

The Rise of the Sharing Economy:

Building Powerful Communities

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Abstract

In this paper, I intend to examine the way in which Web 2.0 has had a significant impact on our sense and understanding of community, and has allowed for the generation of meaningful interpersonal relationships across physical and geographical barriers. I look at the way that Web 2.0 ideologies have changed our idea of community through the specific lens of digital economic communities, referred to as the sharing economy. With reference to real life examples, and detailed studies like Guttentag (2013) and Luckman (2013) on specific peer-to-peer markets, I outline the way unique way in which digital economic communities act as a forum for the formation for strong networks of relationships between participants to create powerful digital communities. I argue that there are intrinsic social conventions that guide behaviour, and specific motivations for participation within these kinds of communities, that has allowed the sharing economy to expand so rapidly, and thrive over the past few years.

It is almost an understatement to say that advancements in digital technology have had a drastic impact on day to day life around the world. In fact, the expansion of Web 2.0 based applications has radically changed the way in which we carry out almost all of our activities and interactions with one another.

Since it is the concept that underpins this analysis, it is important to define exactly what is meant by the term Web 2.0. Rather than just a set of technologies, for the purpose of this argument, Web 2.0 can be thought of as a philosophy as well; which is able to be practiced as a result of the growth of this digital technology (Hoegg, Martignoni, Meckel, & Stanoevska-Slabeva, 2006). The basic ideology of Web 2.0 focuses on collaboration and creation between users of the medium, creating the potential for users to build strong interpersonal relationships and grow sizable digital communities. It is an environment within which users can engage with one another about the content and services provided to them, which generates an interface for multi-way interaction, rather than one-way information dissemination from content creator to consumer (Fuchs, 2010). It has changed our understandings of community from a concept that is defined by physical confines, to instead perceive it as a network of meaningful social connections that aren't necessarily bound by a physical or geographical space (Ridings, Gefen & Arinze, 2002). Web 2.0 has connected members of the public across the globe to form powerful networked communities.

These changes have had significant implications for interactions between corporations and their global consumer base. Users can now engage in digital participation in a way that supports the voices and actions of other community members, creating an overwhelming presence, that corporations must take into account in order to be able to operate in this new, digitized world that seems to be controlled by digital publics.

Given the prominent role users have within this digital environment, it could be argued that Web 2.0 has essentially altered the basis of the way in which traditional economic communities function. It has created a huge change in terms of the dynamics between corporation and consumer. As a consequence of the intense focus on user interaction and collaboration, as well as the new complexity of online spaces, Web 2.0 has given rise to a digital marketplace within which consumers have the capability to participate as customers or merchants, as desired. The emergence of this "sharing economy" within which consumers can provide services traditionally provided by companies or corporations, has served as a basis for web users to create strong, thriving digital economic communities (Zervas, Proserpio, & Byers, 2017).



Within this paper, I intend to analyse the effects of Web 2.0 in terms of re-shaping and strengthening ties between internet users across the globe, with reference to a few specific examples. I argue, that the sharing economy that has emerged as a result of Web 2.0 has empowered consumers by strengthening communities in both a social and economic sense, giving rise to modern digital economic communities that have the power to function in place of traditional industry.

Economic Communities Online: The Sharing Economy

Much like real life, digital communities that lack direct geographic links tend to form when various individuals find shared interests, hobbies or opinions and then engage in related activities or dialogue about them within a common digital space (Ridings, Gefen & Arinze, 2002). However, there is an added level of complexity and interest in terms of the idea of digital communities when observing economic communities specifically. The factors that serve to maintain and strengthen community ties – such as mutual trust, knowledge-sharing, and balancing self-reliance with interpersonal support – become amplified with the complications that arise when concepts such as the quality of goods and services, and ongoing financial exchanges feature prominently as forms of community interaction (Hsu, Ju, Yen & Chang, 2007). It is important to break down the way in which digital economic communities function efficiently, to understand how the digitisation of these social and economic relationships have both stemmed from, and become strengthened by Web 2.0.

Digital economic communities, in their entirety, are generally referred to as the sharing economy, or peer-to-peer markets. The sharing economy consists of “software platforms acting as an intermediary between buyers and sellers” (Allen, 2015, p.24). Defining the sharing economy in this way demonstrates the way in which it is set apart from other digital communities. Although these economic communities feature participants from a wide range of demographics just like other communal spaces on the web, participants are identified within the community as either buyers, sellers, or both – which outlines some important basic conventions for interaction between two or more community members. It indicates that members in an interaction identify as either providers or consumers of a given service, rather than two exact equals. In a community within which roles are so strongly defined on the basis of ensuring the quality transmission of services and secure transmission of finances, the trust-based aspect of relationships between community members can be

tested much more intensely than in other digital communities, as the implications of these interactions can have real life consequences.

Community Building in Peer-to-peer markets

Despite the added pressure on relationships within digital economic communities, the last few years serve as proof of the fact that the sharing economy actually seems to be thriving. There is a variety of examples across different types of services that demonstrate the massive expansion of peer-to-peer markets.

In the year 2014, Uber and Airbnb were valued at \$18.2 billion and \$10 billion respectively; both significantly higher than their counterparts within the traditional transport and hospitality industries (Cannon & Summers, 2014). The incredible success of these firms even led to the creation of other companies with similar business models. Independent craft-based businesses run via personalized websites or social media accounts, as well as sites featuring multiple vendors, like Etsy, continue to grow in popularity. Airtasker, is another example of a unique kind of peer-to-peer market place. The app that allows participants to hire other qualified participants on through the medium to complete short-term skilled labour tasks. It had immense success within Australia, generating over \$5 million worth of jobs between 160,000 users between the years 2008 and 2014 (Allen, 2015).

Evidently, there seems to be incredible growth and success within the sharing economy. These user-centric communities continue to grow rapidly as a result of the the expansion and sustenance of the networks of meaningful relationships between the participants of these communities. This continuous growth and maintenance of these relationships is made possible by the very fact that the social conventions that guide bonding and relationship building in digital economic communities seem to be enhanced, rather than damaged, by the added dimension of the realities of maintaining financial security whilst purchasing goods or services from vendors on the web.

Within this section, I aim to outline some of the specific conventions for interaction based upon the technology and ideology of Web 2.0, and how they have facilitated the growth of strong digital economic communities, with reference to examples.

Trust and Knowledge Sharing

Social conventions like trust building and knowledge sharing become integrated as one within the sphere of online economic communities (Ridings, Gefen & Arinze, 2002). This is demonstrated in the system of 'reviewing' other participants – whether they are



vendors or consumers. The review system is a direct result of the user-friendly Web 2.0 technology which creates lower barriers for participation, and even more importantly, the ideology of sharing and collaboration that guides the democratized digital space we associate with Web 2.0 (Van Dijck & Nieborg, 2009). It is somewhat unique to economic communities online.

Writing reviews – beyond just contributing to the numerical rating system – is a style of knowledge sharing that also serves as a multi-way trust building mechanism. Participants that receive positive reviews are deemed as highly trustworthy, which facilitates more future interaction between them and other participants in the community, strengthening the social ties of multiple community members. These reviews hold a special kind of significance for these economic communities, because they serve as an additional guarantee to users that they will be guaranteed appropriate services in return for their money. Ridesharing apps like Uber and Ola encourage riders to add comments and feedback along with their numerical ratings. Airbnb lets users write public reviews for both hosts and guests. In addition, participants that actually write reviews, contribute valuable information to the collective pool of knowledge available to all participants within the medium (Hsu et al. 2007). As a result, they expand their own breadth of potential social connections and build a more trustworthy image as a result of their contributions. Writing reviews to share knowledge and build networks of trust with other community members is an intrinsic part of digital economic communities, facilitated by the mechanisms of Web 2.0 that has contributed to the immense success of the sharing economy.

Behavioural Norms

Another important factor in terms of ensuring the sustained success of digital economic communities, which ties in with the idea of a review system; is adherence to socially acceptable behavioural norms (Hamari, Sjöklint, & Ukkonen, 2015). Although this phenomenon is generally observed across all communities, both online and offline, it takes a unique form within peer-to-peer markets. On a general level, understanding community norms and ensuring self-conduct in accordance with these norms, is a phenomenon that is commonly understood through the lens of by Bandura's Self Cognitive Theory and Social Learning Theory (Hsu et al., 2007). It is the idea that individuals learn behavioural conventions by observing the way other individuals act in a given social context, and then mimic this behaviour when confronted with a similar situation. However, without the existence of real life cues and real time responses to guide behaviour, digital community



members must engage in social learning and calibrate self-cognition very differently (Fuchs, 2010). This is where behavioral norms tie in closely with the review system. The reviews are an explicit demonstration of the appropriate style of communication and language within a given economic community – and the subject matter of the reviews provides clear indication as to what kinds of actions and interactions are positive, versus negative. It is an adaptation of social cognition that is appropriate for digital communities. This becomes especially pertinent to economic communities when considering the idea of outcome expectations (Hsu et al., 2007).

Outcome expectations

Outcome expectations are a key component that define the basis for trust and strong relationships within digital communities. However, within economic communities, this extends past positive social outcomes only. Measurable items like money, deadlines and service standards dictate adherence to behavioural norms on a stricter level, since inadequate delivery any of the above could lead to real life consequences that negatively impact relationships formed via the medium.

The media-rich Web 2.0 landscape is an effective way for vendors to reach out to potential consumers to demonstrate the appeal of their own product. The use of photographs is also correlated with a higher perceived trustworthiness of the vendor (Steinbruck, Schaumburg, Duda, & Kruger, 2002). Airbnb and Etsy are two examples that illustrate the use of images as the main mode of communication between vendor and consumer (Guttentag, 2013 & Luckman, 2013). As a result, failure to deliver on promised outcomes and the standard of advertised products or services is perceived by other community members as a violation of the explicit rules of the site, as well as the implicit social conventions that are appropriate within the community. Participants that do not deliver desired outcomes, and therefore deviate from the appropriate behavioural norm are subjected to deterioration of their social relationships and standing within the community, as well as damage to their business that results from the poor feedback they receive for deviating from the accepted community standard. This feedback would come in the form of ratings and reviews – the main mode of communication of digital economic communities. This is very demonstrative of how the participatory ideology of Web 2.0 and all concepts that form the foundation for strong digital economic communities are all incredibly closely intertwined. Engaging with

other participants through the medium in accordance with the set social standards in order to sustain meaningful community relationships is key.

Power dynamics

The final point for discussion, in regards to the way in which digital economic communities have resulted in such strong networks between participants, is related to the power shift Web 2.0 has created from corporation to consumer (Guttentag, 2013). The Web 2.0 culture of participation generates new connections between participants, and these connections are sustained because participants recognize the power they have as part of this community of likeminded individuals. Especially within peer-to-peer markets, consumers can rely on each other, instead of continuing to support corporations or institutions that try to exercise control over their spending. This is demonstrative of the way in which Web 2.0 ideology can support autonomous thought, which gives individuals a sense of control and power. Maintaining financial flows within their own communities shifts control from traditional institutions, to community members, and allows them to browse more specialized products, instead of typical mass produced items. Guttentag (2013) explores this in the context of Airbnb, describing the way in which consumers have the potential to upset traditional industry, by choosing the lower-cost, highly unique homes offered on Airbnb, instead of generic hotel accommodation. Etsy is another great example of how niche crafts created by other community participants hold a distinct appeal over typical mass-produced goods (Luckman, 2013). These consumers are in fact creating a demand for niche, individual items that the traditional market cannot cater to (Guttentag, 2013). Community members recognize that they are receiving carefully crafted pieces that aren't owned by too many other consumers. This also comes with an awareness that their purchase strengthens the community as a whole, and builds another connection within the network of participants, so the community can continue to thrive.

Conclusion

It's evident that the sharing economy which has emerged as a result of Web 2.0 interfaces and ideology, has had a significant impact in terms of building strong digital communities. The continued growth and sustenance of these digital economic communities is driven by the low barriers for creation original content, and interaction between creators and consumers of participatory culture. Participants of these economic communities can feel powerful by choosing to create their own products and services, by choosing to purchase



goods from other community members instead of traditional institutions and of course, by continuing to build meaningful inters personal relationships through these actions; therefore, strengthening their communities.

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