The Sharing Economy in China: Toward a Unique Local Model[1]

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A few months ago, the influential American technology and business magazine Wired ran a cover story entitled, "How Airbnb and Lyft Finally Got Americans to Trust." The story detailed the success of companies that enable peer-to-peer transactions of rides, vacation homes, and other privately owned goods and services. Such companies have been categorized as members of "the sharing economy," a seemingly new way of doing business that has become very successful very quickly.

In China, early questions of whether companies such as Airbnb, Lyft, and Uber would face cultural resistance appear to be unfounded. Not only do Airbnb and Uber appear to be doing fine, there is a huge number of locally founded and funded competitors, such as ATzuche (a peer-to-peer car sharing service), Tujia, Mayi, and Xiaozhu (peer-to-peer property rental services). As the Financial Times pointed out,

"The flip side of China's image of ostentatious opulence is a taste for thrift which is deep and enduring – and exactly what the "sharing economy" needs to thrive. The same instinct that makes Chinese elders queue for hours to get a few cents or pence off the price of eggs is making their Audi-owning children investigate how to make a few bob renting out their luxury cars through peer-to-peer car sharing services" [2]

Airbnb's founder Brian Chesky attributes the instinct for participating in such services as a generational attribute, not a cultural one. "What I've been surprised by is not how different people are, but how similar they are," he said. "There are certain types of 'Airbnb people,' and they are in every city in the world." [3]

By some forecasts, the car-sharing market in China is poised to grow as much as 80% each year for the next five years.[4] Not only are Chinese consumers exceptionally wired and attuned to mobile services, government bureaus have long been looking for solutions to the problems of pollution, overcrowding, and traffic (in short, the problems of too many people owning too many things). Some local governments are offering incentives for more thoughtful consumption: cash for recycling, and free parking areas for those who participate in car sharing programs.[5]

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[1]English version of: 孟睿思，杨一婧。“分享经济在中国的兴起。” 《中国经济报告》2014 年第 9 期，109-111。

[2] http://www.ft.com/cms/s/0/38fc5b88-fad9-11e3-8993-00144feab7de.html#ixzz37qKEdHgo

[3] http://www.alternet.org/progressive-wire/homeless-airbnb-founder-hails-sharing-economy

[4] http://www.rolandberger.com.cn/news/local/2014-06-09-Car_sharing_in_China_en.html

[5] http://www.ft.com/cms/s/0/38fc5b88-fad9-11e3-8993-00144feab7de.html#ixzz37qKEdHgo

Among young people in particular, there is also a growing backlash against ostentatious consumption ("tuhao"), such as flashy designer brands and a "more is more" mentality. Educated young professionals are adopting values of the global green movement, and "sharing" one's possessions with strangers is not just prudently frugal, but also a way of communicating sophistication. "There is almost a sense of nobility garnered by having the means to own something yet deciding to share instead."[6]

The Sharing Economy in China

The two most readily shareable commodities are cars and homes. In China, the number of car sharing providers is growing, but also developing a unique local model. For example, the dominant American car-sharing company Uber offers low-cost rides in private cars, but in China it has moved into the luxury chauffeur niche because regulations bar private drivers from offering rides. Car sharing in China is more focused on the rental business, with fierce competition brewing amongst new P2P players such as iCarsClub, a Singapore-based startup which operates under the PPZuche brand in China, carpooling services such as Wodache, and more traditional rental companies such as Yongche.

Aside from providing car owners with a way to make extra income, PPZuche competes with traditional rental companies through convenience – renting a car is done digitally, and payments are charged automatically. To build trust among users, the company is working on an insurance policy for car owners and screening potential renters rigorously.[7]

Chinese consumers have also quickly latched onto property sharing services such as Xiaozhu.com, which recently received $10 million in Series A funding.[8] Competitor Tujia has attracted funding from Ctrip and even expanded into overseas listings in conjunction with HomeAway, an American company similar to Airbnb. Yet unlike Airbnb, Venmo, and other American companies, Tujia and its ilk are more deeply involved in property management. While the American companies mostly provide a customer-to-customer platform, Chinese users need more, and the sharing companies are stepping in as full-service intermediaries. Tujia not only finds short-term renters, the company is also in charge of delivering the apartments back to their owners in original condition. Such maintenance work facilitates the translation of the "sharing" concept in China: by creating more distance between owners and renters, both groups are more at ease.

Even more notably, such services make Tujia attractive to homeowners buying to invest, and the company has actually been driving property sales. Bloomberg News

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[6] http://www.prosumer-report.com/blog/2014/05/19/sharing-economy-a-pov-from-china/
[7] http://www.techinasia.com/p2p-car-rental-site-icarsclub-opens-doors-beijing-trust-issues-remain/
[8] http://www.techinasia.com/mayi-xiaozhu-china-short-term-rentals-startup-funding/

reported that developers raise their prices after signing deals with Tujia in which the company would be responsible for finding buyers renters and managing properties in their absence, leading to faster sales.[9]

As CEO Justin Luo points out, "[Chinese] people rich enough to buy properties can have eight or 10 homes, while people with lesser means probably won't be able to own one in their whole lives. Can they rent out their homes, or even just one, so that others can also enjoy it? That would benefit them, too." Yet as unoccupied homes proliferate in China and the property market faces deep uncertainties, is encouraging more purchasing wise? And are there really enough rental cash flows on all these properties to justify the purchases?

Furthermore, the sharing economy faces deeper critiques in the US, critiques that apply to the burgeoning industry in China as well.

Sharing or Selling?

Collaborative consumption, the concept from which companies such as Lyft, Uber, and Airbnb get their "do-good" sheen, rests on the premise that when goods are shared, the value of those goods increases for the business, for individuals, and for the community. It emphasizes access to goods and services rather than individual ownership. The concept has historical roots in the internet gift economy of the 90s, when the emergence of global digital networks allowed collaboration on programming projects. These early collaborations further evolved into a grassroots, anti-capitalist movement to create a marketplace where everything is free. This is the ethos that created Napster, Craigslist, and Wikipedia. [10] However, over time, as the movement gained mainstream popularity and companies began to figure out how to monetize these new global connections, it began to lose its political foundation.

As Counterpunch writer Bernard Marszalek recounts, sharing commodities such as bikes and couch space began informally with nonprofits and small community organizations. Soon, municipal politicians were trying to promote and scale these ideas into city-sponsored programs – a phenomenon currently still occurring in the US and in China. However, institutional support also opened the door for companies to remove sharing from its community-driven roots and take it global, and indeed, to transform the movement completely. [11]

The new sharing economy's biggest critics point out that there is really nothing at all being shared – there is a transfer of cash for a good or service, the same as in any

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[9] http://www.bloomberg.com/news/2014-02-25/china-style-airbnb-driving-second-home-sales-with-profit-promise.html

[10] http://www.salon.com/2014/01/28/the_big_business_behind_the_sharing_economy_partner/

[11] http://www.counterpunch.org/2014/05/28/the-downside-of-the-sharing-economy/

standard market transaction. Sharing apps brand themselves as trust builders and conservationists, but many writers have also pointed out that most people who list their cars and homes on Lyft or Airbnb aren't motivated by trust but by desperation: the financial crisis has lingered and left an underemployed, underinsured population in the US seeking alternative means to supplement their incomes.[12]

In fact, as one critic put it, "the "sharing economy" has seen a rapid slide away from collaborative sharing towards further deregulated and precarious employment — the direct consequence of venture capital funding and the growth imperatives that come with that money.[13] Sharing companies allow people to circumvent the laws that tax and regulate formal hotels, rental car companies, and other traditional providers, disrupting those industries and extracting the profits. In the US, the adoption of sharing services have come with a slew of legal cases, including a famous example in California where an Airbnb renter took advantage of squatters' rights laws to take over the owner's property.[14] Labor attorney Veena Dubal has described sharing services as a return to "a culture of precarious work, putting workers back in 20th century conditions." It may be easier and cheaper to get a ride, but the driver hired by Lyft or Uber, as a part-time contractor, doesn't have the same labor protections as a traditionally regulated cab driver.[15] This regulatory loophole is especially problematic when a quick glance at the listings on Airbnb in China rouses strong suspicions that many properties are owned and managed by professionals, not by true "peers." (A problem the company has faced in the US as well).

Furthermore, far from increasing access to goods for underserved populations, sharing companies can "replicate old patterns of privileged access for some, and denial for others."[16] In the US, it has been shown that black male users receive significantly fewer rental requests on Airbnb than other demographics. Tujia in China favors the high-end market of investment properties, where owners have multiple properties to begin with and renters can afford to go on vacation.

A Return to Sharing Principles?

How ironic that an anti-capitalist movement founded in the US became co-opted by corporations and migrated, in its new form, to China. The original concept of collaborative consumption, of providing greater access and eliminating waste, remains a worthy one, and Chinese consumers would do well to embrace services that continue to adhere to those principles.

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[12] http://nymag.com/daily/intelligencer/2014/04/sharing-economy-is-about-desperation.html
[13]http://www.salon.com/2014/01/28/the_big_business_behind_the_sharing_economy_partner/
[14] http://www.businessinsider.com/airbnb-squatter-vows-to-squat-again-2014-7
[15] https://medium.com/the-nib/the-case-against-sharing-9ea5ba3d216d
[16] ibid

Swap sites and social enterprises such as Buy 42.com, which collects clothing donations, resells them, and donates a portion of the income to charity, aim at creating not simply a sharing economy but a *shared value* economy.[17] There is also immense potential in exploring other types of sharing models, such as government-to-citizen models. The White House initiative on Open Government and the city of Oakland's Open Budget Project are attempts to share information and governance duties with citizens themselves, promoting transparency, collaboration, and goodwill. There's another type of sharing Chinese citizens are bound to like the idea of.

[17] http://www.forbes.com/sites/china/2011/10/25/can-china-lead-the-development-of-the-shared-value-economy/