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## SHARING ECONOMY AND ENTREPRENEURSHIP: A CASE STUDY FROM ROMANIA

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### Abstract

The present paper attempt to bring a contribution to a very significant topic of today world. Sharing economy has grown in the last period and extended its reach to all business sectors. The research will be done in the context of entrepreneurship and the new wave of tech start-ups.

The main objective of the research is to define the sharing economy and see how it's applied by entrepreneurs. To this end, we have chosen to perform a literature review, where various business models associated with sharing economy will be analyzed. The practical part of the research is made by a case study featuring a start-up active in the toys industry in Romania. The results of the study show that sharing economy is strongly linked with entrepreneurship. We expect that more initiatives will be launched in the future to capture the opportunities offered by sharing economy in various industries.

### Keywords

Sharing economy, entrepreneurship, start-ups, toys industry, e-commerce

### JEL Classification

L24, L26, L81, M13

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### Introduction

Entrepreneurship is the blood of the world economy. Each and every company has started small, through the courage of one or more people who dare to dream and implement new ideas. Through this cycle, the development was fueled on a continuous basis.

However, the last years brought some concerns – can we continue the growth on an extensive base, without any limitations? The climate crisis, environmental issues and depletion of natural resources have added additional concerns. The concept of sharing economy emerged from these concerns, although people shared resources from ancient times.

The emergence of new technologies enabled sharing as a mass phenomenon, so entrepreneurs picked up this new mega-trend and formed innovative companies, like Airbnb or Uber. In all economic sectors appeared examples of companies capitalizing the sharing economy concept.

Therefore, the main research question is how the principles and opportunities of sharing economy are exploited by entrepreneurs in Romania. Subsequent research themes referred to industries and modalities where sharing economy has been applied.

One particular example is the fast-growing industry of games and toys for children. One specific insight of this industry is that parents spent a lot of money for toys that kids are using for a very short term. Based on this insight, courageous entrepreneurs build a subscription-based model, called *Evertoys – toys as a service*.

**Literature review**

Although sharing economy is a concept that has been broadly addressed in the recent literature, there is a still a strong debate about this concept. Botsman, presents the ambiguity surrounding this term, maintaining that “sharing economy lacks a shared definition” (2013, p.1). A famous journalist, Cerise Sudry-le-Dû, quoted by Acquier, Carbone and Massé, affirm that “sharing economy is a catch-all that includes ambitious young Internet start-ups, companies that are worth millions on the stock market, and neo-hippies with political and social objectives” (2019, p.1). Menor-Campos, de los Baños García-Moreno, López-Guzmán, T. and Hidalgo-Fernández (2019) founded different terms related to sharing economy, that are partially synonyms, but partially refer to a certain specific: collaborative consumption/economy, access-based consumption/economy, peer to peer economy, gig economy, economy of access.

In the context of the current study, it is important to make a distinction between collaborative economy and sharing economy. According to Ertz, Durif and Arcand, collaborative economy is a “set of resource circulation systems which enable consumers to both obtain and provide, temporarily or permanently, valuable resources or services through direct interaction with other consumers or through a mediator” (2018, p.1). The most important feature of this definition is the fact that consumers are also suppliers, so they trade one with each other. They can do this on a permanent or temporary basis, which translates into a more or less economic purpose. The presence of a mediator is not necessarily required.

In contrast, sharing economy is defined by Acquier, Carbone and Massé “as a group of initiatives that improve the availability and efficiency of sub-utilized resources through exchanges between participants or promoting access over ownership” (2019, p.7). The concept assumes a clear economic purpose of efficiency improvement, whereas consumers are different versus suppliers. This is done normally through the presence of a mediator that promotes the improvement and has trade relationships with the other participants (Table no. 1).

**Table no. 1 Collaborative versus Sharing Economy**

Characteristic	Collaborative	Sharing
Interaction	Direct	Through a mediator
Purpose	Exchange of goods	Efficiency improvement
Trade	Among participants	Mediator trades with participants
Time-bound	Ad-hoc, temporary	Permanent

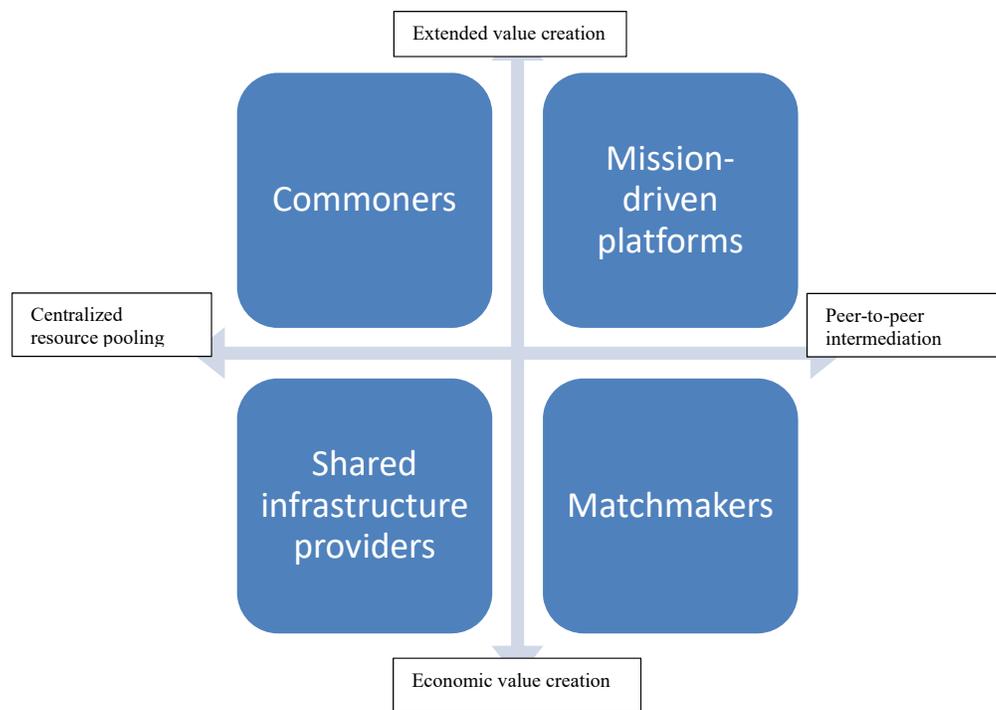
*Source: Acquier, Carbone and Massé (2019) and Menor-Campos, de los Baños García-Moreno, López-Guzmán, T. and Hidalgo-Fernández (2019)*

Another key term of Acquier, Carbone and Massé (2019) definition is access over ownership. In other words, a consumer will use the good/service for a limited period of time, instead of buying.

The business models in which sharing economy operates are also various. Different authors have studied them and try to categorize in different segments. In a recent study (2016),

Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (European Commission) and PWC produce a report about sharing economy in Europe, that maintained the fact that sharing economy is now a megatrend that changed our lives. This change is done mainly through start-ups, as they found at least 275 collaborative economy platforms at the date of the report. In regards to business models, they identified five main sectors: peer-to-peer transportation, on-demand household services, peer-to-peer accommodation, on-demand professional services and collaborative finance.

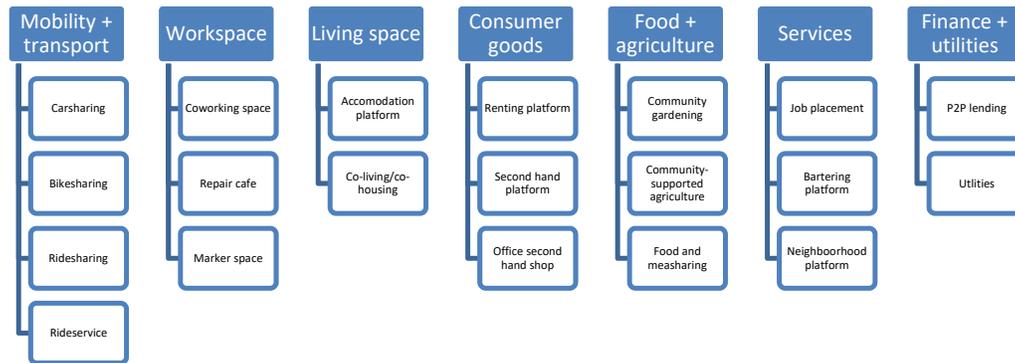
Acquier, Carbone and Massé (2019) consider that business models of sharing economy should be evaluated on two axes: value creation mechanisms and value capture and distribution mechanisms. The first axe involves two mechanisms – peer-to-peer intermediation and centralized resource pooling, while the second refers to dominant economic focus (for-profit organizations) and dominant value creation (non-profit organization). Based on these mechanisms, Acquier, Carbone and Massé (2019) propose the following matrix of business models (Fig no. 1):



**Fig. no. 1 Business models of sharing economy**

*Source: Acquier, Carbone and Massé, 2019*

Wruk, Oberg and Friedrich-Schieback (2019) looked at business models from an industry/specific sector perspective. Based on an extensive literature review, they identified several sectors where sharing economy is present in an extensive way (Fig no 2).



**Fig. no. 2 Sharing economy sectors**

*Source: Wruk, Oberg and Friedrich-Schieback, 2019*

Based on previous research, Barbu, Bratu and Sirbu (2018) synthesize the business models in three main categories:

1. Access-based business model – the consumer uses the product, instead of buying (see also Acquier, Carbone and Massé, (2019)). The model translates also a shift into customer perception where access is more important than ownership. The platform owns the tangible/intangible assets, which are leased/rented to consumers. The model is very popular in software industry, in the form of software-as-a-service (SAAS), but it expanded to other industries, under the name product-as-a-service (PAAS).
2. Marketplace/platform economy – the consumers exchange goods/services with suppliers and vice versa. The platform acts only as mediator and facilitator and does not own the assets subject to exchange. In essence, it's a matching and balancing of supply and demand, especially when supply is in excess and demand is high.
3. On-demand service provider – the model refers to professional services performed via an Internet platform. It requires two categories of actors – provider of services and those who request them.

Another important aspect of the sharing economy is its impact on society. That's true, of course, for the non-profit organizations, but also for the entities that are built for profit. The literature on this topic is quite large, showing opposite views on the economic, social and environmental impact of sharing economy.

These positive views highlight the sustainability associated with sharing economy. People tend to consume less, re-use the goods and idle capacities are un-tapped. Large and monopolistic companies see their power lowered by small actors, towards a “conscious capitalism” (Acquier, Carbone and Massé, 2019). Due to technology, people that do not know each other can exchange now goods, services and ideas.

On the negative side, sharing economy has introduced unregulated (and not controlled) entities that eludes the law. The Uber controversy in many countries illustrates perfectly this phenomenon. Other concerns refer to working conditions, which transforms employees into sub-contractors and freelancers not protected by social regulations. Last, but not the least, the initial, moral drivers of sharing economy have been transformed into pure economic reasons, from the perspective of business ethics (Etter, Fieseler and Whelan, 2019).

### **Toys industry in Romania**

In order to capture the main characteristics of toys industry in Romania, we will use a recent study published by Euromonitor International (June 2019).

The headlines of the study show that the toys market has increased with 11% in 2018, reaching RON835 million. It is one of the few industries that still enjoys double-digit growth, thus attracting new players. The market is dominated by imported toys, with Lego Romania consolidating its position as leader. Apart from traditional channels, Internet retailing is becoming more popular.

The study identifies the main important trends of the market:

- Major International Licenses Dominating the Marketplace
- Shift Towards Environmentally Friendly and Sustainable Toys
- Harder to Capture Children's Interest

As regards to competitive landscape, the main ideas presented in the study are:

- Lego Romania Is the Leading Player in the Category
- Private Label Is Expanding
- Toys Borrowing A New Concept with Great Potential – this item mentions specifically Evertoys as an example of an innovative idea in the toys industry

### **Evertoys – a case study of sharing economy**

From the above description, the market seems ready for a disruptive concept like Evertoys.

Evertoys is a toys and games rental service targeted to become an ecosystem that will allow customers to provide meaningful, changing and fun learning experiences to their children. It is a subscription-based system that mainly targets medium and high-income urban families with children from 0 to 14 years old.

Evertoys' vision is a world in which it is easy for every child to have the best toy at the right time, every time.

The strategy of the start-up is to achieve a leading position in the toy and game rental market in the region, always excelling in diversity, ease of ordering and quality of customer relations. The business model is matching the principles of sharing economy and recurrent income. The model is based on three pillars:

- Several subscription levels that give access to a certain number and types of individual toys to be rented
- One (one way) subscription option for a prepackaged box of selected toys aimed at educational activities for the ages 2 – 10 yrs.
- Monetized marketplace for toys and toy/children related goods for both B2C and B2B customers. This also includes the acquisitions through Evertoys of used toys from its clients. To achieve this, the customer value proposition - which is coherently deliver through channels of distribution - will be based on corporate values:

*Trust /Flexibility /Competence / Ease of use / Unique learning experiences / Original content*

The system is very simple and (for the customer) is a three steps process (Fig no 3):

- Subscribe.
- Choose the toys
- Exchange the old box for a new one



**Fig. no. 3 Evertoys business model**

Source: Company data and authors' own research

While Evertoys keeps the toy selection experience as close as possible to the usual internet shopping experience, there are some differences, mainly due to the intention to build an ecosystem.

The main innovation within the toy market is the fact that one recurrent and very affordable payment will give access to all the toys and games. The transactional subscription process is separated from the toy selection process. This offers a high degree of security and flexibility to the customer, and a high degree of control to the company. While the recurrent subscription works in the background, without ever a need to touch it again, the customer can browse, view and select the products based on the virtual currency, without the danger of making bad financial decisions. Particularly because there are no more financial transactions involved, many families let their children to browse, choose and order the desired toys directly.

The ecosystem extends beyond the selection of the next toy box: once the credit card is registered with Evertoys, the customer can choose to directly buy a toy, without having to go through a secure payment again. The virtual currency can be saved and accumulated and even used to get toy discounts from Evertoys or from their partners.

Evertoys underlines the sharing character of its business also by offering a Toy Buy Back Service. They take all the outgrown toys of our customers and reward them with virtual currency, so they can get new ones. Part of this stock will enter the Evertoys platform, part of it will be donated to partner charities.

The disruption that Evertoys started to create is the following: Toys and games, as a fast-paced need for development and education, should become more and more a commodity, rather than an inventory. Why pay for something that keeps its relevance for a few months at the best, if you can choose to renew your stock rapidly and as often as needed.

Simplified, the entire idea revolves around this concept: *Evertoys – toys as a service*.

### Conclusions

Sharing economy is a growing trend of the last period. This trend was embraced not only by large corporations, but also by courageous entrepreneurs.

The literature agrees that sharing economy concept is based on the need to further increase the usage of idle resources, thus adding also social benefits. Several business models were developed in this context and the concept spread into several industries.

IT Technology added an extra layer of development for the sharing economy. By using specific platforms, entrepreneurs manage to develop successful and viable companies. Examples can be seen around us, from Uber to Airbnb.

In this context, we presented a case study from Romania, where a very interesting concept was developed in the toys industry. The founders of the company not only managed to create a solid company, but an entire ecosystem, that includes not only parents, influencers and media.

The research is a starting point for a larger investigation into sharing economy in Romania. Apart from the consumer goods (toys in this case), other industries are embracing the principles of sharing economy. We can enumerate here logistics/supply chain, real estate, waste management etc.

These further investigations into other industries will address the limitations of the current research, that was based only on a literature review and a single case study. The subsequent research will provide a complete overview of sharing economy business models in Romania.

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