

Estimating the Impact of sharing economy on small and medium hotel business in Russia

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Abstract:

The accelerated economic development and continually changing consumption behaviour foster the fast growth of sharing economy in Russia. The sharing economy is labelled as a new economy and new business model in the current Internet age. Weak legal basis in this area, the uncertain status of peer-to-peer platforms in our country is combined with the great enthusiasm of customers, business owners and providers. Sharing resources gives certain advantages (effects) not only to large companies working on the principles of sharing economy but also to small businesses. The hotel business, according to the opinion of experts (PwC, OECD) is included in five critical areas in which the economy of joint consumption is developing. Authors have found several big international P2P agents working in Russia as well as one local accommodation platform. Therefore, the purpose of the study is to identify the effects that the small accommodation business receives.

Keywords: *SME, sharing economy, hotel business, business models, peer-to-peer platforms, empirical study, digital economy*

The business model in a traditional context is defined as a set of an abstract representation of business processes organised under specified conceptual basis. The model should have the same characteristics as a real management system has. Usually, the business model is designed and developed by an organisation presently, and in the future, in a conceptual, graphical or cooperation arrangements and further real processes could be created or changed in the same way. The model logically describes how it produces goods and distributes them to customers or how the service process goes; how the economic, consumer or social value is created during the production process.

The formation of a separate scientific direction devoted to business models, as well as the corresponding terminology, began relatively recently, in the 70-80s. During the last century, nevertheless, the theoretical foundations of modelling processes are well developed.

The critical role in the adaptation of business models to modern conditions belongs to information technology. It gave a name to the significant period of business models transformation, which is a Networking period, started at the mid-90s of the 20th century. The network has become both a standard data transmission tool and a mechanism for commercial activities of organisations. The net can be the most operational communication tool while managing business processes. This period is characterised by the development of the multisided platforms. In the literature, they are understood as organisations that own an infrastructure that allows uniting and coordinating the actions of participants, the process of creating value in which is directly related to the outcome of such interaction [Yablonsky, 2013; Hagi, 2004].

In 2011 Time included a new concept of sharing economy in the list of ten ideas that will change the world, revolutionising the consumption system. The term sharing economy has several meanings starting from the "economy of common ownership" to the "economy of joint consumption". It is based on collective use (rent or barter) rather than ownership of a resource: housing, office, car and parking, tools and equipment, technology, innovations, knowledge and skills. The very principle is not new but is coming to an entirely new level with the help of peer-to-peer or multisided platforms.

The development of platforms and social networks first allowed programmers to share code (Linux), then let people share their moments of life (Facebook and Instagram) and spread the result of their creativity (YouTube) among significant number of users. Finally, it's time to use the same technology in the real business world to share the assets that companies have. The opportunity to use something becomes more valuable than the ability to own it. Projects that began with the idea of C2C

(consumer to consumer) now play the same role as traditional enterprises. A comparison of the conventional model with the sharing economy model is shown on Fig. 1.

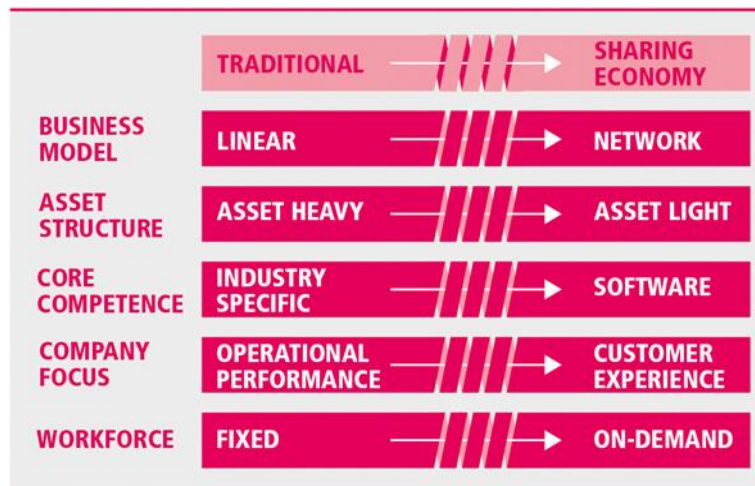


Figure 1. Traditional business model versus sharing economy model. Source: DHL Trend Research

Sharing economy providers are online platforms that allow people and companies to unite and share their resources with their peers. In this business model, resource owners turn to online sites to capitalise on the unused portion of their property, and consumers rent what they need from individuals more likely than from traditional companies. Sharing economy by the opinion of Tomio Geron (Forbes correspondent) "allows everyone to be both consumer and producer" and turns millions of people into small entrepreneurs. Traditional model represented by business with business (B2B) and business with people (B2C) communications now is extended by peer-to-peer communication (P2P). Sharing economy has reached significant economic results (the sharing economy will gain \$40.2 billion in 2022 [Juniper Research, 2017]) and social effect (platforms and P2P relationship provide a new type of consumer behaviour and social ties development [Frenken, Schor]). They both are challenging the traditional enterprises making them move towards new trends. For example, the Yard Club Company founded by Caterpillar leases a Caterpillar tractor for construction companies. Cohealo promotes the expensive medical equipment joint use by hospitals. In B2C sector we can name Zipcar and Rent the Runway, which uses their fleet of cars for sharing by their subscribers. Some platforms do not participate in the exchange process but only organise it (Airbnb, Task Rabbit, Indiegogo, Blablacar, etc.).

The sharing economy phenomena attract researchers to estimate the effect of peer-to-peer platforms use and decide whether it creates specific threats to all traditional sectors or not. PwC defines five essential areas of a sharing (collaborative) economy that facilitates consumption and profit generation, and peer-to-peer accommodation service is the first in the list [Vaughan, Daverio]. The Airbnb platform opened new facilities for thousands of small and medium accommodation businesses [Vaughan, Daverio; Zervas, Proserpio and Byers] and became an object for many research papers. In Russia, the sharing economy is developing fast, but our accommodation sector continues to lag behind its Western peers [Dorokhin, 2017]. Even the use of platforms in Russia is not studied very well. Weak legal basis in this area, the uncertain status of peer-to-peer platforms in our country is combined with the great enthusiasm of customers, business owners and providers. The goal of this research is to test several hypotheses related to the sharing economy development in an accommodation sector in Russia.

The hypotheses are:

H1. The shared economy has a measurable and quantifiable impact on customer satisfaction, profitability and price [Byers, 2016].

H2. P2P platforms offer a substitute for consumer service provided by traditional firms [Jin and Rysman].

H3. Russian P2P platforms offer a substitute for consumer service offered by international and global players.

To develop a model of the platforms' impact and study differences primary and secondary data sources are combined. The first source is presented by a pilot survey of small and medium hotels (and other accommodation units) to find the subjective estimate of platforms use effect. The second includes SPARK and SKRIN databases information. Our work contributes to the growing literature about sharing economy development in different countries. It empirically studies the effect of P2P platforms on SME's primary indicators in the hotel industry.

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