

CATEGORY KINGS AND COMMONERS: WITHIN AND CROSS-CATEGORY SPILL-OVERS IN THE SHARING ECONOMY

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INTRODUCTION

This chapter focuses on the largely unexplored spill-overs between category kings and commoners within and across the different sectors in the sharing economy. In addition to being highly visible members of many industries, category kings have attracted attention from researchers in various streams. Prior work has articulated “anchor tenants” in emergent geographic clusters (Powell, Packalen, and Whittington, 2012), market-dominant “kingpins” within industry value chains (Jacobides and Tae, 2015), and “cognitive referent” firms in novel product markets (Santos and Eisenhardt, 2009). However, most studies have overlooked what goes on with the majority of the members in the same category, i.e. category commoners (McDonald and Eisenhardt, 2017), particularly how they might benefit / hurt from the existence and activities of category kings.

Our chapter addresses these questions by examining spill-overs within the context of sharing economy categories. Sharing economy is an umbrella term, associated with a plethora of similar concepts referred to as the platform economy, collaborative consumption, the gig economy, crowd-based capitalism, and access-based consumption (Botsman and Rogers, 2010; Bardhi and Eckhard, 2012, Möhlmann, 2015; Sundararajan, 2016). In this paper, we refer to the sharing economy as digitally-enabled, peer-to-peer exchange platforms for goods and services that may or may not be for-profit, and that connect spare capacity with demand or offer access-over-ownership by enabling renting, lending, reselling or swapping (Möhlmann, 2015). Within the sharing economy context, we refer to category kings as pioneering technology startups like *Airbnb* and *Uber* (Pontikes and Barnett, 2015), that have achieved a celebrity-like status and recognition from the public and dominate their respective categories. Unlike category kings, category commoners may stimulate less public attention (low visibility, limited coverage) and fading support (few resources and endorsements and limited market traction) (McDonald and Eisenhardt, 2017). In the UK, examples of category commoners may

be the upscale accommodation sharing service *UnderTheDoormat*, a skill-sharing service based on a time-banking principle *Echo*, or the meal sharing service *Eatwith*.

Through a mixed-method study based on semi-structured interviews with UK sharing platforms and a consumer survey, this chapter expands extant work on categories by taking the less popular perspective of the commoner or “underdog” and by identifying the within and cross-category spill-overs that these category members receive from category kings. Going beyond the reputational spill-overs that are the main focus of extant literature, we also consider spill-overs in awareness, regulation, and customer usage between category kings and commoners, providing a holistic view of what it means to be a commoner. We find that category commoners are affected by kings differently depending whether they are in the exact same sub-category or in an adjacent one within the same larger category. While being in the same larger category (sharing platform), but a different sub-category as the category king is largely advantageous for commoners due to the increased awareness, trust, traffic, and regulatory conditions that the king creates for the category, being in the same sub-category as a category king is a double-edged sword. On the one hand, they can benefit from the same increased public awareness and better regulatory conditions described above. On the other hand, being lumped together with category kings carries the danger of being lost in the crowd, remaining undifferentiated from the category kings. In addition, the network effects make it difficult for a second, third etc. platform in the same category to attract both providers and users. Finally, the undesirable providers and users that the category king bans from its platform spill-over to these other platforms, which is difficult to detect and manage with limited resources.

Our study expands extant research on categories in several ways. First, we contribute to the burgeoning research on categories (Vergne and Wry, 2014; Paoletta and Durand, 2013) by distinguishing between category kings and commoners and how category kings’ actions affect

category commoners through several spill-over mechanisms, of which some are expected and some are paradoxical. Our study also extends previous literature by theorizing different effects of “category kingdom” based on whether or not the commoners are in the same sub-category. Studying these dynamics in the setting of the sharing economy contributes to our knowledge of how the sharing economy as a whole and firms in its sub-categories co-evolve. Most sharing economy research focuses only on a particular sector/category, e.g., transportation, (Chan & Shaheen, 2012; Greenwood & Watal, 2017), or housing (Ert et al., 2016), not paying attention to cross-category dynamics and how these dynamics affect the growth of the category as a whole.

Our findings also have important policy implications. We find that although category kings may be beneficial for increasing awareness for a new category as a whole, they may suppress their smaller competitors and achieve a monopolistic position. Checks and balances need to be put in place by regulators to prevent such outcomes. In addition, governments can set up and subsidize online trust-building and compliance schemes e.g. a trust seal for the new category such that the rules and requirements of these schemes are not at deterring levels for the resource-poor category commoners in an emerging category.

The rest of the chapter first lays out the relevant literature on categories and category kings and commoners. We then describe our methodology and findings. Finally, we discuss our contributions to extant work on categories and the burgeoning sharing economy research. We conclude the chapter with policy implications and final words.

THEORETICAL BACKGROUND

Previous studies advocate that constraints on new industries arise from a lack of knowledge, rendering organizations in emerging fields difficult to classify and comprehend (Meyer & Rowan, 1977; Zucker, 1977). Lack of familiarity with a new organizational

population reduces survival and founding prospects (Hannan & Carroll, 1995; Hannan & Freeman, 1984; Singh, Tucker, & House, 1986). This lack of information means that potential entrepreneurs, employees, and exchange partners may find it difficult to understand how production and distribution are organized in the new industry (Aldrich & Fiol, 1994), inhibiting learning (Aldrich & Baker, 2001). The problem also extends to consumers of the new industry's products who may not understand the attributes of products (Rindova & Fombrun, 2001) or even know how to consume those products (Mezias & Boyle, 2002).

In such new industries, thus, early entry occurs in a context of great uncertainty with regard to the meaning, boundaries, and even the very existence of the industry (Aldrich and Fiol, 1994; Lounsbury *et al.*, 2003; Santos and Eisenhardt, 2009). Earlier work has shown the significance of socio-cognitive factors at the early stages of industry evolution (Clark, 1985; Kaplan and Tripsas, 2008; Lounsbury *et al.*, 2003), and suggest a stronger focus on categorical dynamics since categories and their associated labels establish the focal points through which producers and consumers understand an evolving industry (Moreau, Markman, & Lehmann, 2001; Rosa *et al.*, 1999).

Category dynamics in nascent market spaces

Market categories are abstract schemes that classify merchandise and services into groups in line with their attributes and core features in a given market (e.g., Hannan *et al.*, 2007), and categorical evolution in nascent market spaces can be divided into two major phases. In a preliminary phase of divergence, increasingly more categories are introduced and used; in the ensuing phase of convergence, a few categories start to win favor amongst market stakeholders, while many others are gradually abandoned (Suarez *et al.*, 2015). As experience and familiarization with the new product class increase, stakeholders end up with a better capacity to assess which of the product's features and uses are relevant and important. Categories that best capture and communicate such relevant dimensions are preferred and

eventually start winning over other alternatives (Kennedy, Lo, and Lounsbury, 2010). This convergence of understandings and categories in an emerging industry constrain both the ability of producers and other stakeholders to introduce new categories, and their need for doing so. Shared understandings about the meaning of categories and about product characteristics that are deemed relevant and valuable do not allow for the introduction of novel categories. In addition, firms may find it more attractive to position their products in a well-established category because this allows them to reach a large pool of customers (Zuckerman *et al.*, 2003). Producers that initially positioned their products in some of the categories that did not gain traction feel the pressure to reposition them, and producers that stick to categories that are wavering run the risk of being marginalized with lower chances of survival. Consequently, the rate at which new categories are introduced to the industry goes down, and the total number of categories also decreases due to abandonment of some of the categories. Over time, convergence toward a specific perception of the industry leads both producers and other stakeholders to move toward the category that best captures this perception. The preferred category thus progressively gains dominance and becomes the referent for the emerging industry and its products (Suarez *et al.*, 2015).

As such, a dominant category may be defined as the conceptual schema that most stakeholders follow when they refer to products addressing similar needs and competing for the same market space (Suarez *et al.*, 2015). As a dominant category becomes prominent, this dominance has implications for both the competition and other actors in the industry.

Intra-category dynamics

As categorical boundaries have clearer definitions, and categories gradually assume meanings of their own; i.e., rather than being defined by the products that claim membership in them, they increasingly dictate the must-have product characteristics in order to be perceived as a legitimate member. Successive products are judged against these categorical requirements

or “categorical test codes” (Hannan *et al.*, 2007: 79), products that fit to the requirements of the category to which they claim membership are seen as legitimate members, while products that do not fit see their categorical claims questioned (Hannan *et al.*, 2007). Stakeholders may even classify or reclassify a product regardless of the producer's categorical claims if they discover that it fits another category better (Bowker and Star, 2000). Industry boundaries and the notion of substitutability, thus, are not fully objective but, rather, socially constructed. In fact, categories emphasize the homogeneity of their members while also setting rules that differentiate members from non-members (Zerubavel, 1997). Simply having the same label and being part of the same category emphasizes the similarities between objects (Hannan *et al.*, 2007) and stakeholders may perceive them as closer substitutes than they actually are. However, within the same category, we argue that some firms may have a higher standing than others, and at times, these differences may not be solely attributed to performance differences.

Category kings and commoners

Prior work has articulated related characterizations of organizations that seem to be more prominent than others in a new category: a well-connected “anchor tenant” in an emergent geographic cluster (Powell, Packalen, and Whittington, 2012), a market-dominant “kingpin” within an industry value chain (Jacobides and Tae, 2015), and a top-of-mind “cognitive referent” in a novel product market (Santos and Eisenhardt, 2009). Anecdotal accounts describe category kings—pioneering technology startups like Airbnb and Twitter that create and dominate new categories (Pontikes and Barnett, 2015). These companies have achieved a lopsided prominence and market share relative to their competitors and have essentially “closed the door behind them” in the category (Thiel, 2014). However, most prior work overlooked the also-rans in the industry that are called *category commoners* (McDonald and Eisenhardt, 2017). Compared to category kings, category commoners stimulate limited attention (low visibility, limited coverage) and fading support (few resources and endorsements

and limited market traction) and recent research has even shed light on how firms end up becoming category kings or commoners through different strategies (McDonald and Eisenhardt, 2017). The distinction between category kings and commoners may be related to pure economic performance (that is, category king/commoner may seem interchangeable with most/least successful firm) but this may not be fully objective, since category commoners may simply be lagging the king according to the perception of their audience. The reason category commoners may not fare as well in the eyes of their stakeholders as category kings is that, at times, category kings are perceived as ‘celebrities’, and may get excessive attention from stakeholders and media, not leaving any room for category commoners to showcase themselves effectively to the stakeholders. Organizational celebrity is an important social approval asset that is given to an organization by audiences’ high levels of attention and positive emotional responses (Pfarrer, Pollock, & Rindova, 2010; Pollock, Mishina, & Seo, 2016; Rindova, Pollock, & Hayward, 2006). Although category commoners may not be able to present themselves directly in such a positive light to their audience as much as the category kings, the actions of category kings may have consequences for the category commoners, through a reputational spill-over effect. Next, we define reputational spill-overs more generally, and then review this phenomenon within the specific context of categories.

Reputational spill-overs

Reputational spill-over occurs when an event caused by the actions of one firm affects the reputation of others that are not involved with that event (Barnett & Hoffman, 2008; King et al., 2002; Mohammad and Crane, 2015). It renders the traditional view of reputation as an expectation of future behaviour based on the result of prior behaviour incomplete since firms are attributed with similar behavioural expectations as others similar to them independent of their own actions. Consequently, audiences evaluate firms’ reputations based on a mental classification of a greater representation of firms (Yu & Lester, 2008) and we observe that, in

this case, the actions of one firm would influence the judgment made of another, leading to a common reputation among those firms (Barnett & King, 2008; King et. al, 2002).

Extant research has found evidence for reputational spill-overs empirically. Goins & Gruca (2008) found that redundancy announcements U.S oil and gas industry firms negatively influence other firms within the industry that did not make such announcements. Spill-over effects on market valuations of firms, referred to as “information transfers”, have been recognised with respect to managerial actions such as earnings announcements (Foster, 1981), bankruptcy (Lang & Stulz, 1992), drug withdrawals (Ahmed, Gardella, & Nanda, 2002) and new product introductions (Zantout & Chaganti, 1996) in the accounting and finance literature. Some firms may even experience more damage from spill-over effects from their competitors’ actions than from their own actions, as studies of automobile recalls demonstrate (Jarell & Peltzman, 1985).

Previous studies mostly attempt to provide a theoretical basis for how reputational spill-over occurs, therefore portray it in a relatively simplistic manner in that (1) the effects of a spill-over are considered constant between the firms that experience it, and (2) the scope of affected firms is limited to a single industry context (e.g. Yu et. al, 2008; Barnett & Hoffman, 2008; King & Lenox, 2000). Such a narrow conceptualization constrains our understanding by failing to take into account facets of spill-over that make it complex and variable in nature – namely, the severity of its effect across different firms, and the full scope of firms that are subject to spill-over, including firms in different industries (Mohammad and Crane, 2015). Firms across industries should be considered in the scope of spill-overs since a firm’s reputation can become entangled with firms outside of its industry through cross industry associations (Barnett & Hoffman, 2008), and may be affected by neighbouring industries that the firm spans (Vergne, 2012). Thus, we can shed more light on reputational spill-overs through not only uncovering how spill-overs occur, but also by understanding how they vary in nature.

Our study addresses these questions and takes a wider view of spill-overs not only confined to reputational spill-overs reviewed above, within the context of sharing economy categories. Category spill-overs are positive or negative externalities arising from associating with a particular category. When two or more stakeholder-specific categories nourish each other over time, there are positive spill-overs, and when two or more stakeholder-specific reputations undermine each other over time, there are negative spill-overs. Studying the impact of category spill-overs can provide an enhanced understanding of how companies manage category associations and how different types of category associations generate spill-overs, which can have critical performance implications for member firms. This chapter sets out to shed light on such tensions by examining various types of spill-over effects occurring between various category actors, particularly the category kings and commoners in sharing economy. Next, we describe the methodology we followed for our study.

METHODOLOGY

Research setting

Our research setting is the sharing economy organizations/platforms in the UK. Sharing platforms are becoming substantially more prevalent in day to day life and business activities. A Time magazine poll published in January 2016 estimated that 42% of Americans had already used a sharing economy service, and that 22% had provided one. Similarly, a cross-sector survey in the UK has shown that in 2017, 42% of the UK population used sharing platforms other than ecommerce platforms like ebay and gumtree, and close to half of these respondents use them more than once a month, constituting a 60% increase since 2016 (Ozcan, Mohlmann, and Krishnamoorthy, 2018). With such pervasiveness in the society, sharing economy firms are expected to generate trust, aid with community revival (Schor, 2016) and even reduce waste

and increase the efficient use of resources (Hamari et al., 2015), and thus, help solve societal problems (Uzunca et al., 2018).

However, due to the sharing economy phenomenon still being quite recent, extant research lacks the indigenous theoretical groundwork to categorize and fully address sharing economy's impacts, dilemmas and theoretical hurdles (Murillo et al., 2017). In this case, grounding research on sharing economy in an already existing theoretical tradition is very beneficial to build a field of research, and at the same time, strengthen the field of practice (Mair and Reischauer, 2017). Since sharing economy has several sub categories, and since we observe that the sharing economy as a whole and its sub-categories co-evolve together, we posit that the categories research tradition would be an appropriate lens to study this co-evolution. The interaction between the more prominent firms, category kings- as we name them-, and category commoners, both within, and cross-categories, is paramount to this co-evolution. Since category kings, albeit with different names/labels, have already been studied in the literature, (Jacobides and Tae 2015; Santos and Eisenhardt, 2005) this paper takes the perspective of category commoner type sharing economy organizations in the UK and unveils their benefits and challenges of co-existing with category kings.

In order to unveil these benefits and challenges, we conducted an inductive study (Eisenhardt, 1989) with 30 semi-structured interviews with the UK sharing economy organizations/platforms, as well as industry experts, and members of the Sharing Economy UK (SEUK from here on), which is the major sharing economy trade association in the UK. SEUK aims (1) to champion and strengthen the sharing economy sector, (2) to ensure best practices among its members, and (3) to act as a single voice of its member organizations in the UK (SEUK, 2018). SEUK was launched in 2015, following the publication of a government-sponsored independent review written by the founder of LoveHomeSwap. Two years later, SEUK was incorporated into the Confederation of British Industry (CBI) who is now managing

the operations of the trade organization body. By the autumn of 2018, when we wrote this article, the SEUK board members were representatives of easyCar, Gumtree, Airbnb, Patchwork, and the legal practice Osborne Clark (SEUK, 2018). A plethora of different organizations/platforms that can be associated with different sub-industry categories have been granted SEUK membership by summer 2018, covering services such as the sharing of pre-owned goods (e.g. eBay, Gumtree), rental cars (e.g. easyCar, Zipcar), places to stay (e.g. Airbnb, Beds on Board), funding (e.g. Justgiving, Crowdcube), rides (e.g. Liftshare), parking (e.g. JustPark, Your Parking Space), professional services (e.g. Parcelly, TaskRabbit), and meals (e.g. MealSharing, Eatwith). These sharing platforms included both for-profit and not-for-profit organizations.

While different countries all around the world are experiencing a rise of the emerging sharing economy and face challenges on how to define its boundaries and how to regulate it, the UK context provides a valuable setting for our research. Large sharing economy brands such as Uber and Airbnb that are disrupting the economic landscape in many countries are active in the UK market. In addition, most sharing economy organizations/platforms tend to be located either in, or close to, the major metropolitan region of London. Due to this geographical proximity, even smaller and less well-known organizations/platforms tend to be involved in SEUK activities, providing us with valuable information about how the relationship between category commoners and category kings evolved in the UK context.

Data Sources

Given the limited empirical work on our research question, we followed an inductive approach, where we analysed the relationships between category commoners and category kings, as well as their interactions with their ecosystem. We used various sources for our data collection, capturing three different levels of analysis, including (1) the perspective of the SEUK trade association (and its management team), (2) the SEUK members comprising

category commoners and category kings sharing economy organizations, and (3) sharing economy consumers. We draw on both qualitative and quantitative data.

The main source were in-depth semi-structured interviews with UK sharing economy organizations, as well as industry experts, and members of the SEUK management team. Access to data was facilitated in part through SEUK. One of the researchers approached SEUK in 2015, built a relationship and interviewed the member organizations. 30 semi-structured interviews were conducted between 2015-2018, with an average duration of 60 minutes each. The interview questions were structured around the interviewees and their role, the business concepts and growth of respective sharing economy organizations/platforms they represent, as well as respective organizations' interactions with the trade association, other SEUK members, regulators, and consumers. In addition, two of the researchers regularly participated in SEUK member meetings. These provided a valuable source about the emergent role of SEUK and its role in the economic landscape of the UK, and allowed the researchers to observe members' and management team discussions in a non-artificial environment.

In order to classify the informants' organizations as category king or commoner, as well as to look at usage spill-overs between these platforms, we relied on a survey we conducted among sharing economy consumers in July 2017¹. The survey was developed by two of the authors, in close consultation with SEUK members. It was distributed by a commissioned research company based in the UK and gathered 1200 valid and complete survey responses from a representative sample of the UK population (based on gender, income, education level, and place of residence). In the survey, respondents were asked several blocks of questions that unveiled their current sharing and non-sharing behaviour and future motivations for sharing goods and services across different categories including rides, accommodation and

¹ Please refer to <https://www.wbs.ac.uk/wbs2012/assets/PDF/downloads/press/ResultsofUKSharingEconomyConsumerSurvey2017.pdf> for more details on the survey.

professional services.

Data Analysis

The interviews and recordings of the meetings were transcribed. An individual case history was then constructed for each sharing organization following the data collection process. The case histories included interview, observational, and archival data (Eisenhardt, 1989; Yin, 1994) on each of the sharing platforms that we identified as either category king or commoner based on usage statistics in our quantitative survey (Ozcan et al, 2018) and supporting archival material. We triangulated these data, emphasizing themes that were supported by different data collection methods and confirmed by several informants (Jick, 1979).

We then began the cross-case analysis, looking for similar constructs and themes in the cases (Eisenhardt & Graebner, 2007). More specifically, we started analyzing our findings in order to spot the common positive and negative effects that category commoners documented as part of their experience. We used tables and other cell designs to compare several possible constructs at once (Miles & Huberman, 1994). As the theoretical frame clarified, we added comparison with the extant literature to highlight similarities and differences, strengthen the internal validity of findings, sharpen construct definitions and measures, and raise the generalizability of the findings.

For the complementing quantitative survey, we conducted a descriptive analysis of our survey data, which we made available to the academic and practitioner community. We used the descriptive findings of the survey to inform our qualitative findings. Iteratively reflecting on our theoretical foundations and the empirical analyses based on qualitative and quantitative findings, we finally developed a theoretical model that captures our findings, described below.

FINDINGS

Our interviews with sharing economy organizations as well as our consumer survey

confirmed the existence of both category kings and commoners in the UK sharing economy setting. Table 1 presents a comparison of kings and commoners in different aspects in the UK context.

-----INSERT TABLE 1 ABOUT HERE-----

Among category kings and commoners we identified, we encountered both positive and negative spill-over effects of various kinds. Below, we discuss these within- and cross-category spill-overs following the same structure that is given in the visual illustration of these effects in Figure 1 below.

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Spill-Overs in Regulatory Acceptance

First, our interviews and observations revealed how commoner platforms in various categories benefited from kings' efforts in the political space for regulatory acceptance and favourable conditions. One of the main mechanisms through which commoners benefited from kings within and across the same category was through the activities of SEUK, as a founding member explains below:

“One of the big objectives of the sharing economy UK is to raise the profile of the sharing economy within the UK’s political scene. If we didn’t do it then we’d have regulations thrust upon us without the ability to consult and that was a big driver.”

The media and communications manager of SEUK similarly described how their participation in political debates regarding the sharing economy is crucial for their members in order to navigate their regulatory uncertainty:

“Sharing economy may be popular with consumers, but it is still a new thing, especially for regulators. There are still many issues, like employment, taxes, that are not well defined for the space. So, it’s crucial for us to help our members navigate this regulatory uncertainty and resolve it in their favour.”

Funding the association in terms of annual fees represents a crucial means in order to push the regulatory agenda forward. Many category king organizations were founding

members of this association and paid higher annual fees compared to commoners, as explained by another member below:

“I think what works for SEUK is having Airbnb involved, having that kind of cast to have our voices to be heard. Airbnb, Bla Bla Car, Taskrabbit, they pay more. But there are lots of people there who pay 1000 pounds a year for which I think they get incredibly rewarded.”

Thus, category kings financial support was crucial to support the wider range of activities that SEUK implemented for the members. However, not only did the category king organizations shoulder most of the financial burden, but also they tended to show more intensive engagement in SEUK, for instance by representing SEUK in meetings, being at the forefront of pushing regulatory acceptance forward. One SEUK executive described the involvement of the category kings as follows:

“The more established members don’t just drive this effort financially, they also cooperate with us. They are often at the table with us as representatives of their sector, like Airbnb will often come with us to conversations with the government on accommodation sharing.”

The second type of regulatory spill-over from category kings to commoners was through the direct political activities, or lack thereof, of the category kings. Our interviews showed that politically active category kings benefited from representing category commoners in the political space, as described by an executive from one of the large organizations that founded SEUK:

“It is important for us to fit into our environment and support our environment. This includes supporting smaller sharing platforms that could provide complementary services to us. Of course, while doing that, we also support smaller competitors, but this needs to happen...It matters because when you lobby, it’s very different to represent the entire UK sharing platforms versus when you do it just for yourself.”

Interestingly, the positive spill-over of category kings’ political efforts were not just to the smaller platforms within their sub-category (e.g. accommodation, ride-sharing) but also cross-category, as described by a small organization executive in skill sharing:

“It’s good for us because when someone like Airbnb talks to those guys <government>, their rhetoric is very much along the lines of “we’re here as part of a larger sharing movement”. They do it so that they don’t look self-serving, and it’s great for me!”

We also discovered that not all category kings were politically active. A good example is Uber. A smaller ride sharing platform founder explained how Uber’s lack of engagement with institutional actors has made their life difficult.

“Up until recently, Uber has just not been engaging with any of the stakeholders. Their approach was, let our number of drivers and users speak for itself. But clearly, that didn’t work out and in the meantime, it was extremely difficult for us to get a seat at the table with transportation authorities when Uber wasn’t there.”

Spill-overs in Public Awareness

In our interviews, it was revealed that executives of category commoner organizations perceived both positive and negative within category spill-over effects. First, they experienced a positive effect, as category kings had greater resources for publicity. As described above, the efforts of SEUK to raise public awareness were beneficial for all organizations in the sharing economy. An SEUK member described:

“There was a full page on Sunday Times today on the rise of the sharing economy. SEUK has that kind of reach...”

Larger sharing economy organizations had different means to implement marketing activities. One founder of a commoner organization in the accommodation sector described this positive effect of category kings’ PR efforts as follows:

“The likes of AirBnB got such big press and reach now. I don’t know how many people but certainly many would have heard of Airbnb today and that helps in raising general awareness for the rest. I mean, there’s still a long way to go but I think they’ve really moved this whole thing along.”

Another member explained how category kings had become the way that people define the sharing economy category as a whole, as follows:

“Very few people would define the sharing economy because it is very difficult to define. More often people would give examples of companies that fit in the sharing economy to prove that they understand. So the examples they would give would be Airbnb and Uber typically.”

We also observed an unexpected consequence of the awareness created by the category kings on commoners, which largely depended on whether they were located in the same category as the kings. For platforms that were in the same category as the category kings, there was a negative effect in terms of ability to differentiate their business model from these platforms. A great example is one accommodation platform that provides end-to-end service for hosts in the London area. In our interviews, the founder explained how they founded the platform for the purpose of serving the upscale market where hosts, who are typically executives working in the City, travel a lot, and do not have the time to prepare their apartment for sharing while they are gone. She explained:

“I think one of the big misnomers is that often people bundle them all together and just say, look, these are all platforms. But, when people talk about this stuff they actually see it all as one thing you know, my business, <others> for example, we actually all operate, so we manage the homes you know, we take care of everything from the cleaning, the linen that I was mentioning about, insurance, everything end-to-end so the homeowner basically puts everything into our care.”

Similarly, the founder of another accommodation sharing platform explained:

“What they also don’t really understand is they just think this is all Airbnb. There are many other formats out there that do different and sometimes better things.”

But also category commoners in other categories, such as in transportation experienced similar difficulties. The founder of a smaller car sharing platform explained how they had difficulty differentiating from ride-sharing companies, and in particular from the category king Uber:

“Car sharing is very different from ride sharing. But we see more and more that that’s not clear to people. Whether they like it or not, what they tend to think of is Uber. That’s one of our biggest challenges, I would say.”

On the flipside, the category commoners in other categories experienced a positive effect of the heightened awareness for category kings in terms of raising awareness for their

own business model because they could use the category king as a reference point: One car sharing platform described this as follows:

“Coming out of London, when you speak to people and you explain to them, we’re like Airbnb but for cars, they’re like, ok!”

Another organization used this effect to market their boat sharing service, by advertising on their platform:

“Airbnb for your boat... Earn money when you’re not on it!”

Overall, we observed that the resources and efforts of category kings to raise awareness for the wider category of sharing economy and for their own sub-category had mixed effects for the category commoners. On the one hand, everyone else, whether they were in the same sub-category of sharing or a different one, experienced a positive effect from higher awareness created by the kings. But at the same time, as the entire category became associated with the business model of the category kings, those who were trying to differentiate from that model had trouble doing so.

Spill-overs in Reputation and Trust

We differentiate awareness from reputation, which, based on extant literature, we define as the assessment, or the nature of the evaluation or judgement about a particular organization (Barnett et al. 2006). We observed that some of the heightened awareness around category kings created negative press coverage, which category commoners perceived as a negative effect on their own reputation, as apparent in the quotes below:

“All they see is in the press when there’s an Airbnb disaster, people don’t realise how much good activity happens in this space.”

“There’s a load of stuff where there’s negative press and I don’t feel like we do anything near what we should be doing in terms of proactive PR, you know, where we’ve got real data that can say look, here’s the benefits that we’re bringing, here’s the opportunities that are created as a result of this. If we don’t actually get out and proactively do more, I think we’re then at the mercy of the negative press about these big players.”

The interviews revealed that negative reputation is as likely to spill over as positive reputation. This applies to cross category and within-spill-overs alike.

“Do they see just the negative sides or also the positive sides? Once you see an imbalance there it also shows you that there should be more marketing towards marketing the benefits and then there’s also like a public image problem, but this is something that needs to be worked on, right?”

Reputation is an important factor in order to establish trust and increase consumer usage in digital platforms (e.g., Bolton et al. 2012). Previous research has used the notion of “trust transfer”, to refer to cross-level relationships, or “spill-overs”, that occur across different hierarchy levels, potentially spanning from the organizational level to the interpersonal level (Rousseau 1994, Steward 2003). Indeed, seminal work by Pavlou and Gefen (Pavlou and Gefen 2004; Gefen and Pavlou 2012) has shown that trust in organizations/institutions may influence interpersonal trust, such as trust in a community of individuals. In the presence of no or negative reputation, trust building efforts become even more critical.

Through our interviews and observations, we observed how SEUK was engaged in broader trust building efforts through a certification program called the “TrustSeal”. The TrustSeal is a kitemark that certifies good practices of sharing economy companies, signalling that these act with high integrity and maintain high professional standards. It is awarded by a subcommittee of the SEUK board (mostly consisting of category kings). Among others, the subcommittee reviews criteria such as the implementation of identity and credential verification on respective sharing organizations, the provision of a credible insurance cover, the transparency of the pricing structure, and the implementation of security and data protections.

While the initiative has largely been pushed forward by the category kings in SEUK, however, one of the initial motivations for establishing the “TrustSeal” was to help small and less well-known SEUK members, since it would signal trustworthiness to potential users. A SEUK executive explained this as follows:

“Having this certification is potentially very important, particularly for our newer members to help establish themselves as a player that’s legit.”

However, it turned out that the costs involved in the application of the “TrustSeal”, as well as the proper implementation of all criteria involved, were not affordable for many of the category commoners. Furthermore, some of the criteria set out in the “TrustSeal” requirements, such as the provision of insurance for its users, were difficult to implement by some of the category commoners because no third parties, e.g. insurers, would collaborate with such small players. Those who were initially thought to profit most by this initiative could not afford getting onboard or live up to its requirements. By the summer of 2018, eight sharing economy companies had been awarded with the TrustSeal. These mostly consisted of larger platforms across different categories. The founder of a small organization commented:

“So, the TrustSeal is something that is good for us in theory. But the financial and the time dedication that it requires has really been off putting so far, and that’s a pity, right? Because that becomes yet another factor that separates us from the big platforms that get all the business.”

Spill-overs in Customer Usage

In addition to observing the spill-overs between category commoners and kings in these different categories, we also looked at whether sharing organizations experienced customer usage spill-overs within the same category as well as across categories. Regarding usage spill-overs for platforms within the same category, we found, first of all, that due to network effects (Eisenmann et al., 2006) which leverage a faster growth of the large organizations, there is very little positive spill-over effect between the usage of category kings to category commoners. One informant described:

“If you want to survive in a world where you have Airbnb, you need to offer something different, something that people can’t get on Airbnb. Otherwise, why would they come to you?”

As described above, differentiating from the large, well-known, and highly reputable organizations in terms of business model was another difficulty that category commoners faced, impacting the number of their subscribers. Customer usage spill-overs between

category kings to category commoners seem to only kick in once users wanted to trick the system:

“In London, obviously there’s the 90 day rule and you’ve got a lot of rogue landlords that are just doing Airbnb year-round, obviously Airbnb’s been active in trying to crack down on that and limit people on their own platform to 90 days, but of course what then straight away happens is bad guys actually just go to another platform, because they are actively breaking the law”.

When interviewed further, the founder explained how “*not having by far as much in terms of resources*” as Airbnb was a great problem in identifying and preventing the law-breakers on their platform.

When we looked at spill-overs in usage across categories, our data revealed very different findings. Our consumer survey reveals that current users of the sharing economy are more likely to already receive other sharing products and services, or to do so in future compared to non-sharers (Figure 2). In particular, our data reveals that more than 50 percent of current users of places-to-stay sharing (57 percent) and ride-sharing (63.9 percent) already engage in meal sharing, or plan to do so in future, while this applies only to 17.3 percent of current non-sharers. Likewise, more than forty percent of current users of places-to-stay sharing (44.3 percent) and ride-sharing (46 percent) already participate on sharing economy platforms for professional services, or plan to do so in future, while this applies only to 19.9 percent of current non-sharers.

-----INSERT FIGURE 2 ABOUT HERE-----

In addition to the increase in the general level of comfort using sharing platforms, our interviews show that there is complementarity in usage between platforms across certain sub-categories, as explained by a skill-sharing platform executive below:

“But look, let’s also be clear, the explosion in growth of this particular industry really helps us. People that are renting out a room, they get people from us all the time because they are available, they are flexible, they can do multiple things, and they can fix things in the home quickly, they can also go and let people in. It really helps our business.”

In this final section, we summarize our findings, discuss our contributions to extant literature and discuss avenues for future research.

DISCUSSION

This chapter addresses the spill-over dynamics between category kings and commoners within the context of sharing economy categories, taking a wider view of spill-overs that is not only confined to reputation as discussed in previous literature. In doing so, we make several contributions to literature on the concepts of category kings and commoners, as well as on intra- and inter-category spill-overs between these actors, as detailed below. In this section, we summarize our findings and provide their immediate implications for research on categories. We then take a step back and discuss our contributions to the study of the sharing economy and the practical implications of our findings.

Category kings and commoners

Our exploratory empirical study expands the extant research on categories in several ways. First, we contribute to the burgeoning research on categories (Vergne and Wry, 2014; Paoletta and Durand, 2013) by distinguishing between category kings and commoners and how category kings' actions affect category commoners through several spill-over mechanisms as discussed above. Previous research focused either solely on category kings (Jacobides and Tae 2015, Santos and Eisenhardt, 2005) or studied actors' strategies separately without considering the spill-over effects (McDonald and Eisenhardt, 2017).

Mirroring previous literature, we identified several category kings in the SEUK context and revealed that these organizations tend to take leadership roles in developing the wider market in which they operate. For instance, in the context of SEUK, they paid more for their membership than others and were more actively involved in lobbying activities of SEUK. In accordance with previous research that showed how reputable organizations such as celebrity

firms receive substantial public attention and interest (Rindova et al., 2006), we find that category kings seem to have access to a lot of resources and thus the means to increase public awareness and to implement marketing and community outreach strategies in order to increase their entire category's, and therefore also their own image. We also find that they advocate initiatives that seek to increase consumer trust in this new category, as seen in the "TrustSeal" example described before.

In contrast to category kings, we used the term category commoners to refer to smaller, and less well-known sharing economy organizations. While there is an emergent body of research addressing category kings or celebrity firms (e.g., Zavyalova et al 2017), research on category commoners is still in its infancy. Within the sharing economy literature, as well, most research studies focused on the assessment and discussion of well-known brands such as Airbnb and Uber (Baron 2018, Constantiou et al. 2017, Greenwood et al. 2017) while scholars have not paid sufficient attention to the perspective of category commoners, or "underdogs" to address the challenges faced by these organizations.

We extend existing literature by identifying a paradox that characterizes the relationship between category commoners and category kings. Based on our empirical analysis, we find that category commoners experience positive across category and within-category spill-overs. They can free-ride on the resources and efforts of category kings in increasing public awareness, as well as reputation for the entire category. Some of these advantages occur as spill-overs as category kings do marketing and community outreach to raise awareness and build trust for themselves. Others, particularly in the political sphere, occur as category kings consciously lead government relationships as representatives of their category because it is politically more advantageous for them to do so.

Paradoxically, we find that being associated with category kings may also result in substantial disadvantages for category commoners, in particular for those organizations

associated within the same category. Indeed, customers and the public may face challenges in differentiating them from category kings, by focusing on similarities between respective companies, or broadly clustering their characteristics and features. Thus, category commoners may remain unrecognizable, making it hard to compete, or raise consumer awareness and trust for their distinct brand. Controversial press coverage about category kings may spill-over negatively to category commoners, as the public is unable to differentiate between distinct companies within the same category. While previous research has addressed how “infamy” (referring to extreme negative public attention of a well-known company), may result in substantial reputational consequences for an organization (Pollock et al. 2015), our findings indicate that negative public attention and reputation may trigger spill-overs and have an undesirable impact on other companies being associated with the same category.

Our study also extends previous literature by theorizing different effects of category kingdom based on whether or not the commoners are in the same sub-category. In the context of our study, we show that category kings can emerge at the highest level of hierarchy, i.e. across categories. One example would be Airbnb – a very well-known organization with a large user-base, a category king dominating the sharing economy category as a whole. We see that all organizations classified within the broader sharing economy category experience positive or negative spill-overs from Airbnb’s existence, depending whether or not they are in the same sub-category.

Associations with cross-category kings may result in distinct consequences and challenges for category commoners. Our data reveals that across-categories, category kings increase customer usage as they raise awareness and trust for the category as a whole. However, being within the same lower hierarchy or sub-category may be challenging for category commoners due to increased difficulty in differentiating their reputation and services. These forces are described in Figure 1. We further theorize that the downsides of categorization are

further fuelled by network effects (Katz and Shapiro, 1994). Sharing economy platforms with a larger user-base are of greater value to respective users, resulting in a faster growth of these platforms relative to their (smaller) counterparts, potentially increasing the gap between category kings and category commoners.

While our research has focused on the uni-directional spill-over effects from category kings to commoners, we also discovered that category kings benefit from the existence of commoners, particularly with regards to regulatory acceptance. We find that representing the entire sub-category (e.g. accommodation sharing) was a typical tactic of politically active category kings as this wider representation helped with their image in the regulatory space. Future research can explore other ways in which category commoners may help or hinder the growth of category kings.

Contributions to the study of the sharing economy

Following a call by Mair and Reischauer (2017) for further research in inter-field studies in the sharing economy, our study helps us uncover how the sharing economy as a whole and firms in its sub-categories co-evolve. Most sharing economy research focuses only on a particular sector/category, e.g., transportation, (Chan & Shaheen, 2012; Greenwood & Watal, 2017), or housing (Ert et al., 2016), not paying attention to cross-category dynamics and how these dynamics affect the growth of the category as a whole. Conducting more inter-field level studies will shed light on the processes of change and as well as consequences not only for the studied fields but also for the society more generally (Mair and Reischauer 2017).

The growth of the sharing economy is a significant phenomenon to study as sharing platforms can offer solutions to societal problems (Uzunca et al, 2018), with consequences for the welfare of society at large, such as generating trust and aiding community revival (Schor, 2016), or reducing waste and increasing the efficient use of resources (Hamari, Sjöklint, &

Ukkonen, 2015). However, sharing economy is also a complex phenomenon spanning across different sectors with different issues (e.g. safety, hygiene) that affect adoption in each one (Ozcan et al, 2018). By improving our understanding of the positive and negative spill-overs between sharing organizations across different sectors, our study contributes to our knowledge of what enables / hinders the growth of the category as a whole. For instance, trust is known to be one of the cornerstones of the sharing economy with significant implications for its growth (Botsman and Rogers, 2010; Möhlmann, 2015; Sundararajan, 2016). Previous research has found that many top sharing companies use online reputation-building mechanisms as an alternative to formal regulation in order to build trust in their companies (Murillo et al., 2017). In our study, we discover that trust spill-overs from category kings to category commoners within and across categories may also have an effect in overall trust to the category, subsequently impacting its growth and adoption. Here, we draw connections to the “trust transfer” literature (Rousseau 1994, Steward 200, Pavlou and Gefen 2004; Gefen and Pavlou 2012) and call for more cross-pollination between trust transfer research as applied to online marketplaces and reputation/trust research in more mainstream organization theory.

Policy Implications

In addition to the contributions discussed above, we believe that our study puts forth important policy implications for the sharing economy. Previous studies already postulated that public policy actors need to refine their approach to regulation of the sharing economy (Uzunca et al., 2018; Murillo et al., 2017; Munoz and Cohen, 2017). By taking into account the dark side of spill-overs, we present novel policy implications for regulators. For instance, although category kings’ visibility may help grow the awareness regarding the sharing economy category as a whole, they may eventually suppress the smaller players, commoners in their respective sub-categories, and achieve a monopolistic position based on the negative spill-over

effects we identified in this paper. Therefore, we posit that regulators should keep an eye on category kings and set up the necessary checks and balances to prevent monopolization of a given sharing economy category. Otherwise, we risk the sharing economy moving from being a grassroots movement for a “participatory, fair, and sustainable” society (Botsman and Rogers, 2010; Cohen and Kietzmann, 2014; Mazzella and Sundararajan, 2016; Schor, 2016; Slee, 2015) to creating new centers of colossal economic power, replacing the previous incumbents to serve their own vested interests (Murillo et al., 2017).

Another important policy implication of our study is regarding the government’s role in helping smaller sharing platforms establish trust among consumers. As our findings regarding the TrustSeal show, the efforts of industry associations in helping smaller organizations grow may not always be very effective especially if these associations are managed by larger organizations. A great responsibility falls on the government to set up schemes such as the TrustSeal that will allow small online organizations to build trust among potential users without incurring costs that are at deterring levels for these resource-poor organizations. Such policies will not only help smaller and innovative sharing platforms to prosper, but will help small organizations in other industries (e.g. fintech, healthtech) inject competition into their respective industries that are dominated by large and stale organisations.

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Table 1 – Comparison of category kings versus commoners in public awareness and usage

Sharing Platform	Sharing Sub-category	Public Awareness as compared to the second largest competitor in the same sub-category	Usage as compared to the second largest competitor in the same sub-category
Airbnb	Accommodation	10-fold	6-fold
Uber	Ride sharing	20-fold	12-fold
Easycar	Car sharing	3-fold	2-fold
Taskrabbit	Skill sharing	2-fold	2-fold

Source: Warwick Business School Sharing Economy Consumer Survey (Ozcan et al, 2018)

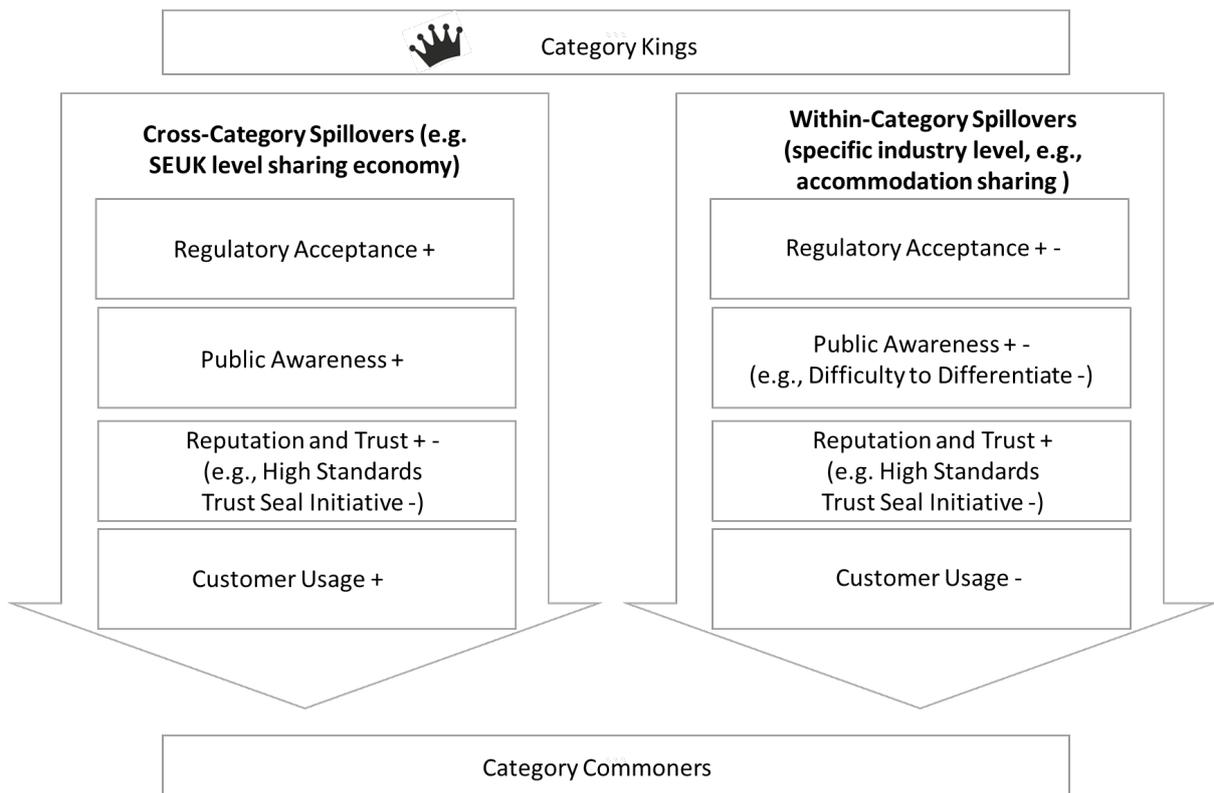


Figure 1 – Theoretical Model for Spill-Overs from Category Kings to Commoners

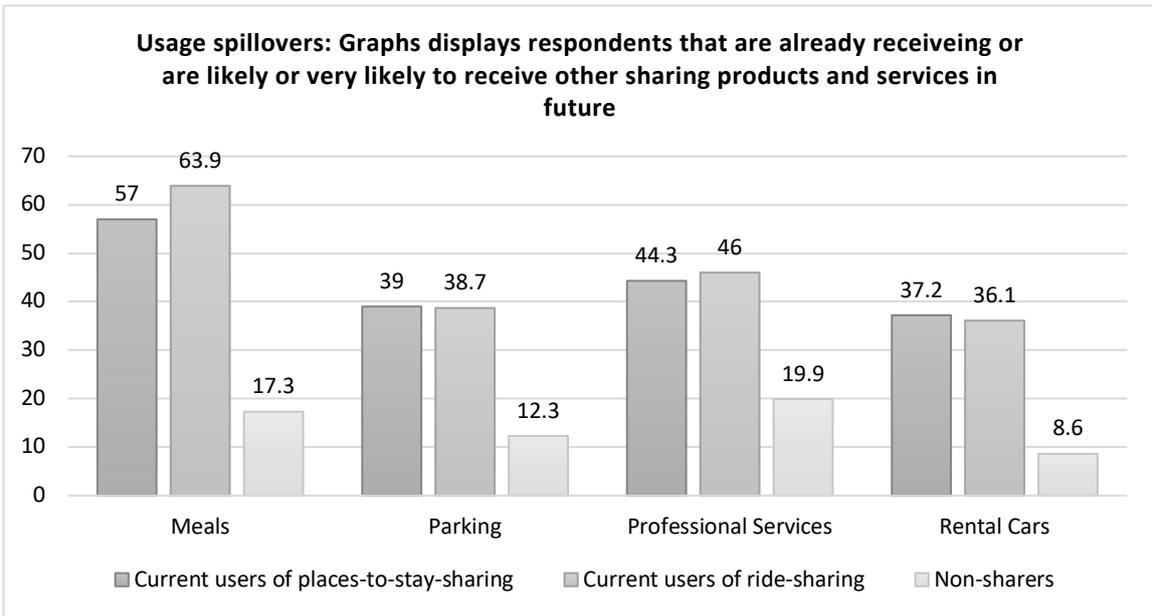


Figure 2: Spill-Overs in Usage

Source: Warwick Business School Sharing Economy Consumer Survey (Ozcan et al, 2018)