

Status of Rent Economy in the Capital of India

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Abstract: In recent times, there has been a great upsurge in renting. This paper presents the extent to which the concept of renting things is common among people in Delhi/NCR and examines the characteristics which influence the renting of products. The study finds that renting is not common among the sample under study. Respondents are aware of the importance of renting and hold positive beliefs about renting things. However, there are many factors which have constrained the popularity of the renting economy.

Keywords: Hiring, Renting, Economy, Online, Rental Websites

1. Introduction

In many countries like America, new web start-ups like Airbnb, trulia, zumper, vrbo, etc. have enabled the rise of rent economy. These websites either rent the items they own or act as middlemen between people who own it and with people who want to take on rent. This new concept of renting and sharing allows everyone to live the life at minimal cost beyond their means and with limited resources. The driving force behind flocking to these services is the requirement of very low cash flow to rent any product one need rather than buy.

Renting things to meet needs is a popular trend abroad. The concept of renting products has now set up its roots in India too, with a wide range of goods from car and bikes to phones and tools. When a customer buys a product, he is attributed with it for its entire lifetime and could develop a feeling of being bored of it. Every buyers know how quickly the charm of a new purchase wears off. The wise decision is to borrow rather than buy, especially if you know that you travel frequently. People who shift to a different city for a short span, need not have to own furniture, vehicle, books, AC, etc. They can simply hire on rent to avoid the hassle of selling them, when they leave the city after finishing their project. The concept of renting is quite popular among young, married couples, etc. Youngsters know that technology changes fast and new products and innovations will outdate whatever they buy. It is not possible to buy everything in one go. So till they cannot afford to purchase, they can avail the services of these rental

websites to fulfil their needs. People who are fond of reading can read many books at the price of one. The websites like bookmeabook.com, librarywala.com provides access to many books at a very low price. You can rent as many products you want. Most products can be rented for a long period also. The longer the rental period, less costly it is. Cash on delivery is available for most of the products. However, in some cases, refundable security deposit might be required to rent. Besides cost saving, rent economy also saves national resources, improves standard of living of the people, bring equity, etc. People can try any product by taking on rent before buying to know the use and requirement of the product in their life. Besides these advantages for the consumer, the effect of sharing and renting could be catastrophic. When people will take on rent, sales of the retailers will fall, low demand will reduce productivity and production of the products. There will be complete shift in production, sales and employment structures. It will discourage innovation of the new products because when a new product is launched, companies use price skimming strategies to extract maximum profits by selling new product at higher prices. As people will take things on rent, the companies will not be able to apply their strategy and make profits. The concern over renting is the problem of hygiene. Though the companies claim to take care of the hygiene problems to stay in the market and avoid government interference.

The trend of rent economy is worrisome in the long term as there is no regulatory framework to deal with the disputes of rentals. This paper discusses the trend in India through an online survey filled by the people of different age groups. Their views on buying things on rent, their knowledge, and openness to this new trend are examined through this study. The paper is organised as follows. Section 2 discusses the literature available on renting, section 3 explains the methodology and findings. Section 4 concludes the discussion.

2. Literature Review

Varian (2000) outlines various circumstances under which sharing may increase or decrease producer profits. It can happen in three ways: firstly, when the transactions cost of sharing is economical while the marginal cost of production is high. Secondly, the case of the products for which firms keep high price because users obtain utility from viewing. Thus, user would prefer such products on rent to avoid high transaction cost. Finally, producers can serve the unserved markets through renting. Due to heterogeneous tastes, all the products can not be accessed by everyone. Hence rental market can serve the interest of the poor section.

Knox & Eliashberg (2005) have tested and developed two models describing how consumers make decision to rent or buy a particular movie. They obtained data from a big video store chain to find out relevant variables that affect the individual rent/buy behaviour. They have also estimated the parameters that determine the rentability and affordability of movies. In the first model, assuming diminishing value of the video and change in future preferences of consumers, the data shows that consumers know how long the utility from watching movie will last. It was also found that R rated movies which belong to the action genre are more likely to be bought.

Haworth (2007) gives an account for outsourcing of surrogacy to India. The article accounts for India's growing trade in reproductive treatments in which people from foreign countries go to another country for infertility treatments such as in vitro fertilization. They solve their infertility problems by trading with local women to have their babies. Surrogacy is not expensive in India, even after including all medical expenses and the surrogate's fee. In the U.S., the same procedure cost alot. Moreover, moral sensitive understanding of Indian surrogacy which surrogacy workers face and do out the compulsion to take on surrogacy work to fight poverty (Bailey, 2011).

Singh (2008) has analysed new opportunities and challenges that arise from existence of products in both physical and digital forms. To increase profits, online retailers can introduce e books to complement p books even for books less preferred by the customers. The retailer can increase his profits by increasing the consumers' preference for e-book because p books are costly as compared to e-books. The retailer can influence the consumers' preference either by granting right to print and enhancing search capabilities for e-books, or by standardization of software and reading devices and development of better e-book devices.

Yeoman (2010) draws insights about how renting has changed in the definition of luxury by increasing the accessibility of all the items to the masses. The characteristic of exclusivity of luxury products is at stake because exclusive items are easily available on rent. Thus, luxury products are required to protect their exclusivity through premium pricing and authenticity. The appeal of renting luxury products has weakened appeal of showy, materialistic wealth and a growing intolerance for wasteful consumerism. As a consequence, luxury has now become so democratic that it is easily available for rent. The growth of websites allows a larger group of consumers a share in the luxury lifestyle, without the need for huge amount of money.

Rao (2011) determined the profit maximising pricing strategy of a monopolist in durable goods setting. The paper analyzed the interaction of purchase and rental markets in the goods market. It finds that consumers preferring new-release do not have incentives to postpone consumption and thus strengthen market power of the monopolist. On the other hand, when the firms delay renting the new release get lower profits as the content has become old for the consumers who prefer new release consumption.

Philip et al (2012) discusses the motivation behind peer to peer renting. The three main categories that inhibit peer to peer renting are personal influences such as financial benefits to providers and renters, perceived act of renting, flexibility, etc., social influences such as green belief, existence of an attitude behaviour gap and structural influences such as perception about rental sites, system inconvenience, etc.

Böckmann (2013) reveals three main classifications of value creating drivers or factors of shared economy. People participating in the shared economy get emotional and rational benefits. They value sustainability and economic benefits associated with sharing. Due to increased interaction among participants, new ways of communication have been created. However, this paper also suggests that the usefulness of the product to self and others determines the valuation by the customer in the shared economy.

Hamari et al (2013) studied that positive attitude promotes collaborative consumption. This does not necessarily mean that people will translate their positive attitude into action. The motivations behind collaborative bargaining are sustainability, enjoyment of the activity as well as economic benefits. The results of the study imply that reducing the problem of free riders, making services pleasurable, employment of strict resource allocation mechanism to enforce contribution can promote collaborative consumption.

Wagner (2013) showed that financial risk of buying expensive property encourages young youth to demand consumer products on rent. The research suggests two ways of positioning a product. Firstly, customer target group should be selected on basis of demographics like age, sex or origin and psychographics like the personal attitude. The frequent change in the lifestyle has contributed to rise in renting products.

Belk (2014) discusses reasons for growing sharing and collaborative consumption and its implications for business. The paper discusses the strategies to build a successful sharing venture such as flight and fight can be two reactions to disruptive technologies. The new creative ways of participating, providing the required content for free and looking for other source of income, buying a leading company offering disruptive technology and evaluating the degree to which acquired technology remains a permanent or temporary part of business.

Bardhi & Eckhardt (2015) study identifies six dimensions the nature of access-based consumption: temporality, anonymity, market mediation, consumer involvement, the type of accessed object, and political consumerism. The outcomes of suggest that perceived ownership is not experienced by the consumers and they lack identification of accessed products, etc.

3. Methodology

3.1 Sampling

The study is targeting population of Delhi/NCR as respondents. Respondents are chosen by convenience sampling method, which is each respondent is willing to answer the questionnaire by survey monkey as a third party agent to collect data. In this research, probability random sampling is used to collect the data, i.e. each respondent has equal probability of being selected. The sample size of the study is 287.

3.2 Participants

In all, there were 182 males and 107 females in this study. The study covered all the people of different age groups. The questions were designed to understand the awareness consumers have for online products available for rent. The respondents were asked questions online which helped them to answer as per their convenience and helped to reach to masses. The questionnaire was mainly answered by people aged between 18-24 years which accounts to 66.9% of the sample population, 19.9% were below 18 years, nearly 8.4% people were aged between 25-34 years, 2.8% of the sample were between 35-44 years and 1% belonged to 45 to 54 years.

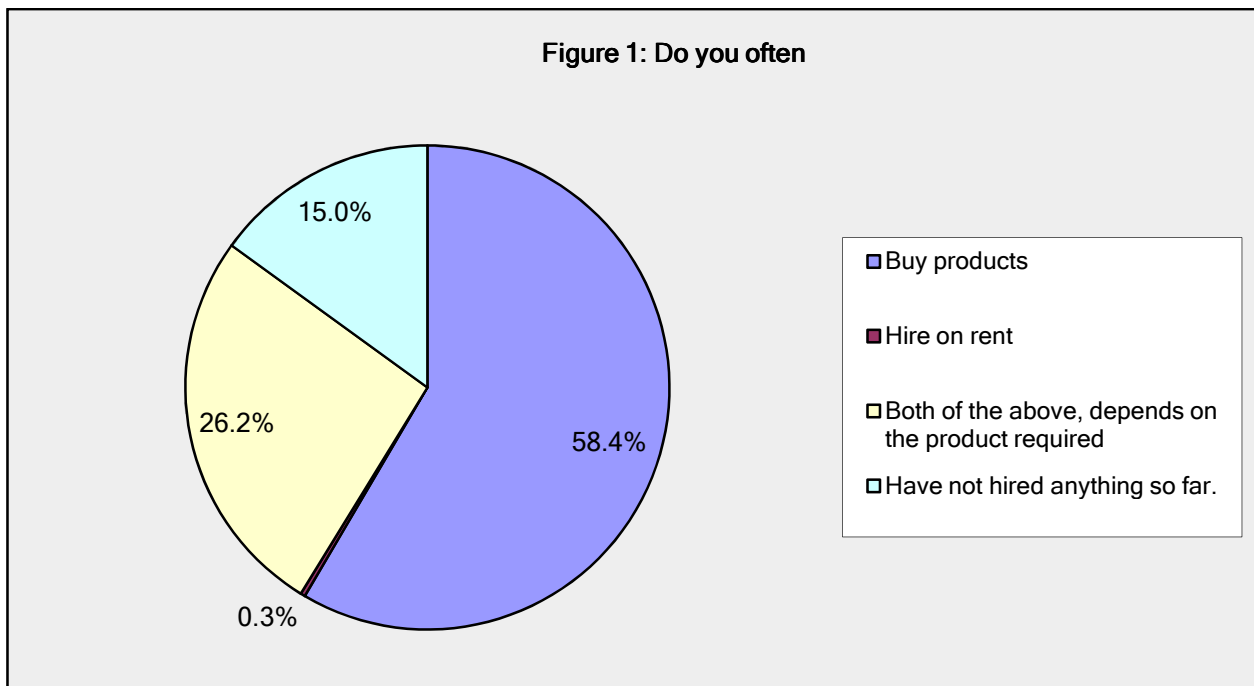
3.3 Questionnaire

Each participant was given a two page questionnaire. The first part was based on how they shop, how much they are aware of rental websites, what they would buy or hire, their perception towards hiring different products on rent. All the questions were close ended. The questions had

multiple choices. The participants were sent link of the questionnaire to be filled online. Over 2000 people were sent the link out of which 287 responded.

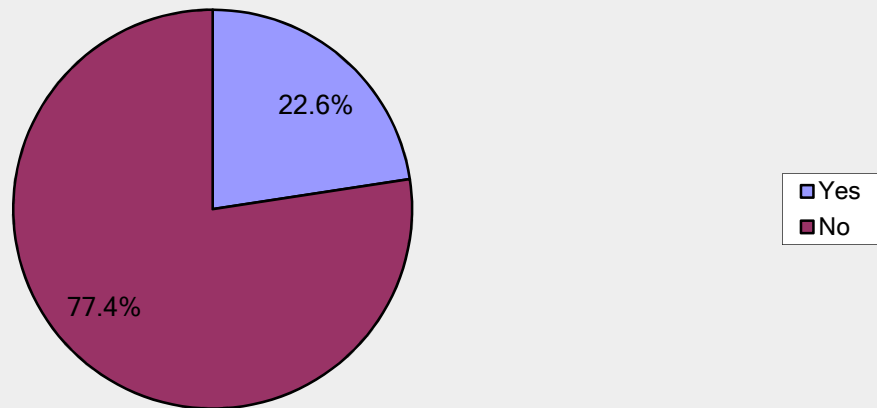
4. Data Analysis

The Figure 1 shows the number and percentage of population buying products or hiring them from anywhere. Nearly 167 (58.4%) of the respondents claimed to buy products, 26.2% of the people hire depending on the product needed, and 15% of the respondents haven't hired anything yet. This might tells us that people prefer to own things and do not prefer taking things on rent. Most of the respondents demand to buy or hire is product specific.



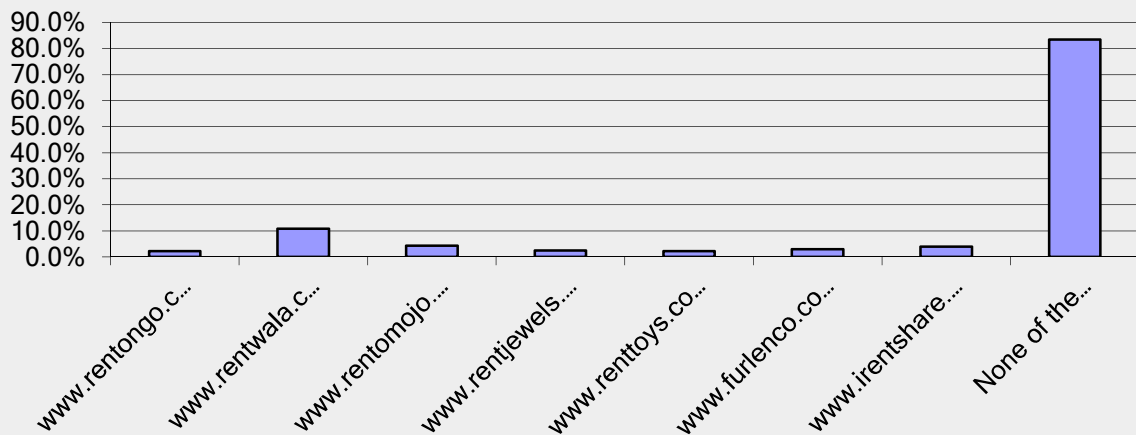
The Figure 2 showed the awareness of the respondents towards online websites offering products on rent. Majority of the respondents do not have any awareness about the rental websites. It shows rental providers and rent seekers is not common among the respondents of the sample. Nearly 77.4% of the respondents are not aware of the websites offering products on rent where as 22.6% of the respondents do know the websites offering products on rent.

Figure 2: Are you aware of the websites that offer products on rent?



The respondents were given names of few famous websites which are available appear as the first link on google search. Figure 3 shows that 83.5% of the respondents have not heard of the famous rental websites, 10.8% of the respondents have heard of rentwala.com, while the others are not even familiar to them.

Figure 3: Which of the following websites you have heard of? (Select Multiple Options)



The Figure 4 studies the rental habits of the respondents. Nealy (40.3%) of respondents buy things on rent either online, offline or both. This shows that people are keen to buy some products on rent. The literature explains different drivers that inhibit rental habits in individuals. The growth of rent economy and the idea of its popularity in India can be seen from the data.

This is a good sign which will help the country move towards sustainable development and raise the standard of living of the people by making things available to masses.

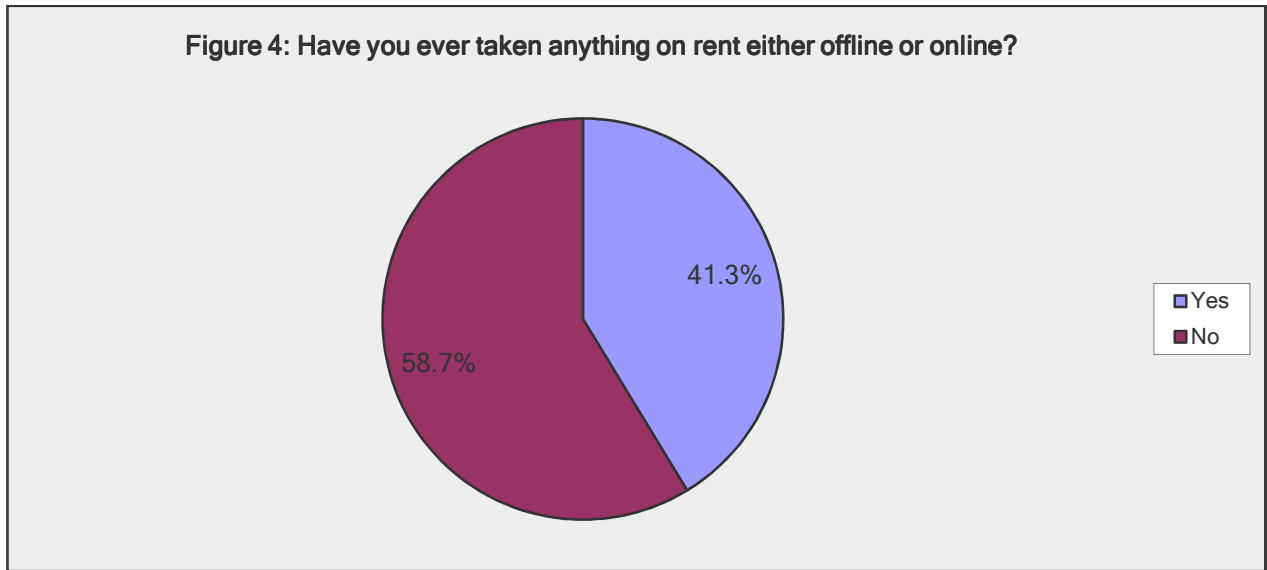
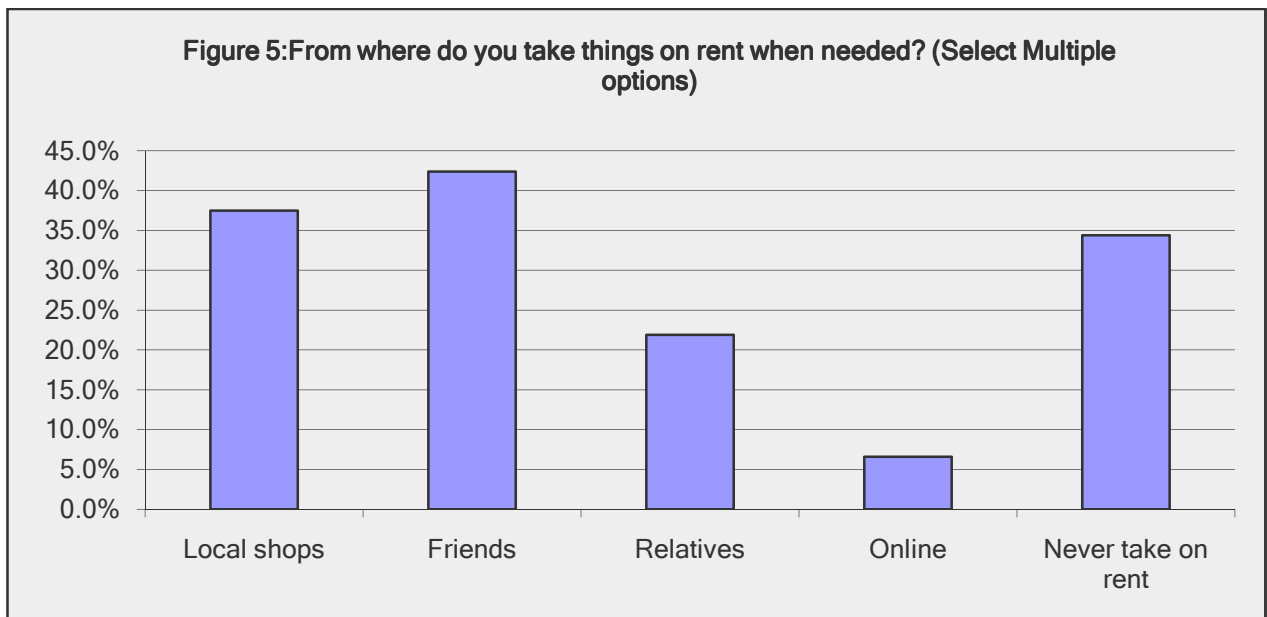
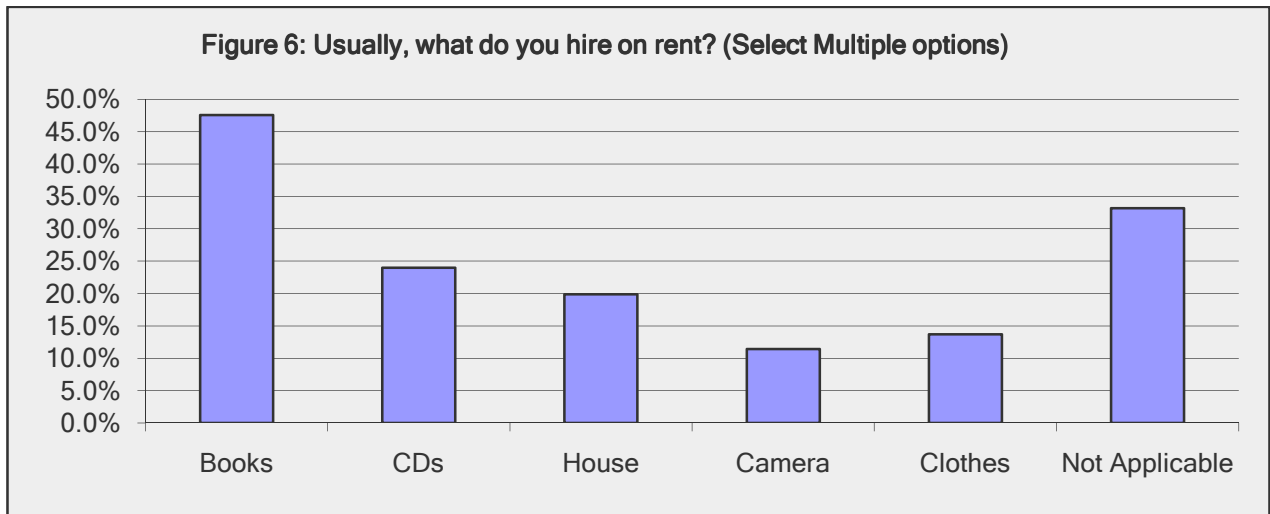


Figure 5 showed the sources through which people take things on rent. The most popular source among the respondents is friends. The possible reason for this result might be easy accessibility and social bonding with friends. Another advantage of this source is that renter might not have to pay any rent for hiring things. The second most popular source is local shops which are near to home and renters can easily reach the shops and order at no transportation cost. Even there are people who prefer not to take things on rent.



The Figure below shows the things that people prefer to buy on rent. The most popular thing is books. This shows the popularity of e-books online and printed books which are hired on rent to read. People also take other things such as CDs, books, house, camera, etc. also on rent.



The data shows that most respondents are students. This could explain many reasons for the above responses. The books were the most common thing hired on rent which shows that students prefer to buy books on rent than owning them. Secondly, the most common source of taking things on rent was friends which might be due to the fact that the respondents find their friends trust worthy and are socially bonded with them.

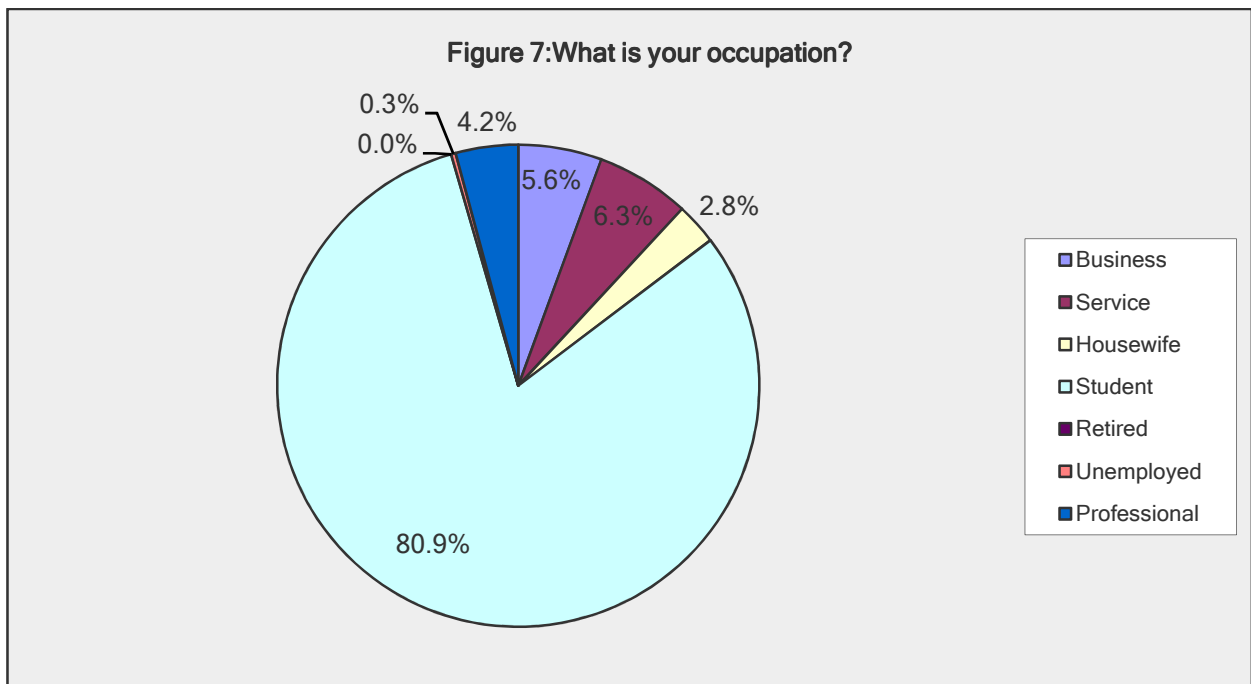
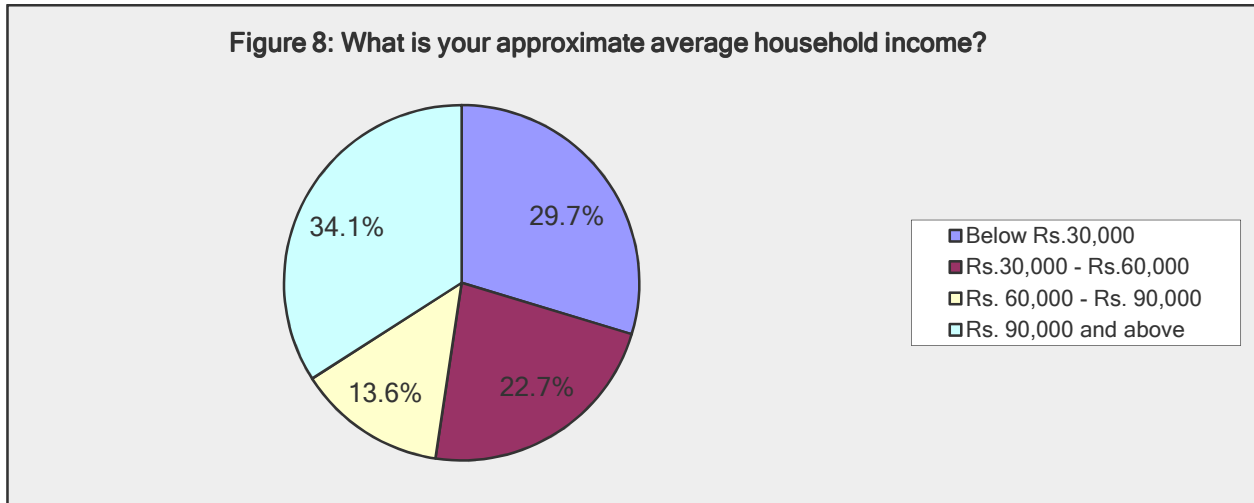


Figure 8 shows most of the respondents had income above 90000 which might be a reason for lesser interest in taking things on rent. Thus, people with good amount of income prefer to own things than taking on rent.



The respondents were asked about preference to take some articles on rent or to buy. Table 1 shows most of the respondents prefer to buy things like designer wear, textbooks, camera lens, dogs, casual clothes, furniture, washing machine, sports equipment, house, entertainment like CDs, DVDs, story books, etc. All the items that are preferred to be bought are mostly assets which people would like to own. On the other hand things like parking space, Christmas tree, camping equipment, boat, etc. which are needed occasionally are preferred to be taken on rent.

Answer Options	Own/Buy	Hire on rent	Don't know	Rating Average
Designer wear	204	35	22	1.30
Textbooks	160	84	10	1.41
Camera lens	148	59	42	1.57
Parking space	79	126	42	1.85
Dogs	169	8	71	1.60
Casual clothes	242	6	5	1.06
Christmas Tree	73	100	68	1.98
Furniture	217	20	13	1.18
Washing machine	205	28	16	1.24
Sports equipment	183	56	15	1.34

Camping equipment	61	151	30	1.87
House	206	38	14	1.26
Boat	22	167	52	2.12
Entertainment like CDs, DVDs, storybooks, etc.	141	108	11	1.50

It is very important to know that respondents must be aware of the importance of renting things. They were asked to select the options they find as reasons for hiring things on rent. Above 60 percent of the respondents believe that hiring on rent saves resources and more specifically saves lot of money. Over 50 percent of the people believe that it leads to better utilization of resources. More than 40 percent of the people believe that renting improves sharing and public networking. The other reasons which are accepted by the respondents are renting is hassle free, adds value to life, improves standard of living and removes barriers of status and class.

Select the advantages of hiring things on rent? (Select Multiple options)		
Answer Options	Response Percent	Response Count
Saves resources	67.1%	188
Improves sharing and public networking	46.4%	130
Better utilization of resources	57.5%	161
Hassle free	16.4%	46
Saves lot of money	64.6%	181
Doesn't hurt at all	12.9%	36
Adds value to life	13.6%	38
Improves standard of living	13.6%	38
removes economic barriers like upper class, middle class etc. (Equal access to all)	41.8%	117

5. Conclusion and Recommendations

The study attempted to examine the popularity of rent economy in Delhi/NCR. The data shows that people are not aware of most rental websites. There is a need to create awareness of the concept of rent. People have mentality of owing assets and buying those things on rent which are required occasionally. The study also tried to understand the psychology of the respondents behind buying and renting any specific product. The study was limited to students only. There is much scope for further investigation to understand its impact on online retailers and the

marketing strategies that need to be modified and designed to cater the needs of the customer. Much needs to be done to create a digital and rental economy.

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