

The Nature of Sharing Economy from Business Perspective: Case Study of a Crowdfunding Company

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Abstract: Sharing economy has been a hotspot in the last decade, with wide range of companies being set up in sharing business. Although sharing economy is a nova in business model, many businesses are not conducting their work based on the nature of sharing economy, and more are engaging in a rental formed business. Therefore, this paper explores the nature of sharing economy from business perspective based on a crowdfunding company. Benefits and limitations of sharing economy are discussed. The company and one of its projects are discussed in the study with reflective thinking being made and the business model between crowdsourcing and crowdfunding are also compared and illuminated in the paper. Finally, conclusions about the case and sharing economy are discussed with practical implications and limitations of this work. Future prospects and development of sharing economy are also mentioned and illustrated at the end of this work.

1. Introduction

Sharing economy, also known as collaborative consumption or peer-to-peer economy, refers to the practice of sharing resources, products, or services among individuals or organizations through online platforms. This sharing can involve anything from ride-sharing services like Uber and Lyft, to home-sharing platforms like Airbnb, to coworking spaces like WeWork. The idea behind sharing economy is that it allows for more efficient use of resources by enabling people and organizations to share assets they might not fully utilize on their own. Additionally, sharing economy can provide greater flexibility and convenience for both service providers and consumers, and in some cases, may provide income opportunities for those looking to monetize underutilized assets or skills.

Over the past ten years, the concept of sharing economy, which involves using digital platforms to allow people to access underutilized assets, has become increasingly popular [1]. This has resulted in the creation of many businesses, such as Airbnb, Uber, and DiDi, that operate based on this idea. Sharing economy is essentially a service that connects individuals who need a particular service or product with those who can provide it [2]. This allows people who own underutilized assets, such as cars or rooms, to make better use of them by sharing with others.

Zipcar is an online platform for ride-sharing that uses a peer-to-peer model to match drivers with passengers based on shared information. The app allows drivers to upload their travel details and the system automatically matches them with passengers who need a ride at the same time.

Companies can also participate in sharing economy by lending out their assets, as demonstrated

by Zipcar. Zipcar allows people to rent cars from designated spots throughout a town or city for as little as 30 minutes or as long as 7 days or more, provided they meet certain requirements such as age and driver's license.

According to a report by the US Government Accountability Office (GAO) in 2018, there were more than one million people working for gig economy platforms such as Uber and Lyft alone in the United States. In addition, sharing economy platforms are estimated to have employed tens of thousands of people worldwide, with some of the largest companies like Airbnb, Uber, and Lyft employing tens of thousands of workers each. As of 2021, sharing economy platforms are estimated to generate more than \$100 billion in revenue globally. In the US alone, it is estimated that over 86 million adults have used a sharing economy platform at least once, and this number is expected to increase. Major players in the sharing economy include companies like Uber, Airbnb, TaskRabbit, and Postmates, among many others. Sharing economy has become an integral part of modern society and is expected to continue to grow and evolve in the coming years.

2. Benefits and Limitations of the Sharing Economy

2.1. Benefits

First, sharing economy increases efficiency and sustainability. Sharing economy platforms can help to increase the efficiency of underutilized assets, such as cars and homes, by allowing multiple users to utilize them rather than having them sit idle. This can lead to reduced waste and greater sustainability, as demonstrated by a study which found that car-sharing reduced carbon emissions by 10% per user in four North American cities [3]. Second, sharing economy can provide greater flexibility for users and service providers in terms of when, where, and how services are provided. This can be particularly beneficial for freelance workers and individuals who require more flexible work arrangements. Research has shown that sharing economy platforms provide opportunities for women, people of color, and individuals with disabilities to participate in the labor market on their own terms [4]. Thirdly, sharing economy provides ease and comfort to individuals. As sharing economy relies on communication and information technology, it allows users to leverage the convenience of the internet by exchanging their information and swiftly matching their requirements with the available resources. Fourthly, due to the presence of a comments and rating system, it becomes less likely for providers to make inappropriate offers and for guests to be untruthful about their details [5].

2.2. Limitations

First, some critics argue that sharing economy platforms can create or exacerbate inequalities and lead to exploitation of workers. For example, studies have shown that ride-sharing drivers often earn less than minimum wage after accounting for expenses [6]. Additionally, sharing economy platforms have been criticized for their lack of benefits and protections for workers, which can leave them vulnerable to economic insecurity. Second, sharing economy platforms often rely on trust among users and may face challenges in ensuring safety and security. This can be particularly challenging in the case of home-sharing platforms, where hosts may have limited control over their guests' behavior. For example, a study found that Airbnb listings in black neighborhoods are less likely to receive positive reviews than those in white neighborhoods, suggesting that racial biases may play a role in host and guest interactions [7].

3. A Case Study of a Crowdfunding Website and One of Its Projects

3.1. Indiegogo and One of Its Projects

Indiegogo is a crowdfunding platform that helps entrepreneurs, startups, and creative individuals raise funds for their innovative projects. The platform was founded in 2008 by Danae Ringelmann, Slava Rubin, and Eric Schell and has since become one of the largest crowdfunding sites in the world. The platform allows users to create a project page and share it with potential backers, who can then make pledges to support the project. Pledges can range from a few dollars to thousands of dollars, and often come with rewards or perks for backers at different levels. For example, backers may receive early access to a product, exclusive merchandise, or a customized experience related to the project. Two types of crowdfunding campaigns are offered on the platform: flexible funding and fixed funding. Flexible funding allows project creators to keep the funds raised, even if they don't reach their target goal, while fixed funding requires creators to reach their target goal before they can access any of the funds. Indiegogo charges a fee for hosting campaigns, which varies depending on the type of campaign and the amount raised. In addition to traditional crowdfunding campaigns, Indiegogo also offers equity crowdfunding through a partnership with MicroVentures. Equity crowdfunding allows startups to sell shares in their company to accredited investors in exchange for funding. Overall, Indiegogo has helped thousands of entrepreneurs and creatives bring their ideas to life, and has become an important player in the crowdfunding industry.

Hover Camera X1 is a project that was launched on Indiegogo in 2016 by Zero Zero Robotics. The project aimed to develop an AI-powered camera drone that could track and follow the user, capture aerial footage, and take selfies from unique angles.

- **Current funding requirements**

The campaign for Hover Camera X1 was a huge success on Indiegogo, raising over \$1.3 million, far exceeding its initial goal of \$50,000. As a result, the Hover Camera X1 went into production and began shipping in early 2017. In 2022, it launched another fundraising project, with \$467,000 being raised, which is 99.43 times of original goal.

- **Reward or benefit of the funding**

Donors who supported the Hover Camera X1 project on Indiegogo could receive a range of perks depending on their pledge amount. These perks included:

Early-bird discount: Donors who pledged \$399 or more could receive a Hover Camera X1 at a discounted price.

Standard package: Donors who pledged \$549 or more could receive a Hover Camera X1 with spare batteries, propellers, and a charger.

Deluxe package: Donors who pledged \$649 or more could receive a Hover Camera X1 with additional accessories, including a carrying case and a 10-meter cable for tethered flight.

Limited edition package: Donors who pledged \$10,000 or more could receive a customized Hover Camera X1 with a personalized message engraved on the body, as well as an exclusive VIP experience with the Zero Zero Robotics team.

Overall, the perks offered by the Hover Camera X1 project were designed to provide donors with early access to the innovative camera drone, as well as exclusive merchandise and experiences related to the project.

- **Type of the funding**

The type of funding for the Hover Camera X1 project was a fixed funding campaign. This means that the campaign had a specific funding goal that needed to be reached within a set timeframe, and if the goal was not met, the project creators would not be able to keep the funds raised from the campaign. In other words, the funding was contingent on achieving the target amount. It is not an

equity-like funding. The funds raised by the project would be used in the prior design and manufacturing, which mitigate the financial constraints for the project. Donors can get discount from the ultimate products.

● Features of the product

The Hover Camera X1 was designed to be compact and portable, weighing only 238 grams and folding up to the size of a book. It featured a 13-megapixel camera capable of shooting 4K video, as well as advanced computer vision algorithms that allowed it to track and follow the user's movements. The drone's intelligent flight modes included Orbit, Follow, and 360 Spin, which made it easy to capture cinematic footage. The Hover Camera X1 was also designed with safety in mind. It featured enclosed propellers and carbon fiber frame to prevent accidents, and had obstacle avoidance sensors to ensure safe flight indoors and outdoors.

3.2. Indiegogo's Business Model and Its Connections to Economy

This website offers a platform for individuals to upload product designs and creative ideas, which others can support through the provision of spare assets, such as cash. This support helps to fund research, development, and production costs for those who lack sufficient financial resources to bring their designs to fruition. Without this funding, these innovative products would remain unrealized, and potential users would be unable to benefit from them. By sharing excess resources, both parties can derive mutual benefits, representing the essence of a sharing economy. Unlike rental businesses that merely satisfy demand for specific resources, this model focuses on resource exchange between those in need, making it more akin to a true sharing economy. Crowdfunding, specifically, aligns with this sharing economy model by facilitating the flow of resources from those with excess means to those without. This stands in contrast to other sharing models, such as shared bikes or cars, which do not necessarily involve resources from individuals who perceive them as excessive.

3.3. When Requests for Funds not Succeed

The proposed product, an ultrasonic generator, aligns with the public's current demand for hygiene and health by providing a chemical and bacteria-free solution. Additionally, donors can enjoy a significant discount on the product during the fundraising period, making it more affordable and attractive. The previous success of the first two versions of this product in China is also a positive indicator of the potential success of the third or more advanced version.

3.4. Contribution to Sharing Economy

The recent success story is another testament to the sharing economy. Traditionally, not everyone has financial flexibility to support projects requiring tens of thousands of dollars. Raising funds from banks or individuals could pose significant challenges. However, the sharing business model helps more ideas materialize into useful products. In this particular case, once the fundraising campaign is successful, many people will benefit from the product's powerful cleaning abilities and live healthier lives. This success story further bolsters people's belief and confidence in the sharing economy, making it an increasingly popular option.

4. Implications from the Case

4.1. Sharing Economy

When I first delved into researching the sharing economy, my initial impression was that people come together to share a single item or multiple items, as seen with Ofo, which is the world's largest bike-sharing company. With current limitations faced in urban districts by automobiles, this bike-sharing model solves the last 1km travel problem for people. Users can conveniently pick up and return bikes from various locations throughout the city, saving them both time and travel distance.

However, according to Belk, there exists a phenomenon known as “pseudo-sharing,” where commodity exchange and potential exploitation present themselves as sharing [8]. This sheds new light on the sharing economy, revealing that not all business models that provide items for others to share are truly sharing economy models. Genuine sharing economy models rely on pooled resources, online platforms, communal bonding among members, and a connection between them. In contrast, companies like Ofo, which operate more like mediators, lack strong connections between their users.

Uber, on the other hand, has more characteristics of the sharing economy. Uber drivers are usually private car owners whose assets are usually underutilized, while customers can access rides through the Uber app, and drivers receive payment in return. Each ride offers a unique experience, and passengers can review drivers' backgrounds, fostering better connections between members. Moreover, the assets shared in the sharing economy may not only be physical but also intangible, such as personal expertise or cash equivalents.

4.2. The Difference between Crowdsourcing and Crowdfunding

Crowdsourcing and crowdfunding are other types of sharing economy. Crowdsourcing is a process where individuals or companies leverage comprehensive information technology to find large groups of participants who can provide new ideas for a known issue [9]. This approach, unlike outsourcing, involves using multiple entities to generate more innovative and creative ideas and perspectives. For new companies, crowdsourcing can replace brainstorming for management and design.

Another type of sharing economy, crowdfunding, allows the public to make collective investments in individual entrepreneurs or businesses that require financing to start or grow [9]. Crowdfunding primarily focuses on people's financial assets rather than their skills and expertise.

Crowdfunding can be viewed as issuing shares, but the difference lies in the fact that entrepreneurs do not need to be audited or prepare complex financial information like listed companies. Instead, they can upload their idea or design on online platforms like Kickstarter and Indiegogo and receive funds from various investors ranging from individuals to angel investors. This accelerates product development and fundraising. However, there are also some drawbacks of crowdfunding. Firstly, the projects' raised funds lack supervision, which means that fundraisers are not required to disclose how they utilize the funds to make their projects. Secondly, the quality of goods or services delivered may not meet the public's expectations or may have poor quality, even if projects deliver things before the deadline. Hence, ensuring quality control remains an issue in crowdfunding.

4.3. Sharing Economy in the Workplace

The sharing economy model allows for the use of underutilized assets, both personal and

corporate, to benefit people's work. Coworking spaces are a new model where personal or industrialized users are provided with "autonomous" use of office infrastructure and space to encourage direct personal interaction among users [10]. According to Cefkin et al., by employing an open and crowd-working system, we can apply for parts of a task that are traditionally assigned to a single person, such as a manager [11].

Under the coworking space model, members do not have to worry about administrative tasks or their related expenses. People can focus more on the project's objectives and leverage their strengths to the fullest extent possible. Even the unemployed can join projects freely and flexibly because they can skip and ignore the interview process and other redundant processes common in companies. Therefore, the sharing economy in the workplace can, to some extent, reduce the unemployment rate.

5. Conclusion

The sharing economy has permeated various sectors of our society, including traffic, housing, and work. This approach allows people to maximize the benefits and rewards that their assets can bring, while online platforms such as Kickstarter and Indiegogo provide more opportunities to realize personal designs and ideas.

In the future, people are likely to treat their fixed assets (such as cars and houses) or intangible assets (like skills and expertise) as a means of earning money and operating their own businesses. People are more willing to share their assets with others in exchange for monetary compensation, which can alleviate the pressure of loans. However, sharing personal-owned assets with others may not be easy or successful due to potential damage or disputes regarding responsibility. Parties involved in such conflicts may be reluctant to continue the time-consuming process, hindering asset sharing.

The traditional business model of simple buying and selling activities will be replaced by a sharing activity that focuses on utilization instead of purchase. People no longer need to consider the cost of owning things before use. Instead, they can gain more experience with various items by spending less. With the rating system and customers' low-cost usage experiences, good products will quickly distinguish themselves from bad ones.

More and more new participants will join the sharing economy and develop more ideas for exploring its potential. As it is faster and easier to raise funds, new products that meet personal demands can be invented and sold on the market.

6. Limitations and Future Research

This study focuses on a crowdfunding company and one of its projects to explore the nature of the sharing economy. However, it does not discuss the real nature of the sharing economy or how other business models are implemented within it. Therefore, this case study has limitations, and additional business models should be examined with data tested to gain new insights into the sharing economy. A comparison between rental and sharing business models, as well as a combination of the two, may attract more scholars' attention for future research studies. Furthermore, examining the ESG or CSR problems that businesses face based on the sharing economy, where more stakeholders engage and involve, could lead to better ESG or CSR performance in such an economy. Online communities have been established on Indiegogo websites where donors and project makers can continue to cooperate and seek funds for future development. Therefore, exploring communities in the sharing economy could be another area to investigate.

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