

# **The Unique Challenges of Seller Uncertainty in Sharing Economy-A Decision Making Perspective**

*TREO Talk Paper*

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## **Abstract**

As a newly emerged phenomenon, sharing economy has become an integral part in modern economic activity. It is quickly reshaping the traditional economic activity significantly and information technology plays a significant role in enabling it. Sharing economy and traditional e-commerce differ on the presence of a rigorous overseeing and review system. Lack of such a support system in sharing economy poses unique challenges to the participants of sharing economy. Our goal is to explore this unique feature and how this challenge affects decision-making process. Main research questions we aim to answer are as the following: what types of uncertainty are users facing while making decisions under sharing economy?, how do they react to those uncertainties?, what are customers trying to cope with when making an informed decision? Based upon judgement and decision making research, we propose two constructs associated with sharing economy: seller opportunism induced product uncertainty (SOP), which deals with a seller's ethical characteristics (e.g. whether seller is honest) and seller competence induced product (SCP) uncertainty, which focuses on seller's actual capability to deliver services/products. By conceptualizing these two uncertainties, we attempt to understand users' information processing and decision making process. Given that sharing economy is a very broad umbrella concept, our research context focuses on *peer-to-peer* sharing economy activities.

Previous research in e-commerce indicates that product uncertainty significantly affects people's decision making process and outcomes. However, product uncertainty does not exist independently; rather it can be caused by seller uncertainty. This important finding reveals the dynamics between these two different types of uncertainty and clarifies the mechanism when consumers make purchase decisions in an online environment. Similar to traditional e-commerce participants, participants of sharing economy also encounter product uncertainty. However, two seemingly similar sharing economy activities create different decision difficulties. For example, choosing Uber ride is not a challenging task because the product itself (riding service) is relatively easy to assess, but finding an ideal accommodation from Airbnb may not be as simple due to the experiential and subjective nature of this service. We argue that this difference is caused by the two uncertainties we identified: SOP and SCP. That is, customers have to evaluate whether the service/product provider is 1) faithful or trustworthy - SOP and 2) competent to deliver the service/product with high quality as promised - SCP. Especially SCP is unique to sharing economy since service/product providers are mostly novice entrepreneurs. Thus, customers face uncertainty related to seller's competence to deliver the product/service in addition to opportunism uncertainty related to seller's honesty. This is not the case in traditional e-commerce in which sellers do not assume other roles and products and services are already well-established.