The Role of Money and Reputation in the Sharing Economy

The involvement of money has emerged as a contentious issue in debates regarding the sharing economy – making money being seemingly at odds with the ethos of “sharing”.

Nevertheless, many successful “sharing services” are venture-backed and for-profit enterprises. Moreover, the platforms that these companies provide are explicitly designed to facilitate monetary peer-to-peer exchange. This paper addresses the potential of the sharing economy to disrupt both social and economic relations; we examine the role of money in the sharing economy and its implications for societal inequality.

We draw on our recent interview studies with users of Uber and Airbnb, two services that mediate and structure monetary peer-to-peer exchange through a networked platform (for initial results, see McGregor et al., 2015, and Ikkala & Lampinen, 2015). By focusing on the motivations and experiences of participants, our analysis sheds light on how services within the sharing economy impact the lives of those involved. In the case of Uber, we interviewed traditional taxi drivers, Uber drivers and Uber passengers in both San Francisco and London. As for Airbnb, we conducted interviews with accommodation providers –‘hosts’ – in San Francisco and Helsinki.

In particular, we dissect how novel ways of handling payment transactions affect social interaction between service providers and their customers. Both Uber and Airbnb “hide” the money that changes hands by taking care of credit card payments online. These ‘paymentless payments’ alleviate the need for handling any payment transactions face-to-face between providers and consumers. This may, at a first glance, seem like a straightforward service
improvement and reduction of risk for all parties, providing as it does increased reliability of payments for the providers, as well as increased convenience for customers. However, our analysis reveals a more complicated picture: handling payments online though a networked platform is shown to reconfigure the social interaction that accompanies peer-to-peer exchange in consequential ways.

In the case of our Airbnb hosts, motivations for hosting vary widely, as does how professionally they host, how much they interact with their guests, as well as how they think about the money they can make by hosting and what it represents to them. Despite this variety, the involvement of money in Airbnb has at least two important impacts on peer-to-peer hosting practices: Firstly, explicit price tags for hospitality can help hosts and guests form a shared understanding of the exchange situation, thus contributing to the flourishing of voluntary, sociable interactions. Secondly, the platform removes the uncertainty and any social awkwardness related to managing payment rituals in person, by taking care of monetary transactions through a structured process online. This arrangement can aid both hosts and guests in performing a presentation of authenticity and community-minded friendliness, but it also emphasizes the importance of online reputation as a condition for participation.

In the case of Uber, interviewed passengers were largely positive about the added convenience and efficiency of the Uber service, both in terms of getting a taxi and then paying for the ride. At the same time, the enhanced service Uber provides is available only to those passengers who have a smartphone and a credit card. Drivers benefit from the Uber service in terms of easier access to taxi driving work opportunities, reliable payments and better personal security due to not carrying cash in their car and continual tracking of their journeys through the app. However, since Uber drivers do not control the price of their services, their access to work and resulting income is left somewhat at the mercy of Uber. Moreover, drivers are now subject to
the Uber ‘star rating’ that passengers use to rate their ride – with low ratings leading to their exclusion from the app. The need to keep one’s car in top condition, and ensure that passengers are happy in order to maintain high star ratings, could be considered ‘emotional labour’, and in this way, the app is exerting pressure on the drivers to behave in a certain way.

In Airbnb, both hosts and guests are incentivized to be on their best behavior to accumulate good reviews for their online profile. While both benefit from a top-notch reputation, the economic value of good ratings is more obvious for the hosts, who can more readily convert their ‘reputational capital’ into hard cash by raising their prices once they have gained a solid reputation on the platform.

In Uber, the stakes are less symmetrically balanced, since the drivers more typically participate on a professional basis. This means that for them, retaining a sufficiently high rating becomes a precondition for being able to pursue one’s livelihood.

The interpersonal and economic dynamics between providers and customers may differ in Uber and Airbnb, but online reputation plays a critical role on both platforms, as a requirement for ongoing participation. Beyond reconfiguring the social and economic relations of those involved, sharing platforms may create or reinforce societal inequalities by excluding some parties entirely from participation. Such discrimination is often unintended; yet, it is real in its consequences. For instance, in terms of payment one cannot order an Uber ride or book an Airbnb stay without a credit card, and in terms of getting work, existing cab drivers that do not fit into Uber’s desired driver profile are excluded.

References