Sharing Money to Make Money – Analyzing Peer-to-Peer Sharing of Referral Rewards

Research-in-Progress

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Abstract

Analyzing the rapidly growing sharing economy, prior research primarily focused on the sharing of digital and underutilized goods. However, sharing such goods does not entail any sacrifice for the giver. In contrast, this study investigates the sharing of money in terms of referral rewards on peer-to-peer platforms. Sharing money is theoretically relevant as it is a zero sum game. Using data from two peer-to-peer platforms with different market structures, we investigate influential factors of peer-to-peer money sharing. The results show that an increase in the number of recommenders (i.e., people making referrals) creates positive cross-side and negative same-side network effects. Contrarily to findings from behavioral economics, more than half of the recommenders shared more than 70% of the pie with referral receivers. Reputation is an important competitive advantage for recommenders. The results indicate that sharing referral rewards on peer-to-peer platforms is beneficial for referring firms, recommenders and referral receivers.

Keywords: Sharing, referral reward, network effects, reputation, money
Introduction

Based on peer-to-peer (P2P) platforms that enable people to disintermediate traditional commercial channels and share resources directly with other consumers, the sharing economy is a rapidly growing economic-technological phenomenon. In 2013, Pricewaterhouse Cooper estimated that the sharing economy is worth around $15 billion in global revenues and could represent $335 billion in revenue worldwide by 2025 (PWC 2014). Yet despite this astonishing growth, and whether the motivation for sharing is sustainability, utility maximizing, or anti-consumerism, the sharing community is primarily concerned with the following question: Can we share more? In this research in progress, we attempt to address this research question by exploring the sharing of money in terms of referral rewards through P2P platforms.

Prior research particularly focused on two types of resources being shared on P2P platforms. First, sharing has been studied in the context of digital goods such as information (e.g., Nov 2007), pictures (e.g., Nov et al. 2010), software (e.g., Ghosh et al. 2002) or music and films (e.g., Giesler 2006; Hennig-Thurau et al. 2007; Zentner 2006). Second, research focused on sharing of underutilized physical goods and services such as cars or accommodation (e.g., Galbreth et al. 2012; Shaheen et al. 2012). However, in both cases people share without entailing any kind of personal material sacrifice. Digital goods are immaterial and sharing them does not reduce anything but it adds value to whatever is being shared (John 2012). Underutilized goods or services are resources that are, per definition, not entirely exploited by their owners. They represent unused value and sharing these unwanted or underused goods unlocks their hidden wealth (Botsman and Rogers 2011; Fremstad 2014). Accordingly, several P2P sharing platforms such as Airbnb or ZipCar have established viable and profitable business models, where consumers are empowered to capitalize on their property in order to create personal value, save economic resources or even to become a micro-entrepreneur. In 2013, people earned an estimated $3.5 billion worldwide in revenue through the sharing economy (Forbes 2013). The average monthly earning for a participant of RelayRides, a car rental service in the US, is $250 per month (RelayRides 2015). And users providing full time service on the platform TaskRabbit can earn up to $10,000 per month (Dervojeda et al. 2013). Thus, sharing digital and underutilized goods or services is not a zero sum game in which one person’s gain is equivalent to another’s loss and the net change in benefits is zero (John 2012). Quite the contrary: sharing digital and underutilized goods provides economic benefits to both the recipient and the sharer.

In addition to conventional P2P systems, various platforms, such as dealdoktor, praemien-teilen24 or freebiestuff, allow people to share money in terms of referral rewards. Sharing money on P2P platforms is particular interesting as it substantively differs from sharing digital or underutilized goods. Sharing money is an act of distribution and, importantly, a zero-sum game. It requires some kind of sacrifice as it leaves the sharer with less. Thus, the following important research question arises:

What are important influential factors of peoples’ money-sharing decisions on P2P platforms and what are the consequent results?

Based on the theory of two-sided networks and the importance of reputation in online transactions, we analyze data from two P2P money-sharing platforms with different market structures. Our results reveal that the greater the network on the recommender side 1) the greater the share of the referral reward offered to the referral receiver and 2) the smaller the average number of acquired customers per firm. Moreover, our results show that reputation is an important competitive advantage on P2P money-sharing platforms: recommender with high reputation acquire significantly more customers while offering a smaller share of the referral reward. Accordingly, we find that some recommenders outperform others earning more money through money sharing than their direct competitors. With these results, we take a first step toward understanding the sharing of money on P2P platforms. However, our findings also indicate the need for more research into P2P money-sharing.
Research Background

Referring Firms and P2P Money-Sharing Platforms

Firms are constantly seeking to develop new marketing programs that encourage consumers’ word of mouth behavior (WOM) (De Bruyn and Lilien 2008; Gremler et al. 2001). An increasingly popular method of encouraging positive WOM behavior are customer referral reward programs. Customer referral programs are “a form of stimulated WOM that provide incentives to existing customers to bring in new customers” (Schmitt et al. 2011, p. 47). Thus, if a referral successfully leads the referral receiver to purchase the product the recommender receives a reward from the firm in turn for the referral. Customer referral reward programs are regarded an attractive and effective customer acquisition tool, appearing in industries ranging from financial services (e.g., Barclaycard offers 125 Euros) to the newspaper (e.g., Der Spiegel offers 90 Euros) and telecommunication industry (e.g., Deutsche Telekom offers 25 Euros) (Jin and Huang 2014; Xiao et al. 2011). Naturally, recommendations within referral reward programs occur within people’s social environment which includes friends, neighbors, family members, acquaintances or colleagues. However, one can observe an exciting new development: on various P2P platforms such as dealdoktor, freebiestuff, praeimien-teilen24 or bonusdealer people recommend firms to strangers and share money in terms of referral rewards with them.

The advances in information and communication technologies have enabled the development of online platforms that promote user-generated content, sharing, and collaboration such as P2P platforms (Kaplan and Haenlein 2010). The term P2P refers to a specific type of network structure, in which the various members are connected to one another directly without any central hub (John 2013). Thus, P2P platforms allow people to disintermediate traditional commercial channels and to effectively share resources with one another. Accordingly, Sundararajan (2013) states that P2P marketplaces “transcend the simple trade conducted on eBay, and are instead inventing an entirely new asset-light supply paradigm.” P2P business models are applied to a variety of industries and sectors, including accommodation, car sharing, staffing or music and video streaming. P2P money-sharing platforms, to our knowledge, are a relatively new phenomenon.

P2P money-sharing platforms provide existing customers (recommenders) with the opportunity to acquire new customers (referral receivers) by sharing their referral rewards. These platforms are similar in structure and navigation (see Image 1). Before participating in any sharing behavior recommenders need to register on the platforms providing a user name, contact information and a valid email address. As part of the registration process, recommenders choose an online pseudonym. This, rather than the full name is shown to referral receivers when using the platforms. Additionally, recommenders need to indicate the industry sector and name of the referring firm as well as the total amount of the referral reward and the share they offer to the referral receivers. When referral receivers search for recommending customers they first click on the industry sector of interest (e.g., banking). After choosing a specific industry sector a list of referring firms is displayed. Referral receivers can now click on the firm of interest and a list of recommending customers is provided as well as the recommenders’ offered share of the referral reward (see Image 2). For more details or to contact a specific recommender, referral receivers can watch each recommender’s profile by clicking on his or her pseudonym. The individual profile pages provide referral receivers with more information about the recommending customers such as gender or the number of new customers the recommender already acquired for the referring firm. Some recommending customers additionally communicate their reputation and trustworthiness by linking their profile to one of their profiles on external websites such as eBay or amazon which contain favorable reviews. Furthermore, each profile page provides short facts about the referring firm (including a link to their website) and information about the referral reward program (e.g., total amount of the referral reward, the share offered to referral receivers). Interested referral receivers can now directly contact the recommender. Finally, in an offline process, referral receivers become customers of the referring firm and the referring firm pays the referral reward to the recommender. The recommender now is supposed to transfer the fixed share of the referral reward to the referral receiver.
As mentioned before, sharing money on P2P platforms is a relatively new phenomenon. However, sharing money has extensively been studied in behavioral economics, particularly in ultimatum games. In simple ultimatum games (Güth et al. 1982), a first player (proposer) has an amount of money, from which he must propose a division between himself and an anonymous second player (the responder). If the responder accepts the proposed split, the players split the money in the way the proposer suggested. If the responder rejects, neither player gets any money. Under a strictly utilitarian view of economics, the proposer would offer the lowest possible amount and the responder would accept. However, various experiments conducted with different incentives in different countries show that the vast majority of proposers offer on average 30% to 50% of the total sum; offers below 10% and above 60% of the total
amount are rarely observed. Respondents usually decline offers below 30% (e.g., Bolton and Zwick 1995; Camerer 2003; Guth and Tietze 1990; Thaler 1988). In ultimatum games with more than one responder, so called responder competition, the results differ significantly. With two responders the responders’ share is on average reduced by 16.5% relative to the bilateral case. Thus, the addition of just one more responder has a drastic impact on the share of the responders. If three additional responders are added the share goes down even further and is below 20%. The reason why the responders’ share decreases when competition increases is that the rejection probability declines with increasing competing responders (Fischbacher et al. 2005). In particular, if one of the other responders accepts a given low offer, it is impossible for a reciprocal responder to punish the proposer. Therefore, reciprocal responders will reject offers less frequently the larger the number of competing responders is. However, we expect a noticeable change in responder-receiver behavior on P2P platforms. Based on the theory on two-sided markets as well as the importance of reputation in online transactions, we next develop four hypotheses.

**Theoretical Background and Hypotheses Development**

**Network Effects on P2P Money-Sharing Platforms**

In two-sided markets, an intermediary provides a platform enabling two different user groups (i.e., recommenders and referral receivers) to interact (Rochet and Tirole 2003). However, previous research on two-sided markets (e.g., Armstrong 2006; Voigt and Hinz 2015) indicates that the two user groups exhibit two different kinds of network effects: cross-side network effects and same-side network effects. Cross-side network effects exist if an increase in usage by one side of users (e.g., recommenders) influences the utility of users on the other market side (e.g., referral receivers). Same-side network effects arise if a user’s utility is affected by the installed user base of his or her own user group (Eisenmann et al. 2006; Lin et al. 2015). On P2P money-sharing platforms, both types of network effects can emerge out of an increasing number of recommenders or an increasing number of referral receivers. However, we concentrate on cross-side and same-side network effects arising from an increasing number of recommenders.

**Cross-Side Network Effects**

On P2P money-sharing platforms recommending customers share parts of their referral reward with referral receivers. We propose that the economic benefit of referral receivers (i.e., the part of the referral reward they receive from the recommender) depends on the degree of competition between recommenders, that is the number of recommenders referring the same firm. Competition, in general, leads to an increased rivalry and, thus, forces suppliers to increase customers’ utility by lowering prices or increase product variation (McNulty 1968). If a single supplier in a competitive market situation decides to increase its selling price of a good, the consumers can just turn to the nearest competitor for a better price, causing any firm that increases its prices to lose market share and profits. The described market mechanism is particularly true for two-sided market platforms where buyers can easily switch from one seller to another in order to increase utility (Li et al. 2010; Rysman 2009). Peters and Severinov (1997) show that sellers on auction sites compete for announced reserve prices (i.e., the minimum bid for the auction), particularly with an increasing number of sellers. If a seller increases the announced reserve price, the number of buyers participating in the auction falls. Accordingly, Anwar et al. (2006) find that eBay buyers tend to bid on auctions where the standing bid is the lowest and switch to lower priced auctions to increase their economic benefits by paying less. Thus, consumers on competitive two-sided markets can choose between different suppliers, suppliers strive for making better offers than their rivals. Consumers, however, accrue additional benefits from every additional seller on a platform (Li et al. 2010).

On P2P money-sharing platforms recommenders compete for transactions with referral receivers. With an increasing number of recommenders competition increases and recommenders are forced to strengthen their competitive situation by increasing referral receiver’s utility, that is, their share of the referral reward. Thus, we assume that with increasing competition on the recommender side, referral receivers enjoy positive cross-side network effects in terms of increasing shares of the referral reward.

H1: The number of recommenders referring one firm positively predicts the share of money given to the referral receiver.
**Same-Side Network Effects**

Network effects can also emerge within one user group, known as same-side network effects. We predict that an increasing number of recommenders also affects their own user base. However, same-side network effects on supplier sides are often negative as an increasing number of supplier's increases competition and, by trend, reduces individual market shares and profits (Eisenmann et al. 2006; Yoo et al. 2007). Prior research argued that increasing supplier competition on platforms exacerbates the competition for buyers and even may deter future sellers from joining the platform (e.g., Kraemer et al. 2012; Li et al. 2010). Accordingly, Wang and Seidmann (1995) show that the participation of more suppliers generates negative externalities for other suppliers in an electronic data interchange network. Relatedly, Riggins et al.'s (1994) two-stage economic model reveals that in networks the benefit of participating suppliers’ decreases as more suppliers join in. We thus propose that recommenders competing for a given number of potential referral receivers reduce each other's chances of transacting with a referral receiver. In other words, every new recommender per firm increases competition and may snatch away potential referral receivers.

**H2:** The number of recommenders per firm negatively predicts the on average acquired customers per recommender (referring the same firm).

**Reputation as Competitive Advantage**

As people engage in online markets in transactions with counterparts with whom they have had little or no previous interaction, they typically face transaction risks rooted in information asymmetries and uncertainty about transaction fulfillment (Bajari and Hortacsu 2004). As trust mitigates information asymmetries and reduces transaction specific risks, it is a critical and enabling factor in online transactions in general and P2P sharing in particular (e.g., Dambrine et al. 2015; Pavlo and Geven 2004). Analyzing various trust-building mechanisms in online environments, prior research has recognized reputation as an effective means of signaling trust between strangers and, thus, enforcing cooperation on online platforms (e.g., Jarvenpaa et al. 2000; Resnick and Zeckhauser 2002). Gefen (2002) as well as Dellarocas (2003) argue that reputation strengthens the belief that sellers will behave in accordance with the confident expectations of buyers. Resnick and Zeckhauser (2002) show empirically that a good reputation on eBay encourages transactions and is predictive of future selling performance. Taken together, reputation is essential for online transactions, where the parties have little or no prior experience with another. Applying these insights to P2P money-sharing platforms, we assume that recommenders’ positive reputation reduces the perceived risk for potential referral receivers. This reduced risk arises from the increase in assurance that the recommender will complete the transaction as contracted and transfer the money to the referral receiver. This gives the reputable recommender a strategic advantage over other recommenders with less reputation.

**H3:** Recommenders with high reputation acquire significantly more new customers than recommenders with low reputation.

Furthermore, reputation affects the monetary outcomes of sellers, mainly because a seller’s favorable reputation increases buyers’ willingness to pay (Ba and Pavlou 2002; Livingston 2005). Houser and Wooders (2006) show that sellers with better reputations obtain higher prices on eBay. Similarly, Resnick et al. (2006) report that eBay buyers are willing to pay 8.1% more for goods sold by suppliers with high reputation. With riskier online transactions, like buying expensive goods where sellers have a higher incentive to cheat, reputable suppliers are likely to generate an even higher price premium (i.e., the monetary amount above the average price received by multiple sellers for a certain matching product) whereas a negative reputation lowers the closing price (Ba and Pavlou 2002). An important reason for the existence of reputation-based price premiums is the buyer’s willingness to compensate the seller for reducing transaction risks (Rao and Monroe 1996). Given this research, we assume that referral receivers’ trust in a recommender’s reputation reduces perceived transaction-specific risks, allowing the recommender to obtain a price premium. More specifically, we propose that referral receivers are willing to compensate the reduction of transaction risk by accepting a smaller share of the referral reward.

**H4:** Recommenders with high reputation share a smaller part of the referral reward with referral receivers than recommenders with low reputation.
Data Collection and Variables

To test our hypotheses, we collected primary data from two German P2P platforms, namely praemien-teilen24 and dealdoktor, in March and April 2014. We choose these two platforms mainly because they differ in their “market structure”. Dealdoktor is a polypoly with many-to-many recommender-receiver relations. In contrast, the platform praemien-teilen24 is a local monopoly with only one recommending customer per firm and many responders. In total, we collected data from 701 recommending customers from both platforms (praemien-teilen24: n = 137; dealdoktor: n = 564). Our main independent variables are market type, number of competing recommenders and reputation. Market type is a binary variable referring to the two different platforms we collected data from. The platform praemien-teilen24 is a monopoly with only one recommender per firm and many referral receivers whereas dealdoktor is a polypoly with many competing recommenders per firm and many referral receivers (coding: monopoly = 0; polypoly = 1). The number of competing recommenders includes all recommenders referring the same firm within the same referral reward program. If the market type is a monopoly, the number of competing recommenders is 1. Reputation in our dataset is also a binary variable (coding: 0 = no reputation; 1 = reputation). Some of the recommenders linked their profile on praemien-teilen24 or dealdoktor to external websites (e.g., eBay, amazon) to indicate they received good reviews and project their reputation. With new online transaction services like P2P money-sharing platforms, where buyers routinely engage with sellers with whom they have little or no prior interaction, links to websites providing reviews of the seller are a possibility to increase reputation (Jarvenpaa et al. 2000). With this “indirect reputation” (Miu et al. 2002, p. 283) or “witnessed reputation” (Sabater and Sierra 2002, p. 478) experiences garnered from others in the online environment serve as a proxy for the sellers’ reputation. Accordingly, recommenders indicating their good reviews on eBay or amazon were considered to be more trustworthy than recommenders without such links. The dependent variables are: percentage of the referral reward shared with the referral receiver, number of acquired new customers, and average number of acquired customers per recommender per firm. The percentage shared with the referral receiver is the share of the total referral reward the recommender offered to the referral receiver. The number of acquired new customers refers to the total number of new customers a single recommender acquires for a given firm. We calculated the average number of acquired customers per recommender per firm by dividing the number of acquired new customers per firm by the total number of recommenders referring the same firm. Accordingly, when ten recommenders acquire a total of ten new customers for a referring firm, than on average every recommender acquired one customer. Additionally, we included the recommenders’ gender (female = 0; male = 1), reward size, that is, the total amount of the referral reward the referring firm is offering, industry type (five dummy variables) and brand strength (strong brand = 0; weak brand = 1) as covariates in our model. In accordance with the platforms structure, we differentiated between the following six industry types: internet and communication, banking, insurance, news and media, energy, and others. We transformed the six industry types into five dichotomous dummy variables using the category “others” as baseline category. Regarding brand strength we differentiate between strong and weak brands (e.g., Keller 1993; Heath et al. 2000). Following prior research (e.g., Ryu and Feick 2007), we classified the leading brands in each industry sector being recognized for their high quality as strong brands (e.g., in the internet and telecommunication sector we classified German Telekom or Vodafone as strong brands) whereas relatively less-known brands with a moderate quality were regarded to be weaker brands (e.g., in the internet and telecommunication sector we classified UnityMedia or Fonic as weaker brands).

Results

We first analyzed a pooled sample using the data from both platforms. The average reward size in this sample was 36.93 Euros. In total, 14 recommenders were not willing to share their referral reward. More than half of the recommenders shared more than 70% of their referral reward with the referral receivers. The most common sharing behavior (n = 136) was between 80% and 90% of the total reward. Eighty-seven people offered shares greater than 90% of the total sum. Seven participants were even willing to give the total referral reward to the referral receivers. These first results indicate that people on P2P platforms are more willing to share their money than in ultimatum games. People on P2P platforms share on average more than 20% more than people in simple ultimatum games and nearly 40% more than in ultimatum games with responder competition. Maybe the lower transaction costs for both parties in
splitting the reward (on P2P platforms compared to ultimatum games) suppress overly greedy behavior on part of the recommender.

We then examined the influence of market structure on the sharing behavior of recommenders by conducting an independent t-Test determining the mean difference between P2P platforms structured as monopoly and P2P platforms structured as polypoly. In support of H1, the results showed that recommenders on competitive platforms (ME = 73.56, SE = 17.99) share more than recommenders in monopolies (ME = 52.10, SE = 18.56), t(699) = -12.44, p < .001. To get further insights into the influence of recommender competition on sharing behavior we performed additional analyses by using only the data from the P2P platform structured as polypoly. We conducted a linear regression using the number of recommenders referring the same firm as independent variable, the percentage of the referral reward given to the referral receiver as dependent variable and gender of the recommender, reward size, industry type and brand strength as covariates. The regression showed that competition on the recommender side (b = .362, t = 5.78, p < .001) influences sharing behavior and explained 20.1% of the variation in sharing behavior. However, in support of H2 and indicating a negative same-side network effect, the number of recommenders referring the same firm (b = -.110, t = -2.05, p < .05) negatively influences the average number of acquired customers per firm (gender of the recommender, reward size, industry type and brand strength were used as covariates, again). Next, and by using a pooled data sample (data from both platforms) again, we examined the influence of reputation on the number of acquired new customers and on recommenders’ sharing behavior. In support of H3, recommender with high reputation (ME = 10.88, SE = 12.72) acquired more new customers than participants with no reputation (ME = .83, SE = 4.05), t(699) = -10.68, p < .001. Finally, an independent t-Test determined the difference between recommenders with and without reputation regarding their sharing behavior. Supporting H4, the results revealed that recommender with no reputation (ME = 69.82, SE = 19.86) shared more than participants with reputation (ME = 56.97, SE = 20.11), t(699) = 3.18, p < .01.

In total, on the two analyzed platforms 259 recommenders acquired 612 new customers for 149 firms and earned 11,992 Euros by simply sharing their referral rewards. However, Table 1 indicates that the gains on the recommender-side are not equally distributed. In fact, the five depicted recommenders (1.9% of all recommenders) acquired 75.9% of all new customers and gained 75.8% of all earnings. However, the relationship between sharing behavior and acquired new customers is not linear. The five most successful recommenders shared on average 58.3% of their referral reward with their responders, less than the average shared amount on both platforms. Accordingly, a linear regression between sharing and acquired new customers was not significant. However, further investigation of the relationship between sharing behavior and number of acquired new customers is warranted.

<table>
<thead>
<tr>
<th>Recommender</th>
<th>Average Percentage Shared</th>
<th>Reputation</th>
<th>Recommended New Customers</th>
<th>Earnings in €</th>
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<td>63.7</td>
<td>High</td>
<td>119</td>
<td>2,475</td>
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<tr>
<td>Steve</td>
<td>56.7</td>
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<td>62</td>
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<tr>
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<td>Nick</td>
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<td>High</td>
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<tr>
<td>Christian</td>
<td>45</td>
<td>High</td>
<td>84</td>
<td>1,180</td>
</tr>
</tbody>
</table>

**Implications and Next Steps**

Based on the theory of two-sided markets and the importance of reputation in online transactions this study investigates money-sharing on P2P platforms in terms of referral rewards. Our preliminary results provide first evidence for the hypothesized cross-side and same-side network effects. Furthermore, our study shows that a good reputation is an important competitive advantage for recommenders competing for referral receivers. Specifically, we find that some recommenders outperform others, earning more money through money-sharing than their direct competitors. Surprisingly, when compared with finding
from behavioral economics, more than half of the recommenders shared more than 70% of their referral reward with the referral receivers.

Our preliminary results contribute to the theoretical discussion in two important literature streams. First, this research expands the theoretical discussion about the sharing economy by analyzing a new form of cooperation and sharing. In particular, we refer to cross-side and same-side network effects and the role of reputation on P2P money-sharing platforms. To the best of our knowledge, this study represents the first attempt to theorize and empirically test the sharing of money on P2P platforms. In contrast to the prevailing assumption in the sharing literature that people only share immaterial goods and goods that are not totally exploited by their owners, money-sharing is a zero sum game in which one person’s gain is equivalent to another’s loss. Thus, this study particularly enhances the current understanding of the sharing economy and opens up a new avenue for research into the sharing economy. Second, this research contributes to research in behavioral economics analyzing money-sharing in game theoretical settings. Particularly, our results extend existing game theoretical results by indicating that sharing money on P2P platforms (i.e., two-sided markets) with cross-side and same-side network effects substantially differs from “offline” sharing. More than half of the recommenders shared more than 70% of their referral reward with the referral receivers. The most common sharing behavior \((n = 136)\) in our study was between 80% and 90% of the total reward, whereas in ultimatum games offers rarely exceed 60% of the total amount. These somewhat inconsistent results stimulate the vital debate on peoples’ desire for an equitable distribution of material payoffs and aversion to advantageous and disadvantageous payoff differences (Fehr and Fischbacher 2002; Segal and Sobel 2007).

Moreover, our research has important practical implications, particularly for P2P money-sharing platform managers regarding the design of a competitive and successful business model. First, our results specifically offer suggestions for pricing strategies on P2P money-sharing platforms. Both analyzed platforms do not charge any fees from neither the recommender nor the referral receiver. However, our results show that referral receivers exert strong positive cross-side network effects on money-sharing platforms by receiving a large share of the referral reward while recommenders face same-side network effects reducing their utility. Platform managers could quantify the observed network effects and charge a transaction fee from referral receivers and subsidize recommenders who are indeed affected by stronger competition. This way, money-sharing platforms capitalize on positive network effects while mitigating negative ones. Second, money-sharing platforms offer “outside” monetization opportunities as these platforms are highly valuable for referring firms. It is important for managers of customer referral reward programs to increase the awareness for their referral programs and to facilitate the referral process (Schmitt et al. 2011). P2P sharing platforms do both: they increase the reach of customer referral reward programs and make it easier for both recommender and referral receiver to participate in a referral program. Accordingly, platform managers should cooperate with referring firms and 1) charge them a fee for every referred customer when the relationship of the new customer with the referring firm starts on their platform and 2) offer referring firms advertisement space on their platform. Third, money-sharing platforms should spend resources to increasingly differentiate themselves from relevant rival platforms and strengthen their competitive position. As our study suggests, reputation is an important element of P2P money-sharing platforms fostering both successful referral process and users’ monetary outcomes. Implementing a professional reputation mechanism, thus, should be an effective differentiator that increases users’ value perceptions (Eisenmann et al. 2006).

Although this research in progress makes important contributions, it also has several limitations. First, our analyses are based on a limited set of variables. Thus, an important next step is to include further important variables in our analyses. For example, we included reward size as control variable in our preliminary analyses. However, results from behavioral economics indicate that sharing behavior changes with increasing stakes (Andersen et al. 2011). In particular, sharing a smaller percentage from a large stake can be a higher amount of money in absolute terms than sharing a larger percentage from a small stake. Thus, a next research step is to amend our percentage-based results with calculations including the total amount of the referral reward. Second, our study concentrates on important variables on the recommender-side and on cross- and same-side network effects resulting from an increasing number of recommenders. We acknowledge that variables on the referral receiver-side are important, too and that both types of network effects can also emerge from an increasing number of referral receivers. Identifying the magnitude of both network effects for both user groups will yield a more comprehensive understanding of the processes and results of money-sharing on P2P platforms.
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