

The Growth of Shared Economies

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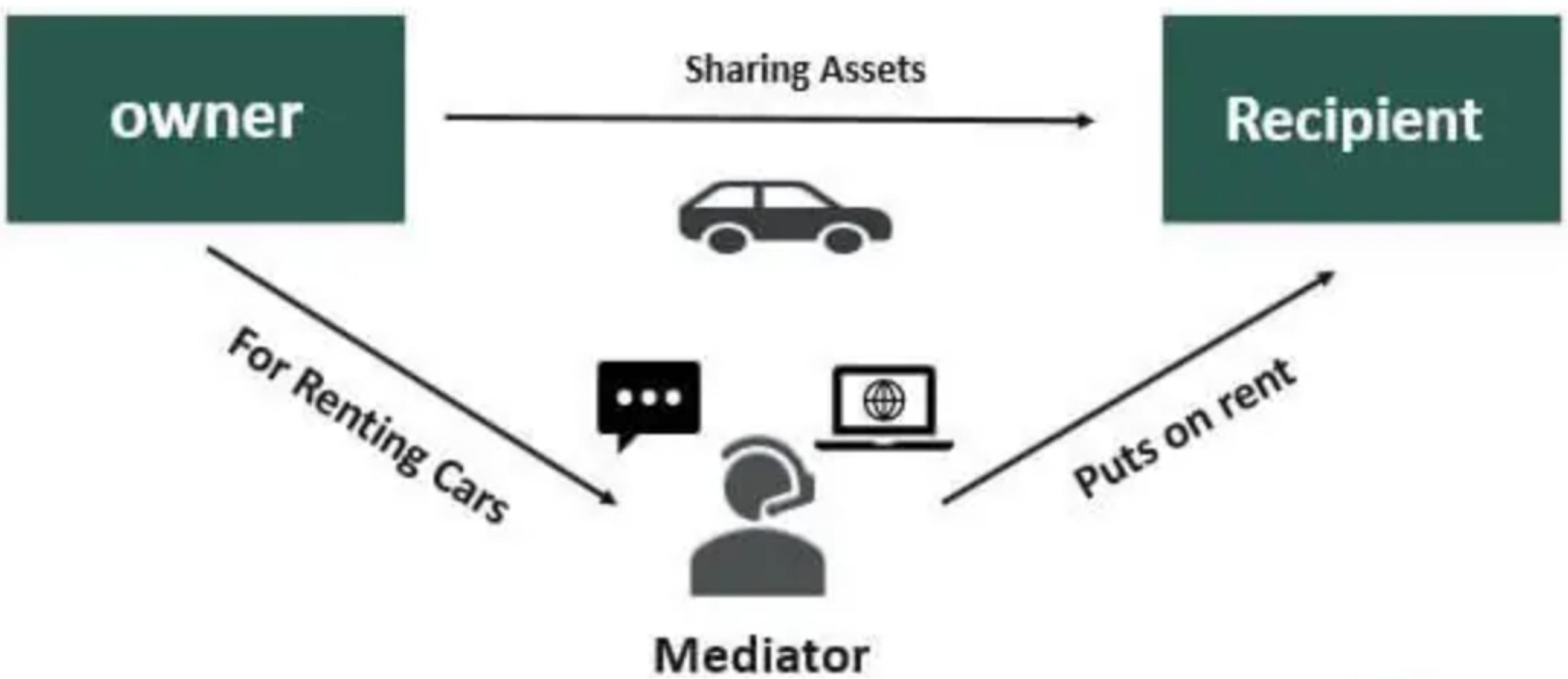
HOW TRUST, CONNECTIVITY AND VALUE CAN CREATE LASTING SUCCESS



Why the Shared Economy Boom?

The explosion of shared online economies have taken the entrepreneurial world by storm over the last decade. These shared economies function in a way that allows for asset transactions to take place digitally between two or more parties, having the intermediary company act as a sort of “broker” in the process. Examples of such shared economies include the likes of Ebay, Uber, Lime and Airbnb. These types of companies have proliferated over the years due to the limited barriers to entry and continue to be some of the most scalable enterprises that exist in the business world today. But without any sort of physical product to sell, how exactly do these companies succeed in delivering their business value to customers?

Shared Economy



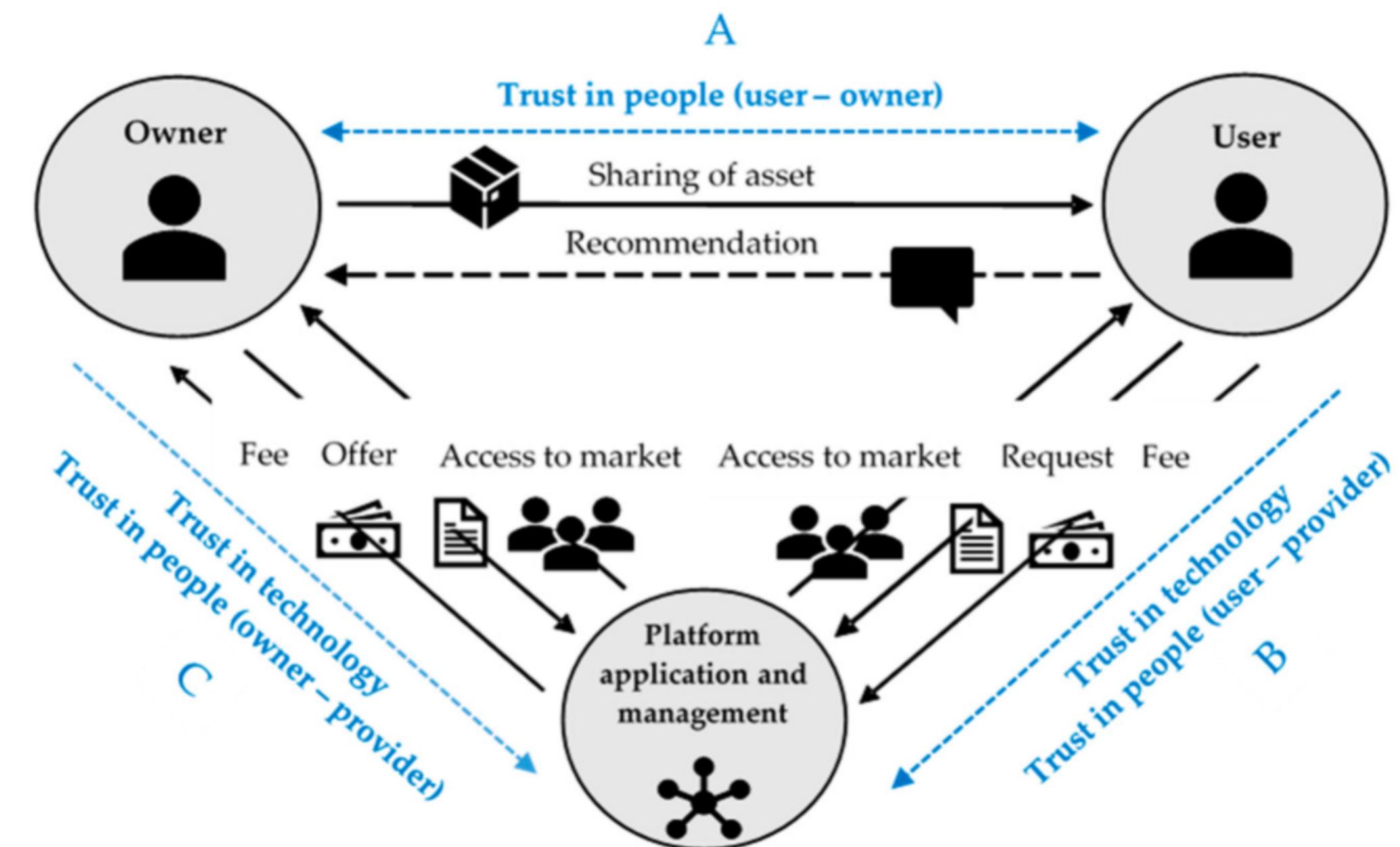
The Values that prompt Shared Economy Growth: Connectivity, Value & Trust

The answer lies in trust and community building, more importantly *connectivity*. In an environment where more than just goods need to be traded among people, a certain sort of experience and memory needs to be created for the individuals to drive any sort of retention or marketability factor to the company. Whether this be in the form of reciprocal accommodation exchanges, such as timeshare ideologies, or transactional exchanges, where people rent out extra accommodation spaces, as exists in companies like Airbnb, sharing platforms often need to foster strong social ties and cohesion among its members by pairing individuals based on relatedness attributes. Users begin to feel like he/she is part of a like-minded, often homophilous community, where relationships and aspirations can develop beyond the transactions that take place. Imagine how motivated a user is to return to AirBnb if he/she had a strong bonding experience with a host and would thus be eager to explore more personable, homestay experiences? These “community marketplace” platforms allow for previous strangers to connect in a whole new and meaningful way, inspired to purchase or provide through a sense of ethos, solidarity or sense of belonging.

In fact, there are many other types of sharing economies that exist, and these companies are continuing to proliferate the business landscape as we speak. These include TheHospitality Club, CouchSurfing, GuestToGuest, AirBnb, etc., each of which exhibits a different type of reciprocity behavior. These systems involve different exchanges of direct, simultaneous assets that are based more on monetary compensation, as is the case for AirBnb, or exchanges based on more generalized or non-monetary payments, as is the case with a sort of timeshare or credit system. Regardless of the transaction types taking place, the *value* that is shared and compensated for is important when considering the reciprocity aspect that connects people together. Goods are more easily traded and exchanged rather than sold, prompting the creation of shared economies. However, the value of what is being compensated may be ambiguous or unequal, depending on the intentions behind and the type of exchange taking place. What mechanisms validate the fairness of an exchange between a \$10 million dollar homestay and a \$500,000 homestay or renting out a \$500,000 home for \$1,000 per night? GuestToGuest devised a point-based, credit system that provides a virtual currency for transactions. Although this may not be an end-all solution, sharing platforms such as AirBnb need to be wary of the equity dilemmas that may arise in such a network.

The Values that prompt Shared Economy Growth: Connectivity, Value & Trust

To sustain an accommodation sharing platform such as Airbnb and provide value to its users, sociality, belonging and *trust* need to be ingrained into the platform's services as a form of platform self regulation. Imagine lending out a home to a stranger for several hundred dollars per night. With little oversight in terms of asset security or compliance among one party, the main thing sustaining the integrity of party verification is that transactions are based upon a reciprocal co-presence that hinges on *trust* dependence. Wellbeing is maintained by reading reviews, star ratings, feedback and continuous coordination through a mobile app, where users are motivated to learn about and engage with and learn about each other. People want to learn everything about the person who is occupying one's couch or living room. What exactly compels a host to take in a complete stranger with little direct benefit and the risk of harm or property damage prevalent? Luckily, these sharing economy platforms integrate new mechanisms that enhance the reliability, information and quality of exchanges that take place, making it more and more difficult for maligned behavior to take place. As we've seen, Airbnb is able to provide a critical mass of connections, as well as a secure platform in terms of reputation verification, feedback and recommendation sections, and a dual-sided compensation agreement, all in the hopes of providing trust amongst this digital reputation system. One terrible review may be enough to completely ruin a host's business...



Critical Analysis on the Authors' Viewpoints

The author of the research paper argues that even a perfect, unbiased and reliable “reputation” system is not enough to ensure trust and solidarity throughout a sharing platform such as AirBnb. I agree with this completely, because the information provided in recommendations and reviews is often skewed, incorrect or distorted. Rather, a form of non-anonymous and non-impersonal exchange needs to take place in order to enhance legitimacy because the subject’s presence is incredibly important in terms of building trust. When identifying an AirBnb host or renter, individual profiles, social networks, bios/backgrounds and personal interests become important marketing material when trying to appear as appealing. Getting to know someone through direct/indirect interactions with a user’s profile provides an added sense of comfort before incurring any sort of social and transactional obligation that these sharing platforms require.

This offers a very interesting point in tandem with what we’re discussing in our Network Analytics class. By creating and strengthening social ties through the “sense of belonging” aspect that AirBnb fosters, a true “community marketplace” behavior is exhibited. In order for the platform to remain self-regulating, individuals need to exhibit prosocial behaviors and actively maintain and update the feedback loops, review systems, information sharing processes and other activities that allow the platform to thrive. If inaccurate information is given or anonymity is upheld, little information transparency can exist to bolster the effectiveness of the recommendation algorithms, security infrastructure and other systems with which connect like-minded individuals. In summary, the committedness of the individual users to remain active on a sharing platform such as AirBnb directly affects the growth and security of the community network. This way, problems can be quickly fixed within the community rather than from the external management network.

An Analysis on Homophily and Shared Economy Dynamics

This leads to a further analysis on shared economies sustenance strategy: how trust development and network dynamics are impacted by homophily. The authors talked little about this topic, and I believe this offers an important and relevant perspective that can be included in the future. In order to better align and connect individuals, these sharing platforms emphasize trust as a sort of co-product that exists alongside user-relatedness. That is, to enhance trust, users should be grouped based on characteristic similarities and interests that are made transparent by the users themselves. But as these platforms begin to grow at an astronomical scale, how do these trust connections develop based on an aspect of homophily? As more and more users join a platform such as AirBnb, it is inevitable that increasing amounts of freeloaders can run rampant and disrupt the self-regulating network that exists. Faked reviews can slip through the cracks, and recommendation algorithms have difficulty matching parties if information is falsified or misconstrued on one or both sides. Individuals who utilize the platform to sell can scale by using intermediaries to automate the connections that exist between renters. These dilemmas all go to break down the legitimate connections and social ties that AirBnb hopes to create. So in essence, as these sharing economies grow to a massive size, they become less and less effective at creating homophily and selective inclusion among its members that the cohesiveness promised initially.

That being said, I think more emphasis can be placed on the effects that these weakening restraints can have on shared economy networks such as AirBnb. Importantly, AirBnb actually prompted the growth of a "Group" feature back in 2010 where users could host other users based decided-on characteristic similarities, and AirBnb also allows for users to link their personal social alma maters under their profiles. Do these initially homogenous communities become more or less segregated in terms of user similarities or preferences as the number of platform users and transactions grow? How do selection and social influence on the AirBnb platform affect how users interact with each other, especially considering that peer-to-peer connections are less mediated and personable? These are just a few questions and critiques that I will offer in terms of helping to predict how sharing economies will adapt to an increasingly less homophilous environment in the looming future.

In conclusion, the shared economy space is only going to continue to grow, and new approaches will be put in place to maximize the solidarity and alterity that exists within these non-traditional, “community marketplaces.” Homogenous connectivity and trust will be key in allowing individuals to make memorable experiences, while ultimately allowing both parties involved to obtain some sort of emotional, physical or psychological value. At the same time, these values can act as self-regulating security mechanisms, allowing for a self-sustaining and appealing community as long as its members remain active and trustful. By participating and belonging to such networks, users remain motivated to bear the social costs of sharing, but it also reassures them of adhering to a variety of community-wide ethical and social principles.

Reciprocity in this sense doesn't just exist between two individuals, but rather between the individual and the community as a whole.

But to ensure fair reciprocity among an increasing amount of parties, will platforms such as Airbnb have to enforce more managerial oversight and impersonal controls as the platform becomes more and more saturated?

