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Jeonghye Kim
Korea Advanced Institute of Science and Technology, maykim51@kaist.ac.kr

Youngseog Yoon
Korea Advanced Institute of Science and Technology, iseeu@kaist.ac.kr

Hangjung Zo
Korea Advanced Institute of Science and Technology, joezo@kaist.ac.kr

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WHY PEOPLE PARTICIPATE IN THE SHARING ECONOMY: A SOCIAL EXCHANGE PERSPECTIVE

Jeonghye Kim, Department of Business and Technology Management, Korea Advanced Institute of Science and Technology (KAIST), Daejeon, Republic of Korea maykim51@kaist.ac.kr

Youngseog Yoon, Department of Business and Technology Management, Korea Advanced Institute of Science and Technology (KAIST), Daejeon, Republic of Korea iseeu@kaist.ac.kr

Hangjung Zo, Department of Business and Technology Management, Korea Advanced Institute of Science and Technology (KAIST), Daejeon, Republic of Korea joezo@kaist.ac.kr

Abstract

We empirically analyze the competitive benefits of sharing economy services to understand why people participate in the sharing economy. We employ the social exchange theory to examine the participation intention in sharing over owning. We emphasize on the importance of service platform as a trusted third party and its influence on reducing the perceived risk of sharing economy. The research model includes the key antecedents to trust and relative advantages of sharing economy services. The model will be tested with the Airbnb users’ data. The research results are expected to contribute to researchers and practitioners to understand the sharing economy.

Keywords: Sharing economy, Social exchange theory, Trust, Relative advantage, Sharing intention.
1 INTRODUCTION

In traditional economy, economic transaction premises that the transaction objective is transferring the ‘Ownership of’ the product. The sharing economy has turned this perspective of transaction objective over. The sharing economy is an economy “based on ‘Access to’ rather than ‘Ownership of’ physical and human assets like time, space and skills” (Botsman & Rogers 2010). In other words, people lend and borrow assets, rather than purchase and own them.

The term ‘sharing economy’ was first used by Professor Lawrence Lessig at Harvard Law School in 2008. To date, the commercial sharing services of ‘sharing economy’ let people share resource in creative, new ways (Cohen & Kietzmann 2014). For instance, people can have access to rooms (AirBnB, Roomorama), cars and bikes (Relay Rides, Wheelz), and taxi services (Uber, Lyft) (Malhotra & Van Alstyne 2014). With these creative business models, the sharing economy has been widely noticed for its massive growth, by sources ranging from Fortune magazine to President Obama (Eckhardt & Bardhi 2015). It was nominated as one of ‘10 ideas that will change the world’ as well (Teubner 2014). Moreover, the size of the sharing economy was estimated at $26 billion value in 2013 (Geron 2013; Cannon & Summers 2014).

The drivers of the sharing economy include social media and information technology, which enabled the online interaction (Heinrichs 2013). With this background, the dominant platform of the sharing economy has been online websites. In addition, the sharing economy has exclusive features that differentiate itself from existing markets. The sharing economy differs in the process of transaction and product exchange. It relies on peer-to-peer to relationships, by virtue of market actors as exchange mediator. Furthermore, as the meaning of sharing evolves, the behavior of sharing dissolves interpersonal boundaries (Belk 2010). For instance, users of the sharing economy voluntarily participate so as to directly share goods with others on the basis of trust. This fact significantly differentiates commercial sharing systems from existing rental services.

In fact, existing studies on motivation of participation in the sharing economy were mainly focused on conceptual approaches. Furthermore, previous literature seems to fail to capture and reflect the underlying characteristics of the sharing economy. First, the subject of trust in sharing economy context is still vague, and somewhat insufficiently differentiated from that of traditional economy. The existing studies have not treated trust in the service platform whereas trust among users have been studied predominantly. For example, several literature determined that peer trust and reputation are the central driver in sharing economy platform (Botsman & Rogers 2010; Lamberton & Rose 2012; Schor & Fitzmaurice 2014). Previous study describes peers in the sharing economy as the people who directly transact with the service, bypassing traditional institutions (Botsman 2015). However, this so-called direct transaction between peers and their relationship formation must be mediated by a platform prior to the transaction, and sometimes even during the rest of the sharing process. In e-commerce context, it has been noted that a website should be treated as a social actor and trusted third party (Botsman 2015).

Secondly, although several studies have been carried out on motivations of participation in sharing economy and propensity to share (Lamberton & Rose 2012), only a few studies have been able to draw on structured research to adequately cover the consequent propensity to share based on the comparison with existing traditional services. In other words, it has not been fully explored why and how a consumer would decide to ‘share’ a certain commercial product rather than to purchase it in a traditional service based on ownership.

In order to fill the research gaps, first, this study aims to explore the factors influencing users’ trust in the service platform, which serves as not only mediator but also a third party to be trusted. Secondly, we posit that the relative advantage of sharing economy compared to the traditional economy will directly influence the user’s intention to share. The conceptualization of relative advantage will be discussed further in the paper.
Drawing upon Social Exchange Theory, this study sets out to assess the effect of trust and relative advantage on consumers’ propensity to share, in comparison with traditional economy to answer following questions: What are the key antecedents to trust and relative advantages in the context of sharing economy? What makes consumers share, rather than own a commercial good, and how can this sharing propensity be enhanced?

2 THEORETICAL BACKGROUND

2.1 Social Exchange Theory

We adopted Social Exchange Theory (hereinafter, SET) as a theoretical framework in that it can adequately reflect the characteristics of sharing economy such as peer-to-peer relationships. In addition, participants of the sharing economy gain social relationships as a result of sharing behavior (Belk 2010). SET has been widely adopted as one of the most influential theories to explain social interaction information systems (Stafford 2008; Chen 2013). SET posits that based on subjective cost-benefit analysis and comparison of alternatives, individuals intend to choose the relationship that maximizes their benefits. Compared to economic exchange theories, SET can be more flexibly applied to sharing economy, since it varies in its element, and the factors of costs and benefits cannot be reduced to a single quantitative exchange rate (Stafford 2008).

These tenets of SET have an important implication for investigating consumers’ intention to share rather than to own commercial goods and services. Consumers’ comparison between sharing and owning a product implies proactive cost-benefit analysis. In this study, the relative advantage of participating in sharing operates as benefit. On the other hand, the cost of the consumer is trust, the perceived risk affected by trust, and their process of forming sharing intention. This study applied trust as the cost of SET, regarding its conceptual definition. Following the definition according to McKnight and Cummings (2008), the conceptual definition of trust in this paper refers to an individual’s willingness to make himself vulnerable to a trusted target’s actions. The term vulnerability was used to represent users’ willingness to expose himself to the perceived risk of sharing economy, which will be discussed further. In this context, current study faithfully applied SET as the theoretical background.

3 RESEARCH MODEL AND HYPOTHESES

3.1 Research Model

Drawing upon SET, this study proposes a research model to explain consumers’ intention of participating in commercial sharing service rather than traditional services. To clarify, the term ‘consumer’ in this paper refers to a user who intends to borrow a commercial good or service from another user. For instance, in case of Airbnb, the consumer refers guests, but not hosts. In this context, consumer’s propensity to share intuitively refers to consumer’s intention to borrow commercial good in commercial sharing service.

Fig. 1 suggests that trust in sharing service platform and perceived relative advantage of commercial sharing services contribute to individuals’ intention to participate in transaction of sharing service over that of traditional service. The research model also advocates that systemic support of the service website such as reputation, social presence, and benevolence as trust building factors. As trust reduces the perceived risk involved in sharing services (Lamberton & Rose 2012), it mediates the relationship between trust and intention to share. Furthermore, this model postulates that exclusive features of sharing economy such as social benefit, economic benefit, and epistemic benefit will impact individual’s perceived relative advantage in comparison with traditional commerce.
3.2 Trust and Perceived Risk in Sharing Economy

As previous studies remark, trust is one of the most influential factors explaining consumer adoption in a variety of information systems. There were attempts to identify trust building mechanism in online platforms, which mainly directs to trust intention and behavior (McKnight et al. 2008). Conjointly, trust can be a key antecedent of sharing intention (Hamari & Ukkonen 2013). Trust is an asserted key success factor in sharing economy, regarding its dominant service platform being online exchange platforms and its influence on uncertainty mitigation (Botsman & Rogers 2010; Pavlou & Gefen 2004).

In this manner, this paper posits the target of the trust as the commercial sharing service platform. For instance, as Airbnb serves as a connecting agent between guest and host, the target of the trust will be the Airbnb service website (http://www.airbnb.com). The operational definition of trust in this paper refers to the belief that the commercial sharing service platform is honest, reliable, and competent, which is close to the definition of Ba and Pavlou (2002).

The perceived risk in the research model refers to the users’ subjective belief of suffering a loss in pursuit of a desired transaction outcome. Risk in online platform is created by information asymmetry that consequently generates identity and product uncertainty, information asymmetry, and fears of opportunistic behavior, and these properties of risk reduces transaction intention (P. Pavlou & Gefen 2004). Since trustful relationship reduces the expectations of opportunistic behavior and other uncertainties, previous studies have determined the significant role of trust in reducing the perceived risk (Sako & Helper 1998; P. Pavlou & Gefen 2004). Thus, we expect consumers’ propensity to share and turn back on traditional service will increase when they form trust. At the same time, perceived risk of the service is expected to mediate trust and participation intention, since more trust will lessen the perceived risk, and this will eventually result in greater participation intention.

**H1.** Trust will positively relate to participation intention.

**H2.** Trust will negatively relate to perceived risk.

**H3.** Perceived risk will negatively relate to participation intention.
3.3 Antecedents of Trust

3.3.1 Reputation

A considerable amount of literatures observed that reputation affects trust in various fields (Hamari & Ukkonen 2013), and that it is assumed to positively relate to trust. Reputation in this paper refers to that of the property owner’s, and consumer perceives his or her reputation prior to the transaction. Reputation is an alternative quality that many sharing economy advocate as a substitution for trust measurement (Slee 2013). Prior research on online networks consistent with SET provides evidence that building reputation is a strong motivator of active participation via relational capital of trust (Wasko & Faraj 2005; Slee 2013). Slee (2013) shows reputation as an effective discriminating signal that promotes trust and relationship in the study of sharing economy. The perceived reputation of property owners to consumers is adapted in practices such as Airbnb as well. Since it is the website’s support and functionality that give a sign of reputation, this study posits:

**H4.** Perceived reputation of owners will positively relate to trust.

3.3.2 Social Presence

Most of online services provide pictures and sound to describe the features of a place, product, or service in detail, in order to deliver social presence. This study considers social presence is strongly associated with trust. This study defines perceived social presence as an extent to which a user experiences other users as being psychologically present. Prior studies have identified that user’s perception of social presence fosters trust building in online platforms (Teubner et al. 2014). Gefen and Straub (2004) confirmed social presence as a necessary precondition for trust. Teubner et al. (2014) examined effects of user presentations (i.e. picture humanization) on sharing behaviour on a C2C platform. When it comes to sharing economy, which has web platform as a dominant service platform, perceived social presence is built upon signals of user interactions that are provided via website functionality (Pavlou et al. 2007; Chen 2013; Yoo & Alavi 2001). Thus, we expect the similar to hold in the current context:

**H5.** Perceived social presence will positively relate to trust.

3.3.3 Benevolence

Benevolence is one of the exclusive properties representing sharing economy. If an individual tends to lend privately owned property to strangers with benevolent purpose, not commercial purpose, this will instinctively result in great trust building. Thus, greater benevolence means greater trust.

Following Ba and Pavlou (2002), this paper defines benevolence as the belief that the commercial sharing service is genuinely interested in the consumer’s welfare. Previous literatures identify benevolence as one of the attributes of trust (Mayer et al. 1995; McKnight et al. 2002). This paper especially focuses on benevolence among three attributes of trust, since the other two attributes, ability and integrity, have possibility of significantly being influenced by user experience post to the service transaction. Compared to that, benevolence can be not only provided via website platform, but also has relatively less tendency to be affected by post-transaction experience. Thus we posit:

**H6.** Perceived benevolence will positively relate to trust.

3.4 Relative Advantage in Sharing Economy

Relative advantage is defined as the degree to which a user perceives that participating in a sharing economy (i.e. Airbnb) will be more beneficial than its precursor (i.e. commercial accommodation, Hotels.com). As one of the innovation adoption factors (Moore & Benbasat 1991; Rogers 1995), relative advantage refers to ‘perception’ of relative benefits compared to that of the competition. This definition is close to relative attractiveness, of which the positive influence to the behaviour intention
was suggested by Jeon et al. (2011). It explains users’ process of comparison between new technology and competitive one in a market.

Along with the growth, the sharing economy’s substitutability and competitiveness to traditional economy is increasing (Zervas et al. 2013). Thus, more users will compare commercial sharing service and existing service in purchasing decision. In this context, there is a need to examine the distinctive competitiveness of sharing economy to understand user participation.

Nevertheless, so far, literatures on individual’s motivation of participating in the sharing economy mainly focused on the attractive property within sharing economy per se. In fact, the prior study conducted by Seign and Bogenberger (2012) observed relative advantage of ‘car sharing’, in comparison with car-ownership or not sharing. However, the study has limitation in suggesting structural building mechanism and contributing factors for participation intention. The suggested example of relative advantage in the study were saving money, comfort, convenience, saving time, no ownership duties, variety of actors, usability (flexible, spontaneous, independent), and ecological advantages (Seign & Bogenberger 2012). In this context, we suggest relative advantage to fill this research gap.

Relative advantage allows us to understand and explain the distinctive competitiveness of commercial sharing services over traditional economy, in that it explains consumer’s underlying cognitive process of sharing intention. Moreover, regarding the structural representativeness of competitiveness compared to traditional service, relative advantage will faithfully serve as benefit in the context of SET as well. Following SET, if the benefit is maximized, users’ likelihood to share will increase. Therefore, we expect:

**H7. Relative Advantage will positively relate to participation intention.**

### 3.5 Antecedents of Relative Advantage

#### 3.5.1 Economic Benefit

Sharing economy is definitely competitive in quantifiable economic benefit, providing improved use of assets. It replaces exclusive ownership of goods with more economic choices (Hamari & Ukkonen 2013). What is more, it matches demand and supply in real time on a global scale (Malhotra & Van Alstyne 2014). In fact, literature on its dominant platform, online, is determined to reduce economic costs in terms of coordination cost of time and monetary cost as well (Schifferes, n.d.). On top of economically beneficial platform, users of sharing economy perceive sharing to be time saving, money saving, and even no ownership duties, providing autonomy (Seign & Bogenberger 2012). This is obviously distinctive competitiveness of sharing economy compared to traditional economy. Thus, we postulate:

**H8. Economic benefit will positively relate to relative advantage.**

#### 3.5.2 Social Benefit

One of the apparent aspects of sharing economy is that visitors may have opportunities of starting and maintaining social relationships. For instance, when an individual visits one place via Airbnb, then he or she may make new friends through the service. If the person reserved a hotel room, he or she may have stayed alone for the rest of the stay.

Users of commercial sharing systems expect social benefit as well as economic benefit, to satisfy the desire to increase social connections (Schor & Fitzmaurice 2014). This paper defines social benefit as satisfaction in users’ desire to get socially tied, and socially connected to others within the sharing economy. In fact, literature on relative advantage determines social benefit as one of its measurement (Tornatzky & Klein 1982). User gets to interact directly with the other users in sharing economy, which eventually facilitates in establishing social ties beyond economic exchanges. Guests of Airbnb experience community-focused, and social atmosphere at their host’s house, and even gain local
connection with host’s help. Rich social experiences consequently enriches sharing economy with another competitive feature that traditional transaction cannot provide. Therefore we expect:

**H9.** Social benefit will positively relate to relative advantage.

### 3.5.3 Epistemic Benefit

Another benefit of sharing economy (i.e. Airbnb) is epistemic benefit, considering that the general travel purpose is to fulfil the desire for new experiences. Epistemic benefit refers to the benefit acquired from a product’s capacity to satisfy curiosity, provide novelty, and/or meet a desire for knowledge of a user (Sweeney & Soutar 2001). Exploratory, novelty-seeking, and variety-seeking consumption behavior are examples of epistemic value pursuit. Also, a consumer’s propensity to adopt new products is consistent with epistemic benefit (Sheth et al. 1991).

Main adopters of the sharing economy have tendency of distinctive consumption preference, being high cultural capital consumers who lead this emerging trend of consumption (Schor & Fitzmaurice 2014). High cultural capital consumers volunteer to share rather than sharing out of just calculative necessity (Schor & Fitzmaurice 2014).

Sharing economy is exclusively featured in expanding the scope of commercially exchangeable products. In terms of product quality competition, Airbnb competes on novelty and experience at scales by specializing in unusual places to stay, which satisfies epistemic desire. They provide “exclusive accommodation in a house,…something less conventional like a tree house and igloo” (Airbnb.Inc, n.d.). Compared to that of traditional service, Airbnb’s hosts selectively offers customized services such as bikes, bottle of wine, cheat sheet of things to do. Guests even get chance of learning local culture by being able to stay and interact with a local. This practical examples significantly indicate relative advantage of sharing economy in comparison with traditional economy.

**H10.** Epistemic benefit will positively relate to relative advantage.

### 4 RESEARCH METHOD

The proposed hypotheses will be tested with a sample of consumers (so-called guests) of Airbnb, a fairly typical, and most sizable commercial sharing service in sharing economy. Airbnb fits to the context of this study in terms of satisfying trust-supporting system and predicted antecedents of relative advantage. The study will be conducted in the form of survey, with data being gathered via online questionnaire in Amazon Mechanical Turk.

With regard to data collection, the study will develop a survey, in which measurements of constructs will be adapted from previous literatures. Measurement items will be subsequently developed on the basis of the conceptual definition suggested above. All items will be seven-point Likert-type scales, and if necessary, reverse coding will be applied to prevent common method bias. The preliminary instrument will be pilot tested and reviewed by doctoral students for clearness.

With regard to data analysis, the collected data will be analysed with PLS, a widely accepted methodology to examine the structural model. Expected analysis procedure is as follows:

1. Describing descriptive statistics
2. Confirming convergent validity and reliability
3. Confirming discriminant validity
4. Conducting path analysis
5  EXPECTED CONCLUSIONS

Recent developments in sharing economy have heightened the need for understanding consumers’ intention to participate. In this context, the result of this study is expected to significantly contribute both for researchers and practitioners. Based on influential theoretical framework, the proposed research model suggests and verifies the cognitive process of consumers’ participation intention, which consequently leads to a better understanding of consumer behavior in sharing economy. This theoretical contribution validates the value of Social Exchange Theory (SET) in explaining customer’s propensity to share over traditional transaction that transits ownership of commercial goods. In that the research model also reflects the previous studies from other related fields such as online transactions and trust conceptualization, the result is expected to expand the understanding of the sharing economy. On top of observation of trust in platform, we also shed light on the newly conceptualized antecedent of sharing intention, the relative advantage. Compared to existing conceptual research on sharing intention, our empirical analysis on commercial sharing service will definitely contribute in practice. The identification of significant competitiveness of sharing economy on the basis of competition with traditional economy contributes to giving practical strategic implications for the commercial sharing system providers, regarding competition with existing economy and even within the sharing economy per se. From consumers’ perspective, they may investigate the cost and benefit of sharing economy for further understanding of this new rising economy through this study. However, there are some limitations in that we discounted the current legal obligation problem between service providers and local government. That is, benefits suggested in this context may need time for the actual application in some locations, as the sharing economy is yet in its developing process. Thus, additional research binding these considerations and geographic customizations is needed in the future research.

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