

Business Model of Sharing Economy: Two Cases from Taiwan

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Abstract— This study aims to explore how the C2C mobile online auction in the sharing economy use Blue Ocean strategy to achieve business model innovation, to perform value innovation and cost reduction. This study chose a startup—Carousell and a long standing online auction Website in Taiwan—Yahoo! Auction as business cases. We use qualitative method for data collection. The results of the analysis suggests that the relationship among the business model of our business cases, Blue Ocean strategy, and how Blue Ocean strategy can help to achieve business innovation. Finally, theoretical and managerial implications were discussed.

Keywords— C2C Mobile online auction, Business Model, Sharing economy, Blue Ocean strategy.

I. INTRODUCTION

The advent of Web 2.0 makes it possible for user-generated content, online collaborations, information sharing. Sharing economy is one of the online activities that is currently active. It refers to an owner transfers the ownership of products to others. The business model of sharing economy overrules the traditional business models where technologies are not heavily in use. Due to the Internet, businesses not only focus on value creation and value delivery. Business stress more on user experiences that bring benefits to both businesses and consumers.

Low-cost strategy and differentiation are typically being used in obtaining competitive advantages [1]. Business competition will turn out to be competitive. This refers to read ocean strategy (ROS). In contrast to ROS, scholars use Blue Ocean strategy (BOS) is creating a new business model that focuses on value innovation [2]. We intended to apply BOS to understand business model of sharing economy, because the concept behind fits current direction of Internet use, specially use of mobile applications as a tool of business value creation.

Business model is how a business create value and profits in a competitive environment. Today, the business competition is no longer in products, instead, businesses compete their business models [3]. Under the framework of BOS, we intend to understand:

1. The business process of sharing economy business model
2. The relationship between the BOS and sharing economy business model

The paper proceeds as follows: we first review the literature and present the methodology. We then analyze the data that is obtained from qualitative data analysis. We discuss our results in discussion section. Finally we make conclusion that includes both theoretical and managerial implications.

II. LITERATURE REVIEW

In this section, we discuss the pertaining literature on business model and sharing economy. We also review the literature that discuss BOS. We provide empirical studies that apply BOS to further explain its applications in business.

A. Sharing Economy

Sharing economy is also known as collaborative consumption. In information systems (IS), the concept refers to using the online marketing place to share, to give, to trade, and to rent products or services. Thus, the products or services can be re-used. There are three types of collaborative consumption: 1) product-service systems (PSSs), 2) redistribution markets, 3) collaborative lifestyles [4].

Product-service systems. Peer-to-peer rental or sharing enable owners to provide services to fulfill other's individual needs. For instance, biking sharing on campus makes it possible for students to decrease the monetary burden of purchasing a new bike. Meanwhile, it helps to decrease the quantity of damaged bikes.

Redistribution markets. Used or unused products were given to others via auction or business transaction. For instance, Freecycle Website is a bartering Website that allows users to exchange their unused products and items. Carousell Taiwan and Yahoo Action are also this type of information services. "Redistribute" was added into 4R (Reduce, Reuse, Recycle, Repair) and together to be the 5R, the key of long-term business sustainability.

Collaborative lifestyles. A group of people who have similar needs exchange work, life, leisure time and spaces refer to collaborative lifestyles. For instance, Airbnb room rental and homestay (sharing the home spaces) are the examples. This kind of sharing has been there for years. Internet technologies allow a variety types of exchanges [4].

Based on above definitions, we define sharing economy as business model that products and services that are not in use to be placed back to business transaction thus it allows the recreation of value.

B. Related Studies in Sharing Economy

Cohen and Kietzmann [5] investigated the supply issue of car sharing in term of need fulfillments. They found that peer-to-peer communications enable citizens to contact car owners and to get cheaper price; customers are able to commute easily. Hamari et al. [6] used self-determination theory to study the motivations of collaborative consumption. They found that sharing economy helps the environment. Those who believe

the idea of sharing economy and found collaborative consumption interesting will have positive attitude towards collaborative consumption. Möhlmann [7] studied Car2go and Airbnb (B2C and C2C business model, respective) and found that trust, product factor, service quality, and cost saving will affect the satisfaction toward these services. Satisfaction will positively affect continuous use intention. Zervas, Proserpio, and Byers [8] studied the economic impact of Airbnb to hotel industry. They found that seasonal revenue of Airbnb increase 1 percent, the local hotels in Texas will decrease 0.05 percent.

C. Blue Ocean and Red Ocean Strategy

Blue Ocean strategy was proposed by Kim and Mauborgne [9]. They proposed that value innovation, and new market place. The former is consider the corner stone of Blue Ocean strategy; the later is unknown market place where industries are not existed today. In contrast, Red Ocean refers to all industries in existence today.

Blue Ocean refers to untapped market, demand creation, and opportunity for highly monetary growth. Blue Ocean can be created either through expanding of existing industry boundaries, it can be created well beyond current industry boundaries. Competition does not exist in Blue Ocean because the rule of the game are waiting to be set. It is however a reality that businesses swim over red oceans to win over rivals.

Value innovation places value and innovation equally. Value creation alone produces incremental benefits to a business; however, it is not sufficient to enable a business to stand out in the market place. Innovation without value often focus too much on technology, on market pioneering, and to be futurist. It often goes beyond what customers are ready to pay for or to accept [9, p 13]. Value innovation is a new strategic move to break from competition and create blue oceans and the same time. Conventionally, businesses are either creating high value at high cost or creating reasonable value at low-cost. With Blue Ocean, low-cost and high value are created simultaneously. That is, differentiation and low-cost can be co-existed.

With Blue Ocean, businesses aim to create uncontested market place. The competition is therefore irrelevant. In terms of demand and supply, Blue Ocean captures new demands as well as break the value-cost trade-off. Firm activities and the whole system are aligned in pursuit of differentiation and low-cost. Red Ocean is the opposite. Businesses are competing in existing market place and exploiting the existing demand. Meanwhile, they make value-cost trade-off and align the business activities with the whole system based on strategic choice of differentiation or low-cost [9, p 13].

III. RESEARCH QUESTION

We intend to understand the sharing economy and the strategic move of online auction websites in term of how opportunities are created. We review the existing literature on sharing economy and Blue Ocean. We found that understand C2C model ecommerce has great value because it is currently a very popular business model. In Taiwan, there are four major online auction platforms: Carousell, Shopee, Ruten, and

Yahoo.

We choose Carousell and Yahoo to understand strategy planning of these two sharing economy platform. Specifically, our research question is:

RQ1: What are the strategy of online auction website and how well the Blue Ocean guide us to understand their strategic goals.

RQ2: How a mobile online auction platform achieves value innovation?

IV. METHOD

Case study analysis is used in our study. We aim to understand two business cases: Carousell and Yahoo! Auction, their strategic planning and procedures to create the Blue Ocean strategic move. The reason of choosing Carousell was because they are the earliest online auction platform that has 80% online visibility. They have substantial market space. Yahoo! Auction is chosen because it has more than ten year history in Taiwan market. They are known in the market and notable. They have big customer base and large product listings. In 2015, they took strategic move and intend to open new market.

We obtain secondary data and perform semi-structured interviews with the managers of these two online auction Websites. We then conducted transcript analysis and documented the results. Our analysis is based on the concept of Blue Ocean. We examine to what extent the two Websites can consistently recreate strategic move to break the rule of the game with sharing economy business model.

V. RESULTS

A. Business Case: Carousell

Carousell successfully create Blue Oceans in C2C industry. Their vision is to create an online platform that enables customers to feeling easy to shop over their Website and using information technology (IT) for problem solving. They focus on create positive user experiences. In contrast, the user experiences with traditional business model relies on high-cost differentiation. With Blue Ocean strategy, they break the rule of online platform is only for shopping. Instead, they add services such as making new friends and service provision as a way of C2C transaction. They attract non-customers by providing social auction, offline market place, offline social gathering. They encourage customers meet each other to decrease the fees of logistics and costs of staffs. Their company culture is teamwork and keeping humble, so the risk of organization and management can be minimized. They provide high value services at low-costs. They get rid of the financial constraints of startups and create customer demands and new niche market.

B. Business Case: Yahoo! Auction

Yahoo! Auction is a leading online platform; however, they lost leadership because of the high fees and selling deficiency. Their competitors take over customers from them in short period of time. This goes against Blue Ocean rule where cost down is essential key to success. While re-focusing

back to mobile market, they lost the focus of value creation. They become emulator and leave themselves in red oceans. We found a strategic orientation that is informative to Yahoo! Auction: quality assurance. The pitfall of sharing economy business model is that service quality is unpredictable. For instance, Uber customers complain about drivers' services inconsistency. What Yahoo! Auction can do is to provide sellers better transaction qualities than other ecommerce platforms to make up this shortcoming of most sharing economy business models. Their vision: to create an online platform that affords customers for problem solving and provides a market place for new business venture. To create a Blue Ocean, they have to make use of their years of experiences being a market leader and counselling business ventures to build up characteristics. Their company culture is an advantage. They are more likely to build up Blue Oceans than traditional businesses who has conservative mindset and organization structure. Employees in Yahoo! Auction are open-minded, transparency in their structure, member coherence. Thus, while they are creating Blue Oceans, risk can be low.

VI. DISCUSSION

A. Theoretical Contributions

We discussed the distinction between Blue Ocean and Red Ocean and provide theoretical insights on how to create Blue Ocean that enable businesses to provide low-cost differentiation. Future study may aim to combine Osterwalder and Pigneur's [10] nine constructs of business models to further understand the business strategy formation. Future study may also include more business cases in analysis to overcome the limitations that we analyzed two business cases in this study.

B. Managerial Implications

Blue Ocean aims both low-cost and differentiation, so it is easy to be emulated. For instance, Uber has a lot of copy cats right after they launched their services. Carousel's on-one-on

messaging service was also emulated. Other features such as making new friends and service provision were not fit the image of other ecommerce platforms; therefore, it remains to be proprietary. We found that vision is very important to create Blue Oceans. Having an appropriate vision may avoid competitions in Red Oceans. We suggest that businesses create Blue Ocean by informing employees their visions and goals and then make crucial strategic decision based on goals. Thus, emulations can be avoided to jump into Red Ocean competitions.

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