

Reasons for Failures of Sharing Economy Businesses

FRIEDRICH CHASIN, MORITZ VON HOFFEN, BENEDIKT HOFFMEISTER,
AND JÖRG BECKER

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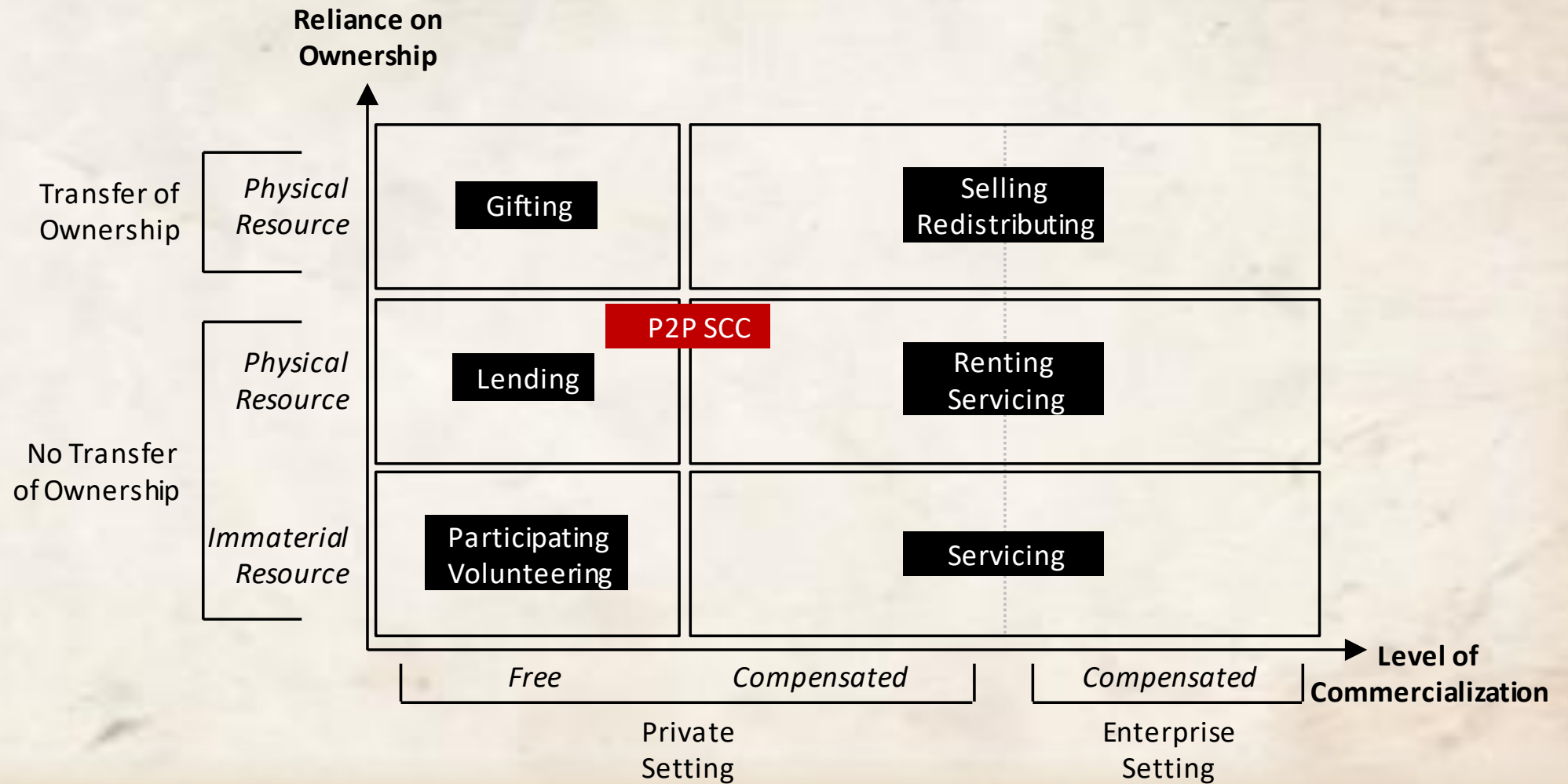
Sharing Businesses Ceasing to Operate

- Hundreds of sharing businesses have emerged during the last ten years
 - Accommodations and cars/transportation are the best known
 - AirBnB, Uber
- Many lesser known platforms have failed

Different Types of Sharing

- Peer to Peer (P2P) sharing
 - AirBnB, Uber
- Sharing can be done with or without compensation to the provider
- With either immaterial or physical resources
- With resources owned by either private individuals or businesses

Figure 1: Transactions in the Sharing Economy



Research into Failed Sharing Businesses

- No single source of failure
- 17 businesses examined in depth
- 521 sharing platforms tracked over 35 months

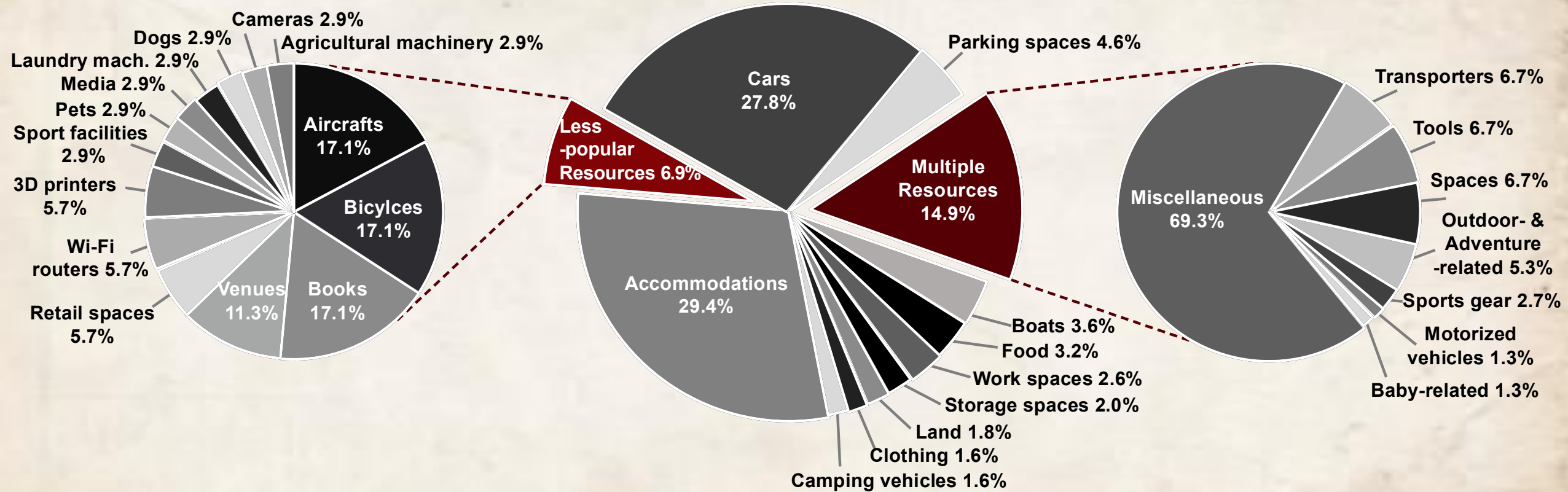
Table 1: List of Sharing Businesses Whose Managers Were Interviewed

No.	Resource Type	Country	Launch Year
1	Cars (ride)	U.S.	2016
2	Cars (ride)	U.S.	1999
3	Cars (share)	Germany	2015
4	Charging stations	Germany	2013
5	Cars (share and ride)	Brazil	2014
6	Lodging	Germany	2009
7	Parking spaces	South Korea	2014
8	Lodging	France	2013
9	Clothing	South Korea	2012
10	Parking spaces	Australia	2011
11	Transportation	Belgium	2010
12	Miscellaneous	Canada	2006
13	Recreational vehicles	Canada	2010
14	Cars (ride)	Turkey	2013
15	Cars (ride)	South Korea	2012
16	Cars (ride)	Belgium	2002
17	Lodging	South Korea	2012

Sharing Business Landscape

- Over half (57.2%) concerned with sharing cars and accommodation
- About 15% offered multiple resources
- 6.9% offered other, less popular, kinds of resources

Figure 2: Distribution of Sharing Platforms Based on Type of Resource as of January 2017



*Less-Popular Resource Types
(see Table 3)*

*Most-Popular Resource Types
(see Table 2)*

*Combination of
Multiple Resource Types
(see Table 4)*

Table 2: Popular Types of Resources

Resource Type	Description and Examples
Apartments and Houses	Any personal living space that is suitable for an overnight stay Examples: HomeAway, HomeSwapper, Makoondi, Onefinestay
Boats	Fishing boats, power boats and sailboats Examples: iGetMyBoat, Incrediblue, Sailsquare
Camping Vehicles	Vehicles for camping of varying sizes and types Examples: JeLoueMonCampingCar, RVShare
Cars	Ride sharing, taxi-like services and car rental platforms Examples: CarNextDoor, Freewheelers, Cabeasy
Clothing	Fashion and non-fashion clothing and shoes Examples: DateMyWardrobe, RentMyDress
Food	Self-grown food or food shared during a dining event Examples: PlateCulture, RipeNearMe
Land	Gardens for growing fruit and vegetables or gardens and fields for recreational or event purposes Examples: FieldLover, Shared Earth
Parking Spaces	Lots, street areas and garages Examples: JustPark, Yourparkingspace
Storage Spaces	Storage spaces of varying sizes with digital or non-digital locks that are supervised or unsupervised Examples: SpareFoot, Storemates
Work Spaces	Office and work spaces of varying sizes and for various purposes Examples: Cowo, DeskNear.Me, Hackerspaces

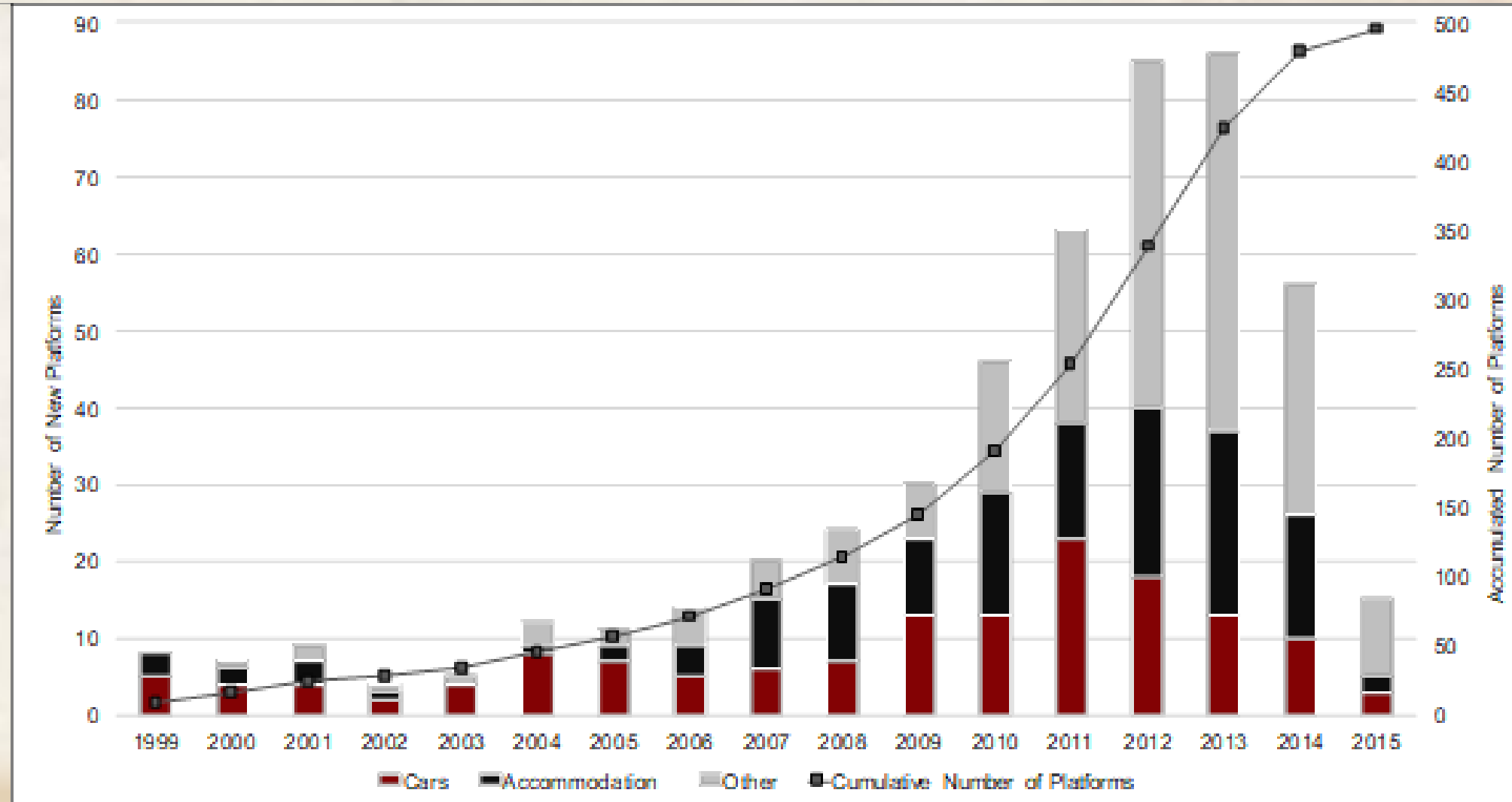
Table 3: Less popular Types of Resources

Resource Type	Description and Examples
3D Printers	3D printers of varying sizes and quality Examples: 3D Hubs, Makexyz
Agricultural Machinery	Agricultural machinery for farmers Example: Mermix
Aircraft	Private aircraft Examples: Cojetage, SimpleCharters
Bicycles	Short-term renting of bikes in cities Examples: BikeSharing, Velogistics
Books	Books, magazines and other print material Example: BookLending
Cameras	Cameras, camera drones and camera gear Example: Kitsplit
Pets	Dogs and other pets Examples: BorrowMyDoggy, Petsodia
Laundry Machines	Machines for doing laundry Example: La-Machine-du-Voisin
Media	Various media on DVDs and CDs Example: FlipShelf
Retail Spaces	Office and work spaces Examples: PopupBrands, Storefront
Sport Facilities	Tennis courts, basketball courts, badminton courts, soccer fields, etc. Example: OpenPlay
Wi-Fi Routers	Routers that provide Internet connectivity Examples: Fon, Open Wireless

Table 4: Combinations of Resources

Resource Type	Description and Examples
Baby-related Goods	All products related to toddlers and babies (e.g., toys) Example: Minivacationers
Miscellaneous	Platforms that do not restrict the type of resources at all Examples: AnyHire, Erento, RentMyItems
Motorized Vehicles	Boats, ATV/UTV, personal watercraft, bikes, snowmobile, trailers Example: Fun2Rent
Outdoor and Adventure-related Goods	Vehicles for traveling (e.g., cars, boats, planes, trailers) and traveling gear (e.g., bags, tents, navigation equipment) Example: Qraft
Spaces	Spaces for various purposes (e.g., storage, parking, office, retail, recreation, commerce). Examples: SpaceOut, Store-at-my-house
Sports Gear	Sport bicycles (e.g., road, racing, mountain), snowboards, skis, surfboards Example: Spinlister
Tools	Hammers, saws, blowers, air compressors, etc. Example: Sharehammer
Transportation for Deliveries	Transportation such as cars, airplanes, trains and boats used to deliver something Examples: Canubring, Meemeep, PiggyBee, WorldCraze
Venues	Venues for meetings, conferences, concerts and parties Example: HireSpace

Figure 3: Distribution of Platform Launches by Resource Type, 1999-2015



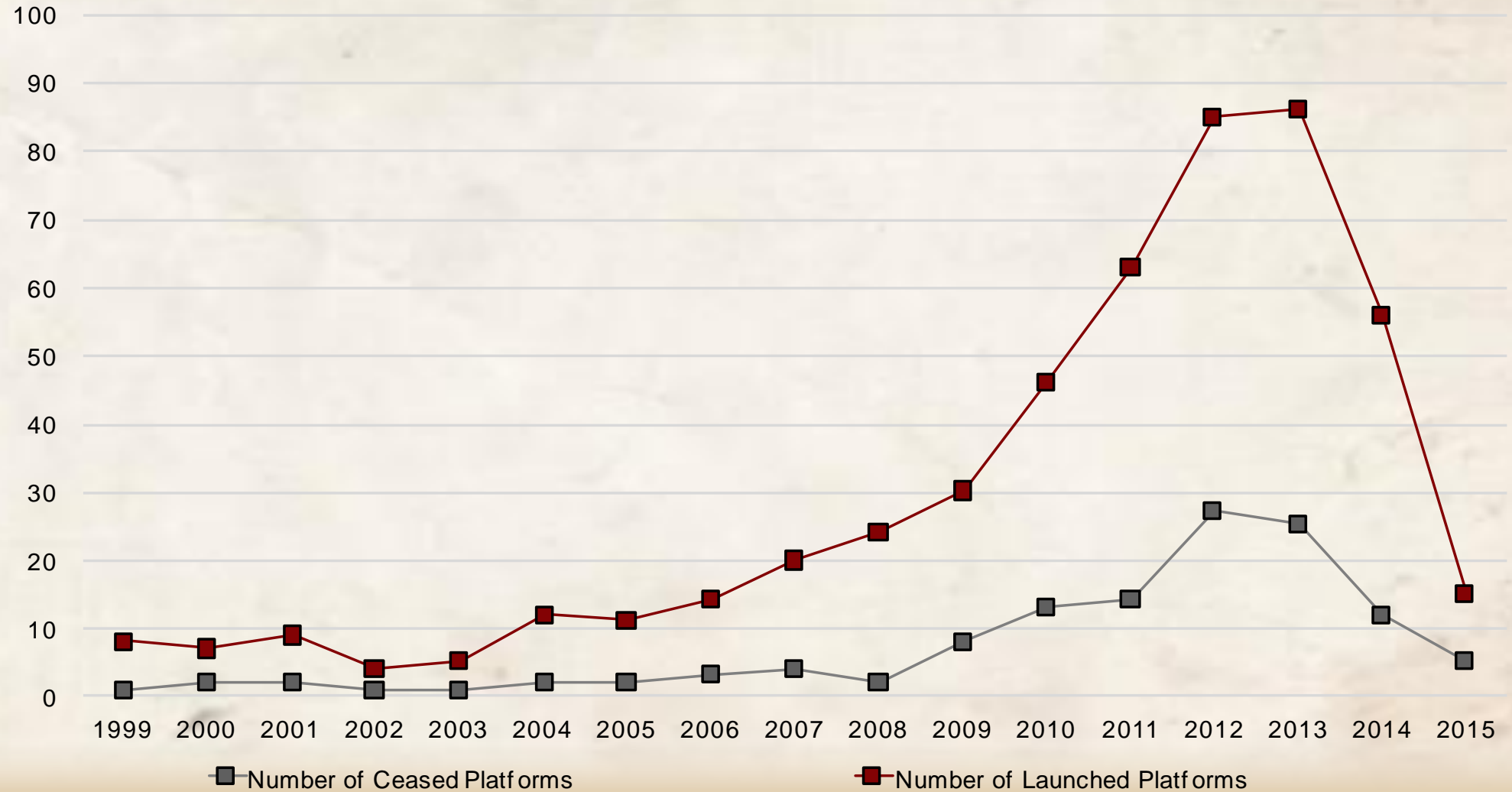
Profile of Failed Sharing Businesses

- 122 of the 521 sharing businesses ceased to operate during the 35-month period
- Highest failure rates in sharing cars and miscellaneous resources
- Only a small number of platforms launched before 2009 ceased to operate
- Most of the failed platforms were launched more recently

Table 5: Percentage of Failed Platforms per Type of Resource

	<i>Accommodation</i>	<i>Cars</i>	<i>Parking Spaces</i>	<i>Boats</i>	<i>Food</i>	<i>Work Spaces</i>	<i>Clothing</i>	<i>Land</i>	<i>Storage Space</i>	<i>Camping</i>	<i>Vehicles</i>	<i>Miscellaneous</i>
Percentage Failed	17	29	8	26	29	21	10	30	40	12	31	

Figure 4: Platforms Launched and Platforms that Ceased Operations, 1999-2015



Reasons for Platforms Ceasing to Operate

- No single cause of failure
- Usually a result of multiple issues

7 Common Reasons for Failures of Sharing Businesses

1. Lack of Platform Providers
2. Insufficient Analysis of the Sharing Market
3. Trust and Safety Concerns
4. Hidden Resource Requirements
5. Unscalable Technical Design
6. Unclear Legal Environment
7. Business Termination through Acquisition

Table 6: 7 Common Reasons for Failures of Sharing Businesses

Reasons	Description	Examples
1. Lack of Providers	An appropriate balance between platform providers and consumers is a key requirement for any sharing business. The primary cause of an imbalance is an insufficient provider base, which prevents the sharing business from satisfying demand. Typically, the threat is magnified by ineffective marketing to providers.	GearCommons, HomeJoy, [9, 11, 12, 13, 14, 15, 17]
2. Insufficient Analysis of the Sharing Market	Inadequate analysis of the market in terms of, for example, ensuring sufficient demand and determining the level of competition results in an inability to occupy the market. A prominent example of insufficient analysis is flaws in the service design that allow consumers to conduct business with providers outside the sharing platform.	GearCommons, SideCar [9, 11, 12, 13, 14], 15, 17]
3. Trust and Safety	Low control over service quality negatively impacts trust and safety concerns, creating major impediments to consumers' and providers' platform participation. Compared to traditional businesses, sharing businesses require special mechanisms and instruments that facilitate trust and ensure safety.	[5, 12, 14]
4. Hidden Resource Requirements	The appeal of a sharing business's simplicity often leads to the resources required being underestimated. Sharing businesses experience shortages of time, personnel and financial resources, so they often fail to grow to a scale that attracts sufficient funding. Sharing businesses that originally see their role only as providing a platform soon discover the need for additional business activities without which it is impossible to penetrate the market.	Kitchit, niriu, Stayzilla, FlightCar, [1, 2, 5, 6, 7, 10, 13, 15, 16, 17]
5. Unscalable Technical Design	Diverse technical challenges and inefficiencies can hinder a sharing business's ability to scale its operations. A sharing platform must be able to handle a rapidly growing number of consumers and providers by scaling server capacities. Successful sharing businesses differ from traditional enterprises, which have no means of tapping immediately into pools of privately owned resources to fulfill consumers' increasing demand.	[10, 13, 15]
6. Unclear Legal Environment	Sharing businesses often provide new forms of services for which only a few explicit regulations exist. A particular problem is the use of private resources in delivering a paid service. The unclear legal environment poses a unique challenge to sharing businesses because how to comply is unclear, and they risk negative repercussions ranging from penalties to bankruptcy as a result of unexpected legal changes.	AirPooler, Flytenow, Volo, [5, 6, 8, 10, 11, 12, 14, 15, 17]
7. Business Termination through Acquisition	The acquisition of a sharing business is rarely a sign of success for the acquired business. After the users and workforce are migrated to the purchasers' platform, the acquired company and its brand are terminated.	BlaBlaCar and HomeAway have acquired several sharing businesses

Recommendations for Success

1. Ensure an Appropriate Level of Reliance on Business Partners
2. Don't Rely on Indirect Income
3. Don't Focus on Self-service
4. Consider the Geographic Market Focus

Concluding Comments

- The hype around sharing businesses hides the true nature of rampant failures
- In this study, 1 in 4 ceased to operate over 35 months
- Failed platforms did not rely on business partners, relied on indirect income sources, had the wrong market focus and offered self-service to demand-side users of the platform