

# the end of ownership.

a circuly publication.





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# introduction.



# introduction:

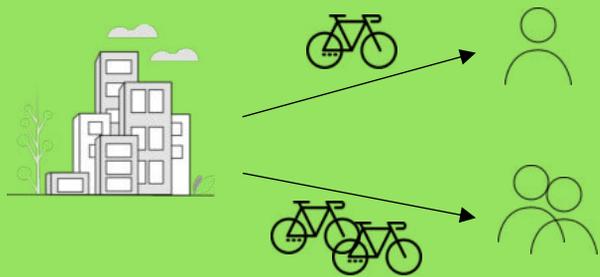
Whether you are aware of it or not, you are a part of it almost daily. Have you spent the night in an Airbnb during your holiday? Did you go to the beach from there with an Uber? And did you listen to relaxing music on the beach using Spotify?

Well, you have participated in what is often called the "sharing economy" - a cross-sectoral trend based on access over ownership, enabled by digital platforms that connect demand with spare capacity and models of "collaborative consumption". The concept of sharing economy gives consumers the possibility of access to a particular product without the necessity of ownership.

**"Online music streaming started it all, but fundamental changes in what consumers want and how they behave have led to a cutting of ties across sectors."** [Financial Times](#)

The sharing economy is present in many different ways – from peer to peer sharing models to managed sharing offerings. The focus of this paper lies on the managed sharing offerings.

### managed sharing

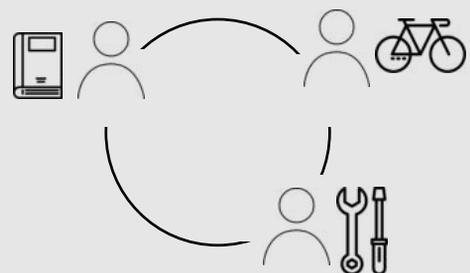


**Managed sharing offerings** are organized by one party, for example, a rental company that owns the assets. Different access-based service models include models such as renting, lending subscriptions, and memberships.

vs.

**Peer to peer sharing systems** require a community whose members decide to pool their resources for mutual use within the community.

### peer to peer sharing



## methodology.

Together with the online market research company Appinio, circuly conducted a study in July 2020 about the awareness and acceptance of mid- and long term rental offerings. The scope of the study corresponded to a sample of 1000 respondents in Germany aged 16 to 45 years.

## company profile: circuly.

As a B2B SaaS company, circuly provides software that enables e-commerce companies to also rent out their products instead of only selling them. Doing this, we help capitalize on new market potential and bring sustainability to e-commerce - without jeopardizing the existing business models. By supporting the introduction of rental models, we are paving the way for a circular economy in which products are used several times. This extends product life cycles, which leads not only to more effective use of the planet's resources but also increased revenues per product.

# market developments.



# market developments:

## the consumer mindset is shifting.

One of the driving factors behind the Sharing Economy is the change in consumer behavior. Customer satisfaction is at the heart of all products and services created by brands and marketers. The most obvious reason for this is that only satisfied customers stay with a company or brand. More customers mean a larger market share for companies. Thus the degree of satisfaction ultimately affects the revenue of a company or brand.

Research also shows that the key to customer satisfaction is the usability of products or services. The easier the access to a product or service, the higher the customer satisfaction. The key to creating a product or service offering that leads to customer satisfaction is a deep understanding of consumer needs. Using the example of ride-sharing, companies have realized that the customer's need is not to own a car or scooter - which involves high operating costs. The customer's need is to get from A to B in the most convenient way possible. It is precisely this need that is satisfied by ride-sharing such as DriveNow, Emmi, or Tier.

**The mindset of consumers is shifting from the mere ownership of products towards the access of a product or service because it gives a higher rate of consumer satisfaction as it answers the customer demand at the point of origin.**

Having access to the main benefits of products without owning them is what the sharing economy stands for, and changing consumer attitudes is what has fueled its growth. According to Forbes, the sharing economy is projected to grow from \$15 billion in 2014 to \$335 billion in 2025.

Yet many traditional retailers and business owners are still puzzled about what it means to provide access to their products or services rather than putting the focus on the sale.

There is no question that these changes of consumer mindset disrupt the traditional retail business which makes it even more important for companies to adapt quickly.

**The sharing economy is projected to grow from \$15 bn in 2014 to \$335 bn in 2025.**

# renting instead of buying as one way to get access over ownership.

One way of giving consumers access to a product or service rather than selling it is to offer it for rent.

One example of rental services is car sharing, which has been known for a long time and was used by almost 2.5 million people in Germany alone last year.

In recent years, and especially in recent months, it has also become quite popular to rent other products - for example, an e-bike to get some exercise during the Covid months, or electronic devices for the home office.

Many new rental products have come onto the market, and many existing solutions continue to show strong, double-digit growth rates month after month.

What they all have in common is that they offer consumers a convenient and easy way to meet their needs - the need for exercise, the need to work productively from home, and the need to get from A to B.



**customer  
mindset**

**towards  
renting.**

# customer mindset towards renting:

## attitude towards renting instead of buying.

The reason for the positive market developments and high demand for rental services can be found in consumer attitudes towards renting options.

Our research shows that 80% of the respondents are familiar with the concept of renting products for the mid- or long term instead of buying them.

Previous studies of Splendid Research and Statista from 2017 and 2018 show that the awareness of such rental models has increased by almost 135% since 2017.

Just like the popularity of the concept, its acceptance has also increased in recent years.

76% of the respondents to our survey in 2020 said that they like the "rent instead of buy" concept, and 27% have already rented a product on a mid- or long-term basis.

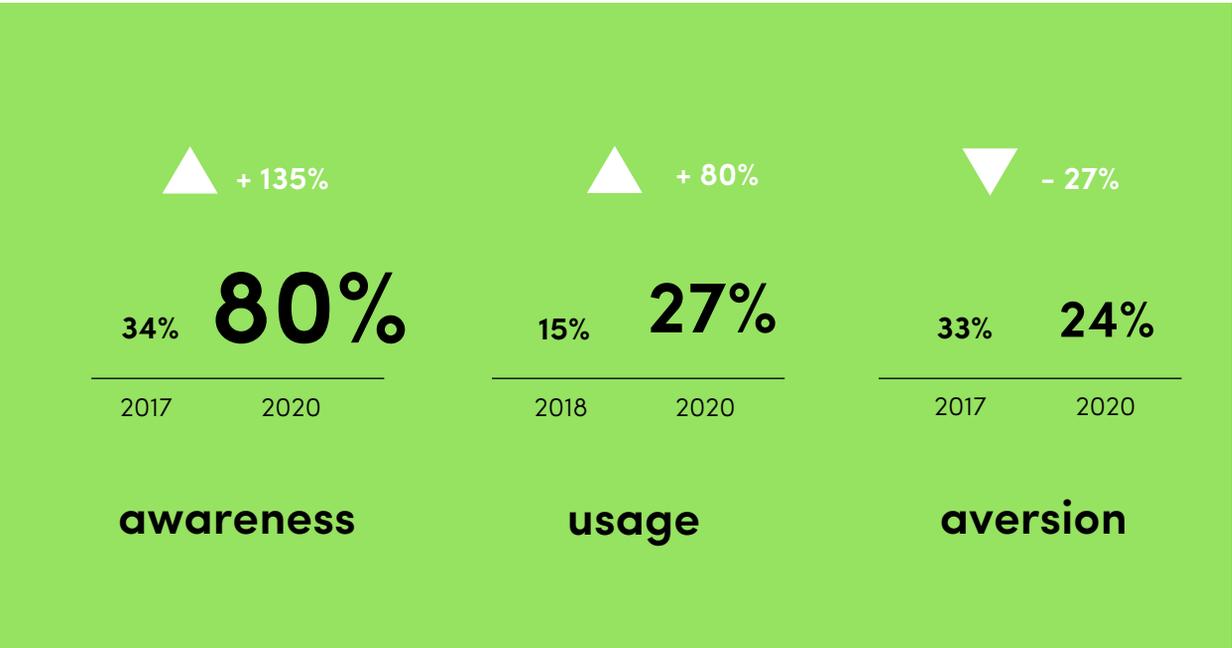
It is interesting to see that in the group of 30 to 45 year-olds, the use of a rental service for consumer electronics reached its peak at 50%.

**50%** of respondents  
between 30 and 45 have  
already rented consumer  
electronics. circuly study, 2020

The usage of rental services has increased by 80% since 2018, where only 15% of respondents of a Splendid Research study said, they have rented a product before.

Our study from 2020 shows that already 27% have used a rental service - and 91% would do it again.

**91%** would rent products again. circuly study



# why do customers prefer to rent a product instead of buying it?

The most important question for marketers and companies is to understand the "why" behind the behavior, why customers tend to rent a product rather than buy it.

Our study shows us that the main motive for renting a product instead of buying it is that the **product is only needed for a certain period of time** (stated by 42% of respondents). This answer clearly correlates with the argument that **renting is a more sustainable consumption option** (stated by one in two respondents).

We learn from this that the Sharing Economy is not only the result of millennials' demand for immediacy and urgency but that the new consumer type values sustainable consumption, in particular: recycling, reusing and refurbishing.

The results of our survey make it clear that sustainable consumption is the driving factor, especially among 25-34-year-olds, who prefer rent to purchase (23%).

The impact on the sustainability of renting products instead of buying them is immense. Renting instead of buying can lead to a 20-50% reduction in CO2 emissions worldwide. The greatest effects can be achieved in the areas of per capita consumption (42%) and transport (15%). The effects vary depending on the product. For the production of a baby-stroller for example, an average of 321 kg CO2 including packaging is generated during production. The lifetime of a stroller is approximately 3 years and it can be reused at least 3 times. This reduces the CO2 emissions per stroller per use to 107 kg including packaging. Taking Germany as an example, where 800,000 new children are born every year, and assuming that only 30% of all strollers are rented, the CO2 savings per year would result in 51,360 tons.

Awareness of issues such as sustainability and health has increased in society over the last ten years. People see the Sharing Economy as an opportunity to use resources more efficiently and protect the environment.

The second most important reason for consumers to rent products instead of buying them is the **price and convenience**. 34% of the respondents mentioned that renting was less expensive than buying and 33% said that it is more convenient. 31% also only wanted to try out the product and saw a good possibility to do so in renting.

Renting gives the consumer the option to get access to a product at a lower entry price. This makes it very easy to try it out and hence, reduces the barriers of purchasing the product as well as the barriers to get access to a brand that normally the consumer cannot afford (e.g. car sharing). As research shows that ease of use strongly correlates with customer satisfaction it can be assumed that this is one of the reasons for the growing demand of rental services.

A KPMG study from 2017 also found that flexibility is an important value for consumers. They no longer want to be tied to a product, but want to be able to change it flexibly according to the circumstances - because unused value is lost value. This line of thought is also illustrated by the example of a car. According to a study, the average car owner drives 9hrs per week, which is 9 of 168 hours. Hence, the usage is only around 5,4%. The remaining 159 hours, the car simply stands still and untouched but still has to be maintained and cared for regularly, even if it is not used. In the rental industry, this principle is used to increase the value of the products.

## yet, there are 24% that do not consider renting as a good alternative – but why?

The awareness and acceptance of rental business models grew largely over the past years. Still, there are some reasons why customers still prefer to purchase over rent.

The main reason against renting is that 34% of consumers prefer to own the products they use - which historically has been the norm as ownership has meant security and status. Today, in a digital world where we can access everything as long as we have an Internet connection, the feeling of security is no longer created by owning goods, and status is no longer defined by ownership. Nowadays we are proud to use electric vehicles and not to own big cars with noisy exhaust pipes. We are not only experiencing a change in the consumer society, but we are also redefining the value of the things around us.

Another reason for preferring ownership over renting a product is that 32% of respondents think that renting is more expensive than buying the product. This concern was particularly expressed by the 30 to 45-year-olds. About a quarter of the respondents have not yet thought about the concept of renting and some even claim that there are too few offers on the market for the product categories they want to rent.

**A study conducted by PwC found that 47% of those surveyed change their mind after a short sales talk - indicating a lack of awareness about rental models and their advantages.**

Despite the aversion to rent among some respondents, various studies have found that their way of thinking can easily be changed. A Splendid Research study showed that with a free test account, 31% of consumers are willing to try the rental even if they do not like it. A study conducted by PwC found that 47% of those surveyed change their mind after a short sales talk - indicating a lack of awareness about rental models and their advantages.

In summary, the reasons why some people prefer to rent products rather than own them are price and convenience. On the consumer side, it is, in particular, the preference for ownership and the fear of a higher price that indicate that the rental market is still at an early stage. Consumers need to be educated about the advantages and how rental models work. This is likely to increase both awareness and acceptance.



**product  
categories.**

# product categories for rental offerings:

## what do consumers want to rent instead of buy?

From the customer's perspective, the main issue is the acceptance to rent a product of a certain category.

In our research we found that the greatest acceptance of rental models is in the categories books, e-bikes and e-scooters, as well as leisure equipment (e.g. tents and hammocks) and home equipment (e.g. tools and barbecues).

The figure is greater than 60% in all of the above categories and as high as ~70% for books and leisure equipment in particular. Fitness equipment, children's products and consumer electronics were also mentioned.

Other reports also show a huge potential for fashion rental and B2B equipment rental.



**71%** books



**69%** leisure equipment



**62%** e-bikes & e-scooter



**61%** tools & equipment



**57%** fitness



**55%** baby goods



**50%** electronics



**40%** clothing

# what products are offered for rent?

Desk research shows that most products that are offered in a rental model belong to one of the three categories:

**time-bound products.**

**service intense products.**

**high value products.**

# products that you only need for a certain period of time.

Imagine you just had a little baby. You only want the best for the baby and you buy many expensive products, such as prams, baby clothes, and others. At the latest after a few months, if not weeks, the baby has outgrown the products and you have to get rid of everything. This brings with it a noticeable effort, which you can avoid nowadays.



Why should you offer such products for rent?  
The answer is manifold.

- Increase usage and margin of your products by at least 3x
- Get direct feedback from your customers
- Control the second-hand market.

# products that are very service-intense.

Do you have to visit your customer often to maintain your product? Is the service due regularly? It is a perfect opportunity to establish a product as a service model - just like Rolls Royce did. The British company offers its turbines - measured in flight hours - as a service.



Why should you offer your service-intense products for rent?

- Increase your service-based revenue by up to 40%
- Keep customer relations and customer communication as active as possible
- Cross- and up-selling to an existing customer base is 60-70% more likely than to build a new customer relationship (5-20%).

# products that have a high value.

The most prominent example of expensive products as a service is probably traditional car leasing. But products-as-a-service are also widespread in the B2B sector. These range from companies offering dental devices-as-a-service, to smart home products-as-a-service and machines-as-a-service.



Why does it make sense to offer high-quality products as a service?

- Get access to new customer groups by offering a low entry price
- Create a unique selling proposition to differentiate from your competitors
- Ensure your high-value customers are always up to date with the latest products.

# business implications.



# business implications:

The changing mindset of consumers and the changing demand for access to a product rather than ownership of it, are no longer guarded secrets at this point. But what is the impact on our economy?

## the potential of the rental industry.

The rental industry is rapidly growing as a platform that provides temporary access to various assets. According to a PWC study, the estimated market size of the sharing economy will reach \$670 bn in 2025 (including both, peer to peer offerings and managed rental offerings).

**\$670 bn**

**estimated market size of sharing economy in 2025.**

PWC

**263%**

**estimated revenue growth of sharing economy companies between 2013 -2025.** PWC

Also, the economic benefit for companies in the sharing economy has been estimated with a 263% revenue growth from 2013 to 2025.

## set in motion – across industries.

A 2017 study by Frost & Sullivan predicted that 70% of Fortune 500 companies will develop new models that include product-as-a-service offerings - and in fact, many have already done so.

Companies and brands like Maxi-Cosi, IKEA and H&M are experimenting with the concept of access over ownership. They are aiming to increase customer loyalty and take advantage of new market opportunities.

Many start-ups are following the same line and introducing new rental models to the market, fueling growing customer demand and growing at double-digit rates month after month.



## the most important value: trust.

An analysis of the current market of rental offers as part of our study shows that most customers in the consumer electronics sector have rented products from Saturn (41%) and Mediamarkt (39%) rather than from companies such as Grover (12%), whose core business is product rental.

This shows that customer preference tends strongly towards well-known brands, which indicates that the company behind a rental offer is very important.

The Online Rental Industry Report showed similar results when it comes to the importance of trust in the rental business.

“For an exchange to be successful, the parties performing the transaction must be trustworthy. The product owner has to trust the rentee that the product will be kept in good condition and returned within the time-span. Whereas the rentee has to trust the product owner that the product is in working/mint condition when delivered.”

# summary.



# summary:

## access over ownership is coming.

It's undeniable: The Sharing Economy, driven by new technologies, influences both consumer behavior and our current way of doing business. The changes are partially affecting entire industries. The Sharing Economy offers people new opportunities for consumption. Sharing models can provide cost advantages, a convenient access to products and promote more sustainable consumption.

The US economist and Sharing Economy thinker Jeremy Rifkin is convinced of a change in consumer culture towards an "access society": The striving for property, which has been strongly developed in society up to now, is increasingly developing into a striving for access. It reveals the dissolution of the property-oriented market, in the place of which an economy of sharing and common use of property goods, a "post-ownership economy", is establishing itself. According to Rifkin, in the future, capitalism will no longer dominate the economy, but will be only a partner of collaborative consumption.

Companies that want to survive in the market must therefore revise their expiring business models, which focus on selling ownership, and replace or supplement them with more flexible offerings.

Jeremy Rifkin is certain that the era of property is coming to an end and the age of access is now beginning. This raises many questions, but one is particularly important: Will current developments mean a fundamental change in our consumer culture? The answer is likely to be found in the not too distant future.



the operating system for circular  
rental models in e-commerce.

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