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This article looks at the concept of the business idea and the importance of businesses connecting with customers to communicate and market their idea. The focus is on technology and the sharing economy via three case studies: Uber, Airbnb and Eatwith.

**Introduction**

Anyone thinking about starting a business needs a business idea – that lightbulb moment at the core of the plan to establish a new business, or startup. It is the concept that an aspiring entrepreneur creates and develops in terms of the product or service they wish to sell and generate profits from.

In today's world, perhaps more than ever, entrepreneurs with a business idea not only need to focus on the product or service but on the marketing concept. The marketing concept means businesses focus on providing the goods and services that customers really want, and develop relationships with customers so they can understand and respond to their needs. This involves communicating and connecting in an effective manner and building trust with customers.

**Connecting with Customers in the Sharing Economy**

The sharing economy refers to business transactions that involve people exchanging their resources and skills on a peer-to-peer basis rather than using traditional businesses. Examples include ride share services such as Uber instead of a taxi, peer to peer accommodation via Airbnb instead of a hotel, and peer to peer dining experiences such as Eatwith instead of a restaurant.

In the age of collaborative consumption in the sharing economy, people use technology to create and maintain business and customer connections and relationships, based on trust as well as efficiency, connecting demand and supply in new and innovative ways. This also creates fertile ground for individuals wanting to find an easier, more efficient way to create startup businesses.

**A ‘startup’ simply means a new business!**

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Peer-to-peer transactions involve individuals exchanging a service based on something of common interest or need.

The sharing economy is associated with the concept of collaborative consumption, explained by Rachel Botsman in her book “What’s Mine is Yours”, as an “economic model of sharing, swapping, trading or renting products and services, enabling access over ownership. It is reinventing not just what we consume, but how we consume.”

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CASE STUDIES IN THE SHARING ECONOMY

Uber

Business Idea

Figure 3- Star (Uber business idea)

How good would it be to just tap an app on your phone and get a cab!

The business idea for Uber came to Travis Kalanick and Garett Camp in 2008 when they couldn’t find a taxi on a snowy night in the city of Paris. UberCab started in San Francisco in the USA in 2008.

How it works

Uber works via an app, downloadable from www.uber.com, connecting people who need transport to people with cars. Customers pay via credit card to Uber who receive 20% of the fare they pass on to the driver who is a private individual using their own personal car. The UberX ride sharing service was introduced in Australia in 2014.

How Uber Connects with Customers

Customers download the app and register, providing their personal details including name and address, as well as credit card details to Uber. Uber has developed the app for a range of devices ensuring that anyone can use it. Customers use the app to order a ride.

Source: www.uber.com/en-AU/our-story/

The app detects the location of the customer and connects them with the nearest available driver; it sends the driver’s details including name and car make, model and registration, and tracks the location of the driver as they drive towards the customer location. The app notifies the customer when the driver is about to arrive. It enables the customer and driver to connect and communicate regarding exact pickup location as well as destination. The app keeps track of the ride and when the trip ends it calculates the fare and charges it to the customer’s Uber account. The service is done with no exchange of cash, making it safe and efficient for both customer and driver alike. The app asks the customer to rate their driver after the trip ends; it also asks drivers to rate customers, thus creating an automatic system of feedback, enhancing safety, trust, efficiency and customer relationship management in general. Uber is a classic example of collaborative consumption in the sharing economy!

Airbnb

Business Idea

Figure 5- Star (Airbnb business idea)

Imagine if you could stay in a new city and live like a local!

Airbnb was founded by Joe Gebbia, Brian Chesky and Nathan Blecharczyk. The business idea first came to Gebbia and Chesky in 2007 when they needed to find extra cash to pay their rent and living expenses and discovered that hotel accommodation in San Francisco one weekend was fully booked out due to a conference. They began by renting out air beds on a floor in their apartment through a website they created called ‘Air Bed and Breakfast’.

How it works

Airbnb is a peer accommodation service that connects people wanting to book and pay for a room or an entire home, with people who have rooms or homes available and wanting to earning some extra income by renting out their own private accommodation. Airbnb charges a fee to the customer/traveller as well as to the host in exchange for providing their service.

How Airbnb Connects with Customers

Customers use the website or app at www.airbnb.com.au, to find accommodation alternatives to hotels. You can search for accommodation in locations all over the world at a range of price points. The app allows you to customise your search, for example choosing between a shared room private room, or an entire home/apartment. Customers have a range of other filters to apply as well, including price range, number of bedrooms, amenities and facilities. Accommodation hosts can stipulate house rules so that customers are clear in terms of acceptable usage of the property. There is also an interactive map showing the location of the property as well as other properties listed in the area together with prices so you can easily click and compare options. Customers use the host profile, information about the accommodation and photos, as well as previous customer reviews, to make their choice. Payment is made via credit card to Airbnb who hold the funds until after the customer has checked in, with customers given 24 hours to contact Airbnb with complaints regarding the accommodation and the possibility of receiving a refund and help with alternative accommodation if the accommodation is not what was advertised. At the end of the stay, the customer is invited to write a review of the host and accommodation, and the host is invited to review the customer.
In addition to the review system Airbnb uses a number of mechanisms to build and maintain trust with customers in the sharing economy. On the website you’ll find their Guest Refund Policy and information about hospitality standards requirements for hosts to comply with. If Airbnb believe a traveller/customer has written an unwarranted review of a host they may remove that review to protect the host. They perform a Verified ID check whereby they confirm the host’s identification and connect to the host’s social media profile, although they don’t necessarily perform background checks on hosts or customers.

Eatwith

Business Idea

How amazing would it be to go out for dinner but dine in the home of a local!

This business idea came to Guy Michlin when he had a meal with a local family when visiting Crete in 2010, who had also invited a number of neighbours to dinner. When he returned to Israel Guy began the Eatwith company with his business partner Schmer Schwarz.

How it works

Customers access the Eatwith website at www.eatwith.com and choose from a range of locations around the world. They select a host, menu and date and book their dinner event including the number of guests, and make payment via credit card. Customers attend the dinner event where they have the chance to meet not only the hosts but other guests – meaning that this is truly a unique experience and a true example of collaborative consumption. Hosts pay a commission to Eatwith which is a percentage of about 13% of the booking charge.

Eatwith have a verification process for prospective hosts who are then given an ‘Eatwith Verified’ badge. Hosts use the website, or the Eatwith for Hosts app, to apply online. If accepted they are visited by an Eatwith representative and are also required to do a demonstration dinner event as an audition; if successful
they are given access to the training module and can begin hosting. The host will need to create an account in order to create events, receive bookings and payments. Eatwith holds the reservation payments made by customers until 5 days after the scheduled event. This process is designed to create efficiency regarding the service and to build trust with both customers and hosts and ensure that they will have a safe and enjoyable experience. There is a button to click on to find information about the host and there are also reviews that prospective customers can read. The website includes links to encourage customers to “stay connected” with the chefs via various digital platforms. Eatwith - another classic example of collaborative consumption in the sharing economy.

SNAPSHOT: Jamie Dybell and Eatwith
Using this peer-to-peer platform to pursue his passions

Figure 10- Jamie Dyball’s Facebook Banner

Jamie Dybell is a young chef who works as a fulltime chef during the week and hosts dinner and lunch parties at his chef’s table at home in Waterloo, Sydney, on the weekends. Jamie connects with his customers using the Eatwith website, as well as Facebook and Instagram. In fact it was through a friend’s Facebook page that he discovered Eatwith. Jamie has over 15 years’ experience, working in Michelin star and hatted restaurants, including Glass Brasserie and Balzac with Matthew Kemp. Jamie says “my passion for food is unique. I love creating dishes, playing with ingredients, trying new textures and techniques…. I just love food.”

Figure 11- Sunday Roast at Jamie’s

Source: Photo by Jamie Dyball

Jamie moved from London to Sydney 9 years ago. He is using Eatwith as a platform to develop his own style, providing excellent home cooking with a restaurant twist which adds a bit of theatre to the experience. Jamie’s inspiration is a childhood memory: “Sunday roast with the family…. Comfort food done right”. Now there’s food for thought for a business idea!

In the food industry it’s important to catch the eye of food critics and get good reviews. You can find a review of Jamie Dybell in blogger Andy Quan’s Food Diary at http://andyquan.com/sydney-food-diary-eat-with-jamie-waterloo/.

Thinking like an entrepreneur in the sharing economy

To think like an entrepreneur in the sharing economy, it should by now be clear how you can use simple life experiences to develop innovative business ideas, and harness technology to connect with customers - even if the idea seems unusual and a bit weird, like inviting complete strangers into your home …. Awkward huh? However, if you choose to be inspired by entrepreneurs of the sharing economy, you too can think creatively and explore opportunities. Any random event might be the spark you need for an innovative business idea – get thinking!

Acknowledgement

Thankyou to Jamie Dyball, Sydney chef and Eatwith host, for sharing his fascinating experiences and insights and providing images.

Note

There is much debate going on regarding peer-to-peer business models like Uber and Airbnb, about issues such as treatment of workers, impact on other businesses and legal compliance. This debate is outside the scope of this article, but it is certainly worth investigating the various arguments and concerns.
Student activities

1. Define the below terms as used throughout the article in their correct business context.
   - Start-up, profit
   - Digital age
   - Collaborative consumption
   - Price points
   - Background checks
   - Commission
   - Digital platforms
   - Legal compliance

2. Which current digital platforms do you and your friends use?

3. Who do you think owns information posted on social media outlets?

4. Imagine a business start-up based on the sharing economy. Suggest three business ideas that you could develop. (such as sharing household tools or equipment)

5. Suggest a name(s) and list dot point benefits to sell the concept.

6. Uber puts the customer in control. Give reasons why Uber’s takeup has been so quick.

7. In what ways does the Uber app help to connect the customer and the provider?

8. How is peer review or customer feedback used to enhance customer loyalty? How?

9. List features of Airbnb that enhance the customer experience of this service.

10. Describe why Airbnb quality is monitored.

11. Do you think that Eatwith is a business concept that will survive long term? Why?

12. How does Eatwith exert quality control over its members?

13. In the examples outlined, how do the business developers/owners make money?

14. These models operate in a cashless economy. Is this an important factor in building these new business models?

15. Is technology moving faster than the ability to accommodate them? How will they be taxed? Will consumers be protected? Are existing businesses impacted? List possible challenges that these innovative business models may pose.

References and further reading


https://www.ted.com/talks/rachel_botsman_the_currency_of_the_new_economy_is_trust>


Joe Gebbia, The Airbnb Story, Youtube, <https://www.youtube.com/watch?v=NKxNhkszTWg>


<www.eatwith.com>


<https://www.eatwith.com/brand/terms/>


Further Reading

<http://www.cio.com/article/2384419/online-marketing/14-proven-ways-to-connect-with-customers.html>


<https://www.nswbusinesschamber.com.au/NSWBCWebsite/media/Policy/Tourism/Sharing-

When Samsung released the Galaxy Note 7 in August last year it was met with rave reviews and sold at a rapid rate. Within weeks, however, videos of burning phones spread like wildfire throughout social media. Soon the video footage repeatedly hit the headlines of mainstream media. Phones spontaneously catching fire is a disaster for any business. What went wrong in Operations during the production process? How could Marketing recover from this public relations disaster? The consumer perspective has been examined by news sources and blog sites in depth but this article will focus on the impact on the business itself and how it responded.

Background

Samsung was founded in Korea in 1938. It started as an exporter of fish, fruit and vegetables but quickly expanded its range of goods and services to a wide variety of products, including insurance, and entered the electronics market in 1969. In the 1970s televisions, refrigerators and washing machines became big sellers and by the end of the decade of flares and paisley they began manufacturing and selling microwave ovens. The next decade saw the introduction of air conditioners, VCRs and personal computers. Mobile phones became part of the Samsung stable in the early 1990s.


Since the mid 1990s Samsung has had a strong emphasis on quality products and services and is happy to boast that Interband currently rank them in the top ten brands in the world. This is why the public and very visual failure of the Galaxy Note 7 is seen as a disaster for Samsung.

Communication

In each and every business, communication with stakeholders is a key component of providing information about the business and its products and to learn what consumers need and want. When the Samsung Galaxy Note 7 was first released on 19 August 2016 it was greeted with enthusiasm due to its innovations, such as its iris-scanning biometric unlocking feature. Favourable reviews of the phone were everywhere, generating an amazing amount of free publicity. There was talk that Samsung’s main competitor, Apple, would not be able to keep up with Samsung’s technological advances. Apple released the iPhone 7 less than a month later, but before the launch, the Galaxy Note 7 explosions made the technological differences irrelevant. Mad conspiracy theorists actually accused Apple of somehow creating the Galaxy Note 7 fault.

Within two weeks after its release, Samsung issued a recall of the Galaxy Note 7. However, there were some communication issues with the recall. It has been reported that Samsung failed to communicate with the US independent government safety authority, the Consumer Product Safety Commission (CPSC), which led to some delays in the replacement process. The CPSC is meant to approve the replacement phones before they are issued. Retailers selling the phones also claimed they were inadequately informed of the replacement procedure and were left with irate customers demanding phones they could not provide. It was nearly three weeks before Samsung issued a clear and more informative recall, with the backing of the CPSC. In Australia, customers were offered a Samsung Galaxy S7 or Galaxy S7 edge as replacement and a refund for any price difference. Most retailers also offered $250 credit on the new phones.

With the recall, consumers were advised that the overheating was caused by batteries but did not suggest customers power their phones down until later in the recall process. Samsung also claimed that the fault was with only one of the two types of batteries used in the Galaxy Note 7 and did not initially recall the phones in China and other countries which had the alternate version. They eventually recalled all Galaxy Note 7 phones, including the replacements, and ceased producing them altogether. In New Zealand, the Samsung Galaxy Note 7 has been blocked from the country’s entire cellular network to protect consumers who have not returned their phones.

The Australian Financial Review (12 October 2016) reported that behind the scenes, Samsung employees were instructed to find the cause of the exploding devices but apparently the testers were unable to make a phone explode, let alone find the problem. A Samsung insider told the Financial Review that communication
channels were limited during this testing period to prevent leaking of information. These media reports do not help Samsung’s desired image of quality and excellence.

Communication is obviously important when disaster strikes and as time passes, Samsung is generally viewed as having acted quickly. However, at the time of writing this article, Samsung have yet to disclose the cause of the fault, if indeed they

**Marketing**

There is a saying that there is no such thing as bad publicity but well-known firms like BP (major oil spill) and Volkswagen (falsified emissions tests) took significant hits to their brand image when they faced negative press. Social media, through its word of mouth testimonies being accompanied by visuals (videos and photographs), can turn a disaster into a global phenomenon. In Samsung’s case, dramatic video footage, such as a burning jeep, helped the bad news spread at an even greater speed. When the Samsung phone first started exploding and confusion surrounded the recall, commentators declared that the Samsung brand would suffer immensely. However, within just a couple of months, market research has shown that the brand image was still quite positive and more recently, marketers are saying that in the long-term the positive brand image will be retained. This is due to a number of reasons.

1. **Quick Recall.** When the disaster first came to its attention, Samsung quickly issued a recall. As mentioned above, it wasn’t a very smooth recall process but in the end the message was clear that all Samsung Galaxy Note 7 phones were being replaced.

2. **Reputation for Quality.** Samsung have a variety of phones and other products that uphold the firm’s reputation, meaning customers are more willing to forgive the fault and view the Samsung Galaxy Note 7 as a glitch. Despite the glitch, Samsung retains an image of being innovative and having leading edge technology. Perhaps this is why people are so willing to forgive, they understand that at the edge of innovative possibilities there will be some mistakes. The more cynical believe that consumers’ expectations of businesses are lower than ever in general so flaws like this come as no surprise. Forgiveness may also be more forthcoming because to date it appears that this was not a case of deliberate cost cutting or dishonesty.

3. **Promotion of other Products.** Due to Samsung’s extensive range of products and their continual development of new technologies, they are able to promote other products and features. For instance, the YouTube channel Samsung Mobile has in recent times uploaded more advertisements for its smartwatch Samsung Gear S3 than any of its phone range. Samsung is also continuing to make technological advancements on phone components (e.g. processor chips) which it not only uses in its own phones but also sells to competitors.

4. **An apology.** In conjunction with the initial recall, Samsung issued a video apologising to consumers for the phone but unfortunately the video also declared that the replacement phones were absolutely safe. Later in the USA, Samsung ran full-page advertisements in leading newspapers to apologise to the public.

5. **Brand power.** Since it has such a highly recognisable name, the brand will outlast the memory of exploding phones.

It will be interesting to see how Samsung market the Galaxy Note 8 which they will probably release as early as possible to put the previous version out of people’s minds.

**Operations**

Samsung and Apple have a history of trying to outdo each other with the features on their phones. Both spend a considerable amount of money on research, development and design of new products and upgraded features. As a result of this global competition customers have an expectation for quality and desire continual improvements in technological features.

Some commentators have speculated that it is this technology-driven competition that led to Samsung cutting corners in their processes or at least pushing the boundaries of the phone’s capabilities too far. It could be that to meet consumers’ desire for slim and light phones, compromises were made regarding the battery and the wiring for that battery, which caused the overheating of the phones.

Many have considered Samsung to be a follower of Apple and in 2012 Samsung lost a court case for copying some of the iPhone features and thereby breaking USA patent laws. On appeal, Samsung managed to reduce the $930 million it had to pay Apple in damages to $548.2 million but now the case is in front of the Supreme Court, as Samsung try to reduce that damages bill even further. More recently though Samsung has been building its own reputation for technological innovation. These legal repercussions may have pushed Samsung to go too far with their own innovations.

At a shareholders’ meeting, soon after the decision was made to cease manufacturing the Samsung Galaxy Note 7, J K Shin, the co-chief executive of Samsung, apologised to shareholders for failing to meet quality assurance standards and promised them that all aspects
of the phone’s creation and quality controls would be examined. Samsung obviously needs management to overhaul their quality management system so that quality controls can discover problems before products reach consumers and quality assurance can be obtained through a thorough audit of input sourcing and transformation processes to check that operations procedures meet quality goals.

There have also been reports that the authoritative, classical approach to management, typical of Korean companies, produces a culture of fear where employees are reluctant to mention any issues they may observe. Samsung’s Global Code of Conduct declares that they encourage a transparent corporate culture and have a process for employees to report wrongful practices. Everything they do, however, is with an emphasis on customer satisfaction and perhaps Samsung had too much focus on fulfilling design expectations and not enough regard for safety. Human resource training and development of both managers and employees may be required to ensure that Samsung’s workplace achieves a transparent culture so that employees feel like they can speak up about concerns and management listens and acts as a result.

One of Samsung’s great success stories came out of research which revealed that Chinese and other Asian languages were easier to write than type. The phablet (combining the words ‘phone’ and ‘tablet’) with a stylus did not originate with Samsung but they made them popular through its superior battery efficiency, screen size and just good timing of its original release. Now to buy a phone with a stylus from Samsung, customers have to purchase the Galaxy Note 5. Samsung skipped the number 6 in its naming process of the Galaxy Note range, perhaps to keep up with the numbering of their other phones and the iPhone. Whatever the reason, the psychological impact of dropping from a 7 back to a 5 must have an impact on sales.

For all the customers who have not returned their phones in the recall, Samsung developed an app upgrade that was pushed out to the phones that have not been returned yet to limit the battery charge to 60% and thus prevent them from overheating. In geek-speak this is sending an angel of death to brick the phones. Finally, they have a case of good product development in the name of safety.

In the release of the third quarter figures (July-September 2016) Samsung stated that they will be concentrating on increasing sales of their high-end mobile products (S7, S7 Edge), introducing new models and expanding sales in the low to mid-end mobile market. They are also looking to continue with strong sales promotions.

Finance
Understandably during the third quarter of 2016, Samsung sales (47.82 KRW trillion) were down compared to the previous quarter (50.94 KRW trillion) and the same quarter the year before (51.68 KRW trillion) and thus profits dropped as well. The return on equity fell from a reasonably steady 13% to 10%. The financial figures at the end of 2016 (to be released 24 January, 2017) will give a stronger indication of just how much impact the exploding phones is having on the financial accounts of Samsung.

Remaining Issues
Other than waiting to see the ongoing impact on sales and profits, Samsung need to deal with other factors arising from the burning phones. There have been some reports that Samsung is avoiding payment for damage caused by the exploding phones to other forms of property, such as cars, a garage and a hotel room that allegedly caught fire. The insurance issues these entail are much more difficult to resolve than the replacement of faulty phones so it will take time.

Many airports and airlines are making announcements that Samsung Galaxy Note 7 phones are completely banned from flights. To counteract this, Samsung established booths in the more popular airports to assist owners of Galaxy Note 7s by providing substitute phones. The bigger problem lies with just how long these announcements will continue causing damage to the Samsung name.

Samsung is yet to declare the true cause of the burning phones but has promised it will do so. Some media outlets are saying there will be announcement by the end of 2016, yet at the start of 2017 there is still no word.

Lastly, how long will it be a joke? Perform a Google search for Galaxy Note 7 memes and Halloween costumes for a laugh or a cry, depending on your perspective.

At least from Samsung’s perspective, it appears that although the Galaxy Note 7 was a disaster; Samsung’s overall reputation has remained intact.
References:


Further resources:


Student activities

1. Identify stakeholders affected by Samsung’s exploding phones.
2. Draw a mind map of the stakeholders and the impact on them.
3. Communication is a key skill of management. Discuss two other skills of management Samsung needed to have to respond to the faulty phones.
4. Create a video of you acting the role of the CEO of a company facing a disaster and apologise to all customers and others affected.
5. How would technology influence operations processes at Samsung?
6. What impact would ceasing production of the Galaxy Note 7 have on operations?
8. Analyse the relationship between cost and quality for the development of Samsung phones.
9. Investigate other brand disasters, for example, VW’s ‘Dieselgate’.
10. Perform a SWOT analysis for Samsung’s current situation.
11. Examine the importance of ethical behaviour and government regulation in marketing.
12. Analyse the interdependence between Samsung’s marketing and operations management.
13. Evaluate the response of Samsung’s management to the problems of the Galaxy Note 7.