one: skills, space, time and money (Botsman and Rogers 2010).

Sharing and the use of products by multiple users allows for more intensive use of products, offering a better leverage for the allocation of resources and capital. In addition, as the producers remain the owners of the goods, they are responsible for environmental externalities, and are stimulated to invest in the design of environmentally friendly and sustainable products.

Research methodology

The difficulty in writing a conceptual paper is to have a clear distinction between the theory that frames an analysis and the theory that provide the data. In our research design we use the Jaakkola (2020) approach and we provide a typology of marketing tools deployed in sharing economy. To achieve this we bring together findings from scatter pieces of research into distinctive categories. The results is a reduction of complexity and a focus on essential matters.

The marketing mix in the sharing economy

Consumer preferences and consumption patterns change in the sharing economy. Therefore the marketing mix must take into account these changes. In the sharing economy, marketing will support more interactions between the company and consumers, and consumers will have a greater involvement in the conduct of marketing campaigns (Achrol and Kotler, 1999). Marketing will prescribe less predefined recipes from the companies' sides and will seek to listen and to involve consumers in the design production and consumption of products. Companies will work together with consumers to integrate these products into consumer's lifestyle. Throughout the paper we will focus on the marketing of service facilitators as they are the promoters of the sharing economy. Service facilitators, being in charge of a platform, have the challenging task to find both consumers and suppliers. Basically they operate a market and they must ensure that both the offer and the demand are present at a satisfactory level.

Product policy

Regarding the product policy there are a couple of particularities that facilitated the developments of the sharing economy: digitalization, customization, product-as-a-service, instant match-making, incipient branding.

At present, traditional products are augmented by offering a substantial *digital component* (e.g. cars, telephones, appliances, utility services, tourist services, public services), which will contribute to increased interactions and personalize the offer (Kannan and Li, 2017). Sharing economy platforms are fully profiting from the digitalization of the offer of products and services. The vast majority of these products within the sharing economy are offered through digital applications using mobile phones. Digitalization allows the *customization* of the offer to a greater extent which contributes to the creation of tailored products to consumer needs. The concept behind this personalized mass-production, namely the production of goods that meet the clear specifications of the client, is an old one, but the emergence of technology in the digital age allows companies to offer personalized products, on an unprecedented scale. Through the Internet, consumers can express their preferences directly to the producer or service-provider who, using a sophisticated production-line but with defined modules, can assemble the product/service at a price comparable to that of a non-personalized item. Custom mass production is not restricted to products alone. Many sharing economy companies, develop particular customer services and try to improve the customer experience through more options, including on-line support and personalized assistance.

Product-as-a-service is a strategy that enable consumers to access only a “slice” of the product, which is necessary for the present consumption. Also known as servitization, this strategy consists in selling solutions to specific needs rather than products. This strategy increases the access to certain products and services, reduces waste, allows the consumers to approach the product instantly and not only after they have saved enough money to afford the product. For companies the advantages include: optimized cash-flow, better customization, increased relationships with consumers. For example BMW and Mercedes offer both cars sharing by the minute on their common platform ShareNow.

The characteristic of sharing economy is the possibility that the meeting between the demand and the offer can be realized in a dynamic way, the so-called *real time match-making*. This is accomplished through algorithms and the active search process. Whereas in the traditional economy the meeting between demand and supply takes place when one of the parties initiates the contact or the move to the other side, in the sharing economy the suppliers and the consumers look for each other. This increases the speed of transactions. The implications for companies are colossal: the offer does not have to be static anymore, but the search for customers must be carried out continuously. This also implies that the offer must be available almost non-stop.

Concerning the *branding and reputation* in the sharing economy, these issues interest not only the service facilitators but also the suppliers. Whether the suppliers improve their notoriety through the rating service, for the platforms the branding principles apply. Innovative platforms, usually those who invented the service beneficiate from the greatest awareness, in spite of growing competition. Being the first on the market, the big names of sharing economy can leverage on their notoriety such as to maintain competitive advantage, to diminish perceived risks, to continue to innovate Florea (2015). Sharing economy brands are less likely to form communities around them due to the lack of ownership but this does not mean that they are less valuable than the brands of tangible products (Bardhi and Eckhardt, 2012).

Sharing economy and pricing policy

Using sophisticated algorithms many sharing economy companies use a process called *dynamic price setting*. The price is changing at very fast pace in accordance with the variation in the factors of offer and demand. This allows for a better capture of the market value. In

cases of congestion and over-demand, finding a service or product is no longer a matter of chance and proximity, but rather the customers are selected to match the existing capacity. While the dynamic price setting mechanism has obvious advantages, in times with low demand prices can be set too low to ensure an adequate profit of suppliers. As of today many companies used to display systems that resemble the dynamic pricing, so that the scale of this marketing technique is now at full display. The question that arises is if the dynamic pricing model can be used as a marketing tool and not only as an optimal resources allocation mechanism. That is can the price be used to signal the brand quality or prestige? At first, consumers in the sharing economy tend to be price conscious, but in time, the notoriety of the sharing economy companies become so large that some of them can charge a premium for their brand.
Alternative compensation mechanisms are used in other companies of sharing economy. Clients can access one product for points or stars. In order to get this points jobs can be performed (you pay in time or tasks) or they can be bought with money. In the sharing economy, platforms have a centralized pricing mechanism (for example Uber). They are responsible for price-setting. Suppliers and producers need to take these prices for granted. This fact can create some discontent. In other platforms (Airbnb) suppliers have the possibility to set their own prices. The question is what mechanism is best for optimal allocation of resources. It is clear that platform owners have more information and access to data than the prosumers.

Communication and promotion

Since the first adopters of the sharing economy used to be young people (Cheng, 2014), communication with them was done mostly on digital channels. Consumers inform themselves from the reviews and are asked and encouraged to contribute to this reviews. This adds to the credibility of the communication as it is user-generated. Sharing economy platforms beneficiate from real time-communication originating from consumers and this boost their reputation and credibility. User-generated content and online reviews (online word of mouth) are a massive source of information that platforms can rely upon to inform and to persuade consumers (Kannan and Li, 2017). Traditional mediums of communication such us television are in part avoided, since the target public is not present on these classic mediums. As in any form of business, in sharing economy too, the success of communication is based on the identification of all contact points between the platform and the consumers, identification of those channels that are less crowded and where the attention of the public can be closed to maximum, and delivering a message relevant to consumers. Digital communication fulfil its full potential on sharing economy platforms: social media advertising, video content, application advertisement. Much of communication is and will be devoted to mobile environment since the mobile is an indispensable gadget to consumers.

Distribution policy

Mobile communication allows us to share and to access products and services from all over the globe. A series of companies use geo-localization for instant match-making between suppliers and consumers. This has raised concerns over privacy and intrusion into intimacy. Online customers can be easily managed in the way that, eventually, their socio-demographic profile can be traced. A large volume of data is available for interpretation and synthetization into valuable information. In online environment the measurement of client’s acquisition and tracing their journey with the company environment is much easier to be implemented (Verhoef et al., 2015).

Customer relationship management and trust building

Every successful business needs clients to buy its products and thus to validate its business model. Consumers embarked on the sharing economy for a variety of reasons. Sharing economy provided immediate access and ease of use, this being relevant especially for young people Möhlmann (2015). Trust is cited among the main drivers of the sharing economy. Because of the review system customers and suppliers trust each other on the journey of sharing (Botsman and Rogers, 2010; Sundararajan, 2019). Trust and ease of use are facilitated by technology. Internet and mobile applications are a great medium to access sharing economy products and services, just by logging with your social media account. With the help of technology consumers are more and more involved in two-way interactions with companies and other consumers (Foltean et al., 2019). Consumers wants to know that apps are safe in terms of data protection and that their transactions are secured.

People engage in sharing economy both as suppliers and consumers, and the reasons they do it are not just for material or functional benefits but also for the social value of connecting with the others. This social value is beneficial for platforms too as it leads to consumer loyalty. The fact that consumers can experience also the "production" side can help them to understand how a platform works and to be more satisfied with sharing economy. A number of authors suggested that consumers are increasingly conscious about ecological matter and they modify their behaviour accordingly (Sitnikov and Bocean, 2013; Dabija and Pop, 2016; Popescu et al., 2018). A series of studies described the relationship between sharing and sustainable development in all dimensions: ecological, social and economic (Plewnia and Guenther, 2018). Sharing economy companies include in their statements ecological concerns that might be relevant for certain consumers (Bocean et al., 2018).

Table no. 1 Marketing in the sharing economy vs. marketing in "traditional" economy

<table>
<tr><th>Policy tool</th><th>Marketing in the sharing economy</th><th>Marketing in "traditional" economy"</th></tr>
<tr><td rowspan="5">Product policy</td><td>Preponderant use of digital marketing</td><td>Preponderant use of conventional marketing</td></tr>
<tr><td>Customization of offer</td><td>Invariance of offer</td></tr>
<tr><td>Product-as-a-service strategy</td><td>Products are sold with ownership rights</td></tr>
<tr><td>Real time match-making</td><td>There is a delay between production and consumption</td></tr>
<tr><td>Incipient branding</td><td>Mass branding</td></tr>
<tr><td rowspan="3">Price policy</td><td>Dynamic pricing mechanism</td><td>Prices are set in accordance with three factors: costs, demand and competition</td></tr>
<tr><td>Alternative compensation mechanisms</td><td>Money is the only mean of exchange</td></tr>
<tr><td>Centralised pricing</td><td>Decentralised pricing</td></tr>
<tr><td rowspan="3">Communication</td><td>Interactive, decentralised communication</td><td>One-way, centralized communication</td></tr>
<tr><td>Intensive, controllable word-of-mouth</td><td>Dispersed, non-controllable word-of-mouth</td></tr>
<tr><td>Efficient measurement of return of investments of advertising</td><td>Inadequate assessment of the outcomes of advertising</td></tr>
<tr><td rowspan="2">Distribution</td><td>Managing customer experience on digital environment</td><td>Managing customer experience on classic retail formats</td></tr>
<tr><td>Revitalization of the existing stock of assets</td><td>Adding up to the stock of used assets</td></tr>
</table>

Customer relationship management	Trust is instituted by peer-reviews	Trust is based on product quality and invested by official recognition from certified bodies
	Consumer participation is motivated by economic and social interests	Consumption is motivated manly by economic factors
	Ecological and sustainable aspects of the businesses are of interest to consumers	Consumers are not so concerned about sustainability

Source: Developed by the authors

Conclusions

Sharing economy is a phenomenon that is ever present in our daily life. A growing number of consumers will adhere to sharing economy principles. Traditional companies have to adapt their marketing mix or they will be outdated by new developments. Although sharing economy and the traditional economy will continue to coexist, there will be moments of overlap in which consumers will be interested in accessing the offer that brings them the most value. The marketing strategy will continue to be focused on value creation for customers, as this will depend on the well-being of the company. By developing offers that include technological platforms and greater interaction between the company and consumers, businesses will be even more customer-centric and meeting the needs of the market, which will lead to increased customer satisfaction. We noticed that the marketing strategy of sharing economy companies include access to products and services through technology, and this trend will continue. Consequently, marketing must follow the same digital channels. Those processes that can be automated will lead to cost reduction and standardization of customer interaction. The role of artificial intelligence and virtual reality is not to be neglected. In the end, companies will have to address in their future marketing campaigns the topics that resonate with consumers and which drove them to sharing economy: ecology, reducing waste, avoiding high expenses. In this way, customer engagement can be achieved: by combining the technology with the themes that are relevant to the consumer, at the same time with increasing the value for the consumer.

We consider that, rather than prescribing the new modes of consumption of the sharing economy to consumers, marketing of companies should focus on identifying new consumer preferences and creating value offers in accordance with these new principles of consumers. In the true "shared process" companies and consumers should work not only to develop new products and services but also to create marketing techniques that are relevant and enhance value for both parties.

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