

PLAYING WITH TRUST IN THE SHARING ECONOMY

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Abstract:

Many examples of social exchanges and economic transactions are based on the expectation that both agents involved, in the supply side and in the demand side, will not behave opportunistically and will not be diverted from those agreements previously made. This “expectation” is commonly conceptualized as “trust”. In the economic framework it can be defined as follows: “belief that the other party will behave in a dependable, ethical, and socially appropriate manner” (Gefen et al. 2003).

Compared with offline channels, trust is particularly important in online transactions, where there is a higher level of uncertainty about the behavior of all agents involved (Riegelsberger et al., 2005). In the so-called sharing economy, there has recently emerged a great variety of new online platforms facilitating C2C transactions of any kind: accommodation (Airbnb), vehicles (BlaBlaCar), tools (Zilok), etc. Although there is great controversy about the fact that these platform businesses can be considered as part of the sharing economy, they all have two important characteristics in common: first, any individual participating in the platform can be considered simultaneously as provider as well as consumer, and secondly, transactions do not involve transfer of ownership (Chica et al., 2017).

In this framework, where providers and consumers face a high level of exposure, transactions between partners will be effective if there is a substantial level of trust between them (Hamari et al., 2016). Providers risk their private assets, and some level of personal trustworthy interaction between partners is needed.

The business model of all these platform companies is built in an economic scenario where there is a hard price competition with “traditional” business: for example, hotels in the case of Airbnb and taxis in the case of Uber. Apart from competing in price, there is another important key element that is placed in the very central core of their business models: the main objective of these platforms is to establish a trustworthily environment where lots of consumers and providers interact, avoiding a direct negotiation between them (Oskam & Boswijk, 2016).

This research work studies trust in the sharing economy, concretely in the framework of *Airbnb*. First, from a theoretical point of view, it is shown how Game Theory can be used to model trust through a dynamic game. Similarly to the prisoner’s dilemma, there will be two (types of) players, providers and consumers, with two different strategies: to behave trustworthy or not. Different payoffs are obtained by each player depending on its selected strategy and the other player strategy. These payoffs will determine the dynamics of the game.

Next, it is presented an applied analysis on the situation of Airbnb in Barcelona, using data extracted from its web page. This applied approach focus on those variables containing information about trust. We will see how these variables are related to other important factors in the business model of Airbnb, such as price.

Keywords: Sharing economy, Game theory, Trust, Airbnb

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