

Sustainable Business Models

Based on the Sharing Economy Research of Chinese Practice

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Abstract

With the wave of technological innovation, the rapid development of global network technology has provided more powerful technical support for various business activities. In the business environment of this wave of innovation, a new sustainable business model was born—Sharing Economy. The sharing economy provides a new way of thinking about business models, exchange economies, value sharing and community networks. The emergence of a business model that combines online and offline has changed people's consumption habits and product acquisition methods. The sharing business model has gradually become an important way to solve the problem of global sustainable development. In recent years, the influence of the sharing economy business model has continued to expand, creating a lot of value for enterprises. This paper analyses the practice of the sharing economy in China through case study, so as to provide the reference for sustainable corporate development.

Keywords: Sharing economy, business model, O2O, sustainable development

Introduction

With the change of people's consumption habits, consumers began to explore new ways to obtain the right to use goods, which promoted the discussion of the relationship between the sharing economy and commercial activities. Different from traditional market transactions, sharing economic business activities are consumption behaviors that do not aim at transfer of ownership. Discussing the importance of the sharing economy is often inseparable from a focus on the business models that come with it. The sharing economy is based on the Internet platform, and individuals or organizations transfer the right to use idle items in a short period of time for the purpose of economic benefits.

The concept of the sharing economy was first introduced in 1978. Demally (2014) pointed out that sharing economy main manifestation is the transfer of ownership of unused goods through resale and exchange. As the Internet plays an increasingly important role in the distribution of resources. Botsman (2011) thought sharing economy is characterized by the separation of ownership and use of goods by means of leasing, which emphasizes the use of goods rather than the possession of goods, but not all goods can be shared. Bonciu (2016) studied that sharing economy will have a great impact on the development of the economy. On the one hand, the number of participants in the sharing economy is large and widespread, and everyone can make full use of existing resources through sharing. Rifkin (2014) describe the sharing economy as a zero-marginal-cost economy that brings together economic production activities that are otherwise fragmented through an Internet sharing platform, and includes not only tangible goods with profit value, but also intangible goods without profit value, such as knowledge and technology. They believe that the sharing economy is a revolutionary breakthrough in the economy and that sharing networks will soon be established worldwide.

The concept of the sharing economy emerged relatively late in China (Gao&Guan,2006). On the basis of the research of foreign scholars, Chinese scholars have carried out research on the sharing economy according to the domestic situation. The research direction mainly focuses on the driving factors of the sharing economy and the business model of the sharing economy. Yang (2016) believed that the global economy has entered a period of weakness after 2008, and market demand has driven the rise and development of the sharing economy. It is the main driving force for the development of the sharing economy. Dong(2016) pointed out four conditions for the development of the sharing economy: first, the establishment of a sharing platform; second, the existence of idle resources; third, the popularization of the concept of sharing; fourth, the improvement of the credit mechanism. Luo and Lu(2010) argue that institutional innovation has enabled the sharing economy to benefit the masses, and

¹ PhD Candidate, Doctoral School of Entrepreneurship and Business, Budapest Business School-University of Applied Sciences, e-mail address: louie666888@hotmail.com/shulei.bi.71@unibge.hu

that three prerequisites for the development of the sharing economy in China are the increasing improvement of the market economy, the strengthening of market-based government, and the improvement of credit mechanism protection. Qin(2016) analyzed the operation mode of sharing platform enterprises, and proposes that the Internet sharing platform is at the core of the sharing economy business model, and the supply and demand sides of products/services conduct transactions through the sharing platform.

The studies of the sharing economy from scholars, it is clear that the sharing economy emphasizes the reduction of transaction costs, creating opportunities for those who couldn't afford the capital to reap the benefits and maximizing the use of resources that would otherwise be idle. Zhang (2016)thought sharing economy would provide a large amount of labor for productive activities, resulting in significant productivity benefits.

Understanding of sharing economy and business model

By summarizing the literature, it can be known that the sharing economy is driven by information technology. With the help of an intermediate platform, the supply side and the demand side of idle resources are linked to realize the paid temporary transfer of resources.

Compared with the traditional e-commerce or leasing industry, the sharing economy has a strong non-intermediary feature. The traditional e-commerce industry adopts highly centralized management and distribution (Huang & Ran,2016). The employees of the enterprise belong to the enterprise and indirectly provide various services to the demands. Under the sharing economy, the demand side and the supply side can form a direct connection, the platform does not need to exist as an intermediary, and the supply side does not need to be affiliated with the enterprise.

The sharing economy platform has become a new intermediary between the labor side and the demand side (Jiang, 2014). This intermediary builds a crowd sourcing platform that connects the supply and demand sides. It does not pay wages to the supply side or the demand side, but the demand side directly gives the supply side a commission, and the commission Part of it also includes paying a certain service fee to the platform to help them participate in shared services. Traditional suppliers can develop themselves on the sharing economy platform without being limited by the traditional enterprise system (Kathan W,et al.2016). At the same time, suppliers are not limited to a single platform, but can work on different platforms at the same time, so as to obtain multiple parties. Benefit. This also enables suppliers to control their own time, thus producing better service.

Characteristics of the sharing economy

Ownership sharing

The most significant external feature of the sharing economy is the change in the temporary ownership of idle resources it brings (Zheng,2016). Through the sharing economy platform, consumers can temporarily own the temporary use rights of various commodities. Compared with consumers purchasing corresponding commodities by themselves, the benefits of temporary use at low prices are more significant and intuitive. In addition, this also avoids the waste of idle resources, and can better reflect the practical value of the commodity itself.

Relying on the internet

The sharing economy platform is based on the rapid development of the Internet (Qiao,2016). At the same time, the innovation of information technology and the promotion of the application level have greatly promoted the development of the sharing economy. The Internet is both its foundation and its driving force.

Non-intermediary

In the sharing economy, the two parties involved in the transaction can communicate directly and generate a transaction relationship without the participation and reconciliation of an intermediary. All participating traders can quickly and directly obtain the information they want. With the rapid development of the Internet, this non-intermediary transaction method appears to be more equal and directly avoids the emergence of monopoly.

Uncertain supply and demand

Compared with the traditional business model, the roles of the supply and demand sides brought about by the sharing economy are not static, and the people on the supply side can also be the demand side. As a result, the marginal cost of services traded by both supply and demand can be reduced, resulting in savings.

Sharing economy business model—O2O

Business model is the basic logic of enterprise value creation. It specifically shows that the enterprise adjusts or plans the structure and operation of the organization to obtain profits. In practice, business models are often linked to the production elements required for the normal functioning of the organization, so as to achieve the effect of maximizing the consumer benefit of the product or target through internal and external integration.

The O2O means online to offline. The O2O business model is a typical representative of the sharing economy business model. Under this model, enterprises can connect offline resources with demanders through their own platforms and use information technology to enhance user experience. It can not only make the precise connection between demand and supply, but also realize the timely and accurate delivery of various kinds of information (Luo. & Li,2015). The sharing economy business model has various attributes, such as authenticity, openness, interactivity, etc., which reflects the vigor and vitality of the sharing economy business model.

Driving factors of O2O business model

Reuse of idle resources

Idle resources are the objects shared by the sharing economy, and it is also the reason why the business model of the sharing economy is widely promoted (Li,2012). Limited by the scarcity of resources, it is always difficult for people to obtain what they want in time, and at the same time, their desires are infinite, so people always have inexhaustible things. The sharing economy takes out the idle resources and temporarily transfers them to those who need them, so as to realize the reuse, which not only meets the profit demand of the supply side, but also meets the temporary demand of the demander for materials or services, and also makes the transaction object has been fully utilized to achieve the purpose of saving.

Demand for socialization

People are more inclined to a social lifestyle, and therefore have more needs for social interaction. People's social interaction can meet people's needs for communication, and at the same time, they can also obtain various information in communication with all kinds of people (Wang,2011). In the operation of the sharing economy, the importance of social networking has been further reflected. Buyers and sellers obtain the most original information of each other through direct communication, which not only reduces the cost of communication, but also improves the speed of communication. This communication method has played a strong role in promoting consumption.

Internet technology innovation

The birth and development power of the sharing economy comes from the Internet. Due to the efficient and accurate processing of data by the Internet, the platform can accurately and effectively convey all kinds of information to all parties. On the O2O platform, Internet innovation is mainly reflected in the matching between supply and demand and the corresponding guaranteed scheme. The O2O platform needs to quickly and safely transmit the information of both the supply and demand sides, and at the same time, it also protects the information problems of merchants and individuals who trade on the platform.

Sustainable Development Goals

The sharing of idle goods, which is advocated by the sharing economy, reflects the concept of sustainable development (Wu,2013). Since the use of idle resources does not require re-consumption of new resources, resource consumption is also reduced. The O2O business model also avoids the waste of resources and environmental pressure caused by the abandonment of useless resources, reduces greenhouse gas emissions, and achieves the goal of sustainable development.

It could be summarized that O2O business model in terms of customer relationship, the supply and demand sides collaborate based on the online community of user groups with specific relationship; in terms of core business behavior, it gradually changes from traditional "product-oriented" to "customer-oriented"; in terms of profit model, value is created by using the relationship network; in terms of marketing and promotion channels, the O2O model generates advertising methods embedded in the content at the request of users and broadens the marketing channels(Zhou,2016).

Case study

Through a case study of a Chinese sharing economy company——DiDi Travel, the paper will analyse the operation and profitability of its business model, as so to offer proposals for companies to develop the sharing economy.

Company profile of DiDi Travel

DiDi Travel is a mobile mobility technology platform. It is dedicated to actively collaborating with partners and communities in the cab industry and automotive industry around the world. The platform drives smart mobility innovation with localized artificial intelligence technologies and jointly solve global transportation, environmental and employment challenges. It currently provides diversified mobility services such as online taxi, cab hailing, chauffeured driving and hitchhiking, and operates car service, takeaway, freight and finance businesses in Asia Pacific, Latin America, Africa and Russia.

Operation analysis of O2O business model on DiDi Travel

From an operational perspective, consumers post their personalized ride needs on the DiDi Travel platform, and at the same time, DiDi Travel uses internet big data analysis and processing to organically match the consumer's needs with drivers who meet the relevant criteria. The platform pushes the consumer's order to these screened drivers, who can decide whether to take the order according to their own conditions. After passengers get off the bus, they pay for the travel and evaluate the driver based on the actual experience, and the driver accepts the fare and evaluates the passenger. This feedback will serve as a reference for other passengers and drivers.

Profit analysis of O2O business model on DiDi Travel

Order commission

The users of DiDi Travel platform include registered drivers and registered users. Every time a driver completes an order, DiDi Travel platform can get 20% of the platform service fee. Although the amount of service fee per order is small, the DiDi Travel platform has a large number of registered users and generates millions of orders every day. Therefore, the platform service fee is the main source of profit for DiDi Travel.

Placement of advertisements and social media

DiDi travel has a large customer base, and by posting other companies' advertisements on its own platform app, it collects advertising fees and makes profits. On the other hand, because of its huge customer base, customers have social demands. DiDi travel has a large number of users' travel data, and through the value of big data, it attracts many companies with related technology needs to cooperate and get profit.

Financial investment profit

When consumers use DiDi Travel platform, they will need to settle the fees on its platform. Due to regulatory requirements, DiDi Travel platform needs to delay the receipt of this part of the funds. Therefore, DiDi Travel uses the funds of the capital pool for financial investment, so as to obtain other profits from the non-consumption model.

As we know, DiDi Travel is a typical representative of the sharing economy. On the basis of O2O, its business model also conforms to the characteristics of asset-light operation. The enterprise itself does not have the goods (cars, etc.) to provide services, but integrates the resources of private cars from all walks of life in the society. Drivers with idle vehicles can register as users and make profits; DiDi consumers post their needs through the DiDi Travel platform, and the platform will organically match supply and demand to complete orders. DiDi Travel subdivides driver vehicles and provides consumers with a variety of choices of different grades and prices to meet the diverse needs of consumers.

Proposals of developing sharing economy

From the above cases and scholars' research on the sharing economy, the following proposals are summarized to further improve the business model of the sharing economy and achieve sustainable development goals.

Multi-method marketing

The promotion approach widely adopted by the sharing economy is to connect people with consistent consumption needs. With the improvement of information technology, social software not only strengthens the communication between people, but also strengthens the functions of office, teaching and other fields. The promotion of social platforms and the Internet can effectively alleviate this problem and make it easier and timelier for consumers to see all kinds of information released by sellers. Based on consumers' consumption data, consumption information, and consumption evaluations, the seller group can achieve fair competition and update products or services in a targeted manner. Buyer groups can find exactly the products or services they need according to their own needs.

The sharing economy shortens the distance between buyers and sellers, and both parties can achieve precise docking.

Establish regulatory system

If the sharing economy wants to develop smoothly, it must have a corresponding regulatory system to guarantee it. Under the transaction model advocated by the sharing economy, the transaction platform needs to ensure the credit security of both consumers and suppliers to a certain extent. Because in the sharing economy business model, both buyers and sellers do not know each other and rely on the credit of both parties to conduct transactions and services, so credit has become the premise and foundation of all cooperative transactions. In addition, under the shared business model, the information of both buyers and sellers is in the shared platform. Therefore, it is very important for the sharing platform to guarantee the information security and the beliefs of both parties.

Conclusion

The sharing economy provides a new way of thinking about business models, exchange economies, value sharing and community networks. The emergence of a business model that combines online and offline has enabled the emerging business model of the sharing economy in the O2O environment to change people's consumption habits and product acquisition methods. Compared with traditional forms, the sharing economy is fresh and different, and it also enables people to share their tangible and intangible idle assets to more meaningful places. People are more concerned about the use value and demand acquisition of products, rather than Ownership of products through buying and selling. Through the O2O operation platform, the consumption process is more data-based, mobile, and socialized, realizing the sharing economy emerging business model.

From an individual point of view, under the O2O system, everyone can be a producer and everyone can contribute to society. From the perspective of enterprises, the concept of sharing and saving provides new ideas for enterprise development and accelerates enterprise transformation. As a new business model that saves resources, the sharing economy shows the goal of sustainable development of global enterprises and brings major changes to different industries.

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