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Commentary: Marketing and the Sharing Economy: Digital Economy and Emerging Market Challenges

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The sharing economy is changing consumer and firm behavior around the world. We present two challenges to the proposed view of marketing in the sharing economy. First, we argue that the critical feature of the sharing economy is not its crowd-sourced nature, but rather its digital-economy nature, which means data are now considered the key factor of production that drives how markets are organized and operate. Second, the market environment for the sharing economy in emerging markets lacks the institutional basis found in developed markets, which creates unique consumer and firm problems. These two challenges change marketing within the sharing economy in ways important to practitioners and scholars.

The Sharing Economy and the Digital Economy

Eckhardt et al. (2019, p. 3) define the sharing economy as "a scalable socio-economic system that employs technology-enabled platforms that provide users with temporary access to tangible and intangible resources that may be crowdsourced." The authors propose five defining attributes of the sharing economy: temporary access, transfer of economic value, platform mediation, expanded consumer role, and crowdsourced supply. In this definition and Table 2 in their article, they place "crowdsourced supply" as a foundational element of the sharing economy. We challenge this view.

Rental businesses, which allow consumption sharing and provide temporary access to resources, have existed for a long time. What is really new about the sharing economy is the fact that it is built on the digital economy, in which data drive exchange and value creation in an unprecedented manner. According to the definition by the G20 Summit in China (2016, p. 1), the digital economy refers to "a broad range of economic activities that include using digitized information and knowledge as the key factor of production, modern information networks as an important activity space, and the effective use of information and communication technology as an important driver of productivity growth and economic structural optimization." With data as the key factor of production, digital technologies provide exceptional insights and the capability of matching suppliers and buyers to efficiently meet buyers' idiosyncratic needs without ownership transfer. Ride-sharing companies such as Uber are able to achieve this matching capability through digital technology that allows Uber to access massive consumer usage behavior data, identify potential consumer demand through data analytics, and efficiently match consumer demand with available cars. Historically, this was not possible for traditional car rental companies.

Table 1 summarizes how this quality of the sharing economy changes several important aspects of marketing proposed by Eckhardt et al. (2019). As the key production factor, data from the sharing economy companies not only create value for customers by providing better matches between suppliers and customers to improve customer experience, but also offer the opportunity to create value through innovation and vertical integration for firms along the whole value chain.

Although we agree that crowdsourced supply was a feature of many first-mover sharing economy companies, we contend this is changing as firms realize the power of the data created in these digital systems. The authors acknowledge this shift, but we believe it is worth deeper consideration. For example, one of leading ride-sharing companies in China, Caocao Chuxing,

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Table 1. Marketing and the Sharing Economy: Digital Economy and Emerging Market Challenges.

	Digital Economy Challenge	Emerging Market Challenge
Key market feature	– Data as the key production factor	– Trust as the key market barrier
Institutional role of the sharing platform	– Data generator and value creator	– Trust builder and market maker
How marketing processes change…		
– managing customer experience	– Focus on using user behavior data to improve customer experience	– Focus on building customer trust to improve customer experience
– managing innovation	– Focus on using user behavior data and IOT data to manage innovation process for upstream firms	– Focus on proposing innovative business models to build trust
– managing brands	– Focus on building a trustable platform brand based on data and privacy protection	– Focus on building a trustable and reputable platform brand for buyers and suppliers
– managing value appropriation	– Focus on profiting from the partner value created from data along the integrated value chain	– Focus on profiting from the customer value created by self-ownership and highly integrated service models

owns all its cars and employs all its drivers (Ren and Du 2019). Furthermore, all the cars owned by Caocao are made by its parent company, the car manufacturer Geely. Geely, the largest Chinese private carmaker and the owner of Swedish car brand Volvo, set up the rideshare business Caocao in 2015. As an example of the power of digital assets, by analyzing passengers' usage behavior data on where and when they use the rideshare service, Caocao has been able to improve rideshare services and even offer additional product delivery services. For example, consumers can hail a Caocao driver to pick up and deliver a product (e.g., a document, a key, a cake, flowers) within the same city very quickly. More importantly, Caocao collects massive real time Internet-of-things (IOT) data from all its cars to monitor driver behavior and automobile performance on the platform. These data help Geely improve its innovation process and design better cars by observing customer frustrations and unmet needs during vehicle use.

The tremendous value of data from rideshare platforms has started to attract other upstream firms in the transportation industry to this market. For instance, the German automotive part maker Bosch recently acquired the ride-sharing startup SPLT (Marshall 2018). The massive data from Caocao and SPLT help Geely and Bosch better understand both their end-customer behaviors and product performance and manage their innovation processes more efficiently. These companies have realized that user behavior data from temporary access on rideshare platforms is much richer relative to what can be uncovered when a car is sold in the classical economy. It is difficult for traditional car manufacturers or automotive part makers to know when, where, and in which context a consumer has mobility needs. It is also difficult for them to collect IOT data to monitor the automobile or automotive part performance without individual car owners' authorization. Sharing platforms now have unparalleled access to detailed user behavior and IOT data that traditional sellers could never have. Thus, it is not surprising that more upstream manufacturers and service providers have begun to vertically integrate with sharing platforms. This phenomenon contrasts with Eckhardt et al.'s (2019, p. 29) view that sharing economy firms are competitors to traditional firms. In fact, traditional firms are increasingly embracing the sharing economy by vertically integrating into the downstream sharing platform so they can better appropriate the value generated from platform data. Meanwhile, since the sharing platform has unprecedented access to user behavior data, building a trustworthy platform brand is a critical new issue for brand management.

In summary, to capture the essence of the sharing economy, we think it is more appropriate to define the sharing economy as an important type of digital economy that employs data as the key production factor to provide users with temporary access to tangible and intangible resources to efficiently meet their highly individualized needs.

The Unique Market Environment for the Sharing Economy in Emerging Markets

From Eckhardt et al.'s (2019) thorough literature review, it appears that most existing research focuses on the sharing economy in developed markets. However, the marketing environment for the sharing economy is quite different in emerging markets. A unique feature of the market environment for the digital economy in emerging markets such as China is that the market begins the digitization process while it is still in the process of industrialization (Chen 2018). In contrast, in developed countries, the digitization process started after industrialization and is thus built on it. The most important implication of this timing difference is that without going through decades of industrialization, emerging markets do not have the solid and highly specialized foundation of market institutions (e.g., legal systems strictly protecting property rights) on which the digital economy is built in developed countries.

One critical role of such market institutions is to engender trust and reduce the information asymmetry between buyers and sellers. In emerging markets in which the industrialization process is still underway, almost every industry is highly fragmented and has numerous firms—many with inferior quality and unknown reputation. Legal systems are not strong enough to enforce trustable market behavior, which makes it very difficult for buyers to trust and purchase from sellers. This distinctive market feature means that sharing economy companies in developing economies first need to build consumer trust.

Compared with the ownership transfer model in the traditional nonsharing economy, the temporary access model of the sharing economy makes buyers deal with different products and/or service providers for each transaction. Given this heterogeneity, firms need to offer innovative business models to help shape the new institutional environment and create unique value for different stakeholders during various marketing processes, such as those examined in Eckhardt et al. (2019).

As we summarize in Table 1, trust is the key market barrier in emerging markets. The critical role of the sharing economy firms in these markets is to serve as trust builders and market makers by proposing innovative business models and building a trustable and reputable brand to improve the customer experience. In general, sharing platforms have used two models to build trust in emerging markets.

The first model for the sharing platforms to build trust in emerging markets is *self-ownership*. One good example is Shouqi Limousine & Chauffeur, another leading ride-hailing player in China. Its business model is different from the crowdsourced supply model adopted by Uber and its biggest rival in China, Didi Chuxing. Shouqi Limousine & Chauffeur owns its fleet of cars and provides only a few car models, which helps the platform reduce service heterogeneity for a ride-hailing customer. Founded in September 2015, the platform's parent company, Shouqi, has more than 60 years of history and is now the leading Chinese company providing transportation services for major state and foreign affairs events and VIPs. Shouqi has become the most trusted brand in the industry. Shouqi Limousine & Chauffeur uses a brand extension strategy to leverage this strong brand equity from its parent company, hires all the drivers directly, and trains them to be service professionals (using training approaches from its parent company). This self-ownership model ensures consistent and high-quality service, which helps build trust among its customers. Shouqi Limousine & Chauffeur's reputable brand image and high-quality service allow it to charge premium prices and appropriate value while serving its mid- to high-end customers.

The second model for the sharing platform to build trust is to serve as a highly *integrated service provider* instead of a pure matching service model. In some industries, such as the home-sharing market, it can be difficult for sharing platforms such as Airbnb to provide their own homes to satisfy consumers' idiosyncratic demands; as a result, they tend to adopt the crowd-sourced supply model. However, emerging markets must resolve the market trust issue for buyers and sellers; to do so, local home-sharing providers use a highly integrated service provider model that differs from the pure matching service model their Western counterparts operate. A typical example is Xiaozhu, one of the leading home-sharing providers in China. Founded by Chi (Kelvin) Chen and Liantao (Tarry) Wang (one of the co-authors of this commentary) in 2012, Xiaozhu has over 800,000 listings in more than 700 cities and destinations all over the world as of 2019.

In the Chinese home-sharing market, trust and safety are the key issues for both homeowners and consumers, so Xiaozhu centered its business model on these issues from the very beginning. In addition to the typical two-way rating system adopted by its Western counterparts like Airbnb, Xiaozhu introduced multiple mechanisms, including smart door locks with facial recognition to prevent unauthorized tenants and enhance trust. The firm also collaborated with third-party companies such as Alibaba-affiliated Ant Financial Services, which provides the private Zhima credit score system, so homeowners can screen out potential clients with bad credit history. Home-sharing service buyers also face severe uncertainty and trust issues about sellers. Homes in China are more likely to have lower hygiene and safety standards than U.S. or European homes, so steps are required to raise their quality. In April 2018, Xiaozhu launched an offline service center to provide such integrated service solutions for homeowners, mostly in expensive popular tourism destinations. The firm analyzes customers' behavior data (e.g., browsing, renting, review data) and provides such solutions as amateur host mentoring, interior design, photo shooting and cleaning services, and smart home management systems for homeowners in order to increase buyers' trust in the home-sharing suppliers on its platform. This heavy asset, highly integrated service model is quite different from the light asset, pure matching service model adopted by Airbnb and is more easily accepted by the suppliers and buyers in an emerging market environment like China. It also allows Xiaozhu to appropriate the value generated from other services.

Conclusion

We believe it is important for future research in marketing to consider two important and overlooked features of the sharing economy. First, marketing should treat the sharing economy as an important type of digital economy. The data generated by the sharing service can be analyzed to determine how they create value for different stakeholders such as consumers, firms, and society and thus influence the whole value chain of an industry. Second, marketing should study the sharing economy from both the developed market and emerging market perspectives and examine how the market institution environment shapes the need for different business models to address consumer pain points and open these markets to serve user demand.

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