

Problems of forming a competitive strategy for the development of the sharing economy ecosystem

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Abstract. The article analyzes a new socio-economic phenomenon – the "ecosystem of the sharing economy". The authors consider a fundamentally new structure of this phenomenon in terms of the positions, links, and interactions of all participants of the sharing economy. The purpose of the study is to identify the problems of forming a competitive strategy for the development of the ecosystem of sharing economy. The authors highlight the main challenges of collaborative consumption ecosystems, and identify practical competitive strategies of the sharing economy to achieve sustainable development. The authors use the example of the French economy to examine the challenges of institutionalizing the collaborative consumption economy. As a result, the authors found that market players need to build models of sharing economy ecosystem functioning to further development and implementation of a competitive strategy. The authors also revealed that platform managers need to develop new capabilities and facilitate interactions between ecosystem players to ensure a competitive strategic position in the sharing consumption market.

Keywords: sharing consumption/utilisation economy, ecosystem, sharing economy, development strategies, business models, social entrepreneurship, digital platforms, platform economy.

JEL codes: O16, O33

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Introduction

Changing peoples' minds, as well as the development of high-tech digital platforms, have made the the sharing economy ecosystem popular within academic discourse. In fact, the sharing consumption economy can be seen as an ecosystem because it comprises many interconnected "organisms" (i.e. interest groups) that coexist and interact in a dynamic environment.

The relevance of the research is the increasing importance of the collaborative consumption economy for modern society (see Figure 1). It makes market players consider the integration of the of the sharing economy principles into the development of their own business models.

It is challenging because sharing economy business models connect thousands of suppliers and customers through an information and communication technology (ICT) platform that relies on the active participation of a wide range of diverse ecosystem stakeholders.

Therefore, understanding why some firms employ different strategies and how these strategies vary from firm to firm and from region to region remains an extremely important issue.

The purpose of the study is to identify the issues of forming a competitive strategy for the development of the sharing economy ecosystems.

Main part

The concept of the "sharing consumption economy" can be defined as a socio-economic ecosystem that typically uses information technology to connect different stakeholders – individuals, companies,

governments, etc. – to share or access different products and services, and enable collaborative consumption (Avdokushin & Kuznetsova, 2021; Laamanen et al., 2016). The sharing consumption economy represents a radical shift to the way how business is organised. It is forcing many theories and practices of managing labour, employment, the firm, and the nature of economic enterprise.

Sharing economy sector and traditional rental sector projected revenue growth

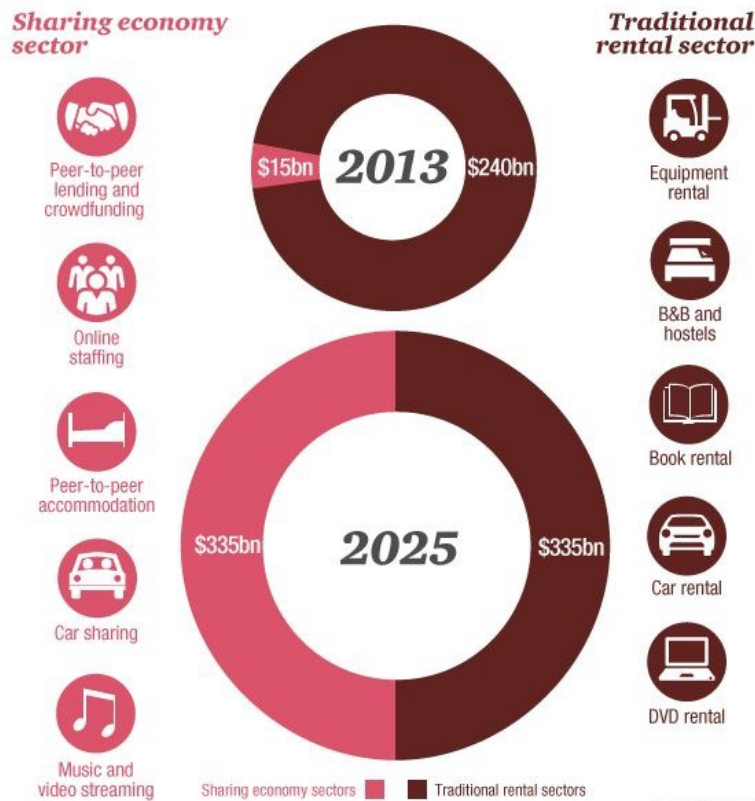


Figure 1. Scale of the sharing economy growth

Source: PwC analysis

Sharing consumption economy business models typically represent a higher level of interconnection diversity and opportunities for co-investment, co-learning, and co-innovation than traditional ones.

When analyzing the indicators of this phenomenon development, in the period from 2021 to 2022, in general, the economy of sharing consumption in Russia showed steady growth. Despite the crisis, people prefer not giving up consumption of goods through sharing them. In this respect, sharing consumption showed its advantage over traditional industries, which have been experiencing a significant decline since the beginning of the year (Plotnikov & Anisimova, 2023).

The economic literature describes the sharing consumption economy and the sharing economy in terms of forming the basis of the modern sharing economy (Rong et al., 2021).

Here we will describe the differences between organisation in the sharing economy and traditional organisations.

Firstly, and most obviously, the boundaries are much more permeable as providers easily and frequently choose or abandon platforms.

Secondly, sharing economy organisations need to 'encourage users' – in other words, attract both buyers and sellers to the platform in order to create and retain value.

The sharing economy has become a prevalent and innovative economic phenomenon with the boom of the digital economy and acts as a template for an innovative business model in value co-creation (Rong et al., 2021).

We consider three stages of the sharing economy growth, which can be described as follows (Table 1).

Table 1 – Stages of the sharing economy growth

Stage of the sharing economy growth	Description
Community stage	As far as early stage development is concerned, value creation is critical. For example, Airbnb promotes value creation through online communities where user participation and interaction is encouraged.
Scaling stage	As for the growth stage, collaborative economy platforms should attract more and more users and expand their platform network base.
Legitimation stage	This stage is necessary to keep long-term relationships with the different communities. Recently, some socially irresponsible actions have questioned the legitimacy of the sharing economy.

Source: Rong et al., 2021

We analyse the structure of the sharing economy ecosystem more closely, which will provide insights into the internal and external interconnections of the process.

Based on Uri Bronfenbrenner's ecological systems theory, the ecosystem of the collaborative consumption economy consists of four interconnected subsystems with different interest groups pursuing goals at different levels (see Fig. 2) (Leunga, Xueb & Wena, 2019).

Figure 2 shows an illustrative example on all interconnected subsystems are formed into separate layers.

The first layer is a microsystem. It includes the suppliers and consumers, the actions and interactions between which constitute the core product and/or key experiences of the sharing economy.

The second layer is a mesosystem. It includes the intermediary agent platforms that connect suppliers and consumers using modern technology broadly.

The third layer is an exosystem. It includes partners, competitors, and various levels of government.

The interactions between layers and the mainstream sharing economy ensure maturation and continuous adaptation of the system.

The final layer is the macrosystem. This layer is formed by the world community. On the one hand, the community shapes the cultural values, belief systems and lifestyles in which shared organisms are embedded. On the other hand, it receives many socio-cultural, economic and environmental externalities from the sharing economy.

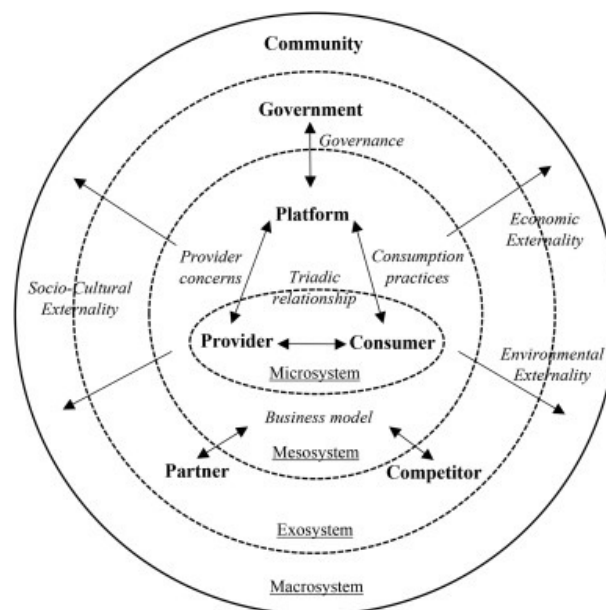


Figure 2. The ecosystem of the sharing economy

Source: Leunga, Xueb & Wena, 2019

There are three stakeholder groups: platform, supplier and consumer, together forming a scale: a symbiotic triadic system based on a mutually beneficial relationship between the three actors. However, the three actors also express different perspectives for their own interests. For example, platforms are profit-driven businesses and are therefore mainly concerned with building and developing their business models. Suppliers form the employment issues when operating on platforms, while consumers are confronted with consumption practices in the sharing economy (Leunga, Xueb & Wena, 2019).

Thus, the efficient state of the sharing economy ecosystem is manifested through the attitude of stakeholder groups. Only if the ecosystem benefits a larger part of the community rather than a smaller part, it is considered the competitive one.

An analysis of the works of foreign, Chinese, and Russian economists allows us to conclude that the sharing economy was influenced by the development of the platform economy, which evolved in several directions, ensuring the rapid development in this sphere.

In the case of the sharing economy operating ecosystem, the following challenges appear on its way (Laamanen et al., 2016):

- the first challenge is the way of the creation "communities" of providers interacting on the platforms.
- The second challenge relates to ensuring the service provided is meeting the customers' expectations.

In traditional organisations, managers developed and implemented hiring standards, trained employees and provided monitoring and supervision, including firing ineffective employees, to ensure quality and safety standards are met. Platforms operating in the collaborative consumption economy hardly solve these problems. Platforms "manage" their suppliers through ratings.

- Some studies concern with the validity of ratings in the face of fairly widespread rating fraud, while others report reasonably good correspondence between ratings and traditional measures such as hospital performance.

- Also the business models of many corporations are based on the idea of private ownership of goods. When studying the carsharing market, it is worth paying attention to institutional factors and how they influence some fundamental business decisions.

- There are two models of carsharing: so-called station-based carsharing (people must return the car to the place where they get it up), and free-floating carsharing, (people can make one-way trips and leave the car anywhere as long as it is within the service's operating area). The authors realised that corporate-backed actors preferred the free-floating model because it allowed for faster growth, while smaller and more environmentally focused organisations tended to promote a station-based business model. This particular research shows that institutional structures, by influencing different values, affect the choice of business practices even in a seemingly similar field.

- Another challenge is that many companies of the sharing economy face enormous difficulties in achieving legitimacy and especially in dealing with political organisations which can regulate or tax their business models. For example, local jurisdictions often tax hotel rooms, often at rates higher than sales taxes (because, for the most part, taxes are not paid by local voters), and these cities are concerned that housing rented through Airbnb will not be subject to such taxes.

A failure to adapt the business model to local conditions can lead to loss of community approval, which can reduce the ability of a sharing economy company to obtain the resources and scale needed to operate profitably, low market share and ultimately leave the market.

An important issue for companies operating within the sharing economy remains reaching agreements with local regulators. For some social actors, "undermining" and "modernising outdated rules" is, for others, breaking the law and avoiding regulation. Comparing Airbnb and Uber in three different contexts is a useful step in improving our understanding of how companies operating within the sharing economy harmonise their institutional environments.

The author Xiao Zhou introduces the concept of "platform hegemony". The need for legal innovations, according to the scientist, are the most effective means of counteracting hegemony at present (Zhou, 2021).

Chinese economists provide a rationale for the tasks facing antimonopoly authorities in the field of

improving antimonopoly legislation and increasing the competitiveness of the industry (Li & Gao, 2021). The authors include the creation of conditions for platform companies to operate in a competitive environment in accordance with market rules, and for the government to make timely changes to its antitrust laws to meet market needs. Having identified the main challenges of the sharing ecosystem, it is worth identifying practical competitive strategies for the sharing economy to achieve sustainable development.

1. Relevance to mutual interests.

To make the sharing economy a healthy and sustainable ecosystem, mutual interests and the common good should come before the conflicting interests of individual players. Each player should pursue their own goals without compromising the interests of others. When the majority of players express positive attitudes while reflecting favourable intentions, the sharing economy will be on the right path to a sustainable future.

Platforms, for example, rely on suppliers and consumers to generate revenue and growth. Therefore, platforms should proactively address issues such as trust, privacy, security, employment income and benefits, consumer spending and experience by focusing on their business models. Platforms should also promote the localisation of the sharing economy as a common community interest. In addition, competitors should change their business mindset and strategy to coexist with platforms rather than directly compete with them (Leunga, Xueb & Wena, 2019).

Traditional enterprises can use their strengths such as brand awareness, consistent quality, and security guarantees to differentiate themselves from sharing economy platforms.

Moreover, the government should take into account the interests of all players when drafting rules for the new economy to consider market access requirements, legal liability, consumer protection, and new labour policies.

2. Co-operation for shared success.

The reciprocal nature of the sharing economy makes cooperation between all players possible. It creates a pathway to achieve mutual interests. Current challenges of the sharing economy can only be solved through the co-operation.

For example, platforms, partners, and government need to work together to address employment issues. On the one hand, platforms can offer services and/or training programmes to suppliers, sometimes through partnerships. On the other hand, the government could create new programmes that provide benefits, such as health insurance and pension plans, for suppliers in the sharing economy (Leunga, Xueb & Wena, 2019).

Platforms, providers, and government can also work together to address governance issues. Platforms should take responsibility for collecting sales tax and reporting provider income on personal income. Government should be inclusive and transparent in adopting new regulations.

In terms of a competitive perspective, traditional enterprises could collaborate with platforms to take advantage of new opportunities and become partners in the sharing economy. Through cooperation, different stakeholder groups, although having different individual goals, learn, adapt, and innovate together to form a dynamic and co-evolving ecosystem of the collaborative consumption economy.

3. Committed to a social responsibility.

The stability and sustainability of the sharing economy system is largely determined by the external effects it has on the global community. Only if the business model has a largely positive impact on other parts of the world will its innovative results and breakthrough expectations be welcomed. Therefore, a concerted effort should be made to properly measure, monitor, and manage the externalities of the sharing economy.

Social responsibility is the idea, in accordance with, the businesses should "go beyond their profit-oriented activities and improve the well-being of society by making the world a better place" (Leunga, Xueb & Wena, 2019). By taking social responsibility, interest groups in the sharing economy should act responsibly to achieve positive outcomes, such as efficient use of resources and job creation, and minimise its negative impacts, including housing shortages, racial discrimination, and tax evasion. Interest groups should also build long-term institutions, and develop targeted programmes to improve the system's relationship with society. Eventually, the ecosystem of the sharing economy will become a sustainable system, growing and expanding rapidly. It also helps create a more efficient and sustainable world.

In order to best understand how the sharing economy process is developing in the world, it is better to consider the example of a country where the majority of the population has already experienced the sharing economy. For instance, we can note France. According to this country experience, we can learn how problems were solved at the institutional level.

Based on the secret information obtained by Consumer Science and Analytics (CSA) Research for Cofidis (Compagnie financière de Distribution; a company offering online credit solutions), 81% of the French have at least once offered a shared service: they have put a used product on sale, offered to rent their car, or their flat. Only 28% do it regularly (Lewkowicz, 2021).

The co-operative economy has been a subject of interest in France for several years, with researchers, associations, and the government writing reports and memos on the phenomenon and the key players in this field. Historically, co-operatives have been of great importance in France and the French co-operative movement is one of the most important in the world.

The practice of collaborative consumption is primarily related to saving money – 87% of the French named it as a reason. Their second motivation is to get money (for 76%). At the third place, by the citizens, is the sense of utility (in 41% of cases, e.g., sharing cars and making their own products) (Lewkowicz, 2021).

The Ministry of Economy provides the following definition: "The sharing economy of collaborative consumption is a modern innovative way of consumption, production, and trade. It collaborate initiatives to lend, rent, donate, barter, or sell goods and services between individuals, for instance, car sharing and equipment sharing between neighbours".

France has passed several laws regarding the taxation of the sharing economy. The 2015 Finance Law gave accommodation platforms the ability to collect a tourist tax. In Paris, Airbnb started collecting this tax on 1 October 2015. The amount is €0.83 per night per traveller. In total, the collection of this tax should generate several million euros for the Paris municipality. In March 2017, the Senate published a report on the taxation of the sharing economy, which includes the following statement: "The automatic collection of tourist tax by platforms is an important step forward: it is a simple and efficient process demonstrating the possibility to modernise tax collection within the digital economy" (author's translation).

The Conseil National du Numérique has published a report. In this report it considers that all stakeholders and activities should be included in the collection of taxes, a prerequisite to guarantee a fair and equal redistribution of wealth.

Therefore, a provision in the Finance Act 2016 suggests the collaborative platforms will inform their members of the amount they must declare to the tax authorities. These platforms will be required to send their members an annual statement of their income. The Finance Act 2015 for 2016 (extracts) contains several articles defining how this should be organised and the National Commercial Court ("Tribunal National de Commerce") made a statement on 28 January 2016 which reinforces the information obligations of platforms relating to digital "tying".

The sharing economy is intensively discussed and analysed in France. It is issued by workers, researchers, practitioners, and policy makers. French MP Pascal Terras summarised them in a report on the sharing economy to the Prime Minister released in February 2016. This report includes nineteen proposals related to the sharing economy to address potential problems associated with platforms and their workers (Lewkowicz, 2021):

1. To ensure the reliability of the terms and conditions in which the various offers are listed.
2. To improve the reliability of online reviews by requiring platforms to report reviews posts have been verified and, if so, specify the terms and conditions. To offer a place to evaluate platforms.
3. To offer the consumer clear, readable, and accessible information about the platform's responsibilities, the quality of the offer and the guarantees associated with its status.
4. To promote the convergence of social protection of independent workers and employees.
5. To mobilize a personal activity account to establish true account portability (from one operating system to another).
6. To take into account periods of activity on platforms as part of the procedure for validating acquired

experience (allowing French employees to validate their diploma if they can demonstrate that they have acquired skills through experience).

7. To define the terms and conditions for severing relationships with providers.
8. To promote secondary security to increase access to housing, provide access to credit and improve social protection for platform workers.
9. To organise training events for suppliers.
10. To ensure platforms contribution into public fees in France.
11. To clarify the doctrine of tax administration with respect to the distinction between income and cost sharing and the doctrine of social administration with respect to the concept of professional.
12. To respond to the challenges of recruiting digital talent in the sharing economy sector.
13. To interact with platforms in the process of automating tax and social procedures.
14. To simplify the entrepreneurial approach by allowing platforms to act as a trusted third party.
15. To take into account the development of the sharing economy within the framework of digital inclusion policies.
16. To establish an observatory of the sharing economy.
17. To promote experimental shared territories.
18. To promote remote working and protect the rights and responsibilities of remote workers.

Thus, the example of the process development under consideration in France suggests the growing realisation among independent workers which collective action is a key to strengthening their position and defending their interests.

The issue of the status of workers in the sharing economy, who are considered "legally independent" but "economically dependent", needs the special attention. This issue is currently one of the main discussed topics in France.

On this subject, the authors have two main points of view. The first is the evolution of the status of the employee to incorporate workers who are legally self-employed but economically dependent on the platform. This would favour the development of more flexible and independent working arrangements. This is realised through the use of technological tools, which would involve extending employment status to the notion of the worker's economic dependence (not just legal subordination). Another line of thought has been to create a status for legally independent but economically dependent workers, based on models implemented in some of our European neighbouring countries. This status aims to grant "special rights in terms of notice of dismissal, training and remuneration to self-employed workers who make up the majority of their turnover with the client" (Lewkowicz, 2021).

Conclusions

To summarise the results of this research, the ecosystem of the sharing economy is still at its early stages of development where the needs and goals of the actors in the inner layers are being met for the first time. The future development of the sharing economy should focus on meeting the goals of the outer layers and more actors to pave the way for a healthy and sustainable ecosystem.

The sharing economy highlights many features and issues studied by management experts: design and choice of a business model, strategies for achieving institutional legitimacy, avoidance of being constrained by government action, as well as making people subscribe to and then provide quality goods and services when those people are neither employees nor even contractors. The sharing economy therefore focuses on a number of important social, organisational and governance issues, and does so in somewhat unique, new contexts. Current firms and platform providers are better positioned to adapt to the changes and should develop and implement strategies to survive in the future. However, it requires a model of an ecosystem work and changing over time. Moreover, platform services are created by co-evolving entities connected by multiple relationships (Xu et al., 2021). Platform managers need to develop relational capabilities and facilitate interactions between actors to ensure a competitive strategic position. In addition, we should not overlook the fact that there is a turbulent competitive ecosystem environment where threats may be of similar (another competing platform)

or different (incumbent) types.

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CONFLICT OF INTEREST

The authors declare no conflict of interest.

AUTHORS' CONTRIBUTION

Anastasia V. Glebova – concept, collecting data, project design.

Anna A. Khryseva – project administration, formal analysis, reviewing and editing.

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