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**School of Management**

**CUSTOMER VALUE IN SHARING ECONOMY  
THE CASE OF AIRBNB**

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# ABSTRACT

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The sharing economy is an Internet-based business model in which users are directly connected to create, share and exchange goods or services built from underused resources. While this emerging phenomenon has been studied from different perspectives, including technical, social and economic, limited investigation has been done from the customer perspective. The aim of this thesis is to narrow the research gap by applying customer viewpoint to explore and identify customer perceived value inside the sharing economy. From this perspective, customer value is an important concept because creating excellent value to customers is one of strategic decisions for company to sustain and grow in the market. In order to address the research purpose, the author takes an interpretive approach to study customers' experience of using sharing economy. Empirical data is collected, from the case of Airbnb, to identify customer perceived value representing for the sharing economy. The results found by this study are indicated as follows. Firstly, the sharing economy offers customers alternative choices with easier consumption methods at a lower cost. Secondly, the sharing economy offers customers a unique, personal and socially-integrated experience. Finally, the choice of sharing economy reflects a shift in consumer preferences. Although consumers are aware of the potential costs and risks, they still prefer using the sharing economy because of its flexibility and uniqueness. These findings could be useful insights for companies to sharpen their competitive advantages and navigate business strategies.

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# 1. INTRODUCTION

## 1.1. Sharing economy as a research phenomenon

The sharing economy, also known as collaborative consumption, is a recently emerging peer-to-peer business model. In this model, peers conduct business activities through a single virtual marketplace without any other intermediation. The consumption of goods or services is based on shared access to, rather than exclusive ownership of, resources from the marketplace community (Denning, 2014). More specifically, the sharing economy is defined as an “economic model based on sharing underutilized assets from spaces to skills to stuff for monetary or non-monetary benefits” (Botsman 2013, p. 6). For example, Uber.com is a car sharing platform upon which individuals could advertise their unused vehicle for others to rent. Uber provides a pool of cars that customers could browse through to find the nearest car for their journey. The buyer sends a request and Uber helps to match their query with suitable vacant cars. After being connected, all interactions happen directly between individual users. The Uber sharing platform creates a business relationship between two users who are not engaged in any official business. Thanks to this sharing platform, car owners could utilize their underused cars while customers could have access to, rather than owning cars.

The adoption of the sharing economy has significantly grown in previous years and has become an interesting research phenomenon. Many consider the sharing economy as a changing force which could shape the way of consumption and business operation. Similar to the “Industrial Revolution”, this sharing economy has significantly changed our society (Botsman & Rogers, 2010). A study on the UK market shows the UK sharing economy reached a revenue of 15 billion US Dollars in 2013 and is estimated to achieve 335 billion US Dollars in 2025 (PwC 2014). According to this report, total revenue of five key business sectors in UK contains 5% resulted from sharing economy in 2013 beside resulted from traditional business. The proportion of revenue resulted from sharing economy is expected to dominate 50% of the five key sectors in 2025 (PwC 2014). One main reason for this growth is the advancement of technology and social media platforms. For example, Facebook and Pinterest have provided a sufficient foundation for

the growth of this new business model (Cusumano, 2014). Another reason for this increasing adoption is that the new economic model provides solutions for currently unsolved issues in the market, as well as in traditional business models (Botsman, 2014). For example, the sharing economy promotes access consumption rather than ownership to solve customers' increasing environmental concerns (Bardhi & Eckhardt, 2012; Meijkamp, 1998; Prettenthaler & Steininger, 1999). Similarly, this sharing economy creates new opportunities for entrepreneurs to start new businesses at a lower cost by utilizing underused resources (Botsman, 2014; Denning, 2014).

Opinions about the sharing economy vary among researchers. Some believe that this new sharing economy is a “disruptive business model” which will outperform traditional arrangements and threaten current business (Guttentag, 2013). Conversely, others are convinced that the model of sharing economy has emerged from the current economy and will grow along with the consumerist model as an alternative method of doing business (Botsman & Rogers, 2010). While the future of sharing economy remains unclear, it is undeniable that it has an increasing impact on the economy as well as society. Therefore, sharing economy is an interesting phenomenon worthy of further research.

## **1.2. Research gap**

Since 2005, sharing economy, or collaborative consumption, has become a topic frequently discussed by practitioners and researchers. Different articles and magazines have mentioned the phenomenon of sharing economy widely discussing its strengths and weaknesses (Botsman, 2014; Botsman & Rogers, 2010) as well as suggestions for traditional corporate organizations to prepare for the increasing threats arising from the sharing economy (Cusumano, 2014; Denning, 2014). The book of ‘*What's Mine Is Yours: The Rise of Collaborative Consumption*’ (Botsman & Rogers, 2012) is one of the early publications that carefully describe and attempt to capture the nature of sharing economy. The sharing economy has been reviewed and analyzed in different perspectives including: the setting that nurtures sharing economy, the sharing mechanism, and the implications of sharing economy in business and daily life. In Finland, sharing economy is discussed in the book “*A fair share: Towards a new collaborative economy*” by Lahti and Selosmaa (Lahti & Selosmaa, 2013). In line with Botsman & Rogers, the Finnish authors generalize the concept of sharing economy, with particular focus on the characters of critical mass and idle capacity that nurture this sharing economy. In

addition, Lathi and Selosmaa discuss the reciprocity that regulates exchange in the sharing economy, considering this as a contribution to the economic and cultural shift in society.

Numerous studies have been conducted on sharing economy. The topic of car sharing is often the starting point of sharing economy research and of the phenomenon itself. The model of car sharing is an innovation birthed from an eco-effective service. The need of environmental friendly solutions and saving resources has encouraged the development of car sharing (Meijkamp, 1998). Research about car sharing has generalized the initial understanding of the entire sharing economy. The nature of car sharing economy is access-based consumption rather than transfer ownership and using products as a service (Bardhi & Eckhardt, 2012; Prettenthaler & Steininger, 1999). Re-distribution markets and the emergence of collaborative lifestyles enhance the sharing economy, adding further value to the product as service system (Botsman & Rogers, 2012). Additionally, researchers are focused on the environmental effects of the car sharing and the influence of car sharing experience on vehicle use and associated behaviors (Bardhi & Eckhardt, 2012; Katzev, 2003). Moreover, the practice of sharing among peers encourages customers to be environmental friendly and supports sustainable development. On the other hand, the peer-to-peer interaction results in the lack of personal identification and negative reciprocity in the market (Bardhi & Eckhardt, 2012). The lack of identification and absence of product owners also deepen the phenomenon of customers' misbehaviors (Schaefers, Wittkowski, Benoit, & Ferraro, 2016).

The sharing economy model has widened from car sharing to crowdfunding, accommodation sharing, and many others fields. Recently, researchers' focus has shifted from studying different sharing platforms to studying the entire sharing economy as a general phenomenon regardless of products/service types or sharing objects. From a technical perspective, research has focused on the sharing platform, how it functions and how humans and technology interact in peer to peer network (Avital et al., 2014; Bucher, Fieseler, & Lutz, 2016). From a social perspective, authors have studied the motives of human on sharing (Hamari & Ukkonen, 2013), as well as its impact on labor regulation and society (Kneese & Rosenblat, 2014; Teubner, 2014). Tussyadiah (2015) conducted a study on sharing economy from a customer satisfaction perspective to detect the factors that influence consumer choices. Although considerable researchers have been devoted to

considerable time to discovering the sharing economy as a phenomenon, less attention has been paid to understanding the phenomenon from a user perspective.

Understanding a research phenomenon from a customer perspective is important in different aspects. In the context of sharing economy, the customer perspective could provide a comprehensive and practical analysis of a new phenomenon. Customers are the main target and similarly the primary initiators of sharing economy (Botsman & Rogers, 2012). Sharing economy customers create the system and keep it functioning. The sharing economy has unique characteristics which differ significantly from traditional business. However, the question of how these features affect customer choices remains unanswered. Studying sharing economy from the consumer perspective could reveal useful insights that may deepen our understanding of this emerging phenomenon. Marketing managers are on the forefront of customer perspective theory as they consider customers the beginning of, and vital to, the marketing process. The aim of marketing is to understand customer wants and needs, as well as to create solutions to satisfy customers (American Marketing Association, 2013). Studying a phenomenon from the customer perspective could help to identify key insights for a successful marketing process. The existence and growth of a business depend on customer acquisition and retention. Therefore, customer perspective is crucial for the execution of their strategic directions (Woodruff, 1997). Understanding the meaning and motives of user choices inside the sharing economy could help companies navigate their business strategies and build unique competitive advantages.

### **1.3. Research purpose and questions**

The aim of this research is to fill the gap in the understanding of sharing economy from the customer perspective. This paper will achieve this aim by the exploration and analysis of customer-perceived value in the context of sharing economy. The study will address the research purpose by answering the two following research questions:

- 1. What are customer perceived benefits of the sharing economy?*
- 2. What are customer perceived sacrifices of the sharing economy?*

This paper will address the research questions as follows:

The thesis first starts by introducing sharing economy as a research phenomenon and identifying the current research gap to position the research topic. The second chapter takes a review of current knowledge and understanding of sharing economy. Following that, key concepts and features of customer value are presented as a theoretical background to study the research phenomenon. The fourth chapter justifies the methodology used to solve research questions. An interpretivism approach is adopted as an ontological and epistemological starting point to address the research questions. The research is designed as a case study of Airbnb to study customer perceived value. Data is collected by interview method and analyzed. The fifth chapters presents the key themes of customer perceived benefits and sacrifices from data analysis and discusses the key findings of the Airbnb case as reflected in the predefined theoretical framework. The final chapter presents key findings of sharing economy in a general manner together with research limitations and directions for future studies.

## 2. SHARING ECONOMY AS A PHENOMENON

The following chapters focus on building a theoretical background for the research topic. Firstly, sharing economy is discussed as a research phenomenon: definition, operation system, the reason for development and currently debatable risks. Secondly, the concept of customer value is presented as a theoretical foundation to address the research purpose.

### 2.1. Defining sharing economy

“Sharing economy” or “share economy” are first used to indicate social welfare in which participants are sharing for the increase of the common good (Weitzman, 1986). Since the 2000s, sharing economy models have attracted the attention both of researchers and practitioners (Smolka & Hiennerth, 2014). Sharing economy, and its alternative term collaborative consumption, has currently become a “buzzword” being widely discussed among economists, philosophers, marketers and entrepreneurs’ (Botsman & Rogers, 2012).

The book “*What’s mine is yours: the emerging of collaborative consumption*” (Botsman & Rogers, 2012) and “*The Mesh*” (Gansky, 2010) are two pioneers in the analysis of this new phenomenon. Sharing economy has been studied among researchers using the case of car sharing and crowd-sourcing, for instance. Different terms have been used to indicate sharing economy such as “collaborative consumption” (Botsman & Rogers, 2012), “consumer sharing system” (Lamberton & Rose, 2012), “access-based consumption” (Bardhi & Eckhardt, 2012), and “the mesh” (Gansky, 2010), (Belk, 2014). Different researchers or authors come up with different names and definitions. They are together formalizing the same emerging phenomenon.

According to these definitions (*Table 1*), sharing economy could be understood as follows. Firstly, sharing economy is a “socio-economic” model based on the shared usage (Botsman & Rogers, 2012). In other words, sharing economy is influenced and sharpened by social use. Consumers start sharing and creating value in their community. They tend to be more open to earn benefits from sharing without scarifying their individualism.

Secondly, sharing economy promotes temporary access and acts as a non-ownership model. The access to, rather than ownership of, products or services is encouraged (Botsman & Rogers, 2012). For example, instead of buying a new car to go to work, a person could now share a ride with other colleagues who go to work on the same route. Thirdly, Internet platforms has fostered collaborative consumption as users could contribute and consume online content at the same time, rather than considering the Internet as a tool for broadcasting one-way information.

*Table 1: Sharing economy definitions*

<b>Authors</b>	<b>Definitions</b>
(Lamberton & Rose, 2012, p. 109)	“Marketer-managed systems that provide customers with the opportunity to enjoy product benefits without ownership.”
(Bucher et al., 2016, p. 318)	“An economic model in which consumers use online tools to collaborate in owning, renting, sharing, and trading goods and services. A practice enabled and driven by technology.”
(Botsman & Rogers, 2012, p. 15)	“Traditional sharing, bartering, lending, trading, renting, gifting, and swapping, redefined through technology and peer communities.”
(Bardhi & Eckhardt, 2012, p. 881)	“Consumption models in which access is enabled through sharing or pooling of resources/products/services redefined through technology and peer communities.”
(Botsman 2013, p. 6)	“Economic model based on sharing underutilized assets from spaces to skills to stuff for monetary or non-monetary benefits.”

The main purpose of sharing economy is to provide access rather than ownership. The areas of offering in sharing economy widely cover all common needs such as housing,

transportation, products, and finance. Various industries have applied the model of collaborative consumption along with the traditional business model (*Table 2*). When there is a need, sharing economy provides customers with an alternative way of consuming from renting, swapping, or sharing instead of buying a new product or service (Botsman & Rogers, 2012). The process of sharing and reallocation contribute to utilize the unused resource.

Finally, collaborative consumption occurs within peer communities. For instance, social network communities have generated the online sharing habit of photos, comments, videos, and codes. Sharing economy could be considered as the next step of sharing: moving from online to more physical areas such as transportation, spaces, and money (Botsman & Rogers, 2012). For the research purpose, sharing within a closed circle such as relatives or family members are excluded from this concept (Belk, 2014).

Table 2: Sharing platforms across industries

(Developed from Collaborative Economy Honeycomb (Owyang, 2016))

FINANCE		
<b>Money Lending</b> LendingClub ♦ Zopa	<b>Crowd-funding</b> Crowdfunder ♦ Kickstarter	<b>Crypto currencies</b> Bitcoin ♦ Peercoin
GOODS		
<b>Bespoke goods</b> Etsy ♦ CustomMade	<b>Pre-own goods</b> Craigslist ♦ Threadffip	<b>Loaner products</b> Rent the runway ♦ 1000tools
SPACE		
<b>Work space</b> Pivotdesk ♦ ShareDesk	<b>Place to stay</b> Airbnb ♦ HomeExchange	<b>Rental Optimization</b> SmartHost ♦ EverBook
TRANSPORTATION		
<b>Transportation</b> Uber ♦ BlaBlaCar	<b>Loaner vehicles</b> DriveNow ♦ Boatbound	<b>Driver Optimization</b> ZettaDriver ♦ SherpaShare
LOGISTICS		
<b>Local Delivery</b> Postmates ♦ UberRush	<b>Shipping</b> Friendshippr ♦ PiggyBee	<b>Storage</b> Boxbee ♦ MakeSpace
COPORATE		
<b>Private label</b> Button ♦ NearMe	<b>Supply Chain</b> LocalMotion ♦ CargoMatic	<b>Employees Service</b> WarpIt ♦ TwoGo
SERVICES		
<b>Professional Services</b> Freelancer.com ♦ eDesk		<b>Personal Services</b> TaskRabbit ♦ popexpert
FOOD		
<b>Shared food</b> EatWith ♦ MealSharing		<b>Share food prep</b> KitchenSurfing ♦ Munchery
LEARNING		
<b>Instructor-led</b> Udacity ♦ Coursera		<b>Peer to peer</b> SkillShare ♦ Instructables
UTILITIES		
<b>Energy</b> Mosaic ♦ Vandebon		<b>Telecommunications</b> Open Garden ♦ Fon

Belk (2014) argues the definition of Botsman and Rogers (2012) is too broad and mixed up. According to Belk (2014), the Botsman and Rogers (2011) definition has combined different types of exchange such as lending, trading, and swapping together with gifts-giving and general sharing. Belk (2014) emphasized the coordination acquisition and distribution features of the resource. According to his definition, sharing is subject to a fee. Collaborative consumption is redefined as the acquisition and distribution of resources for a fee or other compensation (Belk, 2014). “Fee or other compensation” is similar to the “monetary or non-monetary benefits” (Botsman, 2013) definition. Users in sharing economy exchange items for money or equivalent values. In some cases, there is no involvement of money. In this case, providers could get points or pleasure of sharing, in return. Interestingly, sharing platforms on a voluntary basis such as Couchsurfing.org are excluded because in this organization compensation is prohibited (Belk, 2014). Other authors also question the nature of sharing organizations such as Zipcar.com or other similar platforms. They consider these sharing arrangements simply as short-term rental services rather than collaborative consumption.

## **2.2. The drivers of sharing economy**

### ***2.2.1. Technological driver***

The development of technology, especially the booming of Internet usage, has entirely changed the marketplace. Business has to shape its structure to adapt to customers with new habits and interests while these customers undertake a new way of communicating, perceiving and consuming. This change in customer behavior is known as the ‘digital era’ (Denning, 2014). Emerging from the digital market, sharing economy is enhanced by different technology drivers.

Firstly, social networks such as Facebook, LinkedIn, and Youtube have nurtured users’ sharing habit. People adopt this sharing pattern across a bigger circle of friends. Familiar circles such as relatives, co-workers or colleagues connect users, but this is now extended to include users around the world who have shared interests. Online users now have their social profiles built by sharing pictures, friends, history, reviews, comment or votes. The act of sharing has become a common practice in social networks (Garbarino & Strahilevitz, 2004). Online users who adopt the sharing habits are widely connected and gain mutual trust. Nowadays, people around the world could exchange ideas beyond geographical boundaries. The sharing economy, therefore, is rooted in the advanced

technology. In other words, the act of sharing is a further step of online sharing habits: beginning with sharing photos, comments, files, and videos online extending to physical areas such as space, transport, and other areas in daily life (Botsman & Rogers, 2012; Denning, 2014; Lahti & Selosmaa, 2013).

Secondly, the Internet 2.0 (John, 2012) has created a business relationship in the form of a peer-to-peer network. In the era of Internet 2.0, users could produce and consume online. It differed from the previous Internet generation when the Internet was merely a platform to broadcast information. The new digital age has enabled users to connect and interact within social networks (John, 2012, 2013). Similarly, users could search information and interact with each other to purchase products and services thanks to the available information online (Lahti & Selosmaa, 2013). Additionally, the development of online stores such as iTunes, eBay and Amazon encourage the online user habits of immaterial culture and online consumption (Botsman & Rogers, 2012). These exchanges start online for free or on a voluntary basis and then move to more professional operation between peer-to-peer networks (Lahti & Selosmaa, 2013).

Thirdly, new technologies have equipped sharing systems with necessary infrastructure to make the searching and sharing process more convenient and efficient. New systems such as online payment, navigation system GPS, and mobile devices are critical tools contributing to the development of sharing economy (Botsman & Rogers, 2012). Although, sharing habit is not a new concept, the operation of matching different needs and facilitating the exchange process is challenging. This sharing economy provides a solution by offering a robust platform to match different needs efficiently (Smolka & Hienerth, 2014). Those sharing objects are from goods to services, including both intangible and tangible objects (Botsman & Rogers, 2012).

For example, a person has a demand to travel to the beach from the city center. He needs to find the right person with a free car close to his place and is available within his traveling time. Normally, he has to post his request online, wait for a respondent, and then negotiate the time and place to pick up and return the car. He also has to find a right way to pay the owner and find a place to park the vehicle. If the process is too complicated, users will consider the inconvenience cost greater than the benefit. Advanced technology solves this inconvenient, complex matching process. With Zipcar

for example, different technologies are utilized to make the process more efficient. With Zipcar for example, different technologies are utilized to make the process more efficient. Users could find on the Zipcar network various transport solutions from a range of providers suitable for their demand. Payments are made online by credit card. Furthermore, users could use GPS systems to find the nearest car and later return the vehicle where they find the most convenient using a special App on a smartphone to lock the doors (Sundararajan, 2013). This example clearly shows the benefits customers gain through the upgrades that new technologies and infrastructure bring to the sharing economy.

### ***2.2.2. Economic driver***

From an economic perspective, sharing economy benefits both providers and users. Firstly, providers could enjoy new sources of income from a current resource. A car, a rarely used room or a DVD might become an avenue for individuals to earn money. Through a collaborative consumption platform, people could start a business utilizing personal resources. The collaborative platforms provide a mechanism to manage marketing related tasks. Thereby, an individual could leverage the infrastructure of a large platform to market their products or services (Botsman & Rogers, 2012). A recent government report highlights the financial benefits that come from utilizing the marketing power of such a platform. This report states that an average American host in San Francisco earns \$440 of profit and in some cases it could be up to \$1,900 per month from renting their spaces on Airbnb website (Budget and Legislative Analyst's Office, 2015). This additional income stream drives the economy assisting consumers to meet expenditure and support their living standards. A report released by Airbnb highlights this point stating 56% of hosts use income from Airbnb to pay their house monthly payment or rent while 42% of hosts use this money for regular expenses (Airbnb, 2012). The sharing economy becomes a new source of income, and therefore, increasingly attracts users to join as product or service providers.

Secondly, this improved sharing economy system facilitates the provision of higher quality goods and services at a competitive price. The act of sharing items online plus the emergence of digital products, such as computer codes, ideas, music, photos or videos, have contributed to the creation a vertical market and thereby increasing the quality of goods for this segment. Denning explains the competitive price point is thanks to the

direct connection of buyers to sellers. This direct connection eliminates the margin costs for the middle man or a supply chain markup (Denning, 2014). The collaborative consumption transaction process is now more efficient and convenient with the support of advanced technology such as matching systems, smart devices and navigation tools. Although the transaction process in collaborative consumption is optimized, the disintermediate model remains imperfect. The primary role of operators and platform owners, in this structure, is to behave as facilitators or controllers to build trust between buyers and sellers as well as secure the transactions (Botsman & Rogers, 2012). Yet, these facilitators may become a mitigating party between sellers and buyers, charging a fee for their mediation activities, putting strain upon the cost-effective nature of the system. The mediation activities notwithstanding, collaborative consumption customers have greater access to: an improved product at a lower price, simplified transaction processing and time and effort savings (Denning, 2014; Smolka & Hienerth, 2014).

### ***2.2.3. Social driver***

From a social point of view, there are different reasons to explain the dramatic development of sharing economy. Obviously, sharing is a primary motive of a human being (Smolka & Hienerth, 2014). Researchers note this as they observe people sharing books in a public library or sharing space in a public park. Similarly, social networks users share their ideas, information and knowledge within their personal blogs. Researchers consider sharing as voluntary motive to diffuse resources to the community (Botsman, 2014; Dahlander & Magnusson, 2005) or as users extrinsic or intrinsic motives to participate in the community (Franke & Shah, 2003) and contribute to the public good (Lerner & Tirole, 2002). The following example demonstrates sharing as a means of community participation. A 90-year-old man finds meaning of his life when he takes broken bicycles for repair and return to other people via a recycle network. This sharing economy successfully satisfies a person's sharing motive by providing a professional platform to share, and collaboratively consume different types of philanthropic products and services to match user's needs.

Moreover, collaborative consumption provides sustainable solutions to solve consumer environmental concern (Firnkorner & Müller, 2011; Truffer, 2003). In the twenty-first century, the increase of the production and marketing industry has contributed to consuming society. New products and services are continuously developed to meet

customer demand. Customers' wants and needs are diversified and keep changing, thus goods are quickly created, used and discarded. In this new society, the product life cycle becomes shorter, and the amount of waste is on the increase (Botsman & Rogers, 2012). Sharing economy encourages sharing and cooperation, less consumed materials, and more accessibility (Bardhi & Eckhardt, 2012). An example of the cooperation created in society is as follows: Five households in the same community, instead of buying personal drills and using them several times per year, enters into an agreement whereby one household buys a single drill for the other households to rent whenever they need. In another example, two persons travel to work on the same route by different cars, they could share the lift instead. The solution of sharing, in the preceding example, helps to save petrol, promotes convenient parking and saves on maintenance fees. In addition, the collaborative consumption enhances an environmental friendly lifestyle by using fewer materials and producing less waste (Botsman & Rogers, 2012; Lahti & Selosmaa, 2013). The sharing economy, therefore, becomes attractive because of its sustainable consumption and lower environmental impact (Piscicelli, Cooper, & Fisher, 2015).

Furthermore, collaborative consumption adapts the needs of consumer cooperation. Research has shown that sharing economy, by its reliance on social networks and interactions, has contributed to connection development in communities (Piscicelli et al., 2015). Real life connection and online communications are interdependent when using certain sharing methods in this new sharing economy. By way of example, users could meet and exchange real items thereby enhancing offline cooperation. Sharedesk.com is another illustration of the online economy's positive effect upon offline community cooperation. Sharedesk.com is a sharing facilitator, allowing users to choose among various options for sharing a physical workplace. For example, a group of freelancers, in different fields, could manage the sharing of a common work space using ShareDesk.com. Under the sharedesk.com philosophy, these workers utilize shared meeting rooms, stationery and working equipment such as faxes and printers. These examples show that the use of an online platform to manage offline activities creates a common place for sharing ideas and increased interactions between individuals (Botsman & Rogers, 2012). This concept will be discussed further under collaborative lifestyles.

## **2.3. Sharing systems**

### **2.3.1. Product service systems**

Product Service Systems (PSS) highlights the effectiveness of reusing products and changes the way users satisfy their needs. Two methods govern PSS including “USE” PSS, where company own or individual shared products, and “EXTENDED” PSS where PSS applies an extension to the life cycle of a product. In this model, product providers are service providers (Botsman & Rogers, 2010; Prettenthaler & Steininger, 1999). The PSS operates based on the principle of usage, rather than ownership. Customers want the outcome: a hole on the wall rather than a drill. Similarly, customers want music rather than a CD. Generally, PSS focuses on the utility of a product rather than its physical structure. Similarly, researchers influenced by Service-Dominant Logic (Vargo & Lusch, 2008) argue that the concept of products is not separated from services but is a part of the services. PSS sees the meeting of a customer’s needs as providing a service through the reuse of goods.

Sharing economy customers have many reasons that prompt them to use this time-saving and cost-effective model. There are numerous reasons that encourage renting rather than obtaining: some products are typically underused, such as cars or household tools, some products have temporary uses, such as children's toys and luxury items, or require high purchasing or entrance costs, such as solar systems. Another popular reason to rent is to mitigate the one-time value of items like books or DVDs. The after-sales service costs, including maintenance, repair or upgrades, provide another reason for using some products as a service. In this model service providers handle all after-sales service (Botsman & Rogers, 2012). Customers optimize their value ratio by paying only for their usage while saving money and effort for repairing or disposal after use (Botsman & Rogers, 2012).

Technology advancement fueled the development of Product Service Systems. The following car sharing case study highlights this point. ZipCar sharing organization, utilizing technology, provides a smarter routine for passengers. Technology advancements mean this company’s customers quickly search for a vacant car surrounding their location. A PSS functions at full force when it is fueled and supported by a well-designed technical back-end.

Beyond technology advancement, the above example highlights that PSS effectively functions when it meets the following three criteria. The PSS must provide a service or durable consumer goods whose value is not limited to a time period. These products are expected to have a fair acquisition value so that renting is more efficient than buying new ones. Lastly, the pool of choice requires sufficient size to ensure the service density (Prettenthaler & Steininger, 1999). Generally, an effective PSS delivers a service or durable product, an attractive price point and serve a large customer base.

### ***2.3.2. Redistribution markets***

The sharing economy created an open market for goods to move from a state of idleness to productivity. Researchers observe this when various objects are posted and shared via peer-to-peer networks (Botsman & Rogers, 2012). Network users upload a description of their old computers or clothes on a redistribution website and share them with others who are in need. Products, on these sites, are exchanged for free, cash, points or a combination of all these methods. Users can even barter items for similar products at the same value. The areas of sharing are various, ranging from ordinary items such as cardboard, boxes, books, clothes, toys, or games to unpopular things such as a disco ball or fish tank.

Transactions are operated based on three key principles including “reciprocity”, “fairness” and “review system”. Reciprocity refers to the fact that a user shares a second-hand product with another user in the sharing economy market. The reciprocity is not limited to a single exchange but may be satisfied by any user in the network (Lahti & Selosmaa, 2013). Goods are exchanged for similar value or even for free. Nevertheless, users are encouraged to exchange because of the belief that they could get some valuable things back from other users. Secondly, the fairness principle helps to govern transactions in redistribution markets by balancing benefits between sellers and buyers. If users consider others as irrational and selfish people who strive to maximize their benefits, trust will not exist between sellers and buyers. Failure in balancing benefits gains between users leads to the collapse of a market (Uhlhaas, 2007). Interestingly, experiments have proven that each party will act on the rationale that the benefits they personally receive trump the other party’s benefits; even if this belief leads to a no win-win situation for both parties (Gottwald & Güth, 1980). This means buyers will not accept over-quoted deals, even if they could lose their benefits, rather than allow sellers to get better deals. Sellers also understand this fact, adjusting their offers to ensure the sale of their products.

Lastly, the review system encourages users to build a good reputation to improve future transactions. This principle is similarly applied in other sharing systems such as Product Service Systems and Collaborative Lifestyle. The transaction history builds trust between strangers. Users have a chance to review all transactions they have been involved themselves in both as providers and recipients. The review system ensures that users are justified by their previous transactions. Users are encouraged to build a good reputation for their future benefits (Botsman & Rogers, 2012).

### ***2.3.3. Collaborative lifestyles***

The sharing economy becomes a common platform to match different needs. Users with similar interests engage and share their time, space, skills, ideas or money together. These exchanges nurture a new common called collaborative lifestyle. Each participant joins their strengths together with the strengths of other participants to create better results for all people.

Different reasons could be used to explain the development of collaborative lifestyle systems in the sharing economy. Firstly, the collaborative lifestyle system provides a platform to satisfy the need for connection. For example, freelancers usually work independently on their tasks. They still need to socialize with others, during a break or simply feel the atmosphere of a typical workplace, to keep their working mood without joining a traditional company. Collaborative lifestyle users with the same needs gather in a common workplace to work together without being involved in the same projects. The common working environment could improve the sociability and generate more interactions between people (Botsman & Rogers, 2012).

Secondly, collaborative lifestyles help to disintermediate in the market when it plays as a connection between buyers and sellers. Banking systems, for instance, behave as a trusted party to connect people who have money and people who are lending their money. The money renting services industry has rebranded, now called money-lending system, without the banks as an intermediary (Funk et al., 2015). Therefore, the connection works faster while renting rate is lower.

Thirdly, collaborative systems operate similarly to virtual communities in real life. Social networks have implied the habit of sharing and people gathering online. Collaborative

systems have provided a concept for users to reproduce in their daily, offline life. For example, in the game of Farmville on Facebook, users create their farm, raise plants or animals and exchange them together with other players. Footprint-trust.co.uk has reproduced this model in real life (Hassall, Hill, Gledhill, & Biggs, 2016) connecting users with garden skills with those who have uncultivated land. They work together and share the results from harvesting. With these collaborative systems, strengths and private materials are connected to create new benefits for all parties involved.

In brief, researchers have recognized that collaborative lifestyles satisfy the need for connection, mediate the market and provide an example to reproduce in daily life for online users.

#### **2.4. Sharing objects**

The areas of sharing are extensive and diversified. Sharing happens in every aspect of life ranging from: tangible objects such as books, videos, clothes to intangible areas such as time, skill, space or ideas; from simple things, such as fruits and vegetables to luxury accessories and branded products; from common needs, such as travelling, dining, gardening to complicated needs such as solar power. The list of more than 9000 websites in a collaborative consumption forum reveals items of all kinds of goods and services available for sharing. Items are categorized into 12 groups including: accommodation, transportation, and finance with several specific categories such as municipal or utility. Interestingly, politics has applied the sharing economy philosophy to political campaigns. My.BarackObama.com was used by Obama in his presidential election campaign in an effort to share with voters. In general, sharing economy is deeply involved in different daily aspects of living and, as shown, niche areas, wisely utilizing the sharing economy concept to meet these needs.

The below table adopts information from almost 9000 collaborative sites in the Mesh online directories. These collaborative consumption platforms are classified by two dimensions: the nature of sharing objects and the transaction of ownership. Sharing areas are divided into the tangible and intangible, while the transaction of ownership comprises of usage access, ownership exchange, and usage sharing. Under usage access, like PSS, users have the right to use goods or services for a finite period in return for money or other equivalent value. Providers retain ownership after the transactions. In other words,

users only rent and use instead of owning objects. In ownership exchange, like Redistribution System, users trade things for monetary or non-monetary benefits. Lastly, in usage sharing, like Collaborative Lifestyle, users share their resources to have win-win solutions for all parties.

*Table 3: Sharing objects classification in sharing economy developed from The Mesh Directory (Gansky, 2010)*

	<b>Sharing objects</b>	<b>Access</b>	<b>Exchange</b>	<b>Share</b>
<b>Tangible</b>	Materials Products Goods Tools	Lendingclub	Taskrabbit Freelancer Crowdfunding	Car sharing Open garden
<b>Intangible</b>	Transports Money Space Energy Hobbies Time/Ideas	Free courses Airbnb	Timebank Home exchange Peer-to-Peer learning	Share workspace

## **2.5. Drawbacks**

The collaborative consumption business models, including Airbnb, PayPal, and Uber usually outgrow current legislation. As a result, these models have some legality and tax concerns (Guttentag, 2013). Besides positive contributions, the credibility and sustainability of collaborative consumption are regularly argued and discussed. The following sections will mention drawbacks of sharing economy from different points of view: the credibility, legality, employees' benefits and working conditions.

### **2.5.1. Credibility**

In peer-to-peer business relationship, trust is essential for generating and facilitating transactions. Different mechanisms have been built to secure individual transactions and create credibility among strangers in the collaborative network. Some of the mechanisms mentioned include review systems (Botsman & Rogers, 2012), profile identification (Krishnan, Smith, & Telang, 2003), third party as controller (Guttentag, 2013), or reciprocation (Botsman & Rogers, 2012; Lahti & Selosmaa, 2013).

Regarding review systems, both buyers and sellers have an opportunity to provide feedback on the products or services, communication and any payment issues. Feedback is published for all users to review. Users involved in the transactions, endeavor to provide the best offer to keep their reputation for future sales. High ratings and positive feedbacks are useful to attract more customers. However, researchers believe bias on social networks may lead to unfair competition (Malhotra & Van Alstyne, 2014), while the social networks criticize the review system citing bias and reliability issues. In terms of reliability issues, research has shown that 16% of reviews on Yelp.com<sup>1</sup>, are fake (Malhotra & Van Alstyne, 2014). In this case, providers write reviews on their own products which are incompatible with the realistic quality. Review systems become worthless if they do not reflect reality. Providers or users could further take advantage of this review feature to harm the reputation of others when they are not satisfied. Bias on social network may lead to unfair competition (Malhotra & Van Alstyne, 2014). Review systems exist to increase credibility but become worthless if they are not based on reality.

Profile identification is another area of concern. To register for these services users are required to prove their identification by providing detailed profile information such as a copy of their passports, names, and phone numbers. The sharing platforms require this information to assess the user's credibility and profile. Additionally, the system records all transactions leading to consumers tracking other users' transactions by reviewing their profiles. However, this level of transparency means the control of personal profiles could be problematic (Krishnan et al., 2003). A user could create a new profile to delete all previous transactions or hold multiple profiles at the same time. This issue could lead to

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<sup>1</sup> A San Francisco User Reviews and Recommendations website

cheating and spamming in sharing economy. The profile identification system fails to build trust when it is unmanaged and unjustified.

Another factor in building trust is reciprocation (Botsman & Rogers, 2012; Lahti & Selosmaa, 2013). The principle of reciprocation is that a user does something good for others in order to receive good things in return (Botsman & Rogers, 2012; Lahti & Selosmaa, 2013). Based on reciprocation, users are willing to share their unused items with others believing they could receive something in return. The trouble with the reciprocation system is the ‘free-riders’ phenomenon (Krishnan et al., 2003). Because the sharing is voluntary and self-governed by peer to peer network, some users may take from the system without any contribution. The survey on gnutellaforums.com<sup>2</sup> version 4.0 has shown that 50% of sharing responses come from 1% of the sharing hosts while 70% of peers do not provide any songs for others (Adar & Huberman, 2000). Another survey in 2002 reveals that 56% of Gnutella users did not participate in sharing their files (Asvanund et al., 2003). ‘Free-riders’ phenomenon might limit sharing systems growth (Adar & Huberman, 2000). Failure to control issues such as spammers, cheaters and free riders causes the collapse of sharing systems (Adar & Huberman, 2000).

Researchers have been discussing the quality and reliability of products or services in the sharing economy and how this system effects on credibility. Due to all transactions in this new economy occurring within peer-to-peer, the control of service quality is unregulated. The quality of sharing in collaborative consumption is not justified (Owyang, Samuel, & Grenville, 2014). A survey on Airbnb services has revealed several issues such as cleanliness and noise issues when using the service. For hosts living in apartment buildings, neighbors may feel irritated and insecure when strangers are surrounding their apartments. Additionally, the Airbnb booking process requires users to be familiar with smart devices such as smart-phones and to have social profiles. Therefore, the public view of Airbnb services as low-end offers which are suitable for young travelers who are familiar with technological devices, love to explore new things and prefer affordable housing. Other travelers who require professional services and high living standards such as businessmen or sophisticated travelers may prefer traditional accommodation services (Guttentag, 2013).

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<sup>2</sup> One of the first peer-to-peer file sharing network

In addition, credibility of a collaborative consumption system requires a critical mass to function properly. Individuals have unique needs thus it is always challenging to find a good match from the crowd. Therefore, a sharing platform requires a specific number of providers and recipients in order to fulfill individual needs (Botsman & Rogers, 2012). Many startups in sharing economy have failed due to the shortage of resources to scale up in regards to both number of users and funding opportunities (Owyang et al., 2014). Platform supporting a large number of users could gain credibility to attract new users.

### ***2.5.2. Legality***

In sharing economy, the short term and private business in a peer-to-peer network may lead to several legal issues (Guttentag, 2013). For example, a host on Airbnb website acts as an accommodation provider without permission or official registration. Safety standard of private accommodation is not guaranteed or inspected like in hotels or hostels. These lax standards could lead to legal issues for Airbnb users. Food hygiene in food sharing is another example. An unregulated caterer, providing food to a private restaurant, does not possess any hygiene certificates or follow strict health standards. These lax standards could lead to legal issues for the caterer and their customers. Furthermore, un-scrutinized providers could pose an unfair advantage over traditional business. Sharing drivers do not need to obtain special accreditation or pay insurance, for instance. Therefore, they could provide a lower price in comparison with official drivers who have to take driving license and pay insurance (Malhotra & Van Alstyne, 2014). Moreover, the individual benefits in sharing economy could cause damage to the whole housing sector. Unofficial hosts may increase their rental per night, to earn more in the short term raising the monthly rental fee in house renting market (Malhotra & Van Alstyne, 2014). The examples above reiterate that legality issues, surrounding the sharing economy, create a problem in whole market.

The sharing economy could create conflict between primary producers and secondary sharers. For example, a consumer buys a video and then rents it to others, or uploads it online, for a profit (Belk, 2014). Extending this example, a Netflix user rents three video games a month for \$20 and then rent them back to others for \$1 per DVD per day. In total, he makes \$70 profit. In the case of mobile subscription, normally a user has to pay a monthly fee to have unlimited access to the service needed. In collaborative consumption, this person could save money by sharing with others users and, in turn the monthly fee

will be divided. Therefore, sharing might become unauthorized trading which could damage primary producers as well as manufacturers in the industry (Malhotra & Van Alstyne, 2014).

Responsible liability poses another area of concern. The gap of responsibility in case of accidents or problems in collaborative consumption remains questionable. The sharing platform only acts as a connector between service providers and users and does not provide liability. In case of car sharing, the platform does not define itself as a transportation provider. Thereby, the sharing platform will not be responsible for any accidents which may occur even though the company receives profits from this service. In other words, companies using sharing platforms gain the benefits from the sharing platform while avoiding the corporate responsibility inherent in traditional models (Malhotra & Van Alstyne, 2014).

Taxation is a further issue surrounding the sharing economy. Current tax law considers sharing activities in collaborative consumption as private and a short-term business (Guttentag, 2013). For example, tourism accommodation has to pay tax in America. Part of this money is used to promote tourism and the state's image. Airbnb hosts do not pay tax because they do not officially register as accommodation providers covered under tax law. However, sharing economy hosts still benefit from state tourism promotion. In this case, they are considered as "free riders" when they do not pay tax and still have the benefits attributed to taxpayers. In addition, Airbnb hosts provide competitive pricing over other traditional accommodation providers due, in part, by not paying tax. Some argue that the tax law has not caught up because the sharing economy is a new business model. Certainly, if income from sharing activities are subject to taxation and other liability, remaining competitive in a sharing economy may become challenging (Guttentag, 2013).

### ***2.5.3. Employee benefits and working condition***

The sharing economy streamlines business expenses down to the minimum marginal working cost. Employees providing services get paid for itemized tasks they have completed. This task tracking eliminates the profit margin for middlemen (Denning, 2014). Unlike the traditional market, the system directly connects providers to the receivers. This element makes the price more competitive over the traditional market.

Freelancers who work on Amazon Mechanical Turk<sup>3</sup> will get paid exactly for what they have done. Unlike traditional employees, employees in sharing economy do not get paid for training or learning to develop their skills. Sharing economy employees forfeit other basic benefits for employment such as health insurance or pension plans. In the long term, people working in sharing economy are suffering. This sharing economy, therefore, could generate unfair working conditions for employees (Malhotra & Van Alstyne, 2014).

Collaborative consumption systems create a new form of working condition. Users could freely choose tasks and employers they want to work for, get the tasks done and submit via freelance sharing platform. Some examples of these models are such as: TaskRabbit, Mechanical Turk, and Upwork. Employers choose among the users of these platforms based on their bidding price and previous performance reviews. Risks occur when the bidding systems could lead to unfair negotiation for payment rate. Employees may accept working at any price, they may accept a price that is lower than cost of acquiring the work. Thus, workers on these platforms have less leverage to negotiate a fair pay rate. Besides, users also do not have the access to correct an unfair or contest a fake review of their performance. Another area of concern lies in the worker's autonomy level. The system manages all tasks through a digital platform meaning employees need to work independently without support from supervisors or managers, and may find support hard to acquire if needed (Kneese & Rosenblat, 2014). The failings of the sharing economy, from the employees' point of view, include unfair pay rates, less power to negotiate and less job support

Additionally, workers in sharing economy may have to handle unsustainable working conditions. Recruiters and employers are not regulated by any obligation or commitment. Recruiters could easily terminate contracts and switch to sourcing their workforce from other thousand employees on crowd-sourcing websites such as TaskRabbit, Mechanical Turk, and Upwork. Offline and Online employees may have to accept an uncertain working condition at an improper payment.

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<sup>3</sup> A website for freelance jobs

Besides the transparency, the moral aspect of this sharing economy causes concern. The freedom and flexibility of sharing marketplace may be taken advantage of to nurture misbehaviors of both buyers and sellers. On crowd-sourcing platforms such as Mechanical Turk or eDesk, the system freely introduced tasks to thousands of workers. Because of the volume of competition, workers may be asked to handle illegal or “grey market” tasks (Kneese & Rosenblat, 2014). This volume of workers can lead to the morality and legality of tasks becoming unjustified.

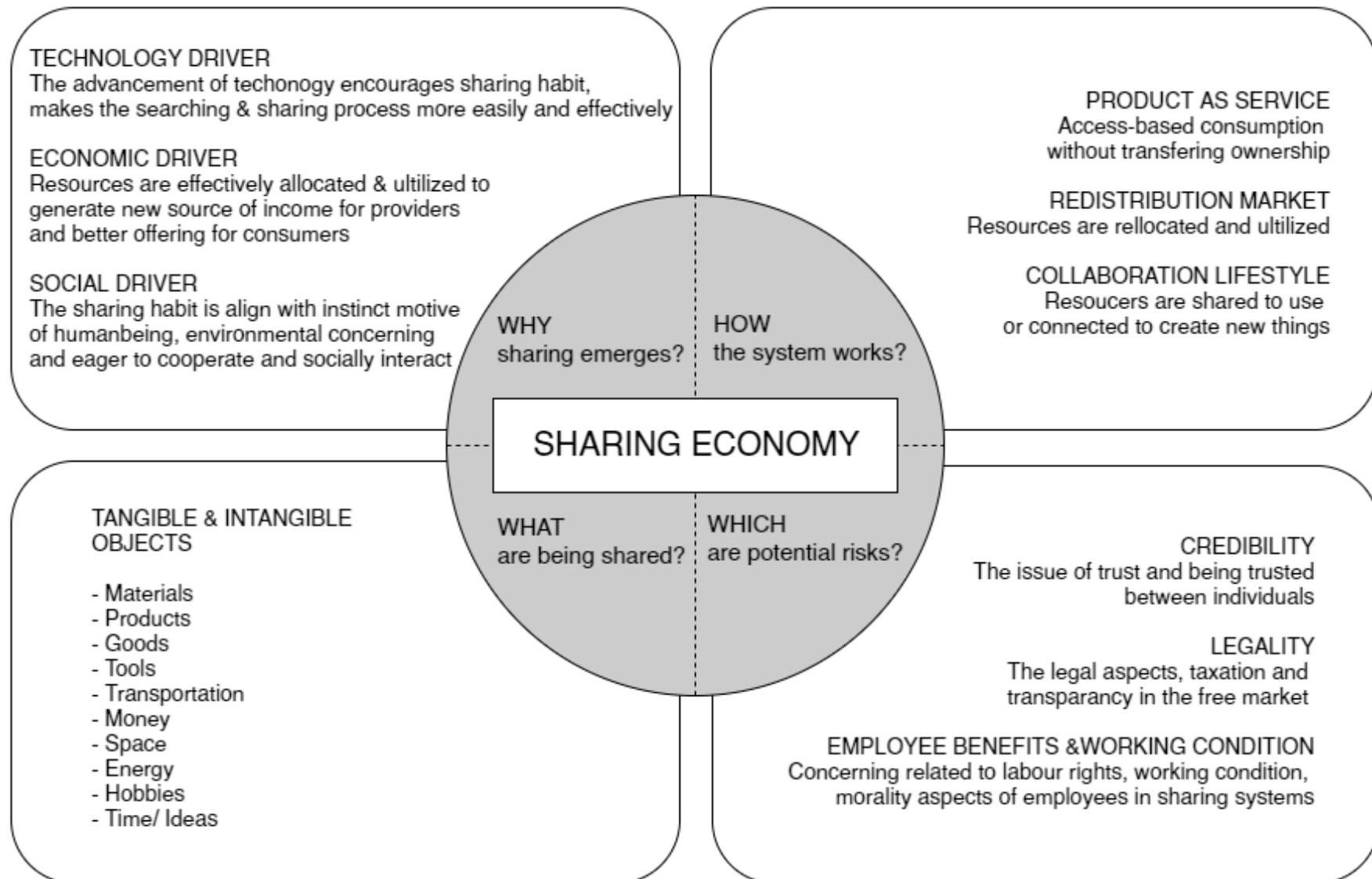
On the whole, researchers and practitioner are concerning the issues related to sharing economy model in term of general legal issues, taxation, as well as responsible liability toward employment beside its strength and positive contribution.

## **2.6. Summary on sharing economy**

The sharing economy is understood through four main elements: the drivers, drawbacks, shared objects and mechanism of sharing systems (*Figure 1*). The presented knowledge, regarding the sharing economy represents how the new phenomenon, is defined and understood through different perspective technological, social and economical lens. The current understanding and definitions of the sharing economy form foundation to study the phenomenon under customer perspective as a new point of view.

Generally, four key features that could be learnt about the sharing economy. Firstly, there is the involvement of peer-to-peer interaction. If company is involved, it plays the role of the intermediate platform facilitating the transaction between providers and users. The peer-to-peer transactions happen directly on a virtual platform (Denning, 2014). Some argue that there is no intermediate in the sharing economy because users are connected directly, and all the costs for middleman are optimized, with demand directly meeting supply (Denning, 2014). However, researchers said that the existence of a platform, or an organization, is essential to connect demand and supply and to facilitate the transactions (Botsman & Rogers, 2012). In this relationship, there is involvement of three stakeholders: service providers, users, and a company or organization as a facilitation platform. The participation of different stakeholders creates a unique special feature of the sharing economy. Therefore, it is necessary to take this feature into consideration when studying the perceived value of customers.

Figure 1: Summarizing sharing economy



Secondly, sharing economy is an innovative solution to utilize resources. The demand and supply are dynamically connected (Botsman, 2014) and the system exists to transfer resources from underused situations to places of demand (Meijkamp, 1998). The model of the sharing economy helps to reduce the operating and intermediated costs (Denning, 2014; Smolka & Hienerth, 2014) while increasing the frequency and use of products or services (Bardhi & Eckhardt, 2012; Botsman & Rogers, 2012). In other words, this system generates more access with fewer resources and less waste.

Thirdly, technology is a crucial part of this sharing economy. Though, collaborative consumption is not a new concept (Weitzman, 1986), the sharing habit is enhanced and spread into a new buying territory by the advancement of technology. In the past, people commonly purchased used products in second-hand markets. The community is familiar with sharing in public libraries and other public facilities to optimize costs (Lamberton & Rose, 2012). Sharing habit is enhanced and spread into a new buying method by the advancement of technology. Yet, now with invention and popularity of new technology such as smart devices, navigation systems, online payments (Hart, Roberts, & Stevens, 2005; Mottla et al., 2011), sharing or collaborative consumption is no longer a welfare habit but has become a new system in wider perspective.

Lastly, collaborative consumption is a social engagement initial. Researchers consider the sharing habit as an intrinsic motive of a human being (Franke & Shah, 2003). The rewarding feeling of doing good to others encourages users to share with others (Smolka & Hienerth, 2014). The model of the sharing economy encourages users to share more than ownership (Bardhi & Eckhardt, 2012) and this affects on their behavior in social interactions (Tussyadiah & Pesonen, 2015).

### **3. THE CONCEPT OF CUSTOMER VALUE**

The concept of customer value is chosen as a theoretical base to study the phenomenon of sharing economy. This concept has emerged since the 1990s and has become main stream in marketing research. The importance of customer value is widely recognized. However, it is difficult to have a single definition fulfilling the concept of customer value. The understanding of customer value also varies among researchers and practitioners as well as between researchers (Gallarza, Gil-Saura, & Holbrook, 2011). Researchers continually redefine the definition of customer value. As a result, it is challenging to find a consensus on the definition (Brennan & Henneberg, 2008). Different approaches and various aspects in discussing customer value contribute to the diversity in definitions (Rintamäki, 2016). Therefore, the purpose of this section is not to identify the best definition but to present different perspectives to justify the theories used in studying sharing economy.

#### **3.1. Customer value as a uni-dimension construct**

Uni-dimensional approach regards customer value as a single construct which may be affected by different precursors instead of a whole concept with various components. Researchers do agree customer value is the evaluation of giving and receiving. Monroe's proposition and Zeithaml's approach are two representatives belonging to this group. Following Monroe's proposal, the relationship between price and quality is used to analyze the value, defined as a cognitive trade-off between perceptions of quality and sacrifice. Monroe further adds, price and quality have an inverse impact on perceived value (Dodds, Monroe, & Grewal, 1991). These pioneer studies are affected by economic theories and concepts of utility (Sanchez-Fernandez & Iniesta-Bonillo, 2007). Following Zeithaml's approach, one examines customer value by the different aspects of consumption behaviors. The customers' overall assessment of value results from the product's perceived price, quality and value instead of actual price and actual quality (Sanchez-Fernandez & Iniesta-Bonillo, 2007).

*Table 4: Examples of customer value definitions*

<b>Authors</b>	<b>Definitions</b>
(Zeithaml, 1998, p. 14)	“Value is the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given.”
(Monroe, 1990, p. 46)	“Buyers’ perceptions of value represent a tradeoff between the quality or benefits they receive in the product relative to the sacrifice they perceive by paying the price.”
(Anderson, Jain, & Chintagunta, 1992, p. 5)	“Value in business markets [is] the perceived worth in monetary units of the set of economic, technical, service and social benefits received by a customer firm in exchange for the price paid for a product, taking into consideration the available suppliers’ offerings and prices.”

The common idea among these definitions is that they all define customer value as evaluation between what the customers gives and what they receive according to the customers’ assessment. Consumers define the value of a product or service, not the suppliers (Doyle, 1989). These definitions also cover the fundamental understanding about customer value and how it pertains to “utility”, “economic, technical, service and social benefits” and “emotional bond”. Specifically, the concept of customer value is relies upon the “perceived worth”, “perceived quality”, and the general “perceptions” of customers. In other words, the value is how consumers view the product's and service’s value instead of the product or service’s value in reality. If customers do not perceive value in a company’s products, the company’s strongest to create value for their offerings is meaningless (Landroquez, Castro, & Cepeda-Carrión, 2013). Customers’ perception changes depending on the person and on different use situations. Each person has their

own preference to assess the attributes of product or service attributes. Customer perceived value is subjective and varies among individuals (Zeithaml, 1998).

Product value may vary from tangible benefits such as price, quality, economic, and technical functions to more intangible factors generalized as “what I get”, such as an emotional bond, or social benefit. The Zeithaml (1988) definition is an advancement of previous study definitions. This definition considers value as a single notion such as quality or price. These definitions consider value as a dual concept by comparing what is gotten to what is given, even though this is true, price and quality remain two important aspects the understanding of value. Therefore a complete definition defines value as an evaluation: evaluation of product attributes (satisfies or dissatisfies) (Khalifa, 2004); and evaluation of what is gotten and what is given (costs or benefits) (Zeithaml, 1998).

The above mentioned definitions have some limitations. Firstly, the definitions are inconsistent and incomparable because they depend on other concepts such as utility, worth, benefits and quality. It is required to understand these secondary terms in order to explain the definition of customer value (Woodruff, 1997). Secondly, customer value does not appear merely after customers have consumed products. Research has shown that customer value manifest itself in pre-purchase, during use, and after use while being varied among using circumstances (Woodruff, 1997). For instance, before purchase customers could consider a product’s attributes whilst comparing it with other options to select the most favorable item. When using the product, customers evaluate the product’s performance to form their opinions or feeling about it. Customers could then determine value by other factors such as consequences from product use or their end goal and purpose (Woodruff, 1997). These preferences also vary depending on application. For example, choosing a computer for work is entirely different than selecting a computer for entertainment purposes at home because of the difference in application. The third limitation to the definitions listed is that customer value is narrowly defined mainly focusing on attribute-based desires. Lastly, though the uni-dimension approach covers most of the elements in customer activities, it is considered as a static model because studies do not consider the dynamic of value building or connect with consumers’ goals and purposes in decisions (Khalifa, 2004).

### 3.2. Customer value as a multi-dimension construct

The multi-dimensional approach regards customer value as a complex phenomenon including interrelated attributes or dimensions (Sanchez-Fernandez & Iniesta-Bonillo, 2007). From this approach, customer value is evaluated based on different constructs and becomes a dynamic concept. Customer value is no longer limited to attributes level but is studied in regard to the outcome of product's performance and customer's purpose. Researchers taken into consideration the multiple contexts such as before or after purchase (Parasuraman, 1997) and various other evaluation criteria of customers (Woodruff, 1997).

A Multi-dimensional approach defines customer value as below:

*“Customer value is a customer's perceived preference for and evaluation of those products' attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations”*  
(Woodruff, 1997, p.142)

Researchers understand the Woodruff (1997) definition of customer value by its hierarchy model. The value hierarchy model of Woodruff (1997) takes the consequences of products in the in-use situation and consumer goal into account. It has built a link between product attributes, product performance, and products outcomes when defining customer value. Customer value is not merely the evaluation of product attributes but a combination of multiple cognitive options (preference and evaluation) at different abstract levels (product attributes and performance, consequences in use situations and customer purposes) (Parasuraman, 1997). This paper will move up the hierarchy to reflect on customer value and how it reveals abstract product benefits and more insight into customers' needs. The consumer chooses a product not simply because of its features but they also due to specific expectations and their goals. For example, a teenager decides to buy a Zero Coke because it has the same flavor as regular Coke but without added sugar. Original flavor and no sugar are two product attributes. The teenager assesses that the Coke helps to satisfy his thirst and provides him with joy when hanging out with friends. Satisfying thirst and joy are two consequences in used situation. Furthermore, the assessment of value does not terminate at this point. The teenager decides to have Zero Coke because he wants to maintain his fitness by adopting a healthy lifestyle. In this case,

the customer perceives the value of Zero Coke by its attributes, together with its performance and how they are matching his purpose inside a particular situation.

The multi-dimensional approach expands the scope of customer value in comparison with uni-dimensional approaches. It reflects the richness and complexity of the concept of customer value in multiple contexts (before and after purchase), multiple cognitive options (preference and evaluation) at different abstract levels (product attributes, attribute performance, consequences in use situations) (Parasuraman, 1997). However, the dynamic nature and preference of customer value create a challenge in study and measurement. Diverse customer value dimensions reflect the changing nature of customer value as well as differentiate customer value from similar constructs such as quality, price or utility. In other words, quality, price or utility are part of customer value but not the entire idea.

The concept of consumption value (Sheth, Newman, & Gross, 1991) emphasizes the influencing factors of customer choices. The study showed results in five key dimensions: functional, conditional, social, emotional, epistemic value (Sheth et al., 1991). Consumer value research (Babin, Darden, & Griffin, 1994) mentions the emotional factor in studying customer value, while other researchers ignore this point. Customer behavior has a foundation in both utilitarian and hedonic value. Utilitarian value refers to a rational decision while hedonic value focuses on the emotional aspect of customer behavior (Babin et al., 1994). Parasuraman and Grewal (2000) proposed another set of dimensions encompassing: acquisition value, transaction value, in-use value and redemption value. These dimensions are applied to both products and services and emphasized value in different stages of purchase: before, in-use and after use (Parasuraman, 1997). However, these dimensions fail to reflect the increasing abstract level of customer value as mentioned by Woodruff, 1997. The Sweeney and Soutar (2001) study aligns with studies of Sheth et al. (1991) and Babin et al (1994). They suggest the following dimensions: quality/performance, emotional, price/quality and social dimension of products. These dimensions again compose of both utilitarian and hedonic components and are proved to be valid both in pre- and post-purchase (Sweeney & Soutar, 2001). Unlike other researchers, Petrick (2002) argues previous customer value dimensions are primary for products. It is necessary to have proper dimensions for services because services are different in the nature from products. Services are

intangible, perishable, variable and inseparable (Lovelock, 1983). His proposed dimensions include: behavioral price, monetary price, emotional response, quality and reputation. He goes on to include the idea that specific value dimensions for services must prove its validity within a tourism context (Petrick, 2002). The Rintamäki et al (2007) study of the retail sector has developed a framework for defining company competitive advantage. This study examined customer value dimensions including economic, emotional, functional, and symbolic value (Rintamäki, Kuusela, & Mitronen, 2007). The study of Smith and Colgate (2007) presented customer value dimensions as follows: functional/instrumental value, experiential/hedonic value, symbolic/expressive value, and sacrifice value (J. Smith & Colgate, 2007). The first three dimensions are in line with the Rintamäki et al (2007) classification while the fourth value focuses on the costs/sacrifices of customer value to include monetary and non-monetary costs, risks purchase, ownership, and use of products. Researchers have wide views on the concept of consumption value (Sheth et al., 1991) and its influencing factors upon customer choices.

Based on the above discussion of customer value dimensions, observers say that the dimensions vary among researchers and among different sectors. Yet, upon examining these dimensions closely, the responder can see, the dimensions are common in nature but for their titles. For example, authors widely mention dimensions that include perceived price, perceived quality (such as product attributes, functions, and performances), and emotional value. There is a mixture between emotional and symbolic value dimensions. Social dimension is sometimes included in emotional or symbolic value; while according to other researchers, social dimension stands alone. Symbolic value is sometimes defined differently as reputation or epistemic value. The complex and abstract of nature this dimension could explain this difference. Moreover, symbolic value is considered as the highest level of customer perceived value according to the mean-end model and the key influencer of consumer behaviors. As the study of Sheth et al. (1991) has emphasized: “Even products generally thought to be functional or utilitarian are frequently selected on the basis of their social value” (Sheth et al., 1991, p. 161). As discussed above, researcher’s definitions are common in nature but do include important differences due to the subject’s multifaceted and intangible nature.

### **3.3. Nature of customer value**

Researchers believe that conceptualization of value is ambiguous (Woodruff, 1997), multifaceted and complex (Gallarza et al., 2011). It is hard to find a clear consensus on definitions (Brennan & Henneberg, 2008). Therefore, further study on the nature of the customer value concept could provide a better understanding. The following segment discusses the contextual nature of customer value defined as an “interactive relativistic preference experience” (Holbrook, 1996, p. 138).

Firstly, customer value is an interactive notion. Holbrook (1996) disagreed with other study positions which favored neither subjectivists nor objectivists. According to his study, customer value involves an interaction between a consumer and a product or service similar to an interaction between a subject and object. Although some physical or mental features of the product could affect customer value, the involvement of subject remains unchanged.

Secondly, customer value is relativistic. The customer value's comparative, personal and situational characteristics reveal its relativistic nature. Customer value is comparative as it develops an evaluation of products or services. Customers will have a specific comparison to define better offerings. This customer value comparison is between objects instead of subjects (Holbrook, 1996). For example, “I like pink dresses more than black ones” is a comparison of objects; whereas “I like pink dresses more than you do” is a comparison of subjects. The comparative nature of customer value is argued (Gale & Wood, 1994; Petrick, 2002; Van der Haar, Kemp, & Omta, 2001) because other authors do not consider these factors when studying customer value (Landroguéz et al., 2013). Additionally, customer value is personal. In other words, individual assessment determines the value of products or services (Holbrook, 1996). A product could be good for one person but be unacceptable to others. This characteristic reflects the multifaceted nature of customer value and causes challenges when studying it. For example, different empirical research studies on customer value have provided inconsistent results (Gallarza et al., 2011). Researchers explain that as the study is of different individuals, with personal characteristics, this causes difficulty when generalizing a common result across people. Lastly, as mentioned previously, customer value is situational. In each context, customers tend to have a different evaluation (Holbrook, 1996). Evaluation of value may vary depending on each stage of purchasing process including before purchase, in use and

after purchase (Woodruff, 1997). This assessment depends on the time of purchase such as first-time, short-term, or long-term customers (Parasuraman, 1997); or the use situation itself like at home or work (Woodruff, 1997). The relativistic, objective and situational characteristics of customer value cause challenges to researchers who studying it.

Thirdly, customer value is a preference in nature. Preference nature means the customer holds one type of value in comparison with another type of value. Consumers adopt different criteria to evaluate the value of offering such as positive-negative, favorable-unfavorable, pros-cons, approach-avoidance, plus-minus, good-bad, or like-dislike. This nature differentiates value in customer value from values in psychographic meaning (Holbrook, 1996).

Lastly, researchers consider customer value as customer experience. Initially, Holbrook (1996) claimed that customer value results from consumption experience, not from purchase. However, customer value appears in multiple contexts both pre- and post-purchase (Parasuraman, 1997; Woodruff, 1997). Customers need sufficient time to reflect and judge in order to define value of products or services as a total experience. Customer value, by a proper understanding, is a holistic experience (Holbrook, 1996). To conclude, the nature of customer value could be summarized by an “interactive relativistic preference experience” (Holbrook, 1996, p. 138) of customers.

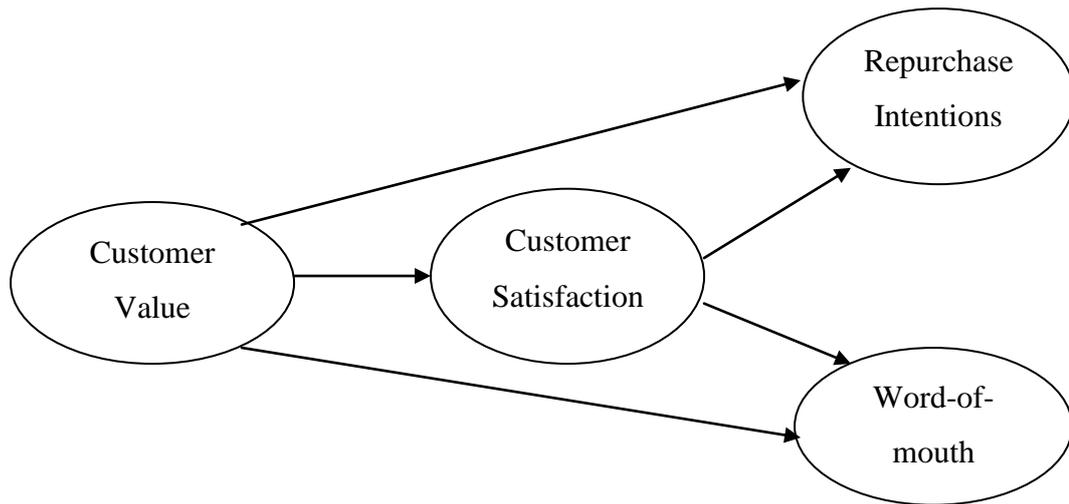
### **3.4. The outcomes of customer value**

Customer value firstly is considered a basic concept of marketing theory. If marketing is understood as ‘a process based on exchanges in which each party gives up something of value in return for something of greater value’ (Kotler, 1972), understanding customer value becomes the starting point for marketing process. Its importance is also recognized by American Marketing Association (American Marketing Association, 2013) when defining marketing as ‘a set of process for creating, communicating, and delivering value to customers’. Customer value is, therefore, considered as the central concept of different marketing activities. Moreover, customer value conceptualization builds a connection between important constructs in marketing disciplines such as perceived price, service quality or customer satisfaction (Gallarza et al., 2011). Although researchers adopt various perspectives and customer value literature needs further exploration, customer value research has provoked two main consensuses, including differentiating between:

quality, value and satisfaction; and secondly, between the linkages connecting value and related constructs (Gallarza et al., 2011; Zeithaml, 1998).

Secondly, customer value provides an understanding of consumer behavior in different stages of purchasing. In the stage of pre-purchase, customer value explains how customers choose a particular product (Zeithaml, 1998) and how customers select a specific brand (Arvidsson, 2006). Research has shown that customers have various value dimensions when choosing a product (Sheth et al., 1991) or service (Petrick, 2002) such as functional, emotional, symbolic value. The way customers perceive value affects their consideration and choice over a product or service. In after-purchase stage, the customer value concept becomes a foundation to predict customers' commitment to the providers (Pura, 2005) as well as loyalty to the products or services (Petrick, 2003).

Thirdly, research has shown that customer value and customer satisfaction are connected. Customer value includes benefits which have a positive influence on customer satisfaction while customer value also includes sacrifices. It is unclear whether these sacrifices have an adverse impact on customer satisfaction (Gounaris, Tzempelikos, & Chatzipanagiotou, 2007). Customer satisfaction is a function of customer desired value and received value. The benefits customers get from product attributes, attribute performance and consequences would define the level of satisfaction (Parasuraman, 1997). Before purchasing, customers have specific expectations of products or services based on their needs, values, and experience. During and after purchase, customers have specific accumulation based expectations on their perceived value. The consumer achieves satisfaction if experience exceeds expectation (Parasuraman, 1997). Customer value also influences customer's behavior after purchase. When the perceived benefits exceed perceived sacrifices, customers feel satisfied with their choice. A satisfactory experience could lead to positive comments on products within customer's network and repurchase intentions (Gounaris et al., 2007; Oliver, 1999; Petrick, 2002) (*Figure 2*).



*Figure 2: The outcome of customer value (Gounaris et al., 2007)*

Fourthly, in recent years, strategic management has considered value as the main focus for the success of an organization. In the increasingly competitive environment, firms need to strive to build and sustain their competitive advantage over competitors. Companies apply numerous strategies were applied such as quality management, downsizing, and restructuring to provide a better product with a better operational process. These attempts resulted in significant improvement. However, they are no longer the primary sources for building competitive advantage. To build a sustainable competitive advantage, companies have to take customer value into account in their strategic planning. Customer value is considered as the starting point for key strategic planning elements including: market segmentation; product differentiation; and brand positioning. Therefore, creating excellent value for customers is an important strategic decision for a company to succeed in the market (Woodruff, 1997).

Lastly, from a macro level, the concept of customer value contributes to improvement of the overall living standard (Gallarza et al., 2011). If we understand exchange as an exchange between two parties in which each party provide something to obtain better benefits (Kotler, 1972), the living standard of each party would become better after the exchange. Customers search for a better deal at lower sacrifices while companies strive to provide more value to customers and greater offers over competitors. As a result, each party acquires more benefits after the exchange. Customer value becomes a source of improvement. Hence, researchers consider marketing activities could become a social

justifier because of its positive contribution (Holbrook, 1994). Companies add more worth to the society (Gale & Wood, 1994) by creating, delivering and capturing superior customer values. In general, increasing perceived value of products and services could improve the perceived living standard.

### **3.5. Synthesizing theoretical framework**

The primary aim of the study is to fill the gap in the understanding of sharing economy from the customer perspective by the exploration and analysis of customer-perceived value using this new business model. From previous discussions on customer value in literature, the value dimension approach is likely one of the key theories to understand the nature of customer value. Empirical evidence in different sectors such as tourism services (Petrick, 2002), products consumption (Sheth et al, 1991), and shopping experience (Kuusela, 2007; Babin et al, 1994) have proved these value dimensions. Within the scope of this study, the author will apply customer value dimensions in examining the sharing economy phenomenon. These value dimensions are defined as a multi-dimensional approach (Sanchez and Iniesta, 2007) and the researcher considers the sharing economy as a holistic and dynamic notion.

In this study, sharing economy phenomenon is studied by its benefits and costs among four key dimensions: economic, functional, emotional and symbolic value (Rintamäki et al., 2007). Each dimension includes both costs and benefits. The study aims to identify the costs and benefits of this sharing economy. As this paper moves up the framework, the abstract level increases as the paper looks deeper into the nature of customer behavior. The structure of the study starts from economic and functional value focusing on the utilitarian value of products or services, to emotional and symbolic value focusing more on the hedonic perception of customers (*Figure 3*). Below this paper will discuss, in detail, the value dimensions.

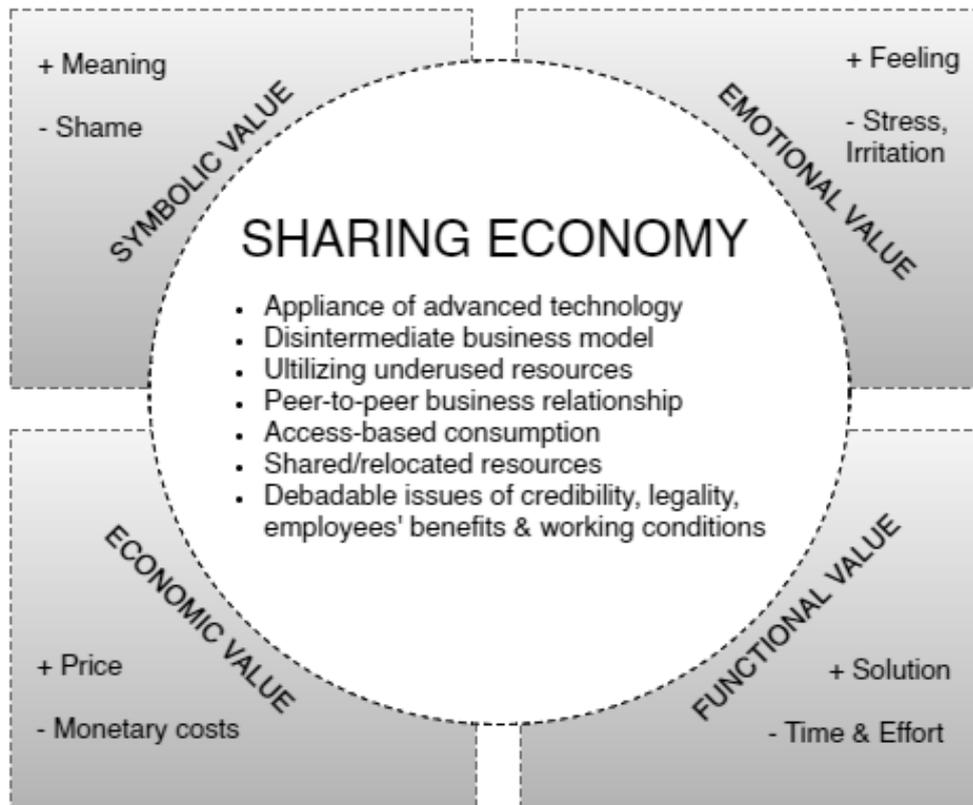


Figure 3: Synthesis of theoretical framework

*Economic value* is defined as “product’s objective monetary worth to a customer adjusted for the availability of competitive substitute products” (Smith & Nagle, 2005, p. 41) or simply as low price or the best trade-off between quality and price (Gale & Wood, 1994; Zeithaml, 1998). Customers who spend time and effort to find the lowest price prefer economic value. Interestingly, researchers note that customers are incapable of remembering the exact price of a product. Consumers encode price, in their assumption, as expensive or cheap in comparison with other offerings (Zeithaml, 1998). Customers may consider this option, in case having a better offer with a higher price if they perceive that the increase in quality is greater than the growth in price. Economic value is considered as the “hard-to-beat” driver of customer value (Rintamäki et al., 2007). In a sharing economy context, when people provide a service using their available resources, users offer at a better price without adding regular operational expenses. Using services from private providers, seen in the sharing economy, users could find a cheaper choice in comparison with traditional offerings.

*Functional value* is defined as the “perceived utility acquired from an alternative’s capacity for functional, utilitarian, or physical performance” (Sheth et al., 1991, p. 160). Functional value focuses on solutions for customers. Customers concerned about functional value want solutions that meet their needs with less time, effort, searching cost and decision cost (Rintamäki et al., 2007). A service has functional value when it has sufficient desired characteristics and performs the designed functions (Smith & Colgate, 2007). Correct attribute, appropriate performance, and appropriate consequences, for instance, could be considered as the key facets for functional value (Woodruff, 1997). The functional value dimension considers the sharing economy as a solution for customers. Customers’ perception of the sharing economy’s functional extends to how sharing economy systems work, how convenient the system and if the new way of consuming helps customers to save both time and energy.

Functional costs in the sharing economy may include search costs and learning costs. Search costs appear when customers are looking for suitable products or services for their needs or searching for a sharing program to join. Search costs appear, especially in subscription models, after entry as well. Due to the fact that the offerings in the sharing economy are individual and subject to change, users must keep searching until they find a decent offer; this extended search time increases the search cost. In addition, there are learning because customers have to familiarize themselves with new products or services in sharing economy. For typical offers, this represents only a one time charge, while in the case of collaborative consumption customers have to sacrifice in every single transaction. For example, a customer buying a new car learns the idiosyncrasies of that car’s usage once. In contrast, if they rent cars, they will need to discover how to operate a different car every time they want to use the vehicle (Lamberton & Rose, 2012).

*Emotional value* is defined as “perceived utility acquired from an alternative’s capacity to arouse feelings or affective states” (Sheth et al., 1991, p. 161). Emotional value emphasizes the experience or feelings of customers as they use a service. Emotional dimension could be understood such as feeling (pleasure, enjoyment), social-related (bonding, interaction, trust), or epistemic (curiosity, knowledge) (Smith & Colgate, 2007). Emotional value focuses on the “how” of product experience, whereas economic and functional value focuses on the “what” of product use. In the sharing economy, the social interaction is relatively strong between individuals. Users, in this economy, not

only consume a service but also, engage in a connection with other individuals including the service provider (Lamberton & Rose, 2012). The public regards the sharing economy is a new business model. Therefore, customers may have a new experience and feeling when trying this service. The emotional value dimension will focus on analyzing the feeling and affection of customer including self-emotion as well as feeling toward others and the sharing economy as a whole.

*Symbolic value* is defined as positive consumption meanings that consumers attach to self and/or communicate to others (Smith & Colgate, 2007). Symbolic value denotes what products or services mean to customers or how the item helps a customer to communicate their identity. For example, some products make customers feel good about themselves either by possessing or giving. Other products are meaningful to purchasers because the item associates with their personal spirituality. Furthermore, some products or services help customers to express their personalities, tastes, status or image to others (Smith & Colgate, 2007). Researchers regard symbolic value as the highest value among four key value dimensions. Although customer choices find their basis in functionality or utility, the reason underlying this choice is their symbolic value (Sheth et al., 1991). The symbolic value is similar to the key motive that decides all customers' decisions or preferences. In the case of Airbnb, customers may choose collaborative consumption because of their ecology lifestyle or anti-consumption spirit (Lamberton & Rose, 2012). Customers with environmental concerns may perceive the collaborative lifestyle as an ideal solution to protect the environment by using fewer resources and producing less waste. The anti consumption spirit refers to psychological gains by choosing an alternative way of life by less consuming and more sharing (Lamberton & Rose, 2012). The symbolic dimension is used to understand a common customer value of sharing economy, in the sense of what it means to them or how the use of sharing economy, reflects customer personality and a self-reliant attitude toward others.

## **4. RESEARCH METHODOLOGY**

There are two main questions in research development process: what are methodologies and methods used to tackle the research phenomenon and how these choices are evaluated and applied (Crotty, 1998). The following section will answer the previous questions by presenting the research methodology in three main steps: the methodological approach, data generation and data analysis.

### **4.1. An interpretivism approach**

In scientific research, there are two main perspectives on seeking for knowledge: positivism and interpretivism. Different view points lead to different methodology of research. The choice of methodology is grounded by the theoretical perspective of author based on research assumptions and goal. These underlying philosophical assumptions include belief about the nature of reality and social beings (Ontological Assumptions), and of what constitutes knowledge (Epistemological Assumptions) (Hudson & Ozanne, 1988).

Positivism perspective assumes reality is a single, objective existence and independent from human opinion. Reality is a combination of different parts and is fragmented so that it could be measured and observed. Positivists adopt a deterministic view on human behavior so that individuals behave reactively in response to external forces. The primary purpose of research is to develop the general rules of a current phenomenon to predict future phenomena. Positivists strive to search for cause and effect and to figure out the links between different factors for the research phenomenon. The aim is to find generalized rules for it. The role of researchers is independent from the study objects so that it does not interfere with or influence the general rules (Hudson & Ozanne, 1988).

Conversely, according to interpretivism perspective, reality is mental and perceivable. Human create theories and concepts to explain the world. Reality is social construct dependent upon the context and varies according to human's perspectives. Therefore, reality is an interdependent system researchers have to observe holistically. For example,

customer behavior differs according to the purchasing context. Researchers observe entirely different customer behavior when shopping in shopping malls versus online stores because of the purchasing context (direct - online). Interpretivists adopt a voluntaristic view on human behavior whereby individuals actively create things and interact to impact outside environment. Interpretivism perspective views reality understanding as an open-ending process rather than an end result. The research basically aims to provide a proper understanding of current phenomenon within its context. The current understanding could influence, instead of predicting, future phenomena because the context has changed (Hudson & Ozanne, 1988). In other words, “interpretivists seek to determine motives, meanings, reasons, and other subjective experiences that are both time- and context- bound” (Hudson & Ozanne, 1988, p. 511). Interpretivists seek to generate particular knowledge within a specific context to improve knowledge of the phenomena. The importance of understanding is a “thickness” description of a phenomenon. No factor is a single cause or single effect but an interaction and connection between different factors. The role of researchers is to involve and interact directly with research objects to gain a holistic experience (Hudson & Ozanne, 1988).

The author adopts the view of interpretivism to study customer-perceived value in the context of sharing economy because of three main reasons. Firstly, sharing economy is a social phenomenon. Social sciences such as psychology, sociology, and anthropology are culturally derived and historically situated (Crotty, 1998). Current understanding of the world is developed by humans, therefore, influenced by human awareness. It is difficult to make objective observations when studying social phenomena, because observations are influenced by personal value, theory and subjective interpretation (Anderson, 1983). Secondly, interpretivism helps to uncover customer value as a holistic experience (Holbrook, 1996). Interpretivists put the research phenomenon into its context and try to develop a particularistic understanding. The roles of individuals are emphasized because human beings actively interact with the external factors. Similarly, customer value is regarded as a context-based phenomenon and depends on individual preference. Consequently, defining a general rule or law to fully describe customer value is unrealistic. Thirdly, customer value does not embed in the object or the subject but in the mutual interaction (Holbrook, 1996). This fact highlights an important factor of being the active role of individuals in the interaction process. The author, to achieve research purpose of identifying customer value in the context of sharing economy, is required to

carefully observe and interpret individual perceptions within the interaction process. Therefore, due to the social nature of research phenomenon, the holistic aspect of applied theory and the research purpose, interpretivism is a proper research strategy to study sharing economy as a research phenomenon.

The study aim is to explore and identify customer value in the context of sharing economy. Choosing interpretivism as research strategy is rooted in the purpose of this study. Regarding ontological assumptions, according to interpretivism approach, customer value is considered as a holistic and interdependent notion. Value of sharing economy toward customers is constructed by different inter-related factors. These factors include customer perceptions and the characteristics of sharing economy itself. Customers play an important role in creating value. If value within this context is a reality, its construct is actively created by customers. This holistic and subjective nature of customer value has been confirmed in previous study (Gallarza et al., 2011; Holbrook, 1994; Rintamäki et al., 2007). Regarding epistemological assumptions, the interpretivism approach is focus on generating particularistic knowledge. In other words, purpose of this study is to understand a specific customer value in the context of sharing economy not to generate general rules for customer value in all contexts. The study's aim is to explore and identify a social construct in a new context rather than define cause and effect or the relationship between different factors. Researchers examine all the factors involved in the value creation process of customers in respect to its interrelation and interaction nature. Moreover, researcher following the interpretivism approach will involve and interact with the study object. Gummesson (2003, 2005) argues that research is always interpretive and emphasizes the role of researcher in the research process (Gummesson, 2003, 2005). Customers create perception of sharing economy value through their experience. The value is communicated through their stories. The researcher's role is as an interpreter; to transfer the customer story details into meaningful concepts. Therefore, interpretivism approach is a suitable research strategy to study customer value in the context of sharing economy.

#### **4.2. Qualitative method**

The primary purpose of this research is to explore and analyze customer perceived value in the sharing economy. The qualitative method is chosen to enter into customer's perspective and uncover their experience when using Airbnb. Within social research

disciplines, explaining human behavior in numbers and figures is challenging. A qualitative method helps to enhance and sharpen our understanding of social world (Hancock, Ockleford, & Windridge, 2007). Besides, the obstacles of using qualitative research is its validity and reliability which researchers are typically criticized (Alam, 2005). The research process solves this problem by following a predefined framework to assure the validity and credibility of qualitative research. Processes and procedures are transparent so that readers could evaluate the trustworthiness of collected data and coherence of conclusions.

To answer the research questions, in-depth interviewing is applied as a qualitative tool to collect empirical data. In-depth interview is defined as a “qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation” (Boyce & Neale 2006, p. 3). Researchers consider the interview method as an expensive and time-consuming data collection technique (Tuten & Urban, 2001). However, researchers widely use the interview method, in qualitative research, within the consumer context. Reason for this widely use is that by interview method researchers could obtain richness description of research phenomenon through detailed and open discussion. A richness description by interview method is aligned with the main purpose of the research which is to identify a predefined concept of customer value in a new context of sharing economy. Particularly, interviewers could observe the research phenomenon from respondents’ perspectives to uncover their feeling, memories and interpretation (Alam, 2005; Carson, Gilmore, Perry, & Gronhaug, 2001). Interviewer hence could adopt customer view on the research phenomenon to develop a sufficient understanding of customer value in sharing economy context. To conclude, richness description and detailed observation result of interview are main reasons for choosing this method for the research.

### **4.3. The case of Airbnb**

A case study is “an empirical inquiry that investigates a contemporary phenomenon in-depth and within its real-life context” (Yin 1999, p. 18). The case study method is widely used among different disciplines from psychology, sociology, political science to economics and management (Yin, 1994). The reason for using case study is that it helps to understand a phenomenon within its context (Dubois & Gadde, 2002) which is in line

with the research purpose of this topic. The context is an important factor when studying customer value to uncover its richness and its preference in nature.

The case study of Airbnb.com, an online booking service is chosen to study customer value in the sharing economy. Airbnb.com is a San Francisco-based start-up company founded in 2008 by Joe Gebbia, Brian Chesky and Nathan Blecharczyk. Airbnb.com is a community in which users could rent out or book accommodation. The company offers a new model of bed and breakfast accommodation built on the collaborative consumption model (Guttentag, 2013). Specifically, Airbnb is a peer-to-peer accommodation renting community catering to hosts and travelers. Hosts use Airbnb to promote their underused space and rent it out to others. Travelers use the site to book and stay at another person's house. Airbnb acts as a third party between hosts and travelers, and charges fees to both parties.

Airbnb offers three types of rooms: shared rooms for guests to sleep in the living room or sharing the same room with hosts; a private room for guests to use within a premise or apartment of hosts; and an entire apartment for guests to stay in without the presence of hosts. The type of accommodation ranges from 1-3 bedroom apartments to 1 bedroom studios with kitchen or even a tree house bungalow.

Researchers choose Airbnb, as a representative of the sharing economy, for the following three reasons. Firstly, Airbnb is a typical business model in collaborative consumption: critical mass, idling capacity, belief in the common good and trust between strangers. Airbnb has the critical mass, as a widely available service, with booking services available in 190 countries and more than 2 million listings worldwide (Airbnb, 2016). Idling capacity is Airbnb's specialty as it enables its customers to utilize this methodology by, renting out a room, and using its service. Customers of the Airbnb system build their trust, in the common good, by checking other online profiles and previous reviews. Secondly, Airbnb together with other modern companies such as Task Rabbit, and ZipCar are pioneers in sharing economy and continue to develop. The business model, of Airbnb, has sufficient time for adjustment and development and is a proven success. Airbnb represents a large size of the market, with the rooms available for rent on Airbnb in 2012 exceed the volume of each single brand of two largest hotel chains in the world (InterContinental Hotels Group and Marriott International)

(Guttentag, 2013). Thirdly, customers widely recognize Airbnb. Approximately, 60 million guests have used the Airbnb service in 34 thousand cities (Airbnb, 2016). Thanks to the broad knowledge of Airbnb, the choice of respondents is simpler in the data generation process. This study on Airbnb will provide a general view of the business model of the sharing economy.

#### **4.4. Data generation**

##### ***4.4.1. Choosing respondents***

Interviewees are selected based on three criteria. Firstly, respondents are between 20 to 30-year-old customers who have used Airbnb before. The age limited helps to target a particular group of respondents so that they share similarities in interest and income. At this age, respondents are mainly students or young workers who have just entered the working market. Secondly, respondents are customers of Airbnb. There are two types of users in Airbnb customers, who use Airbnb to book accommodation, and hosts, who use Airbnb to rent out their spaces. A user could function in either role or both roles. Within the scope of the research topic, target respondents are Airbnb customers who use Airbnb as an online booking service to book accommodation. Interviewees are not required to be registered, users/hosts. Thirdly, there are no other limitations such as nationalities or occupations. The aim of choosing participants is to cover customers from different nationalities who have experience Airbnb in various areas. The reason for purposive sampling is to provide a full presentation (Patton, 1990) of data. Studying different objects helps to capture the complexity of social settings (Alam, 2005). The technique of snowballing is applied to identify key informants (Moriarty, 1983). The author asked the respondents to ask their friends and friends-of-friends if they are interested in participating in the interview.

##### ***4.4.2. Conducting interviews***

The author designs the study as a semi-structured interview - a widely used method in social research. Different from structured interviews, semi-structured interviews do not follow predefined questions or full outline. Instead, researchers design semi-structured interviews, in various themes, to keep the topic open for further exploration. The preset themes are a guideline for the interviewer to ensure focus on a particular topic. Questions and ideas are open to modification and adjustment during the interview process. The actual interview is conducted in a professional, flexible manner so that conversation will

develop naturally and informatively. The interviewer will first ask fundamental questions and continue based on the answer from respondents (Edwards & Holland, 2013).

The author developed an interview protocol, including the conversation flow, important themes and key basic techniques, to conduct the interview. The first two interviews are considered as rehearsals before beginning official interview. After these trials, researchers conducted actual interviews following the interview protocol. Respondents were allowed to expand, illustrate and digress freely throughout conversation (Alam, 2005). The interview protocol was used as a guideline to ensure that interviewing meetings were conducted in an appropriate manner. Respondents shared their experiences in their words and discussed themes which they found significant. The interviews did not follow any order. Questions were based on the interviewee's responses to avoid any predefined framework or logic on respondents (Alam, 2005). Along with the interviewing conversation, if interviewer found an interesting point, interviewees were asked for further explanation. Interviewer repeated the point, to confirm, and then asked for clarification to assure correct understanding of interviewee's responses. The author took notes during the interview process to compare and to reflect upon in the analyzing stage.

The author collected data, by different communication methods, from a variety of participants. A site was created to introduce the research topic and plan for the interview. The author shared the site via all channels in the author's network. On the first day after launching, participants initiated contact, showing their interest in participating in an interview.

As a result, 21 semi-instructed interviews were conducted in one month (*Table 6*). Respondents include both male and female from different nationalities: Vietnamese, Finnish, American, British, Chinese, Korean, and Hungarian. Age ranges from 22 to 32 years old. The areas of using Airbnb are from Europe, America, Australia, and Asia. Interviews were conducted by various means including face-to-face meetings at the University of Tampere and or through online video calls or texting in the case of participants in other countries.

*Table 5: Informants list*

<b>No.</b>	<b>Pseudonym</b>	<b>Gender Age</b>	<b>Area using Airbnb</b>	<b>Times using Airbnb</b>	<b>Interview date</b>	<b>Interview length</b>	<b>Interview method</b>
1	Carol	F22	Europe	4	14.10.15	34 mins	Video call
2	Nancy	F22	Europe	10	25.10.15	43 mins	Video call
3	Lily	F25	America	6	26.10.15	36 mins	Video call
4	Tomas	M32	Europe	2	27.10.15	56 mins	Face-to-face
5	Anna	F27	Asia	3	30.10.15	50 mins	Online chat
6	Josh & Lyna	F22 &M22	Europe	1	31.10.15	26 mins	Face-to-face
7	Hana	F28	Europe	3	31.10.15	19 mins	Video call
8	Violet	F27	Asia	2	31.10.15	32 mins	Video call
9	Emily	F25	Australia	1	01.11.15	56 mins	Video call
10	Lara	F24	Europe	7	03.11.15	51 mins	Online chat
11	Tiina	F22	Europe	4	04.11.15	49 mins	Video call
12	Linda	F25	America	4	04.11.15	42 mins	Video call
13	Peter	M25	Asia	2	07.11.15	30 mins	Video call
14	Teehee	F23	Europe	8	07.11.15	56 mins	Online chat
15	Sara	F26	America	1	04.11.15	16 mins	Video call
16	Bella	F24	America	4	09.11.15	45 mins	Online chat
17	Cathy	F27	Europe	2	10.11.15	45 mins	Video call
18	Kimmy	F22	Europe	1	12.11.15	31 mins	Video call
19	Jonas & Daisy	F22 &M26	Europe	1	13.11.15	48 mins	Face-to-face
20	Cindy	F25	Europe	1	20.11.15	51 mins	Face-to-face
21	Julia	F27	Europe	8	26.11.15	21 mins	Video call

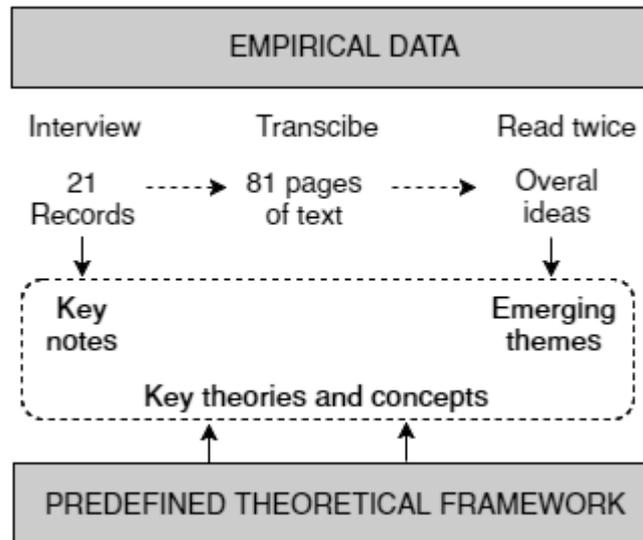
Regardless of the communication means, the interviewer kept the conversation going in a natural and responsive manner. However, the interviewer did not propose subjective opinions or comments, remaining in a neutral position in the discussion. The average time for an interview was 40 minutes. The longest conversation lasted for 56 minutes and the shortest interview lasted for 16 minutes. Meeting time depends on the interviewee's responses and the content of the conversation. Regardless of timing, the interviewer ensured that the respondents discussed all themes about the topic. Even though some respondents shared more information than others, talks covered all issues related to the topic. A conventional process was followed to affirm that all interviews were conducted in a similar manner without neglecting any useful information. All interviews were recorded and notes taken for further analysis.

#### **4.5. Data analysis**

All interview recordings were transcribed resulting in 81 pages of text. Transcript of the interview was read twice to get an overall idea of customer perceived value of Airbnb. Keynotes were taken to highlight key topics that customers discussed. After the second reading, there were different key themes emerging from the data. There was still not any conclusion or explanation on the results at this point. The multiple reading of transcripts is necessary to capture the holistic experience of informants (Flint & Woodruff, 2001). Collected data is analyzed by the author, without the help of software, because software could assist but not interpret as a human (Gummesson, 2003). To understand, explain and analyze, the role of human interpretation is important in qualitative research. The transcribed data is analyzed focusing on real experience and perception of customers. Other opinions or preferences, such as shared information in conditional terms or shared experience of others, are excluded from the results (Stake, 2004).

The hermeneutic process is applied to the key themes and topics, from the first two reviews, to obtain a better understanding of customer perspective (*Figure 4*). The hermeneutic process starts from a pre-understanding of the fundamental theories, and knowledge about the research phenomenon, followed by an understanding of the empirical results, and the last step is to explain, to reflect and develop the link between previous knowledge and new understanding. The process of explanation yields a better understanding of current theory or the development of new theory. Hermeneutics, therefore, provides a systematic approach to find meaning in collected data (Gummesson, 2003).

The method of hermeneutics is not merely a linear process. To define the meaning of a social construct, it requires a systematic and holistic context (Gummesson, 2003). Because the concept of customer value is a holistic and preferred experience by nature (Holbrook, 1994). Therefore, the context is important. In the analyzing process, the context in which customers are travelling is taking into account, for example whether they travel alone or with a group, how long they stay or the lifestyle choices reflected in their destination.



*Figure 4: Data analysis process*

Moreover, in hermeneutic process, abductive reasoning is applied in the explanation step. Deduction reasoning itself does not reflect the nature of this research because the main study aim is to identify a concept in new context not to evaluate any predetermined hypotheses. Neither, induction reasoning could assist to tackle the research purpose. Customer value literature is employed as a theoretical guidance for research while empirical data is also emphasized in data analysis process (Saarijärvi, 2011). The main difference of this approach in comparison with deduction or induction is that it does not provide a conclusion from data or vice versa. Instead, the analyzing process moves continuously between the empirical world and the theoretical model. The theoretical framework is redefined and readjusted together with the empirical results until they are synchronized and yield a reasonable explanation about the research phenomenon (Dubois & Gadde, 2002).

## 5. CUSTOMER VALUE IN AIRBNB

The results chapter presents the key findings from customer response data. These key findings seek to answer the research question: “What are customer perceived benefits of the sharing economy?” and “What are customer perceived sacrifices of the sharing economy?” Data was analyzed using the lens of multiple customer value dimensions. These dimensions stretch across economic, functional, emotional and symbolic, each applied to the benefits and costs found in the customer data. Observers can argue that the perceived value dimensions interfere with each other. Within a feature of the sharing economy, functional and emotional benefits could be found simultaneous. Indeed, some features of the sharing economy could present benefits to some customers, while other customers perceive them as costs. Customer perceived value is a dynamic phenomenon and rich in diversity. Its complex and dynamic nature pose a challenge to interpretation. As a rule, it is necessary to focus more on conceptualization and interpretation rather than in definition (Gummesson, 2005).

To reflect the richness and diverse nature of customer value as a holistic experience, the result is presented according to the themes emerging from data. The researcher shows, in full, the contradiction and interrelation of dimensions from collected data. Common topics are grouped together and fully described by different related aspects to classify them into perceived benefits and perceived sacrifices of Airbnb.

### 5.1. Perceived benefits of Airbnb

#### 5.1.1. Saving accommodation expenses

Price is the primary focus of customers when discussing perceived value of Airbnb. Customers regard the Airbnb service as a saving solution in different extents. Customers prefer Airbnb because their price is considerably low. Value firstly is low price (Zeithaml, 1998). Customers choose Airbnb because they think the price is rather low in comparison with hotels or hostels. Below is some of the feedback shared by customers.

*“It is also cheaper” – Julia*

*“It was a reasonable price for a solo traveler. Even cheaper than hostel” – Teehee*

*“I can save a lot of money” – Cindy*

*“It’s safe and has a reasonable price” – Tiina*

*“Because I have low budget so I prefer Airbnb” – Nancy*

Staying at Airbnb is saving, in a sense that they could get better quality or better condition (benefits) in the same or at the lower expense (cost). This dimension reflects clearly what Zeithaml (1988) and Holbrook (1996) have mentioned as the most-valued characteristic of customer value. Customers perceive one type of value in comparison with other types. For example, when customers perceive a product as cheap, it is considered cheaper than similar offers in hotels or hostels or other forms of accommodation. The economic value is defined by comparing between what customers get and what they give (Zeithaml, 1998). If benefits such as room condition, location, facilities are higher than what they sacrifice, in this context, money, customers think that Airbnb has economic value.

When comparing the price of Airbnb at the price of hotels or hostels, customers found that they get more benefits at the same price when choosing Airbnb.

*“You have the same services like in the hotel at lower price” – Jonas & Daisy*

*“Don’t have to pay much but get a place in good location and host is also nice” – Hana*

*“At this price, we could stay in a small room at a hotel but with Airbnb we could rent an entire apartment” – Bella*

*“With the same price as hostels but we could have our own room” – Tiina*

*“Airbnb offers a cheaper price for a private room” – Hana*

Another unique feature of collaborative consumption is its disintermediation. Providers and users are connected directly via a virtual space. This direct connection trims the cost for a middle man to the minimum marginal cost (Denning, 2014). Moreover, the primary focus of collaborative consumption is the access to goods, meeting a basic need. Additional features, in the case of Airbnb, such as room cleaning, serving, 24-hour reception are eliminated. Guests pay for what they use and cover their needs. It is another way of regulating consumption.

*“At regular hotels, it is more expensive because we have to pay for other services such as cleaning fee, service fee. At Airbnb, we only pay the room price for the owner” – Josh and Lyna*

Guests in some cases could negotiate with hosts about the number of people staying and the price per night. This peer-to-peer relationship gives customers the flexibility to negotiate a better offer at a similar or lower price.

*“Room is for four people, but we travel in a group of three. We asked for discount, host agreed, and he sent us special offer” – Lily*

### ***5.1.2. Easy to book and stay at a private accommodation***

Customers perceived the convenience of Airbnb, firstly, in the sense of its simplicity. Airbnb is an online booking site, available as an application on smart devices. Its friendly interface provides a simple way to search and book a room. Customers enter the date of their stay, city and preferred room type to find a suitable place. When they find a place, the booking process happens totally online. Customers make payment by credit card. Their Airbnb account can even save the payment information; so the next time customers, do not need to put in payment information, just book and click pay. The whole searching and booking process happens in a few steps online. The confirmation is sent directly to travelers, when hosts approve the stay, and the confirmation stored on their smart devices. Travelers could easily find a place to stay wherever they visit. It makes traveling more comfortable and less time consuming.

*“The system in place is really easy to try” – Julia*

*“I have the application on the phone. I can just choose the date and the city, and I can see the map, I can see the price, all the things directly and the date available then I can communicate with them. If it’s fine, then I just book directly... The payment is very convenient” – Lara*

*“It is easy for me to book a room. I can use my Facebook account to sign in very quickly. The user interface is simple” – Peter*

The booking procedure is simple. Guests can book and stay without filling any paperwork. Deposits are not required for guests preferring a long-term stay; customers can stay as long as they wish or prolong their stay without any obligation or contract.

*“In some cities, I want to stay longer, but I don’t want the contract. I just want to stay in Airbnb for a month; I can just book and stay” – Lara*

*“I login to Airbnb and send a request on how long I would like to stay. The host then sends his approval, and I pay. Payment is made by credit card. That’s all” – Peter*

Moreover, Airbnb is a convenient solution for customers as a tour planning tool. When they enter a city name, there is an Airbnb map showing the different locations of hosts. Customers follow the Airbnb offerings on the maps to plan their trips. Hosts in a special location promote their offerings as a unique experience for customers. Travelers can find something new without spending too much time for searching information.

*“It is more convenient. You could choose where you want to go; Airbnb hosts will appear on the maps around, and you can choose wherever you want to go. There are Airbnb hosts everywhere” – Jonas & Daisy*

Customers find Airbnb convenient and flexible. It is a peer-to-peer relationship so customers can freely discuss and negotiate with hosts. The interaction between hosts and guests are not strictly governed by standards or formal rules. Collaboratively they could arrange, such as check-in, check out time, and the number of guests.

*“I could discuss the time of check-in and check-out with hosts” – Tiina*

*“Some places say a room is for five people, but we could stay six once hosts agree” –  
**Tiina***

Besides, the perceived functional value of Airbnb, unique features is a selling point of this collaborative consumption model. Customers wanting unique features have additional benefits in addition to the use of a room. The majority of posting rooms have a kitchen or other amenities such as laundry room, parking bay, and living room. Customers pay for using the room, and in some cases, this grants them access to other facilities. In most of the cases, hosts allow guests to use all facilities without an extra fee. Customers view these extra features in an economic light, for instance, the ability cook at home to save them money on eating out.

*“We can use the kitchen and cook at home; it saves money”– **Josh and Lyna***

*“I can cook and freely use all facilities in the house” – **Lily***

Lastly, Airbnb is convenient because of the availability of hosts. Hosts act as helpers, information providers, and local advisers. Before guests arrive, hosts are an essential information source that customers can use. Guests could have various questions before their trip and can ask hosts to explain and provide information. Hosts could also act on behalf of customers to book a tour or deal at a local price. Airbnb does not regulate hosts' behaviors toward guests. However, with sincerity and kindness, hosts offer different types of help to support visitors to make their trips convenient. Hosts can provide additional services such as airport transfers (for free or charging a small fee), and local information which travelers could not get from travel guides. With the help of hosts, the customer could have a valuable understanding of the destination similar to that of residents.

*“When I am on traveling, I do not know anything about that place and have tons of questions. I could ask the host about everything I am concerned about” – **Anna***

*“Almost end of my 2-month travel. So I was exhausted, and my plan changed, so I went to Madrid and stayed there longer than I planned. So I didn't have any idea of the city, how to kill the time. So I decided to ask for local's help, so I chose Airbnb” – **Teehee***

*“Host advises me on tour planning and deal good price for us” – Anna*

*“I was picked up by the host from and to Railway station at no cost” – Kimmy*

*“The host helps me with many things, I hardly get lost when I use Airbnb” – Hana*

*“In case of emergency, we still have contact of host to rely on” – Nancy*

*“The host lends us their VIP card so we could get a discount in cafe and restaurants. They show us where to eat. They are incredibly nice” – Anna*

*“The host helps me to make a membership card so I could buy seafood at 25-50% discount” – Tiina*

### **5.1.3. Feeling of being home**

Staying at Airbnb is unique because of its homey atmosphere. Airbnb can provide a space in a home, where the hosts currently live, ensuring it is furnished and has cooking facilities. Customers can have a pleasant stay and do what they normally do at home. The Airbnb accommodation is similar to a real home, for guests, rather than renting a place or staying in a hotel despite the fact that customers are renting the place.

*“When you live at home, sometimes you can use all the kitchen things” – Lara*

*“There is one room locked in the house; we could freely use all other facilities. It is so nice! There are enough bedrooms for the 5 of us; we also have a dining table, a kitchen, a piano in living room and other instruments” – Tiina*

Besides, staying at Airbnb offers customers the sense of ownership. The feeling when living in a house is more personal and more comfortable. Customers could follow their daily routine even though they are on traveling. Airbnb provides travelers with a feeling of being at their home rather than renting a room for one or two nights.

*“You feel more like home where everything is yours than at a hotel where you just rent it” – Nancy*

*“You just like staying your home so. Basically what we did: we cooked dinner, watched some TV and sat on the sofa” – **Cindy***

From a customer perspective, home is associated with safety, relaxation, and comfort. When customers stay in other people’s places, they could have the feeling of being home. As a result, customers feel safe and comfortable.

*“When I stay at someone’s home, it makes me feel really secure, and makes me feel closer to the city that I am traveling” – **Lara***

*“Sometimes when I travel alone, it’s better to stay in Airbnb I feel safer” – **Lara***

*“We travel in groups and rent an entire house. We can leave anything at home even our passports. We can totally rest assured” – **Tiina***

*“I want to stay at Airbnb place because I like its homey atmosphere” – **Tiina***

#### **5.1.4. Experiencing local culture**

Airbnb’s places are commonly located outside of tourist areas. The transportation is not as convenient as a hotels or hostel. In return, customers can have a more native and genuine experience of local living.

*“Choosing Airbnb, I could occasionally stay at an interesting place. The town is not in the city center so that it still remains its unique feature undestroyed by too many tourists.” – **Tiina***

*“At a local stay, I could experience their lifestyle more. I think that is the point of traveling: for a truly unforgettable experience” – **Bella***

*“Cause it's not possible if u are just at a hostel, surrounded by other travelers. If you are at a hostel, people may know "little more" than you but still less than locals know. Even though hostel organizes some "local trip" like pub crawl it's another sightseeing tour. And personally I value unique experiences - something unlike what others have heard of” – **Teehee***

The uniqueness of Airbnb experiences results from different features. The first unique experience comes from the individual character of the house. Unique places have a variety of designs and architectures. Hosts have a personal way of organizing and decorating which reflects the personal characteristics of the owners. Airbnb customers find that these owner features gave them a unique experience in every place that they stay. Customers now believe, whenever they make a choice to stay at an Airbnb, it could lead them to a whole new and unpredictable experience

*“You could have a unique experience unlike anything before” – Anna*

*“The one I stay in Berlin is really clean, and the host is a musician. So the room is really special and empty like all the things inside of it. Yes, really special for me” – Lara*

*“The villa is designed by his son in law – an architect in Hong Kong. It is amazing and located in the most beautiful area in Cebu (Indonesia)” – Anna*

*“Yeah, so when you go into a hotel room, every hotel rooms are exactly the same... There would be the standard bed and standard table with pen and paper on. In Airbnb, it is someone’s home. They made it their own home, so there is a wall with the picture on, the color they like. And it may have a bit more culture in the way it is setting... So you know like the kitchen, for example having like a little mirror for look at your outfit when you get to dress up, you have a couch to sit on and to watch TV” – Julia*

*“When I am in the hotel I felt like just so like I stay at every room is exactly the same. It doesn’t feel personal. It is just, you know, white bed sheet. And I think with the Airbnb maybe it is more personal like we have our own TV and Sofa and everything like kitchen” – Cindy*

Travelers could experience the traditional housing of a new place and have a chance to live exactly like locals do.

*“The cultural features are not bold at hotels or hostels. But in Airbnb, I could learn how the local live, exactly like how their normal lives are. It is like I could live exactly like how a local live” – Tiina*

*“I chose the house because it was a traditional wooden house of Thailand. I could stay in an over 50 years wooden house” – Anna*

Secondly, the unique experience with Airbnb comes from its local hosts. Hosts are residents with local understanding and knowledge. Customers could learn more about local life from a local person. Moreover, customers not only have a place to stay but a chance to truly experience the local living. They are invited to and connected to participate in local activities. Customers could eat, sleep and do activities such as local people.

*“Host invited me to a local festival. It was an unexpected experience. As if I was coming back to a village and meet elderly who were friendly and warmly hold you in their arms. I don’t think that I am in a foreign country, I feel like I am in my hometown” – Kimmy*

*“They really showed me local places, local things. Because it's not possible if you are just at hostel, surrounded by other travelers” – Teehee*

*“At Venice, she and her family offered me local foods. It was very local food because they used vegetable grown by his parents and made food!” – Teehee*

#### **5.1.5. Socially engaged and being friend with new people**

Another emerging theme from customers’ responses is the social aspect of Airbnb. Staying at an individual house could become a chance for customers to make friends and have improved integration with others. Customers can have a meaningful conversation with hosts or cook together. Bonding with hosts, in most cases, becomes an unforgettable memory of the trip for customers.

*“I have met the host lady who is really nice. We talk a lot like Yoga and everything, and when I live there, we cook together. For me, it is nice to meet new people and to stay at someone home makes me feel really comfortable like a home not a hotel or something else” – Lara*

*“Hosts are very nice. They help us to rent motorbikes, give us a list of places to visit and lend us a map. They arrange for us to go for a whale shark sightseeing tour. There is a*

*kitchen at our place. We cooked dinner, and when we eat, hosts prepare for us candles and fresh fruits. We are like on our honeymoon” – Anna*

Besides, the Airbnb platform encourages mutual trust between people. Airbnb plays the role of a third party between hosts and travelers. Airbnb allows hosts to upload information about their place on Airbnb website so that customers can use this information to judge the situation and decide their bookings. Customers make payment, in advance, into an Airbnb account. Airbnb facilitates the transfer of payment after the guests stayed. Airbnb, as a facilitator, connects hosts and customers and helps build trust. Sharing is an instinct motive of human beings (Smolka & Hienerth, 2014). Researchers recognize the prevention of sharing and kindness as of lack of trust. Airbnb’s transaction mechanism encourages mutual trust between strangers and provides more credibility for both parties to be more open and trustworthy. From a customers’ point of view, this mutual trust helps them gain social engagement, with the host, and progress further within a new social circle in the places they stay. In other words, the collaborative consumption system has promoted the connection and interaction in the community (Piscicelli et al., 2015).

*“I even get to know some people in the village. They invited us to their social circle because they know my host” – Tomas*

*“There is warm engagement between people. Hosts are willing to sit down and share about their opinion upon the place, the culture” – Carol*

Hosts play an essential role in building an engaging environment at Airbnb. Customers feel welcomed in a new location by total strangers. The sense of trust and friendliness connects customers to new places.

*“Things are prepared for you. The host takes me around and introduces everything to me. Like the host said ‘I just wash this bed linen for you, this is your bed, this closet you can use”– Carol*

*“The hosts are so nice; even their housekeeper is nice with us. I was welcomed like a member in their family” – Anna*

The development of Airbnb encourages a sharing spirit within the community. People tend to show trust and favour when sharing verses ownership. Trust in sharing economy could be considered as the next step of social exchange online. As the Airbnb example shows, this online trust translates through to the offline exchange. The social mechanism of a social network has promoted trust between people (Botsman & Rogers, 2012). Consequently, people renew the sharing habit and favor of community they demonstrated in the past. Airbnb is a tool for customers to be more socialized and engaged in the community.

Moreover, the mechanism Airbnb created forms the foundation for mutual trust between hosts and guests who are total strangers. Hosts and guests play essential roles in building confidence. Because of the trustworthy image promoted by Airbnb, guests make their payments in advance to an entirely unknown person. In return, hosts show trust by accepting strangers to stay in their houses. Trust is built by the mechanism but is cultivated by the behavior of hosts. Their kindness and sincerity provoke confidence in guests, encouraging positive acts of reciprocity (Lahti & Selosmaa, 2013).

*“He (the host) has my trust. I could not doubt someone who agree for us staying at his house and come all the way to pick us at the train station” – Tomas*

*“I think if I renting out the room, I have to trust the person in respect, they have to trust me. And I think it like mutual trust that” – Cindy*

*“When we were in Rome, the host left us cake and wine with a short note “Merry Christmas.” It was Christmas time. It was so nice. So when we left, we gave her some wine and some presents in return” – Tiina*

#### **5.1.6. Reflection of new lifestyles**

Using Airbnb has benefits lifestyles and society. Choosing Airbnb, for customers, is another way to communicate a movement in their lifestyle: which can be defined as being of environmental concern, more equality, and freedom while lessening regulation and consumption.

When staying at the environmentally-friendly Airbnb system, customers believe they are choosing a sustainable option. The reasons that explain this customers' belief are as follows. Airbnb operates by offering the best deal, with exceptional quality, by re-appropriating resources to customers at a reasonable price. Customers are provided a stay with their basic needs met, while providers minimize the expense of additional services such as daily cleaning or a 24 hour receptionist. The rented space is an underused space. For example, a host is away on holiday and his house is left unused. He decides to rent an available room to others to utilize the space to the fullest. In this way, preferring to stay at Airbnb is associated with a positive environmental spirit: using available resources while reducing consumption.

*“At a hotel, there are things like shampoo and stuff; the towel washed every day like crazy. It is quite wasteful. I do not need my towel washed every day” – **Cindy***

*“So I am interested in the environment and kind of stuff so maybe it more environmental” – **Cindy***

*“I think it actually is quite like economical to because the house is empty. Like someone is not using it, so it is used by someone else while they are not there” – **Peter***

Customers found that when staying at Airbnb, they are encouraged to experience a new way of life: travel, trust in people, kindness between strangers, an increasing a sharing and social spirit. Although staying in a stranger's house could be risky, for both hosts and guests, taking risk is an unavoidable aspect of travel. Customers found an increased depth of meaning in a journey that encourages them to expand their comfort zones.

*“You can step outside your comfort zone” – **Kimmy***

*“It's a bit risky (staying at Airbnb), but I think taking risks is part of traveling” – **Peter***

Some respondents shared that they could imitate other people's life when staying at their houses. The house could represent a traditional house which is associated with customers' childhood or house of celebrities. Customers could experience a life that they

have been dreamed about but did not have a chance to do in their daily lives. With Airbnb accommodation, they could afford access to those places.

*“When I stay in Kyoto, the room is exactly like Nobita<sup>4</sup> room. A typical traditional Japanese room: with bamboo mattress, a small table in the middle, near a closet like the one of Doraemon<sup>5</sup>. It was interesting like I can live the life of my favorite story from childhood” – Peter*

*“There was one in particular in London, we stay in a very nice place in London area (name). Like it kind of the special place in London, very expensive and a lot of celebrities live there. Kind of place so I could never live cause I never have enough money to afford to live there. So it is really cool. I got stay there via Airbnb” – Julia*

*“I can live in special houses that normally I can't afford” – Lily*

The relationship between hosts and guests, in sharing economy, is perceived differently in comparison with traditional business. In traditional hostels or hotels, guests are customers, and the receptionists and housekeepers, serve the customer's needs. In this traditional model, customers stay in the room, enjoy the service and pay their fee. In the sharing economy, hosts are not a hostel or hotel staff; they are owners. Guests are required to be more independent and self-reliant for their needs. Hosts may help on a volunteer basis while the relationship remains equally and personally. Guests are required to act respectfully toward the hosts and their household. In return, guests are treated in a more personal manner because hosts are like new friends not professional attendants. Customers perceived this change in relationship as a benefit of the sharing economy. Sharing systems contribute to promoting independence and equality between service providers and users.

*“When you are at a hotel, people are professional but somehow emotionless. They will say “Hello sir! How are you?”, “Yes sir!” I would prefer Airbnb. It is more equal. No one has to serve anyone” – Tomas*

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<sup>4</sup> A famous comic character in Doraemon Series

<sup>5</sup> A famous comic character in Doraemon Series

*“Host is not hotel staff. You couldn’t such as expect they have to serve you or answer your question. Of course, if you choose a hotel you depend more on the hotel staff and can make question whenever you like. When staying at Airbnb, you will look for answer by your own” – Nancy*

The change in relationship between hosts and guests, in another meaning, enhances the sense of ownership when customers staying at Airbnb. The feeling of living in a true house is more personal and more realistic. Customers perceive that they actually live the life they wish rather than just rent it for one or two nights. Similarly, guests’ behaviors toward hosts are more personal and emotional because it is a close bonding between individuals instead of standardized service manner.

*“Things are prepared for you. Like host said ‘I just wash this bed linen for you, this is your bed, this closet you can use.’” – Carol*

*“You feel more like home where everything is yours than in hotel where you just rent it” – Nancy*

#### **5.1.7. Summary of perceived benefits**

From customer response, there are six key themes surrounding the perceived benefits. Customers discuss the saving features of Airbnb, the solution that Airbnb brings to them, their feeling and affection while using Airbnb and the new lifestyle they experience when choosing Airbnb. Those are key themes emerging from empirical data. These key issues are summarized below (*Table 6*).

Table 6: Summary of customer perceived benefits

<b>Perceived benefits</b>	<b>Description</b>	<b>Representative quotes</b>
Saving accommodation expense	Airbnb is cheaper in comparison with similar accommodation. Customers have a better offer at the same price.	<i>“I can save a lot of money” – <b>Cindy</b></i>
Easy to book and stay at a private accommodation	Airbnb helps to simplify the booking process. Customers furthermore could negotiate terms and conditions with individual hosts.	<i>“It is easy for me to book a room” – <b>Peter</b></i>
Feeling of being home	Airbnb is real home with furniture and other home appliances. Customers could follow their routine and enjoy the premises like their own home.	<i>“I want to stay at Airbnb place because I like its homey atmosphere” – <b>Tiina</b></i>
Experiencing local culture	Customers could experience local living and culture from the room decoration to living styles, food to interacting with local people.	<i>“They (hosts) really showed me local places, local things” – <b>Teehee</b></i>
Socially engaged and being friend with new people	The Airbnb mechanism builds trust and encourages kindness between strangers. Customers could make new friends and socially engage in the community.	<i>“I even get to know some people in the village. They invited us to their social circle because they know my host” – <b>Tomas</b></i>
Reflection of new lifestyles	Airbnb promotes a new way of life: caring for the environment, preferring freedom and equality.	<i>“It is more environmental” – <b>Cindy</b>; “You can step out comfort zone” – <b>Kimmy</b>; “It is more equal. No one has to serve anyone” – <b>Tomas</b></i>

## **5.2. The perceived sacrifices of Airbnb**

### ***5.2.1. Disappointed because of unreliable information***

At Airbnb, rooms are owned by individual hosts. The booking process is done online via the website, or Airbnb mobile app, meditating between guests and hosts. Customers decide on a room mainly based on the information hosts provided on Airbnb platform. In many cases, communicated information misleads the readers. It is uncertain whether the insufficient information is on purpose or merely a miscommunication between hosts and guests. The mismatch of provided information leads to a gap between customer expectation and reality. Customers may have the feeling of betrayal leading to lost trust in the services.

*“The room is written as ‘central of Milano’, but actually it is the central of other town around 30p by train from Milan. I feel a bit cheated... It costs us time and money to travel to and from. I found so inconvenient” – Tiina*

*“All comments compliment the place, but I think they traveled in the summer time. We went in winter time and it was awful, extremely cold with low standard toilet” – Tiina*

Similarly, the misinformation occurs regarding the room conditions. In some cases, customers then stay in a space below fair conditions. There are no universal standard or regulations regarding the housing conditions or room cleanliness for customers to rely on when they book a room at Airbnb.

*“My room is dirty, full of mosquitoes and in a remote area, it doesn’t value for money I pay. Although host is very nice but it’s not okay” – Hana*

*“The room condition is terrible. It does not worth for money” – Anna*

Hosts describe rooms by written information and pictures on Airbnb site. Guests could communicate with hosts to discuss further information well before arrival. Information hosts provide and reality sometimes mismatch. This online information may not clearly draw a picture of the place or even deliberately misleads customers about the space.

*“Information is unclear. We thought that we could stay in a normal bedroom. However, the room is a small garret with a small straight staircase for climbing up. The space is small and cramped, and regarding to coming up and down” – Linda*

*“The picture shows one bed, and the room is as big as the bed. There is a tiny space to walk through and go directly to the balcony” – Tiina*

Communication becomes an issue when customers do not have sufficient information for the decision. At times, the posted photos and description on Airbnb do not provide enough information for customers. Therefore, they do not feel assured of the quality and conditions regarding the space in which they will stay. In this circumstance, travelers do use reviews to judge a place. The decision making process becomes challenging because reviews of past guests are a personal, subjective experience. At times, these reports may somehow do not reflect reality.

*“The service quality is unguaranteed. Some places are reviewed nicely but they could turn out very bad. It is not trustworthy” – Violet*

At times mismatch of information occurs regarding payment. Some customers report they paid a different price to the quoted price on Airbnb website. The extra fee can be a result of guests misunderstanding, when booking, or because of variables such as traveling during peak travel season. Customers feel unsatisfied when paying different price than the amount they expected. Commonly with Airbnb, customers pay via Airbnb portal. Airbnb will withhold money until guests finish their stay and release the funds to hosts after deducting their service charge. At the hosts' requirement, payment was made by cash directly to host without the involvement of Airbnb.

*“There was kind of a mix up there because the price he quoted on Airbnb was per person although it said different so we kind of like paid double” – Tomas*

*“It said we have to pay 3 euros a day if we want to use Air-conditioner, but host said we have to pay 5 euros a day” – Violet*

*“We traveled during peak season. Hosts charged us double the quoted price. The room we stayed in was terrible unlike the room in pictures. It did not look like a normal room at all but like a storage reused room” – Hana*

### **5.2.2. Time and effort consuming to deal with individual hosts**

The second customer sacrifice, while using Airbnb, is the time and effort they have to spend administrating their stay. Firstly, the searching and booking process are common issues for customers. Customers have to spend time and effort to find an offer matching with their need (Lamberton & Rose, 2012). It requires sufficient time for searching and waiting for hosts to reply.

*“I have to ask 7-8 places before I get one. It really takes time” – Lily*

*“It is not easy to book a room. As I remember I have to send 7-8 requests before one approved” – Tiina*

*“It quite takes time. After I send a request, I have to wait like for a day until host reply. If they said no, I have to start over” – Nancy*

*“I think it is inconvenient if I want to book instantly. We were biking across countries so we did not know when we would arrive to our next destination. I sent several requests one day before we arrived but no one accepted” – Toni*

Airbnb hosts may change their mind in the booking process. As a result, customers have to deal with the uncertainty of their booking. Hosts may cancel booking without notice which causes inconvenience to customers. Customers then have to restart their searching and booking process.

*“Firstly he accepted booking. But after that, he said that he was sorry because he was busy on that day and he had to cancel. Actually we couldn't receive the service fee back” – Carol*

Different practical issues arise due to the un-standardized service quality. For example, customers have to arrive at a particular time due to hosts' schedule. Because hosts control

the arriving time, guests and hosts have to agree on a given time to meet. From a customer's point of view, this arrangement could be a challenge especially as they are traveling. The pressure of arriving on time may cause stress to customers. If guests are late or fail to contact hosts, this could cause stress to guests and leave them without a place to stay.

*“You have to arrive at a certain time, coordinate with the host to have the key and everything because they had their own schedule not always available like hotel reception...Sometime it is not easy to schedule your time of arrival” – **Julia***

Communication upon arrival depends on a conversation between hosts and guests. If hosts fail to be active in this conversation, customers become worried and stressed about their accommodation. Guests are unsure about the place and its location. Even though information such as home address, host contact, is available on Airbnb website, Airbnb does not guarantee that this information is reached by guests.

*“We book and ask host the address. Host doesn't show on the Airbnb messenger after one month and until the day before our trip. We were panicked” – **Teehee***

English is the primary language for communication via Airbnb. The hosts and guest need to discuss different information before staying such as information regarding the room and check-in time. If either party does not speak English well, it could lead to information inevitable misunderstanding. If this is the case, both sides will need to spend time and effort to understand each other.

*“It's really hard to communicate with the host. We ask him something, and he ends up replying something else” – **Linda***

*“I asked the host in English, and she answered in Italian” – **Tiina***

*“Host did not speak English very well, so there was a misunderstanding about the price” – **Nancy***

As Airbnb is not a hotel chain, customers rent a place from independent house owners. Private houses contain usual facilities such as a kitchen, bathroom and a living room. An average room does not have to provide hotel grade facilities for travelers to feel comfortable as they are at a hotel.

*“The room is not clean and comfortable. For example, there is no toothbrush or towels or even a blanket or bed cover. I have to find those dusty and smelly in the closets” – Violet*

A private house does not commonly include additional services, similar to a hotel, such as: a swimming pool, gym or room service. Airbnb could not adapt if customers are searching for hotel grade services.

*“Airbnb does not provide additional services such as swimming pool, gym or foods and drinks. Host is not the employee of hotel when you use Airbnb you could not expect that they will serve you or answer your questions” – Nancy*

Hosts are unprofessional accommodation providers. They are the owner of the house not employees of a hotel chain. Therefore, helping guests is not their primary task. Hosts could support visitors, but this is not the host’s responsibility. Customers perceive this feature as one of the drawbacks of Airbnb especially if they need help. Customers are required to be more independent and manage their stay.

*“I like come on holiday in a hotel because you can have someone if you want your towel washed or something, someone will come, someone will clean, but you don’t have that in Airbnb” – Cindy*

### **5.2.3. Feeling unsecured when staying at house of strangers**

The public perceives Airbnb as unregulated regarding its safety. The unprofessional characteristics of Airbnb could lead to a feeling of fear and raising doubt about the safety of Airbnb. Customers may feel they have insufficient information about the hosts or the house where they will stay. This means customers have to take a risk when they decide to stay in a stranger’s house. Researchers cite the distance in the relationship between providers and customers as a reason for misbehaviors in collaboration consumption

(Schaefer et al., 2016). In the case of Airbnb, lack of trust and information between two parties causes travelers to feel anxious.

*“Staying at a stranger’s place, who knows what is gonna happen” – **Bella***

*“I like the concept, but sometimes I feel not secure... especially when I was traveling alone so I looked for a woman host...well cause there might be some sexual harassment” – **Teehee***

*“I do not know who the person is. Like, I do not know whether someone has a spare key like the landlord knows or anyone can come in I guess. Security was like an issue for me” – **Cindy***

Customers feel under stress when they visit a private home and need to keep watching their behavior. The urge of proper behavior is similar when customers stay at a hotel or other places. Particularly in a stranger’s home, customers need to behave properly and be careful with all furniture and equipment in the house. The respondents report a lack of freedom as an issue.

*“When staying at somebody’s house we need to behave properly” – **Lily***

*“I was scared that I break something. It was nice the TV. The person was remote there. I was like scared. I do not know I do not feel like that so much in the hotel. But I guess there were so many things. Like you know she has decoration out and stuff. I was scared I was like mess something up or something” – **Cindy***

The feeling insecurity leads to customers spending more time on identifying and searching for information. Online descriptions, and reviews from previous guests, seem not enough to assure customers about the room they choose.

*“I have to try to prove that everything is okay from me and from other reviews, from the identity that already identified” – **Carol***

*“I depend quite a lot on the reviews from other guests to evaluate the hosts” – **Carol***

*“Without the reviews I can’t judge the host” – **Julia***

*“Before booking a house, I check all the details and read through all reviews from previous hosts. I also contact host to see the way they answer whether they are nice or not” – **Bella***

Customers question the identification process of Airbnb. It is uncertain whether Airbnb checks the room quality or the host’s credibility.

*“I don’t know whether Airbnb check the credibility of the host or not. Security is another matter” – **Nancy***

Even when customers decided to stay at Airbnb, some still have the feeling of being insecure.

*“I worry about security” – **Cindy***

*“I feel somehow it is not really safe” – **Carol***

Similarly, if hosts neglect the basic rules of security, the customers question the safety of Airbnb.

*“When we came, he did not check our personal ID. I don’t know there are any thieves or robbery on Airbnb or not. Clearly unsure” – **Kimmy***

*“The main door wasn’t closed. He said he left the door open so that the air could circulate around otherwise the room will be really hot. I was scared, if someone came in when we did not notice” – **Linda***

#### **5.2.4. Stressfully handling unexpected problems**

When customers choose to stay in an entire house, they are by themselves without the presence of hosts. Hosts commonly are on holiday or at another place. Customers commonly feel worried and stressed if there are problems and they do not have any person there to ask for help.

*“It is important to have someone such as a friend or a family member. It is important to have them around to deal with any issue like it could be bad” – Cindy*

Customers need to solve all unexpected problems by themselves contributing to users feeling stressed. When hosts are away, they may ask another person for help. However, it takes time to contact hosts who are far away and wait for them to ask their local supporters. If customers stay at a hotel or hostel, normally there will be person at the reception to solve the problem.

*“The toilet tank is overhead and it was broken. We had to call the host in America and she asked her friend for help. We were not claimed anything but we were so worried. What happens if she didn’t answer and it could be worst because we had to leave on the next day. We had booked the whole trip in advance” – Tiina*

When problems actually arise, defining responsible party becomes questionable. Hosts could be far away on their vacation or in another country. Airbnb has a hotline number for customers to call in case of emergency. In most cases, customers suffered from problems without being supported by Airbnb.

*“The host is on travelling she told us to pick the key at a cafeteria. But we could not get it and we could not contact the host either. We had to wait the whole day. We called Airbnb but it took a long time for them to check all details. They said they would contact the host. Finally the host contacted us and said we had to stay in her friend’s house for one day. That place was terrible. She blamed other guests for losing the key but did not feel sorry at all ... Airbnb didn’t play any role in this situation instead of trying to contact her like us” – Linda*

*“One time I was uncomfortable with Airbnb is that the host in Lisbon was on vacation when we arrived. I messaged him, but he did not reply. When I arrived in Lisbon at 8 o’clock, he was in another city, and he had to drive back. It took 4 hours for him to be back. We had to wait the whole morning, and we could do nothing” – Hana*

In this case, there are three main issues. First is the communication problem with hosts: customers could not get the key when the host was in another country. It took time and

effort for them to wait while trying to contact the host, customers were stressed by being in a foreign country without a place to stay. Second is the lack of responsibility toward customers. Customers felt stressed because the issue was not solved promptly. Hosts blamed other guests for losing the key instead of solving the problem. Regarding Airbnb, their support was merely trying to contact the host similarly to customers was doing. If the host had not replied regardless of both guests' and Airbnb' effort to reach, the question is who would have been responsible and what would have been the solution for customers in this case. Finally, the solution was that they had to stay in another room for one night and the room was not in good condition. The role of Airbnb, in this case, was questionable. Similarly, in the event of car sharing, the company operating the sharing platform acts as a third party. They are not transportation service providers. Therefore, the company charges a fee from both cars vendors and renters, but in the case of damages or accidents they are not responsible (Malhotra & Van Alstyne, 2014). In this case, Airbnb charges a fee from both hosts and guests. However, in the event of a problem such as guests could not enter the room, customers need to accept all consequences. The uncertainty of a responsible person in the case of an emergency when renting an apartment from Airbnb is the primary source of stress to customers.

#### ***5.2.5. Ashamed and irritated due to invasion of privacy***

A significant cost to the customers, an angry consequence, arises when customers find that their privacy is not respected. Airbnb is a common platform to connect customers and providers. After customers decide to stay, guests and hosts will communicate by themselves as two individuals. Airbnb does not indicate any rules or regulations of behavior for hosts towards guests. The relationship between hosts and guests becomes personal and mainly depends on the interaction between two individuals. In some cases, customers felt irritated because their privacy was not respected.

*“Host is a guy and he is extremely passionate. He comes really close and asks us for party or something. He always touches us, not in weird way but still like for strangers it a bit weird” – Lara*

*“The lady kept asking me ‘how long have you been with your boyfriend?’, ‘why don’t you stay at your home... I feel like I stay in someone house as a favor even though I have paid for it” – Violet*

Airbnb is a peer-to-peer business relationship. If problems occur, it could become personal and be solved emotionally.

*“Actually I think I canceled it at least one week before because I already booked the trip from long time so at least one week before. The guy was angry. The guy told me that “I don’t know why but every time I met this kind of situation that all Asian people and probably we just have different mindset.” It’s really weird” – Lara*

In some sensitive cases, customers have to share their personal information with hosts in advance even though they feel uncomfortable. Reciprocal trust forms the basis of the relationship between hosts and guests. Hosts shared their home with strangers, while guests share their information with hosts in return. To gain trust between two persons, they start sharing information with each other even the information they want to keep confidential. Customers perceived that the issue of privacy could become a sacrifice of Airbnb. Usually, at a hotel, guests are not required to share such personal information to the receptionist.

*“My partner is a woman. So we are like two women. I think in Finland it is not such a bad thing for most people. But she messaged some hosts and she became annoyed because some people did not reply, and some said you could not come here. I do not think for that reason. I think it is just because of bad timing...The thing is there is no problem with that but we found out we had to say in advance because we do not want last minute cancel if the host figure out something. But with hotel we do not think we have to say that kind of stuff” – Cindy*

#### **5.2.6. Summary of perceived sacrifices**

Besides benefits, Airbnb has different costs associated with it. The current imperfections and faults in the service cause both monetary and non-monetary costs. Different ideas, from the study, are grouped together into five broad themes. These thoughts include responders feeling disappointed because of unreliable information, taking time and effort to deal with individual service providers, the sense of insecurity when staying at a stranger’s places, feelings of stress when dealing with unexpected issues and shame when they have to deal with an invasion of privacy. These key themes are summarized below (*Table 7*).

Table 7: Summary on customer perceived costs

Perceived sacrifices	Description	Representative quotes
Disappointed because of unreliable information	The online information on Airbnb does not reflect actual room condition. Customers deal with miscommunication and find it difficult to evaluate the place.	<p><i>“Some places are reviewed nicely but they could turn out very bad. It is not trustworthy” – Violet</i></p> <p><i>“There was kind of mix up... we kind of like pay double” – Tomas</i></p>
Time and effort consuming to deal with individual hosts	The peer-to-peer relationship is subjective and becomes personal. Customers have to deal directly with unprofessional hosts and un-standardized service quality.	<p><i>“It’s really hard to communicate with hosts” – Linda</i></p> <p><i>“I have to ask 7-8 places before I get one. It really takes time” – Lily</i></p>
Feeling insecure when staying at a stranger’s house	Customers are worried about the safety and security of Airbnb. Customers have to bear the risk of staying at a stranger’s house without any strict regulation on safety and security like in a traditional hotel or hostel.	<p><i>“Staying at a stranger’s place who knows what’s gonna happen” – Bella</i></p> <p><i>“I like the concept, but sometime I feel insecure” – Teehee</i></p>
Stressfully handling unexpected problems	Customers think that they have to solve issues by themselves without any responsible party to count on.	<p><i>“We could not get the key to enter. The host blamed another guest for losing the key but did not feel sorry... Airbnb didn’t play any role in this situation apart from trying to contact her like us” – Linda</i></p>
Ashamed and irritated due to invasion of privacy	The peer to peer interaction results in unique experience and strong bonding but conversely interrupts privacy of customers.	<p><i>“My partner is a woman...we had to say in advance because we do not want last minute cancel... with a hotel we do not think we have to say that” – Cindy</i></p>

### 5.3. Re-evaluation of the theoretical framework

#### 5.3.1. Understand sharing economy through the lens of value dimensions

From the themes previously presented in result chapter, the researcher highlights from reflecting the theoretical framework (Figure 5).

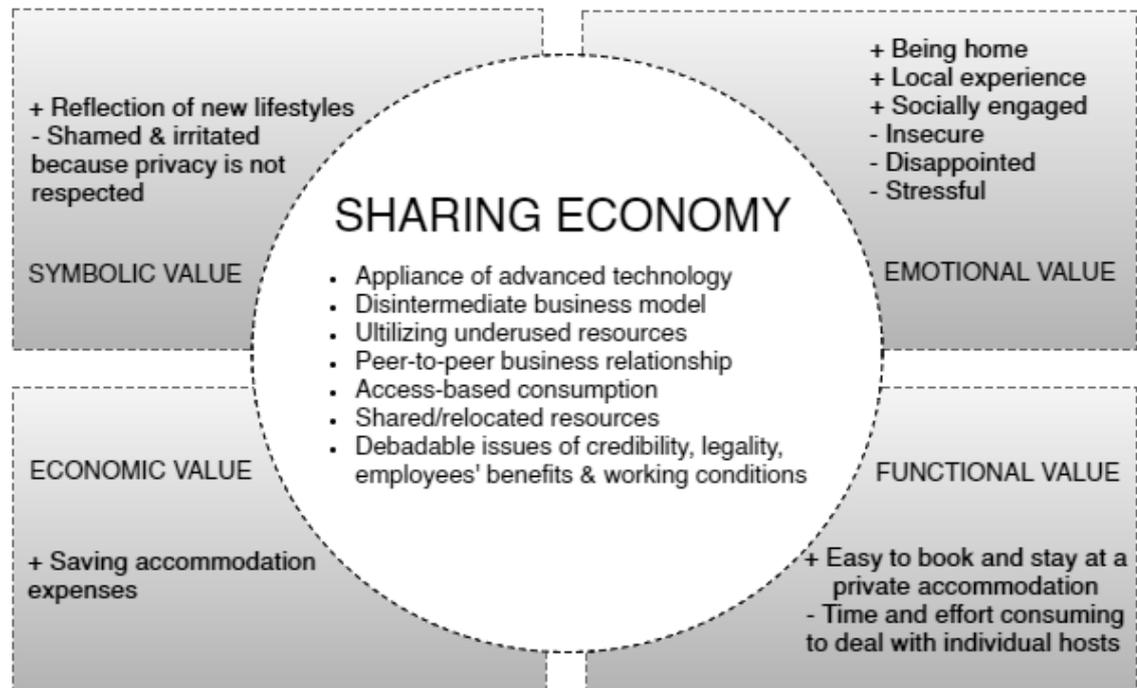


Figure 5: Re-evaluation of the theoretical framework

(Framework is developed from Customer value framework (Rintamäki et al., 2007))

Regarding *perceived benefits*, customers recognized that there are economic, functional, emotional, and symbolic benefits in sharing economy.

Customers' responses confirm the *economic benefits* of sharing economy. Similar to previous studies (Denning, 2014; Smolka & Hiennerth, 2014) customers choose to use the sharing economy because it helps them to save cost. Customers achieve economic benefits when customers have a similar offer at a lower price or better offer at the same price (Zeithaml, 1998). The economic value is firstly perceived when customers could have more options to choose from, at competitive prices, when compared to traditional offerings. The basic running costs are covered and excluded from the price. In the case of Airbnb, the host could rent out their houses when they are on holiday or have available rooms. They do not invest in creating new space for rent. Monthly rent is a host's

expense, whether the property is rented through Airbnb or not. The services hosts provided are based on the basic need not luxuries. Therefore, service price is competitive in comparison to similar offerings. Additionally, the sharing economy can offer similar hotel-like benefits to customers at the same price as traditional services. For example, service providers can offer additional services like pick-up at airport or cooking. Customers could also have service providers as supporters or guides on a volunteer basis.

*Functional benefits* are another perceived value of sharing economy in regards to convenience. The two main features of the sharing economy, which the researcher mentions, are the involvement of advanced technology (Smolka & Hienerth, 2014) and the peer-to-peer relationship of service providers and customers (John, 2012, 2013). In a world, within a few clicks, customers can find best matching offers and start purchasing online, the internet helps streamline the booking process. Regarding peer-to-peer relationships, customers have hosts as helpful supporters in case they need help. Besides, the obligation between users and providers is minimal because their relationship is not as merely buyers and sellers but more as partners based on trust and friendship. As a result, customers could negotiate terms of use and avoid a variety of obligation such as contract or deposit.

*Emotional benefits* in the different aspects of Airbnb use include the feeling of being home, the opportunity to experience local culture, and the engagement in the peer-to-peer relationship. Customers of the sharing economy could experience an entirely new offering unlike any previous experience or similar offerings. Providers in sharing economy are unique individuals displaying their style, knowledge, and expertise. This distinctive feature of Airbnb makes its offering unique and personal which is hard to find in traditional accommodation providers such as hotels or hostel. Moreover, customers could encounter a closer bonding with providers because their interaction is a peer-to-peer relationship. A peer-to-peer relationship is developed by trust and equality, as friends, rather than as business partners. Choosing the sharing economy could encourage customers to interact with providers socially and engage further in the community. In previous studies, the social benefits of the sharing economy are mentioned as part of the instinct motive of a human being (Franke & Shah, 2003; Lerner & Tirole, 2002; Smolka & Hienerth, 2014). Similarly, the social interaction in the sharing economy is a development of the social interaction in a social network (Piscicelli et al., 2015).

When studying from a customer perspective by carefully analyzing customers' responses, the ungoverned peer-to-peer relationship and private un-standardized offerings of sharing economy reveal their meaning in regards to customer perception. Customers prefer these characteristics as a special feature offering them a unique experience when using Airbnb. In comparison with previous research, this unique experience is considered, from a customer perspective, a new dimension of the sharing economy.

*Symbolic benefits* focuses on how customers find the sharing economy meaningful to them (Rintamäki et al., 2007; Sheth et al., 1991). From a customer perspective, sharing economy encourages new lifestyle choices including a low carbon footprint, taking risks and independent consumption. Researchers define symbolic value, in this context, as understanding a customers' choice to use collaborative sharing to reflect their personality and good will toward others. The symbolic benefits can be found from responders though it is not as bold as other dimensions such as economic or functional benefits. Symbolic dimension is the most abstract level of customer perceived value (Rintamäki et al., 2007), it is hard to uncover and describe in detail. The environmental friendliness, discussed previously, was noted as one of the most available benefits of the sharing economy (Bardhi & Eckhardt, 2012; Katzev, 2003). In the case of Airbnb, customers prefer the sharing economy because of its positive impact on the environment such as utilizing unused rooms, minimizing unnecessary costs, and saving resources. New risk taking behavior and independent consumption genuinely result from customer perception. The researcher views this new feature as a mechanism of this new economy and the involvement of peer-to-peer relationship. Moreover, customers staying at Airbnb accommodation are in a peer-to-peer business relationship. Thus, they have a flexible offering but simultaneously have to accept unstable quality likely involving potential risks. As a result, guests are encouraged to become more active and independent and share responsibility with hosts. The relationship between service providers and customers becomes more interrelated and equal, not like hotels or hostels.

In terms of *perceived sacrifices*, customers observed the sharing economy has economic, functional, emotional and symbolic costs. Unlike benefits, cost dimensions interrelate according to customer responses. There are four fundamental issues of the sharing economy which may lead to costs for the customer: service quality, communication, privacy, and responsibility. Firstly, the inconsistent service quality, in this new economy,

makes the system unstable and inconvenient. If service quality is below their acceptable standard customers may lose their trust in the model. Secondly, troubles in communication make customer interaction with hosts less secure and time consuming. Thirdly, hosts may not respect the privacy of guests leading to clients feeling ashamed and irritated when using sharing services. Lastly, the lack of responsibility by service providers creates stress and the feeling of insecurity customers.

As detailed, from the empirical results, the majority of perceived costs relating to the model of sharing economy. It could be explained that, in the context of sharing economy, customer experience involves peers interaction together with company and customer interaction. The perceived value of sharing economy is built up in the most complex interplay of a peer-to-peer context differently in comparison with the business-to-customer context mentioned in customer value dimension framework (Rintamäki et al., 2007). Particularly, the issue of credibility and the character of a peer-to-peer business model are two primary sources for customer perceived sacrifices. The study results on perceived sacrifices aligned with previous research, stating which mentioned the issue of credibility together with economic sacrifices as main deterrents of the customers when participating in sharing economy (Tussyadiah, 2015).

Furthermore, the customer needs to be aware of risks when using the sharing economy. The company plays the intermediate role between individuals as providers and individuals as customers. The exchange of services is mainly between individual; the business plays the part of a connector and a facilitator. Therefore, transactions between people are not monitored or controlled strictly by any parties or standards. If there are issues, the responsibility may fall in the gap between company and providers. Customers need to be aware of this risk when choosing sharing economy besides the above mentioned benefits.

On another hand, customers appreciate their contribution to host in term of income and friendship. The perception of the client does not take into account other issues such as: whether providers pay tax to government or their long term benefits as an employee or the legality of providing services. Similarly, the responders did not discuss the issues that researchers debate in previous studies, such as: legality, taxation, employee benefits or

working condition. The perceived sacrifices are likely related to their experience and direct contact stakeholders such as sharing platform and providers.

### ***5.3.2. Customer value concept in the context of sharing economy***

Regarding customer value literature, the combination approach using costs/benefits and value dimensions provides a more comprehensive view of customer experience. From the empirical results, customer preference is an evaluation of positive and negative attributes. For example, in the case of Airbnb, customers want to explore local life in a private house and enjoy the flexibility of natives as service providers rather than professional options. Customers have to bear the cost of un-standardized service quality and the costs of inconvenience such as dealing with unprofessional hosts. Similarly, customers want to save money by staying at Airbnb; it takes time and effort to search for a suitable offer. Guests have to accept the costs of finding accommodation, lacking facilities or additional services, when compared with local hotels. In the case of customers that prefer a homey atmosphere and social interaction with others, they may have to handle the costs of being stressed, irritated or shamed if their privacy is interrupted. There are both pros and cons in using sharing economy. If customers perceive benefits of sharing economy outweigh costs, then the value is achieved; otherwise, they will be disappointed and lose their trust in the system.

The value dimensions approach provides a holistic view of customer value in sharing economy. Customer perceived benefits are examined under economic, functional, emotional and symbolic value dimensions. These dimensions provide a new approach to understanding customer experience in a more flexible and dynamic way. Different aspects see that the sharing economy has a multitude of benefits in term of economic, functional, emotional and symbolic.

Conversely, empirical results do not clearly define customer perceived sacrifices. These sacrifices are a combination of economic, functional, emotional and symbolic sacrifices. If an unexpected problem occurs, it will take time and effort to resolve and will result in monetary costs, for instance. If the communication with the host is not going well, customers may feel disillusioned and find dealing with such a host stressful. Similarly, if customer privacy is not respected, they may feel ashamed and stressed. To conclude, the dimensions, in term of perceived costs, help to comprehensively understand customer

experience. However, it is a challenge to clearly identify which sacrifices belong to which dimensions.

Moreover, a contradiction emerges from customers' responses. For example, the individual service providers in sharing economy are perceived as flexible, when customers could freely negotiate terms of use, but as unprofessional when there is a lack of professionalism in dealing with clients. The author considers the inconsistency of service as a new experience to customers but somehow creates an uneasy feeling in term of safety and quality. Similarly, services that are streamlined down to basic needs are considered as a saving cost and environmentally friendly, but may, in fact, make the experience less convenient and not enjoyable.

The natural context of the sharing economy could explain the interrelation, confusion, and contradiction of customer value. From presented findings, the involvement and interaction of peer-to-peer relationship differentiate customer perceived value dimensions, in the context of sharing economy, from the original value dimensions developed in the context of retailing. The theory of customer value dimensions is built in the retailing context in which the relationship is between business and customer (Rintamäki et al., 2007), the company created a value proposition and customer perceived value (Landrogez et al., 2013). Customers perceive from product attributes and customer experience. In sharing economy, besides company and customers, peer-to-peer interaction is also involved. As a result, the perceived value becomes dynamic and interrelated involving different stakeholders. For example, in the case of Airbnb, customers could have a unique experience unlike any hotels or hostels they have visited before, and each experience exists inside a different peer-to-peer relationship.

## **6. CONCLUSIONS**

### **6.1. Customer perceived value of sharing economy**

The sharing economy, previously defined and discussed as a new form of a business model, has become an interesting phenomenon. Starting from a peer-to-peer business relationship and adopting the sharing habit from the social network, sharing economy has grown significantly and become a new method for consuming and doing business. Aside from its environmental and social benefits, sharing economy has become new competitive sources, which threatens the current traditional business model between companies and consumers. The study uncovers the sharing economy from the eyes of customer perspective to identify what customer perceived value, in the context of sharing economy. Based on the main findings, from the case of Airbnb presented in the previous chapter, three key points could be made regarding the phenomenon of sharing economy.

Firstly, sharing economy has provided an alternative choice for customers looking to satisfy their needs. These users are attracted to the sharing economy because it offers impressive benefits while using fewer resources than the traditional model. The operational system of this modern economy brings customers a new solution to consume more conveniently at a less cost. One reason to explain is that the sharing economy reduces additional services or traditional unnecessary process to cut costs. Another reason is that advanced technologies employed in sharing systems monitor supply and demand, ensuring resources are efficiently allocated, cutting down searching time for customers. Besides economic benefits and reduced turnaround times, the sharing economy fits in with the customers' fast paced lifestyle by providing the ability to use this marketplace on-the-go on the Internet or via a mobile device. Customers and providers are directly connected via the sharing platform, thus the consuming process becomes smoother and more efficient. This new sharing economy is the way of the future: facilitating a reduced cost-base, faster turnaround times in a convenient in-your-pocket solution.

Secondly, the sharing economy offers customers with a personalized and socialized experience. From the empirical results, customers find that when they decide to choose

sharing economy, they could expect an entirely new and unique experience. This genuine experience is unique which customer could not find in their previous consumption or similar use from a traditional service provider. In the context of sharing economy, services are provided by individuals. Therefore, these services are influenced by their personal styles and characteristics. The personal and un-standardized characteristics of sharing economy differentiate its services from the traditional business. The involvement of individual as a service provider similarly enhances the bonding between service providers and customers. The services somehow become more personal and emotional, which makes customers' experience become more personalized and socially involved.

Thirdly, the perceived value of sharing economy reflects a shift in customer preference. Comparing between the perceived benefits and perceived costs of sharing economy, it could be seen that customers prefer less standard rules and more liberty and individualism. One reason to explain this preference is that service provided by a person participating in the sharing platform is on a volunteer basis. Although service providers may receive money or non-monetary payback, the way of providing service is in a flexible manner without any strict regulations or standards. These un-standardized and individual factors provide flexibility and uniqueness to consuming experience but contend potential costs at the same time. Customers still prefer sharing economy even though there might be risks involved. Consequently, customers become more active and independent in the relationship with service providers. Customers no longer merely consume what they have paid for, they also have to share the responsibility and become less demanding from the service they receive. Mutual benefits and respect form the basis of the relationship in sharing economy resulting in equality. Customers are aware of the reciprocation nature of sharing economy to behave accordingly.

Lastly, the study of customer value in the context of sharing economy has reaffirmed and enhanced the meaning of the customer value dimensions concept. The customer value dimensions were previously studied in the context of tourism services (Petrick, 2002), products consumption (Sheth et al., 1991), and the retails and shopping experience (Babin et al., 1994; Rintamäki et al., 2007). In the context of sharing economy, customer value dimensions take on new meanings. The dimensions of economic, functional, emotional and symbolic provide a comprehensive perspective to analyze customers'

choice and perception within the online to offline relationship. Empirical data clearly states the perceived benefits encompassed four critical dimensions; while perceived sacrifices are challenged to clearly classify in some extent. The interrelation, contradiction, and confusion of customer perception make the process of identifying the benefits and sacrifices under four dimensions somehow undifferentiated. Perhaps it could be explained by the holistic and dynamic nature of customer perceived value.

## **6.2. Managerial contributions**

The theoretical approach of costs and benefits, together with dimensions of customer value, provides a better understanding of customer behavior and uncovers reasons behind their choices. Two main directions for managerial application, to enhance customer value are: either increase benefits or reduce sacrifices (Zeithaml, 1998) and build a high-value dimension that other competitors find difficult to imitate (Rintamäki, 2016).

For existing companies who followed the sharing economy model, the results of customer perceived benefits could be a starting point for strategy planning. Companies could focus on strengthening current perceived benefits such as price, convenience, experience and engagement for customers. Traditional providers may copy the combination of reasonable price and convenience characters may be copied by other similar providers. However, the unique experience and social engagement between consumers and services providers cannot be imitated in the traditional model. This emotional dimension makes the sharing economy business model differentiates it among similar options for customers.

To minimize the perceived sacrifices, first consider solutions to the improvement of service quality in regards to users as service providers. The issue with service quality is more focused on the service quality and professionalism of service providers rather than the part of the sharing policies. The sharing platform is a company and operates following some internal standards. Conversely, the behavior of service providers is in a different context and not strictly regulated. Issues are routinely raised due to the interaction between service provider and customers. Therefore, strict rules or standard should be implemented to govern the interactions outside the sharing platform. Furthermore, the platform needs to provide providers with proper training to increase the understanding of professional behavior in interactions with customers.

Secondly, increasing the responsibility of sharing platform operators and protecting customer rights are important to build trust with customers. Obviously, since customers have paid in advance, they are in a weaker position to negotiate with service providers. In a case of an issue, lack of support and process customers could rely on. It is unclear if the responsibility lies with actual service providers or platform owners. More regulations to handle cases of conflict or emergency may solve this problem. The support from platform operators could reduce the perceived costs of customer and increase trust in the model.

Thirdly, the sharing model is different to traditional services. As a result, customers need proper education and understanding to use the system properly. Education helps to create an appropriate expectation for a customer in advance to reduce the issue of miscommunication and mismatch of expectation. Similarly, service providers need education or training to ensure hosts behave and provide service upon an acceptable standard. In summary, the peer-to-peer interaction and individual characteristics of sharing economy are the uniqueness and the potential risk at the same time. Companies or organizations which intend to build their business following the model of sharing economy should pay critical attention on remaining the personal characteristics of sharing economy while minimizing the un-standardized and inconsistent service quality.

### **6.3. Research limitation and future research directions**

A self-reflection on limitations enhances credibility and contributes to progress in academic research (Brutus, Aguinis, & Wassmer, 2013). The following writing focuses on describing limitations which affect the study and based on that proposes possible suggestions for further research directions.

Qualitative research is the foundation of this study, including interviews with customers using Airbnb, in which they shared their experience and opinions. The qualitative data collection method in this case may be affected by different sources of bias. For example, the respondents reported on their previous experience which may be selected by their interests and might exaggerate their observations (USC Library, 2016). In order to avoid respondents' bias, parallel questions were frequently asked during interview to deepen understanding of interviewees' responses. Responses were collected and compared from different participants to define the common insights. However, data is sourced mainly

from interview. The comparison might less comprehensive reflect the whole picture of customer experience. For future study on customer value in the context of the sharing economy, it is suggested to expand sources of data. For instance, researchers could obtain data from customer online reviews or from customer travel diaries in order to collect data that can be compared and reflected by different sources.

Regarding the theoretical background, there is limited research on the topic of sharing economy. The sharing economy is an emerging research phenomenon. Although it has gained massive attention (Smolka & Hienerth, 2014), the concept of this economic model is mainly discussed as a new emerging phenomenon in books and articles. A variety of studies were conducted in different categories such as online file sharing, car sharing, crowd-funding, or crowd-sourcing under the sharing economy concept. It is challenging to build a general theoretical background about the sharing economy and to justify its effects on the current economy and society. Eventually, research has shifted to study the sharing economy as a whole; and therefore, more results will be published about the sharing economy and this economic sector in general. Within this thesis, the aim is to discover, from a customers' perspective, the pros and cons of the sharing economy in a general meaning.

Based on current findings, suggestion for further research could focus on online customer reviews of the sharing economy and the drawbacks of this model. Reviews from previous users play a significant role in influencing customer decision making. Reviews are a tool to build trust between users and service providers as well as materials to evaluate the quality of the systems. The focus on operational mechanism of review system as well as its affect on customer choices could be interesting objectives for further research. Besides, this study has shown that, customers currently perceive unavoidable sacrifices when using Airbnb. Similarly, other research studies illustrate the deterrents of the sharing economy (Malhotra & Van Alstyne, 2014; Tussyadiah, 2015). Therefore, it is important to identify how these drawbacks affect on customers' repurchase decision and their tendency to recommend certain services within their peer networks.

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