First Impressions Stick: Market Entry Strategies and Category Priming in the Digital Domain

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ABSTRACT   The rise of the 'digital age' presents unique challenges for firms entering new markets and deciding 'where' to compete – a pivotal topic in corporate strategy. Particularly, it is not clear what the opportunities and implications are for digital new entrants as they position their disruptive business offerings in the category system, in particular vis-à-vis non-market stakeholders. In this article, we qualitatively investigate how two icons of the 'sharing economy', Uber and BlaBlaCar, pursued two distinct categorization strategies which were incumbent-focused and economic versus emergent-focused and non-economic. Our longitudinal comparative case study reveals how digital new entrants, through self-categorization, can enduringly impact the nature of the responses of non-market stakeholders. The mechanism at play is 'category priming' – the process of directing stakeholders' selective attention towards, or away from, the commonalities shared with a specific market category – and its stickiness over time. In particular, the distinct categorization strategies primed stakeholders to focus (Uber) or not focus (BlaBlaCar) on similarities between the entrant and an established category, which triggered polarized responses from media and regulators and resulted in a 'sticky' association regardless of repositioning efforts. Our contribution dissects the constituents and consequences of these strategies and discusses implications for future research on digital market entry, strategic categorization, and business models.

Keywords: business models, categorization strategies, category priming, digital, market entry, non-market stakeholders

INTRODUCTION

> Besides strategic mis-steps, the biggest challenges to digital platforms now come from courts and regulators. – (Waters, 2019 – Financial Times)

In 2014, Uber and BlaBlaCar, at the time considered two of the most iconic and fast-growing digital firms within the 'sharing economy' (Eckhardt and Bardhi, 2015; Gomes, 2017; Penn and Wihbey, 2016) were investigated by the Court of Justice in Madrid. This inquiry resulted from legal actions undertaken by the two Spanish industry associations representing firms providing taxi and bus services, respectively, the *Elite Taxi Federation* and *Confebus* (European Commission, 2017). In both cases, the accusation was of 'unfair competition' against incumbent firms. Uber and BlaBlaCar were – and still are – based on novel, multi-sided business models that act as substitutes of traditional transportation services: they provide a digital platform to connect private car drivers to users who need a short- and long-haul ride, respectively. Since their entry in Spain (Uber in 2014 and BlaBlaCar in 2009[1]), both digital firms had gained significant profits and market share by eroding customers from their respective incumbents (i.e., taxi and bus companies). Ultimately, in 2017, the same regulator released two polarized verdicts for the trials: Uber was banned and, more surprisingly, BlaBlaCar was fully discharged – despite being challenged by a powerful national association and sharing commonalities with Uber.

The observed, non-trivial outcome offers a timely opportunity for scholarly reflection on the importance and implications of digital firms' market entry strategies in contexts where influential non-market stakeholders need to make sense of their activities and could even forbid them. Since digital entrants' offerings are likely to defy existing regimes (Zuzul and Edmondson, 2017), anticipating or avoiding regulatory resistance is vital as they enter new markets. This presents a prevalent phenomenon due to the rise of digital platforms disrupting various traditional, regulated industries (Garud et al., 2020; Stallkamp and Schotter, 2021; Uzunca et al., 2018; Zhu and Iansiti, 2012), including accommodation, retail, transportation, and finance (OECD, 2018). Market entry, implying an expansion into new or adjacent markets (Markman et al., 2019; Uzunca, 2018) is central to corporate strategy, which has traditionally tried to explain firm performance through the key question of 'where' to compete (Grant, 2018; Porter, 1980; Wernerfelt, 1989). Furthermore, movement into new markets is a fundamental and recurrent strategic challenge faced by multi-market corporations as they coordinate foreign subsidiaries (see Menz et al., 2015 for a comprehensive review). In such cases, firms must gain a thorough understanding of the institutional factors in each local context they enter, and thus approach each market entry as anew (Zachary et al., 2015).

The new generation of digital firms must deal with unique demands when they enter new markets, particularly in balancing competing needs across market and non-market stakeholders.[2] On the one hand, users might be reluctant to adopt digital services if their functioning is perceived as too complex or far from their habits. This concern particularly affects digital platforms, whose business models are highly dependent on increasing adoption across multiple customer groups (Cennamo and Santalo, 2013; Helfat and Raubitschek, 2018). On the other hand, when digital new entrants try to increase adoption by offering accessible and convenient substitutes to traditional services, they can trigger opposition from incumbents (Uzunca et al., 2018). As they feel threatened, incumbents usually appeal to regulators (Garud et al., 2020; Phung et al., 2020) to protect

fair competition, consumers' rights, or the market status quo (Gurses and Ozcan, 2015; Pache and Santos, 2010; Uzunca et al., 2018).

Yet, current theorizing on market entry largely focuses on entrant-incumbent relations (Uzunca and Cassiman, 2020) while foregoing the inquiry of the critical interaction between new entrants and non-market stakeholders such as media, and perhaps more importantly, regulators (Markman et al., 2019). This lack of investigation is surprising given the dramatic effects that regulatory decisions can have on firm performance and survival, by limiting, shifting, or completely banning a digital new entrant's activities (Aversa and Guillotin, 2018; Cannon and Summers, 2014; Ozcan and Gurses, 2018). At the same time, regulators can grant economic assistance and legitimacy to new firms (Aldrich and Fiol, 1994; Zimmerman and Zeitz, 2002). With this article, we aim to provide theoretical insights into digital market entry dynamics and non-market elements, by asking: *How do digital firms' market entry strategies lead to divergent responses by non-market stakeholders?*

To address this question, we engaged in a longitudinal, comparative case study of the aforementioned contested market entry of Uber and BlaBlaCar in the Spanish transportation market. Taking a cognitive lens, we relied on strategic categorization research (Barlow et al., 2019; Cattani et al., 2017; Pontikes and Kim, 2017; Suarez et al., 2015) to explore how the digital market entry and subsequent variance in non-market stakeholder responses occurred. We identify and elucidate a novel mechanism, *category priming*, through which introducing distinct categorization strategies (via distinct value propositions) can ultimately affect the performance of digital new entrants. Specifically, the pursuit of *incumbent-focused*, *economic categorization* is likely to prime stakeholders to focus on the commonalities between a digital entrant and an established category (as in the case of Uber). In contrast, *emergent-focused*, *non-economic categorization* makes a new category salient to stakeholders, as such driving their attention away from the digital entrant's resemblances to an established category (as in the case of BlaBlaCar). Hence, we posit that economic categorization vis-à-vis an incumbent category versus non-economic categorization vis-à-vis an emergent category has an anchoring effect on non-market stakeholder efforts to make sense of an evolving categorical space. Furthermore, we claim that the effect of category priming is long-lasting or *'sticky'*, in the sense that it endures despite firms' modifications that suggest different associations.

In uncovering category priming and its stickiness, we shed light on the cognitive challenges and opportunities for digital new entrants, particularly in relation to non-market stakeholders, and, thereby, extend current theorizing on digital market entry (Garud et al., 2020; Markman et al., 2019; Uzunca et al., 2018). Our findings suggest that, during the early stages of category emergence, the relation between digital firms and regulators is co-dependent rather than dependent. Additionally, we advance the literature on strategy and categorization (Kaplan, 2011; Kennedy and Fiss, 2013; Porac et al., 1989) by showing why and how categorization strategies can shape stakeholder evaluations. Finally, our work contributes to the cognitive perspective on business models (Baden-Fuller and Mangematin, 2015; Martins et al., 2015) through an empirical investigation of value propositions as tools for self-categorization.

THEORETICAL BACKGROUND

Cognitive Perspective, Strategic Categorization and Market Entry

The burgeoning literature on categories and categorization – see Vergne and Wry (2014) or Durand and Paolella (2013) for excellent reviews – is rooted in the cognitive approach to strategy (Gavetti and Rivkin, 2007), with as origin the seminal work by Porac et al. (1989) which took a cognitive psychological perspective to examine how firms self-categorize into 'competitive groups'. Categories are socially constructed partitions that divide the social space into groupings of objects perceived to be similar (Bowker and Star, 2000; Negro et al., 2010a, 2010b). For markets and firms, categories provide 'a cognitive infrastructure that enables evaluations of organizations and their products, drives expectations, and leads to material and symbolic exchanges' (Durand and Paolella, 2013, p. 1102). Although scholarly attention shifted for a while to a sociological view and the disciplining power of relatively static categories (e.g., Hsu et al., 2009; Rao et al., 2005; Zuckerman, 1999), recent studies have returned to the examination of strategic agency in categorization (e.g., Durand and Khaire, 2017; Granqvist et al., 2013; Kennedy, 2008; Rhee, 2014; Suarez et al., 2015). A rapidly growing body of work indicates that, particularly in emerging and evolving markets, firms are likely to actively influence stakeholders' categorization processes (Durand and Khaire, 2017; Kodeih et al., 2019; Pontikes and Kim, 2017; Suarez et al., 2015).

Through strategic or self-categorization, new entrants attempt to position their business offerings favourably within the existing category system (Barlow et al., 2019). Specifically, they can manipulate their categorical membership, or redefine the category structure as a whole, to enhance their appeal and to create a competitive advantage (Cattani et al., 2017). This deliberate process is consistent with Durand and Paolella (2013)'s goal-based perspective on categories, according to which firms can act as proactive agents and influence stakeholders' categorization processes. From a strategy point of view, however, a vital concern is whether a new entrant's categorical claims are accepted or contested by its stakeholders – what Cattani and colleagues (2017:86) refer to as 'category plausibility.' Indeed, prior literature has shown that how key stakeholders – including consumers, incumbent firms, investors, critics, media, regulators, and analysts – evaluate new entrants' categorical membership can significantly impact firm performance and survival (Hsu, 2006; Kim and Jensen, 2011; Zuckerman, 2000). As advocated by Vergne and Wry (2014), taking an agentic perspective is critical to understand under which conditions new entrants' categorization strategies can effectively shape stakeholder evaluations.

Scholars have started to theorize how new entrants self-select and signal the categories to which they belong. A conceptual piece by Suarez et al. (2015) suggests that a firm entering a nascent industry has two potential categorization strategies: either positioning its products in an existing category or creating a new category for them. Put differently, firms' strategic categorization efforts can centre on either conformity to or differentiation from existing market categories (Durand and Thornton, 2018). Claiming membership in a well-established category can enable new entrants by conferring legitimacy (Navis and Glynn, 2011; Wry et al., 2011), but also constrain them by prompting expectations about what the firm should do (Cattani et al., 2017; Pontikes, 2018). In contrast, through

the creation of a new category, a new entrant can attempt to become the 'cognitive referent' and to steer stakeholder perceptions in the desired direction (Lounsbury and Glynn, 2001; Santos and Eisenhardt, 2009). Pursuing membership in an emerging, ambiguous category is a strategy deployed by new entrants to signal that they are innovative and categorically distinct from others (Pontikes, 2018). Moreover, categorical ambiguity provides firms not only the flexibility to alter their strategic orientation (McDonald and Gao, 2019), but also the opportunity to define the category around their exemplar (Pontikes and Barnett, 2015). Accordingly, and importantly, firms can position similar business offerings in different categories, and firms with dissimilar offerings can claim membership in the same, fuzzy category (Kodeih et al., 2019). Yet, to date, how stakeholders perceive firms' categorization efforts and how, in turn, stakeholder perceptions affect performance outcomes remains poorly understood (Durand and Khaire, 2017; Zhao et al., 2017). Therefore, our study extends the embryonic research stream on 'acts of categorization' by investigating not merely how new entrants self-categorize but also how key stakeholders evaluate and respond to such acts.

With the convergence of the literatures on categories and strategy, there is a surge of scholarly interest in the notion of firm-level 'optimal distinctiveness' (Zuckerman, 2016). The process of attaining optimal distinctiveness – 'positive stakeholder perceptions about a firm's strategic position that reconciles competing demands for differentiation and conformity' (Zhao et al., 2017, p. 93) – is conceptualized as a balancing act between being different from and similar to other firms within a category (Deephouse, 1999; Porac et al., 1989). This view favours strategic positioning vis-à-vis an existing category at market entry. Scholars have indicated that new entrants should initially favour conformity and demonstrate similarity to category exemplars, then gradually shift to differentiation and stand out from others as the category becomes more crowded (Barlow et al., 2019; Zhao et al., 2017). This rationale does not account for stakeholder multiplicity and focuses on market stakeholders only; to succeed, a firm must first make it into consumers' consideration set and then distinguish itself from others in that set (Zuckerman, 1999). It is unclear, however, if and under which conditions such sequencing remains optimal. We question if the advent of digital firms supports such temporality, particularly when involving non-market stakeholders.

Strategic Categorization via Value Propositions

Studies on strategic categorization generally take a discursive perspective, focusing on language and framing to inform and convince stakeholders (Granqvist and Siltaoja, 2020; Grodal and Kahl, 2017; Khaire and Wadhwani, 2010). For instance, in the context of nanotechnology, Granqvist et al. (2013) demonstrate how firms leverage labels to signify their membership in a particular category. The use of categorical language and labels in communication (e.g., advertising, websites, social media) is the simplest way for firms to signal their position in the category system to stakeholders (Barlow et al., 2019; Cattani et al., 2017; Navis and Glynn, 2010). A fundamental tool employed by firms to communicate their strategic positioning, as well as to enable comparisons with relevant competitors, are value propositions (Berman, 2012; Rietveld, 2018). Value propositions are defined as 'a strategic tool facilitating communication of an organization's ability to

share resources and offer a superior value package' (Payne et al., 2017, p. 472). They might help signal the competitive group (Porac et al., 1989; Porac et al., 2011) the new entrant competes with – or aims to compete with – thus being utilized as a tool for strategic categorization. Essentially, value propositions help convey key information about firms' distinctive offerings and how they aim to create and capture value (Priem et al., 2018; Tantalo and Priem, 2016; Teece, 2010). Yet, whereas value propositions are usually directed towards customers, they are likely to affect a broader range of stakeholders (Mish and Scammon, 2010).

Our view of value propositions as communication tools is grounded in marketing literature (Payne et al., 2017; Payne et al., 2020) as well as the cognitive perspective in business model research (Baden-Fuller and Mangematin, 2015; Massa et al., 2017). Indeed, scholars have claimed that it is necessary to distinguish the economic aspects or a firm's actual activities (Zott and Amit, 2010), from the cognitive aspects or a firm's representation of its activities to stakeholders (Baden-Fuller and Morgan, 2010). This modularity presents a key premise for our investigation; firms with different activities can have fundamentally similar value propositions, and vice versa, firms can offer different value propositions despite similarities in the activities they undertake. So, the economic and cognitive aspects are – to a certain extent – separable. For example, Amazon and Wayfair both provide a 'multi-brand, convenience-focused' value proposition in the furniture online marketplace. However, their businesses are based on different activities: Amazon gets a share of the transaction every time a customer buys an item from a retailer and takes care of the shipment via its fulfilment service; instead, when a purchase occurs, Wayfair buys the item from the retailer at a lower, prior agreed-upon price, and resells it to the customer with an overhead, while the retailer takes care of shipment (Dennis, 2020; Wischhove, 2019). Similarly, Starbucks and Costa Coffee are competing in the coffee shop market with comparable activities underlying their business models (Hanbury, 2018). Yet, while the former's value proposition emphasizes sustainability and fair trade, the latter focuses on product quality and the consumption experience, even though Costa – just as Starbucks – also holds several sustainability and fair-trade certifications. In addition to these examples, a recent comparative study (Uzunca et al., 2018) shows how digital firms can operate the same activities internationally, but present different value propositions across countries, which they deploy to locally obtain institutional legitimacy.

Categorization in the Digital Domain: Firm Atypicality and Categorical Ambiguity

Categorization is a particularly complex and challenging task in the digital domain. Both the *atypicality* of their services – which provide an alternative to traditional offerings but do not fully align with the incumbent category – and the *ambiguity* surrounding the emerging category can make it difficult for market and non-market stakeholders to make sense of digital new entrants.

Digital new entrants might tackle customer needs in unprecedented ways by mobilizing resources which incumbent firms might have formerly ignored. For instance,

'collaborative consumption' firms mobilize users' under-utilized assets to create new marketplaces for goods (e.g., cars, houses, electronics, clothes), which formerly were almost exclusively accessible through ownership (Bardhi and Eckhardt, 2012). Similarly, digital new entrants might provide innovative services by mobilizing complex sets of activities, which are often black-boxed to the standard users and difficult to communicate – for instance, blockchain-based services (Iansiti and Lakhani, 2017). In essence, the intangible and atypical nature of digital firms' offerings make it complicated for stakeholders to determine their competitive groups (Garud et al., 2020; Phung et al., 2020), therefore, making strategic categorization possible and imperative.

This is further exacerbated when there is categorical ambiguity or no shared understanding (yet) of a category's meaning and boundaries, thus making associations of firms debatable. Particularly during category emergence, multiple, often inconsistent definitions of a category are constructed and promoted (McKendrick and Carroll, 2001; Santos and Eisenhardt, 2009). Examples of new, ambiguous categories are numerous, including 'sustainable development', 'nanotechnology', 'modern architecture', 'social entrepreneurship', and 'sharing economy' (Chliova et al., 2020; Gerwe and Silva, 2020; Granqvist et al., 2013; Jones et al., 2012). In the case of the 'sharing economy', the term originated in the early 2000s to define a new set of economic and business arrangements for sharing goods (Benkler, 2004) but became publicly debated in the 2010s due to the rise of a heterogeneous group of digital firms, which displayed both similarities and differences in their activities and underlying economics (Gerwe and Silva, 2020). Agreeing on a 'sharing economy' definition has triggered a lengthy dispute among scholars and practitioners. Unanimity arose that sharing economy implies users granting each other temporary access to under-utilized assets (i.e., 'idle capacity') possibly for money (Möhlmann, 2015). Yet, some definitions of under-utilized assets included skills and time (Botsman, 2013; Botsman and Rogers, 2010), while others exclusively considered physical assets (Frenken and Schor, 2019; Meelen and Frenken, 2015). As a result, ambiguity and controversy made attempts to associate digital new entrants to the sharing economy category plausible (Garud et al., 2020; Phung et al., 2020). The transportation segment has attracted and polarized most of this public debate. Before regulators released official guidelines, experts generally interpreted new digital transportation businesses (e.g., Uber, Lyft, Grab, BlaBlaCar) as part of the sharing economy category (Eckhardt and Bardhi, 2015; Gomes, 2017). Only later, in the late 2010s, sub-categories emerged and a distinction was made between 'ride-sharing' (e.g., UberPool; BlaBlaCar) and 'ride-hailing' (UberX or UberPop) – ultimately the latter becoming the most common interpretation today (Frenken and Schor, 2019; Gerwe and Silva, 2020).

This paper examines two of the fastest-growing digital firms in the transportation market to explore how self-categorization at market entry affected stakeholders' perceptions and triggered polarized reactions. We focus on two types of non-market stakeholders, media and regulators, who are third parties in markets (Beckert and Aspers, 2011) or entities that evaluate but do not have a direct economic interest in the value and sales of goods in those markets (Khaire, 2014).

METHOD

Research Design

Our investigation uses a longitudinal and comparative case study design, as detailed empirical descriptions of the instances of a phenomenon allow us to detect how variance occurred (Eisenhardt, 1989; Yin, 2008). We studied Uber and BlaBlaCar's market entry strategies, and the divergent outcomes resulting from those strategies, in the Spanish transportation market between 2009 and 2018. Particularly, we focused on the responses of key non-market stakeholders – that is, regulatory bodies and media – to analyse if and how the association to specific market categories promoted by the two digital new entrants influenced the stakeholders' perceptions and evaluations. Uber and BlaBlaCar's market entry in Spain represent 'polar cases' (Yin, 2008) in terms of regulatory outcomes (i.e., ban versus discharge) that share structural conditions (e.g., multi-sided platforms, foreign market entry with a local branch, incumbent associations' claim of unfair competition, timing and judge in charge of the legal case). By considering both similarities and differences across the two cases, our comparative approach allowed us to uncover non-trivial dynamics at digital market entry and to explain the variance observed in the regulator's response.

Research Setting and Case Selection

Our focus on Uber and BlaBlaCar's entry in Spain was driven by several interrelated motives: besides the iconic and comparable nature of the two cases, the theoretical issues of interest were readily apparent and the opportunities for data access were abundant.

   We selected the Spanish transportation market as the setting for our study because it represents not only one of the biggest markets for the 'sharing economy',[3] but also a competitive space where the incumbent categories are well-defined (e.g., taxis, buses). More importantly, in our period of observation, the emergent category was ambiguous due to a lack of consensus around the meaning of 'sharing economy'. We identified an informative series of events (Siggelkow, 2007) which involved two digital new entrants, Uber (a Silicon Valley company) and BlaBlaCar (a Paris-based company), entering and facing regulatory challenges in this exact setting. They both entered the foreign market by establishing local subsidiaries (i.e., Uber Systems Spain SL and Comuto Iberia). Both firms are profit-seeking, multi-sided, digital platforms that link two user groups and monetize from their interaction, in essence providing transportation from one point to another and as such challenging traditional services. Uber and BlaBlaCar are considered overall successful, iconic, and clear points of reference in the market.[4] Through the years, the two digital firms have achieved significant market shares in various countries. This relaxes potential concerns on the possibility that the observed outcome in Spain could be determined by the ineffective implementation of their market entry strategy, rather than by the actual strategic option pursued.

   The Spanish context lends itself ideal for a 'polar types' case study design as it presents two comparable firms – with *both* similarities and differences in their business activities – which triggered polarized legal reactions when judged within a similar time frame by the

very same commission for the very same type of infringement. By keeping several contextual elements as constant (i.e., infringement type, observation period, specific judging court, geographical area), the case comparison allows us to focus on non-market stakeholder responses to the firms' categorization strategies as the main explanatory element. Digital platforms such as Uber and BlaBlaCar are highly threatening to incumbents because they offer category-defying services (Zuzul and Edmondson, 2017) and their entry mode is multifaceted (Markman et al., 2019). The two digital entrants were indeed accused of 'unfair competition' in Spain by similar industry associations. These are non-profit organizations that operate and lobby to protect the interests of private businesses of taxi and bus services, respectively. A core difference lies with the territory covered by the associations: whereas '*Asociación Elite Taxi*'[5] and '*Asociación Madrileña del Taxi*'[6] are regional, '*Confederación de Transporte en Autobús Confebus*' is national.[7] Hence, the fact that the regulator in Madrid rejected the appeal of a nation-wide association while accepted that of a local association reinforces our findings and partially mitigates concerns that the regulatory actions might have been influenced by those organizations' relevance and power.

Finally, because of the firms involved and the non-obvious outcome at the time, both cases were investigated in multiple instances and raised high attention in the popular press. In addition, the juridical conclusion was extensively explained and justified in legal documents. This abundance of archival documents allowed us to implement the empirical approach suggested by Suarez et al. (2015). Specifically, we could examine not only how categories were used by digital new entrants but, more importantly, whether and how this affected key non-market stakeholders' decisions.

Data Collection

Our work is based on an extensive collection and a careful selection of archival documents. The data collection process entailed a broad range of sources including public documents of the two digital new entrants (to identify strategic categorization by the firms), legal documentation (to understand regulatory evaluations of the firms), and popular press articles (to understand media evaluations of the firms).[8] Triangulation across multiple data sources provides us more accurate information and improves the robustness of our theorizing.

First, following protocols for social science research with historical, internet-based data (Arora et al., 2016), we used webpage archives (i.e., WayBackMachine) to identify the digital new entrants' acts of categorization at the time of observation. We inspected official Uber and BlaBlaCar websites, blogs, and Twitter accounts collecting information about the functions and benefits that were offered to users in Spain at the time of market entry.[9] We also investigated the national Google Play and Apple store pages to investigate how the mobile apps were presented. The data collected further included online advertisements and TV commercials from that period, pitch decks, and public statements made by key executives. Second, we retrieved documents that provide insights into the response of a critical non-market stakeholder, namely the regulators (both for Spain and the European Union). We gained access to the original texts of the two legal cases, through the official databases of the Spanish government (i.e., Agencia Estatal Boletín Oficial del Estado and Poder Judicial) and the European Union (i.e., EUR-Lex

and Curia). We complemented this information with two extensive case studies developed by the European Commission in 2017 and case analyses from legal doctrine (e.g., Balester Casanella, 2019). Our search led to 16 formal documents downloaded from legal entities including the European Court of Justice (ECJ), the Comisión Nacional de los Mercados y la Competencia, (CNMC), and the Appeal's court (Audiencia Provincial). The data provided us with specific information on the rationale of the legal outcome, including the use of categories in regulators' communications. We invoked the expertise of an academic in legal studies and a professional lawyer to cross-check our data search and interpretation. Lastly, we collected information on the response of the media – another important non-market stakeholder – to explore whether it was coherent with the regulatory response. To identify news articles that could provide key information, we utilized the Factiva database – considered one of the most comprehensive media repositories. In our Factiva search, we used the keywords 'Uber', 'UberPop', 'BlaBlaCar', in combination with other keywords ('law', 'legal', 'judgment', 'sentence', 'verdict', 'banned', and 'CNMC'), and applied time, geographic and industry filters.[10] Relevant articles were subsequently downloaded and collected into different folders according to the used keywords, resulting in over 500 downloaded documents and 1,600 pages. These documents were used to gain an understanding of how the media evaluated the two cases, with a particular focus on how they used categories in their communications.

Following qualitative research protocols (Yin, 2008), our data went through a thorough selection process. The usefulness of each document was determined using four criteria: reliability (i.e., originates from trustworthy source), objectivity (i.e., reports facts on firms and legal process), relevance (i.e., focuses on Spanish market entry), and uniqueness (i.e., provides no duplicate information). When minimum standards were not met, documents were discarded or considered in part. This screening process ultimately resulted in 104 documents or 275 pages which became critical input for our analyses – see Table I for a synopsis of our data sources and their use.

Data Analysis

We adopted an inductive approach combining a comparative logic (Eisenhardt, 1989; Yin, 2008), and a grounded-theory coding logic (Locke, 2001; Strauss and Corbin, 1990), to understand variance in the paths of the two cases under study and to identify why that variance exists (Gehman and Grimes, 2017). Our data analysis process involved multiple steps, deriving insights iteratively.

Step 1: Historical reconstruction of key events. Our first engagement with the data encompassed developing a precise chronology of critical events, from market entry of each case to conclusion of their trials in Spain. Appendix A shows the timelines for Uber and BlaBlaCar.

In April 2014, Uber started operating in Spain with its 'UberPOP' service (i.e., point-to-point transportation service). Shortly after, taxi drivers across the country went on strike for protest against the firm's arrival and in Barcelona, the *Asociación Profesional Elite Taxi* ('*Elite Taxi*') brought the firm to the attention of the local administration with the request to impose penalties on *Uber Systems Spain SL* for its 'unfair competition' (as per

Table I. Data sources

Type of archival data	Source	Docs.	Pages	Use in the analysis
Public Uber and BlaBlaCar documents				
'Terms and Conditions' available on Uber and BlaBlaCar's website (at time of market entry in Spain in 2014 and 2009, respectively)	• Uber.com/es and Comuto.es, using WayBack Machine	2	18	Analysis of the economic aspects of the firms' business models, that is, their value creation and capture activities. Some information on the value propositions
Uber and BlaBlaCar websites, blogs, Twitter accounts, online advertisements, TV commercials, pitch decks, public statements of key executives (with particular focus on the Spanish market during 2009-2014 period)	• Uber.com/es-es, Blog.uber.com, Comuto.es, and Blog.blablacar.es, using WayBack Machine • @uber_ES and @blablacar_es, using Twitter advanced search function • Google and YouTube using time and country filters	41	49	Analysis of the cognitive aspects of the firms' business models, that is, their value propositions for the two user groups (drivers and riders). Firms' use of categories in their communications towards stakeholders
Legal documents and case studies				
Regulatory texts released by European Union/European Court of Justice and Agencia Estatal Boletín Oficial del Estado/Comisión Nacional de los Mercados y la Competencia, case studies developed by European Commission and from legal doctrine	• Curia.europa.eu and eur-lex-europa.eu • Boe.es and oderjudicial.es • Opendoors.network.eu for case studies (2017)	16	127	Analysis of regulatory evaluations of the firms, and the use of categories in their communications. Focus on the motivation for the diverging outcomes in sentences
Media and press coverage				
Articles from: ABC, Agence Europe, Agence France Presse, AGEU, Bulletin Quotidien Europe, EIPA, El Mundo, El Pais, EUobserver.com, EurActiv.com, ex-press.co.uk, Independent, La Vanguardia, Mail Online, Mashable.com, Mirror.co.uk, Private Equity News, Science Business, Sky News, sundaytimes.co.uk, The Economist; TVE1; etc	• Factiva media database, using keywords, time, geographic, and industry filters	45	81	Analysis of media evaluations of the digital new entrants, and the use of categories in their communications
Total		**104**	**275**	

Spanish Article 15 of Act 3/1991). During the same year, in Madrid, the local *Asociaciòn Madrileña del Taxi* also challenged Uber for unfair competition and brought the firm to court. In 2017, the conclusion of the trial declared that Uber operates in the transportation services field and got banned in Spain.

In 2009, BlaBlaCar entered the Spanish market with the name 'Comuto.es' (rebranded in 2012 as BlaBlaCar). In 2014, *Confederación de Transporte en Autobús ('Confebus')*, the Spanish national confederation for private bus transport, denounced *Comuto Iberia* to the local authority for 'unfair competition' (as per Spanish Article 15 of Act 3/1991). Allegedly, these irregularities, according to Confebus' point of view, could have caused an average drop of 20 per cent in bus ridership. In 2017, the court rejected these accusations and BlaBlaCar could continue its operations in Spain.

Step 2: Within-case and cross-case analysis of business models. We continued our analysis by scrutinizing and comparing the business models of Uber and BlaBlaCar at the time of market entry in Spain. The main data sources utilized to this end are the digital firms' 'Terms & Conditions' (from 2014 and 2009, respectively), as these can be expected to elucidate the actual activities due to their legally binding nature. To understand and distinguish the economic and cognitive aspects of the two business models, we adopted the framework by Baden-Fuller and Haefliger (2013). This framework was selected because of its suitability to take a cognitive perspective in business model research and its prior use with this exact aim (e.g., Rumble and Mangematin, 2015). Since both firms are digital platforms, we also leveraged concepts from the literature on multi-sided business models – such as network externalities and cross-platform subsidization (e.g., Armstrong, 2006; Economides, 1996; Economides and Katsamakas, 2006; Rochet and Tirole, 2003, 2006). A summary of our analysis is reported in the Appendix B.

The comparative analysis of the *economic aspects* confirmed that Uber and BlaBlaCar have a similar multi-sided structure (digitally enabled via internet-based technologies and implying network effects across user groups), a comparable cost structure (and revenue generation for the firm), and description of the overall activities underpinning the two businesses. Both firms explicitly claimed to be digital platforms connecting users, *not* a transportation service. Regarding cost structure, the two firms mentioned the freedom that users have: in the Uber case, it is up to the riders to tip the driver depending on the service received, while in the BlaBlaCar case, it is up to the drivers to adjust the final price according to the expenses they will incur through the trip.

In 2014, Uber introduced a digital platform connecting users (i.e., drivers and riders) typically for short or medium trips within the greater city areas (despite the proprietary technology allowing any sort of ride length) – later classified as a 'ride-hailing' service. Upon market entry, the difference vis-à-vis BlaBlaCar was not only related to the distance covered but also linked to the customization of these trips. Riders could decide the specific route, while drivers needed to follow the riders' preferred path or could reject riders' requests. The firm presented a dynamic pricing system where an algorithm calculates a base fare that varies depending on location, car availability, time of the day, and distance. The system dynamically leverages demand and supply to adjust the ride price. This mechanism aims to encourage drivers to increase supply when demand is high. For example, in rush hours, weekends or holidays demand increases must be matched to make

the platform succeed, so Uber increases prices, which means higher revenues if drivers offer their availability at undersupplied times and locations. Uber's business model is based on transaction fees that equal 20 per cent of the ride price.[11] The success of the platform is also dependent on users' reliability, and that is why the platform presents ratings about drivers and riders. A critical aspect in Uber's economic underpinnings relates to network externalities and cross-subsidization across the two user groups. Whereas the affinity preferences for drivers are focused on flexible and profitable employment, riders are attracted to the convenience and lower price compared to a traditional taxi. Yet, with such low fare Uber would not be able to sufficiently reward 'profit-making' drivers and thus is forced to subsidize the rider side to maximize participation and growth via network externalities (either via investment capital or by simply making a loss). Cohen et al. (2016) recently showed that, for each dollar spent on Uber, riders receive on average $2.57 in value. This subsidization is one of the main reasons that experts have recently recalled to explain Uber's unprofitable results (McArdle, 2019; Somerville, 2017).

In 2009, BlaBlaCar entered Spain as a digital platform that connects users who want to offer a car ride (i.e., drivers) with users who need a car ride (i.e., riders). The drivers offer unused seats to possible travel companions who want to join a medium or long-haul ride – today specifically termed a 'ride-sharing' service. Drivers usually decided the route and offered a seat to riders in need to go to the same destination at a specific date and time; however, it was possible and common between parties to agree on intermediate stops and travel adjustments. In terms of pricing, the firm relied on a fixed scheme. BlaBlaCar does not focus on helping its drivers make profits: in fact, it suggests a standard 'participation price' for each rider, which is aimed at helping drivers cover the costs of the trip (i.e., car usage, fuel, tolls). The suggested price is calculated on standard mileage costs set at the regional level. However, this price is not imposed, and recent investigations revealed that some BlaBlaCar drivers manage to make profits using corporate cars or by increasing the sharing quote per passenger. As BlaBlaCar is profit-oriented, its monetization entails a share of users' transactions, which can raise to 20 per cent. These fees include a fixed and variable part, the former based on the value of the ride and the latter varying based on the country where the ride takes place. The rating system allows users to assess each other's driving skills and relational quality in terms of conversation. The business model is affected by (indirect) network externalities: the value for the drivers is dependent on riders' engagement, and vice versa.[12] Generally, the affinity preference for riders and drivers are similar, and are derived from sharing costs rather than profit seeking. BlaBlaCar also acknowledged that users might prefer adopting environmentally friendly behaviour by increasing the car occupancy – reducing their carbon footprint. This made the firm depart, at least formally, from the underlying profit assumptions of others operating in the long-route transportation service, such as buses and trains. These affinity preferences can be achieved without subsidizing any of the sides. This lack of subsidization may explain a slower growth of the platform in terms of adoption. Nonetheless BlaBlaCar has managed to reach a solid financial position and is market leader in its segment in Europe.

Our comparative analysis revealed that the digital new entrants differed significantly at the time of market entry in Spain. Specifically, whereas BlaBlaCar leveraged a sharing-economy value proposition, Uber did not. This observation provided us an initial

indication that the two cases positioned their offerings differently within the category system. We began the next stage of our analysis to examine this early hunch felt in the data (Golden-Biddle and Locke, 2007).

Step 3: Identification of distinct categorization strategies. We proceeded to identify what characterized the value propositions that the firms put forward, thereby following a grounded theory logic. In this step, we relied on Uber and BlaBlaCar's communications at the time of market entry in Spain and the months after (e.g., websites, blogs, advertisements, and public statements) to explore how the two digital firms presented themselves to stakeholders.[13] In our coding process, we initially engaged in a fine-grained reading of the data that resulted in a large dataset of codes. Following recommendations for the systematic coding of textual data (Locke, 2001), two members of the author team first independently assessed and analysed each document, highlighting and coding fragments of text that referred to the two digital firms under study and their representations. Discrepancies were solved through discussion and occasional reinterpretation. Multiple iterations collapsed into 26 first-order codes, which we clustered into four second-order themes and eventually two aggregate dimensions. During this process, we progressed towards a more theory-driven explanation of the first-order codes. To obtain a relevant interpretation of our data, we repeated this step several times going back-and-forth between data, emergent themes, and concepts; while the third member of the author team challenged the interpretations playing the 'devil's advocate' role (Van Maanen, 1979). Our data structure is depicted in Table II. We expound on the two distinct categorization strategies and their underlying constituents in our Findings.

Step 4: Identification of non-market stakeholder response patterns. Next, we aimed at understanding the implications of the distinct categorization strategies in terms of non-market stakeholder evaluations. To this end, we extracted relevant quotes from the legal documents and media coverage which we classified with title, date, source, and author. This process led to the creation of a series of tables with quotes about the observed digital firms, in which we began to note differences in their portrayal – whereas Uber was repeatedly compared to taxis, BlaBlaCar was linked to the notion of sharing and, surprisingly, not contrasted with buses. Consequently, we conducted a fine-grained analysis on the quotes, based on the comparative identification and counting of relevant keywords and the association between the firms and those words, with the ultimate goal of identifying patterns in the non-market stakeholders' responses. This procedure – through an advanced search in Excel with filters and logic conditions – allowed us to obtain the number of times the combination of two keywords appeared. For instance, by searching the joint presence of 'Uber' AND 'Cab' in the media and legal quotes, 35 results were found. Next, a case-by-case analysis has been performed on the results to check whether the use of keywords was connected to or disconnected from the firm, to increase precision and clarity of our interpretation. This count analysis serves as the basis of our theorizing of 'category priming' in our Findings.

Step 5: Analysis of stability or change over time. As a final step, we leveraged the longitudinal nature of our data and investigated evidence collected after the focal events (i.e., market

Table II. Data structure

First-order concepts	Second-order themes	Aggregate dimensions
(1) Opportunity for reducing transportation costs (for riders) *(i.e., Uber)* (2) Card payment available (for riders) (3) Easy cost-sharing between passengers (for riders) (4) Technologically advanced with user-friendly interface (for riders) (5) Possibility for earning additional income (for drivers) (6) Maximization of under-used assets (for drivers) (7) Flexible professional commitment (for drivers) (8) Self-employment (for drivers)	i. Separate value propositions with market emphasis *(i.e., distinct for drivers and riders, earning and saving most central)*	Incumbent-focused, economic categorization
(9) More convenient than taxis (for riders) (10) More effective than taxis thanks to GPS localization (for riders) (11) More secure than taxis thanks to review system (for riders) (12) Same point-to-point service as taxis (for riders) (13) Better ride tracking than taxis thanks to the app (for riders)	ii. Opposition against established category *(i.e., taxis)*	
(14) Opportunity for sharing transportation (15) Fair pricing with no profitability assumption (16) Socializing experience and opportunities (17) Sense of belonging to a community (18) Trust and respect within a social network of travelers (19) Insurance cover for all travelers (20) Growing community granting a large availability of routes (21) Support from a 'Community Relations' team	iii. Generic value proposition with community emphasis *(i.e., same for drivers and riders, sharing and trust most central)*	Emergent-focused, non-economic categorization *(i.e., BlaBlaCar)*
(22) Pollution reduction (23) Traffic congestion reduction (24) Increased security for all travelers thanks to the two-way feedback system and profile moderation (25) Increased security thanks to 'ladies only' rides (26) Increased road safety thanks to sharing	iv. Promotion of societal issues *(i.e., sustainability, security)*	

entry and legal action in Spain) to understand whether, and if so how, the digital firms had altered their strategy and/or the non-market stakeholders changed their evaluations. This concluding phase of our analysis enabled us to identify 'future modifications' and the 'stickiness' of category priming over time, which we explain in greater detail in our

Findings.

FINDINGS

Our analyses unravel that Uber and BlaBlaCar opted for distinct categorization strategies upon market entry in Spain and how this resulted in distinct categorization processes by both regulators and media. In Figure 1, we visualize how the digital firms' market entry strategies lead to divergent responses by non-market stakeholders, and in the following sections, we expound upon the different building blocks. First, we develop the theoretical distinction between digital new entrants' 'incumbent-focused, economic categorization' and 'emergent-focused, non-economic categorization'. Second, we explore how these categorization efforts at market entry were perceived by non-market stakeholders and led to diverging responses. We posit that 'category priming' is the mechanism that causes their attention to either be drawn to negative externalities and existing regulation, or to positive externalities and a regulatory vacuum. Finally, we find that category priming is 'sticky' – its effect persists beyond market entry despite 'future modifications', or attempts or actions of digital firms that advance a different category association.

Digital Firms' Market Entry Strategies

Our analysis of Uber and BlaBlaCar's communication at the time of market entry in Spain revealed that the digital firms adopted two distinct market entry strategies.

Uber. The former points to what we labelled '*incumbent-focused, economic categorization*', derived from the case of Uber. Two key elements (or second-order themes) underpin this categorization strategy. First, we observed that Uber advanced *separate value propositions with an emphasis on the market* to increase adoption use across the two customer groups of its business model. For instance, in 2014, the firm's website had not only separate landing and sign-up pages for riders and drivers, but also separate mobile apps and advertising campaigns on social media. On those channels, the digital new entrant focused on economic incentives to generate supply and demand – with saving and earning money at
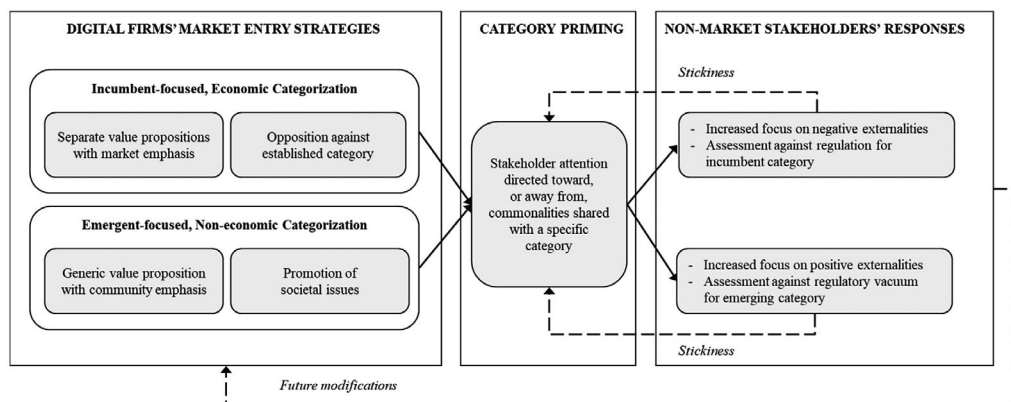

Figure 1. Visual depiction of findings

the centre – and contributed to the creation of a new market above and beyond the mere match-making of users. Transactional aspects were consistently prominent in how Uber presented itself at the time of its launch in Spain, for example:

UberPOP. The low-cost Uber. (Uber.com rider landing page, 2014)

There has never been a better time to drive with Uber. Signing up is easy, and you will be earning money in no time. (Uber.com driver landing page, 2014)

Uber put forward distinct benefits for riders: (1) opportunity for reducing transportation costs; (2) card payment available; (3) easy cost-sharing between passengers; and (4) technologically advanced with user-friendly interface; and for drivers: (5) possibility for earning additional income; (6) maximization of under-used assets; (7) flexible professional commitment; and (8) self-employment. Second, we found that Uber adopted an *oppositional narrative that defied a specific established category* to highlight its competitive advantage at market entry. The firm's value proposition was geared towards increasing adoption by providing a superior alternative to traditional taxi services. As an example, the Spanish website indicated:

Better, faster, and cheaper than a taxi. (Uber.com rider landing page, 2014)

This approach offered potential users a straightforward category to understand the digital new entrant, as the direct comparison with taxis offered a clear commercial benchmark. Specifically, Uber presented itself as (9) more convenient than taxis; (10) more effective than taxis thanks to GPS localization; (11) more secure than taxis thanks to review system. Furthermore, Uber emphasized (12) the same point-to-point service as taxis; and (13) better ride tracking than taxis.

BlaBlaCar. The BlaBlaCar case provides compelling evidence of an alternative strategy for digital new entrants, which we labelled as '*emergent-focused, non-economic categorization*'. Again, two central components (or second-order themes) underlie this market entry strategy. First, BlaBlaCar differed from Uber in not trying to stimulate demand and supply by mobilizing distinct value propositions but was promoted as a mere matchmaker of customer groups with a single value proposition. The *central focus of this generic value proposition is the community*, emphasizing the same facets of value creation to both types of users. Particularly, BlaBlaCar approached its two customer groups as one (i.e., travellers) and presented the trust and socialization within a community as the core of its service. This is, for instance, evident from a separate section on the website devoted to 'Trust & Reliability' amongst BlaBlaCar community members. Similarly, the company repeatedly compared itself to a network of people sharing a pleasant experience:

It is an opportunity to transform an individual trip into a fun adventure meeting new people. (Comuto.es Blogpost, 2010)

Comuto considers itself both as a travel search engine and as a social network, in two words: 'a route planner + a Facebook.' (Comuto.es Blogpost, 2010)

BlaBlaCar presented its service as (14) opportunity for sharing transportation; (15) fair pricing with no profitability assumption; (16) socializing experience and opportunities; (17) sense of belonging to a community; (18) trust and respect within a social network of travellers; (19) insurance cover for all travellers; (20) growing community granting a large availability of routes; and (21) support from a 'Community Relations' team. Second, BlaBlaCar consistently *promoted societal issues*, particularly environmental and security concerns. For example:

> Our belief: car sharing, a sustainable transportation solution. (Comuto.es About Us section, 2009)

> Traveling with someone means that more attention is paid to the wheel, for the benefit of collective safety. (Comuto.es Insurance & Security section, 2009)

Upon market entry in Spain, the firm drew attention to contributions to (22) pollution reduction; (23) traffic congestion reduction; (24) increased security for all travellers thanks to the two-way feedback system and profile moderation; (25) increased security thanks to 'ladies only' rides; and (26) increased road safety thanks to sharing. By doing so, instead of benchmarking against and challenging an established category, the digital new entrant self-categorized vis-à-vis a nascent category (i.e., the new and ambiguous 'sharing economy').

Taken together, we found a stark contrast between the two digital new entrants regarding their signalling of a specific category or competitive group at market entry and the focus of their value creation. Uber pursued an *incumbent-focused*, *economic categorization* and positioned itself as a lucrative opportunity for drivers and an affordable substitute for taxi users (thus 'creating and organizing a market'). Through *emergent-focused*, *non-economic categorization*, BlaBlaCar pointed to a general community of users and leveraged values and aspects related to societal issues (thus the 'sharing economy'). Further evidence for both strategies is provided in Tables III and IV.

Although our primary interest concerned the digital firms' entry strategy in Spain, we also inspected pitch decks for internal use of Uber and BlaBlaCar (from 2008 and 2012, respectively, excerpts are shown in Appendix C). Whereas Uber's deck contains an oppositional logic against taxis by mentioning that 'Taxi-monopolies reduce quality of service', BlaBlaCar's deck clearly promotes societal issues such as 'Less CO_2', 'Social Experience', 'Less Traffic', and (only as a last point) 'Savings'. This evidence validates two important aspects of our theorizing. First, it confirms the digital firms' intentional purpose to position themselves against the established category (for Uber) or the emerging category (for BlaBlaCar), and thus the strategic nature of the observed categorization. Second, it demonstrates that the local firms aligned to market entry guidelines provided by the central headquarter, and therefore constitutes corporate strategy.

Table III. Incumbent-focused, economic categorization by Uber (selected evidence)

Separate value propositions with market emphasis	*Opposition against established category*
By seamlessly connecting riders to drivers through our apps, we make cities more accessible, opening up more possibilities for riders and more business for drivers. (Uber.com About section, 3 April 2014)	On-demand service means no reservations required and no waiting in taxi lines. (Apple app store description, 10 April 2014)
Drive Uber and be your own boss. (Online Ad tagline, 2014)	It is an original, simple, and friendly alternative to travel around. (Uber.com Blogpost, 3 April 2014)
Cashless and Convenient – You do not need to have cash when you ride with Uber. Once you arrive at your destination, the rate is automatically charged to your credit card on file, and there is no need to tip. (Uber.com Rider landing page, 6 September 2014)	Cars for every day to use every day. Better, faster, and cheaper than a taxi. (Uber.com Homepage, 6 September 2014)
Discounts [when riders sign up] + Free rides [when riders refer Uber to others] (Uber.com Rider landing page, 14 September 2014)	Never hail a taxi again. (Online Ad tagline, 2014)
A person who has a vehicle in their garage that is stationary 95 per cent of the time is still paying for it – maintenance, insurance, parking etc. […] S/he can share the cost of that vehicle with people who want to ride together. (Director for Southern Europe Carles Lloret in interview with SER, 23 September 2014)	Mobilizing People – Press a button to be picked up in only a few minutes. (Uber.com Homepage, 6 September 2014)
Drive around your city in the most economical and efficient way possible. (Uber.com Blogpost, 23 September 2014)	What Uber represents is the possibility for locals to get around their city for half the price of a taxi. (CEO Travis Kalanick in interview with El Pais, 4 October 2014)

Category Priming as Driver of Divergent Non-Market Stakeholders' Responses

Our keyword count analysis of the legal and media documents (Table V) provides insights into the perceptions and reactions by non-market stakeholders to the different self-categorizations employed by Uber and BlaBlaCar. We found that both stakeholders echoed and, to a certain extent, amplified the value propositions that the firms diffused during market entry. Specifically, Uber was most of the time associated with the incumbent category or 'taxi' and 'cab' (combined 87 times). We observed a similar response pattern for BlaBlaCar; the firm was generally linked to the notions 'share', 'sharing', and 'sharing economy' (combined 156 times). Strikingly, stakeholders' communications also reiterated the commonalities of both business models that we outlined above – for example, the count for 'platform' and 'cost' is comparable for the two firms. Thus, the count analysis provides evidence that there is alignment between digital new entrants' self- categorization and non-market stakeholders' categorization processes. We posit that

Table IV. Emergent-focused, non-economic categorization by BlaBlaCar (selected evidence)

Generic value proposition with community emphasis	Promotion of societal issues
The driver must not accept any income higher than the amount of the costs and not make any profit from his trips (Blablacar.es Insurance & Security section, 2 December 2009)	Save money and reduce CO2 emissions. *(Comuto.es Homepage, 23/12/2009)*
You have done it before: driving alone in your car – it is expensive, polluting and also quite boring. […] Another way to travel is sharing a car and talking – it is a lot more ecological, fun and also allows you to save travel expenses with other passengers going to the same destination. (TV Commercial, 2011)	Green Driving: Before sharing a trip, be sure to fully respect the ADEME recommendations to issue the least possible of CO2! (Comuto.es Blogpost, 26 December 2009)
At BlaBlaCar, we offer a simple, reliable, and responsible service. For this we have managed to gather all the necessary ingredients so that your next trips by carpool are made in complete trust. (BlaBlacar.es Trust & Reliability section, 07 February 2012)	Comuto.es supports the NGO appeal, reduction of CO2 emissions (Comuto.es Blogpost, 27 December 2009)
One more security tool towards building a trustworthy community. (Blablacar.es Mobile Certification section, 13 February 2012)	Find a cheap and #ecological trip by shared car from an #iPhone or smartphone (@blablacar_es tweet, 22 July 2010)
Publication of study on trust in BlaBlaCar community – comparable to that of a friend + Introduction of motto 'In trust we trust'. (2013)	Carpooling: More #sustainable transport, already 5 million trips and 200,000 t of CO2 (@blablacar_es Tweet, 17 August 2010)
BlaBlaCar is a social network of individuals who are not seeking to make a profit; our philosophy is about sharing. (Director for Spain/Portugal Vincent Rosso in interview with El Pais, 13 June 2014)	Moderation ensures traveling with a person who is committed, with their true identity, to carpool securely (Blablacar.es Trust & Safety section, February 2012)
If you think of what BlaBlaCar has been doing, it is quite different, in the sense that we are a community of people, drivers or passengers. The drivers are actually sharing their ride with the passengers. (Co-founder and COO Nicolas Brusson in interview with CNBC, 15 December 2014)	Passenger safety is an issue of the sharing economy. […] With BlaBlaCar, as a passenger, you actually pick your driver. So, as a female passenger for example, you can pick a female driver. (Co-founder and COO Nicolas Brusson in interview with CNBC, 15 December 2014)

this is caused by a mechanism that we label *category priming*. In what follows, we provide a more detailed account of what category priming entails for each case and how it is the driving force behind the polarized responses of media and regulators. Appendix D contains further supportive evidence.

Uber. In the case of Uber, category priming entailed that the attention of non-market stakeholders was pointed to similarities between the digital new entrant and an incumbent category. In the media, the digital firm was portrayed as the 'enemy' of operators in the taxi sector. Uber was depicted, often using oppositional language and negative tones, as a 'disruptor' in a 'battle' that offers drivers on hire. The firm was *regularly condemned for negative externalities*, such as reduction of employment in the taxi industry and surge

Table V. Keyword count analysis in legal and media documents

	Uber	BlaBlaCar
Bus	0	0
Cab	35	4
Carpooling	7	22
Coach	0	0
Cost	42	48
Platform	33	31
Share	15	52
Sharing	19	65
Sharing Economy	10	39
Social	0	23
Taxi	52	21
Train	0	0
Transport Service	7	5

pricing. Furthermore, the emphasis was put on the on-demand and economic nature of Uber's service – 'like a taxi' allowing drivers to supplement their income and to make profits. For these reasons, in media articles, Uber was generally associated with or *termed as* '*taxi service*' and 'transportation service'. For example:

> 'The mobile application that helps anyone to become a taxi driver overnight. Its name is Uber'. (La Vanguardia)

> 'An alternative service, Uber, […], allows drivers to turn their cars into minicabs'. (The Sunday Times)

> 'Uber is clearly an electronic platform for users to provide a taxi-like service for profit'. (EUobserver.com)

The Advocate General Maciej Szpunar, in charge of the legal process in Barcelona, showed concerns about whether Uber's service could be considered as an 'information society service' or whether it fell within the 'transport market', which is regulated by the European Union. In Madrid, Judge Andrès Sanchez Magro ordered the stop of operations and Uber suspended its taxi service in Spain. However, he agreed with the Advocate General Maciej Szpunar to bring the Uber case to the attention of the European Court, to receive advice about which market category the firm belonged to. The European Court's Sentence uncovers regulators' categorization process and the key aspects that have led to the final sentence (i.e., banning Uber in Spain).

The first point related to the way Uber matches, stimulates and organizes supply and demand: Uber is not only defining the pricing but is creating the supply: at peak hours, drivers have the option to offer rides at higher prices which creates a monetary incentive. The regulator stated that:

Uber actually does much more than match supply to demand: it created the supply itself. It also lays down rules concerning the essential characteristics of the supply and organizes how it works'. (European Court Sentence, 2017; section 43)

The second aspect scrutinized is related to the reward and 'advice' that Uber provides to drivers: if they accumulate a certain number of trips, the firm increases remuneration as 'Uber informs drivers of where and when they can rely on there being a high volume of trips and/or preferential fares'. These actions affect, again, supply and demand. The third and most relevant point was the dynamic pricing system. With this mechanism, Uber was able to adjust the prices in response to demand fluctuations. The underlying algorithm applies a multiplier and thus sets the final price in response to the increasing or decreasing demand. This implies that drivers have the possibility to make profits: they can set a price that is lower than the one suggested by the platform, but the judge showed concerns since 'any reduction in the fare paid by the passenger is to the detriment of the driver', and so 'it is unlikely that drivers would exercise that discretion'.

The European Court further pointed out that Uber controls all the main aspects of urban transport services: price, conditions, and offer accessibility. The firm sets binding conditions for the drivers, it financially rewards those who accumulate a large number of trips and informs them of where and when they can find a high volume of trips and/or advantageous fares; it indirectly controls the quality of drivers' work through feedbacks, and it determines the price of the service. Such features convinced the regulator that Uber cannot be regarded as a mere intermediary or matchmaker between drivers and passengers. The Advocate General's conclusions were clear: 'Uber's activity comprises a single supply of transport in a vehicle located and booked by means of the smartphone application […]'. The authority underlined this corresponded to the cognitive aspects and people's views of the platform: 'The service is also *presented* to users, and *perceived* by them, in that way. When users decide to use Uber's services, they are looking for a transport service […]'. Uber's technological set-up provides an advanced service that is capable to 'organize urban transport', otherwise, 'Uber would be a mere *taxi* booking application'.

Finally, the European Court suggested that the amount paid to the driver is significantly higher in respect to the cost of reimbursement (e.g., for fuel and car usage) and, in addition, as the destination was selected by the passenger it was not possible to define Uber as a sharing-economy service. For this reason, in May 2017 the judge Maciej Szpunar proposed that the Court's answer should classify the Uber platform's service as a 'service in the field of transport'. According to this interpretation, Uber's activity had to be *assessed against and compliant with the transportation law*: the firm was thus required to obtain the licenses and authorizations needed and was banned from operating until proving alignment to the law of conduct.

BlaBlaCar. In the case of BlaBlaCar, non-market stakeholders were primed to not discern the resemblances between the digital new entrant and an incumbent category. Media outlets mostly described the firm as a 'social platform' that allowed users to connect to 'share' corresponding needs. The media underlined how BlaBlaCar allowed drivers to cover costs but *not* to make profits. Only in very rare cases articles mentioned the (less

likely but still present) possibility for the driver to make the shared journeys a source of income, nor the fact that the firm represented a substitute to other forms of mid-range transportation such as buses and trains. In doing so, the media were *not associating BlaBlaCar to any specific incumbent category*, *but rather with the* '*sharing economy*'. In being broadly identified as a sharing economy firm, BlaBlaCar was often *associated with positive externalities* such as pollution and traffic reduction. The media primarily indicated how the firm allowed users to save money and the environment while socializing with new potential friends while profits were not mentioned. For instance:

> 'The idea of the platform is to connect drivers who have free seats in their cars with passengers seeking a trip and going to the same destination. The idea is that if there are people who make the same route, they can get together in a single-vehicle and save on expenses, in addition to reducing traffic and environmental impact'. (La Vanguardia)

> 'BlaBlaCar is not profit-driven, unlike Uber, […]. It allows costs to be shared'. (Bulletin Quotidien Europe)

> 'BlaBlaCar is in the vanguard of the "sharing economy", which helps people to make money from under-utilized assets and services'. (SundayTimes.co.uk)

In the regulatory process, the BlaBlaCar case was addressed to the Juzgado de lo Mercantil n.2 of Madrid, and – differently from the Uber case – was resolved locally and not directly escalated to the European level. Yet, the court of Madrid aligned to the European Commission's recommendation and official interpretation. The regulator underlined that by increasing the suggested price on BlaBlaCar's website, it was possible to verify that the firm imposed a maximum limit. Also, when trying to set a price higher than the suggested price, an alert message reminded users that '*the lower the amount, the better your chances of getting passengers!*'. Effectively, limiting the price surge moderated users' search for profit. In its official response on 2 February 2017, the judge (i.e., Juzgado de lo Mercantil No 2 de Madrid, magistrate Andrès Sanchez Magro – the very same judge ruling against Uber) opted in favour of the BlaBlaCar's defence and affirmed that other factors (independent from BlaBlaCar) caused the drop in demand for bus transportation. In addition, it stated that BlaBlaCar drivers, with some exceptions, were not systemati-cally making a profit. He acknowledged that:

> 'BlaBlaCar operates a match-making platform that brings online what is a common cost-sharing practice of everyday life. Differently from transportation companies, those who offer rides are not profit-oriented, and the digitization of the service solely helps scaling-up the size of the user-base'.

In sum, the court denied significant evidence of unfair competition and, more im-portantly, did not mention any of the existing similarity with Uber nor with traditional transportation services: BlaBlaCar drivers were defined as individuals who offered their services on the platform based on private arrangements, looking for people who were interested in going on the same trip and sharing costs. BlaBlaCar was favouring this matchmaking but not creating or organizing a market:

'Without a doubt, BlaBlaCar has created a platform not to organize transport, but to put individuals in contact who want to make a trip together, and share certain expenses of the journey, and to give quality to the contact service has set margins and limits and an action format, which in no way is obligatory for those who use it or for those who lend a seat in their car to make the journey'. (Madrid Course Sentence, 2017; Legal basis – fourth).

The regulator's categorization resulted in BlaBlaCar being *assessed against a regulatory vacuum* – no regulations exist for the sharing economy – and being discharged from its accusations.

Future Modifications and the Stickiness of Category Priming

Our longitudinal analysis ultimately suggests that category priming advances associations between digital new entrants and categories which 'stick' into stakeholders' minds, in the sense that they endure over time despite efforts or actions by the firm that propose new associations.

Uber. Following the start of legal actions in Spain – and a surge in legal disputes around Europe – Uber overhauled its self-categorization by highlighting its value vis-à-vis car ownership with the slogan 'UberPop, the alternative to using your own car'. The firm also distributed an infographic for the Barcelona market in October 2014 (shown in Appendix E), which emphasizes externalities common to the sharing economy category, such as reduction of traffic congestion and air pollution:

'When we travel together and every car does more kilometers, we will need less than half of the cars existing and circulating today in Barcelona. These cars will be replaced more often and will help reduce the city's pollution'.

Later, in 2015 and 2016, Uber increasingly addressed societal concerns and incorporated community aspects into their value proposition via campaigns titled 'Your security is our priority' and 'Meeting people and hearing interesting stories'. However, this change of course was not manifested in the argumentation and decision of the Spanish regulator in 2017.

Furthermore, in the aftermath of negative legal outcomes, Uber attempted to engage their community against the regulators' verdicts thereby trying to offset associations with the incumbent category. For instance, in 2019, Uber attempted to mobilize its users in Catalunia and coordinated a petition in Change.org to appeal against its regulatory ban. In this appeal titled 'we all fit in the future', Uber underlined its social contribution by favouring employability and the costs related to shutting their service down (Rodriguez, 2019). Again, this might be interpreted as an attempt to shift or at least soften stakeholders' systematic association with taxis due to the category priming, and to portray Uber as a contributor of positive societal externalities. Yet, the petition has not improved the situation for Uber. In the following years, Uber seldom managed to resolve its controversial positions with local administrations and regulators. Furthermore, in the media, the initial

association with the incumbent category is persistent over time – Uber remained to be described as a taxi or transportation service (illustrative quotes are depicted in Appendix F). While we refrain from affirming that the self-categorization at market entry and resulting category priming are the only explanation of Uber's challenging situation across the globe, we suggest these might have triggered enduring effects in the way stakeholders make sense of their offerings.

BlaBlaCar. The case of BlaBlaCar shows how by promoting an association to values of the 'sharing economy', the digital firm managed to shift the legislator's attention from evident similarities with buses as well as with Uber, and ultimately being uniquely associated to the 'sharing economy' category – even after adding Uber-like functionalities and effectively entering the bus transportation business. For example, in 2017, BlaBlaCar launched BlaBlaLines for commuters to share shorter-distance trips (i.e., a deviation from its prior focus on occasional long-distance trips). Co-founder Frederic Mazzella even compared the new service to a subway or bus line (Dillet, 2017). Subsequently, in 2018, the digital firm altered its algorithm in two ways – it enabled riders to select exact points of departure and arrival and provided drivers suggestions to pick up additional passengers on their planned routes. Later that same year, BlaBlaCar actually acquired bus companies (e.g., Ouibus in France) and launched its own bus operations across Europe (Dillet, 2018; Geddo, 2019; O'Brien, 2018), as such aligning to (and competing within) a market category from which it had formerly taken distance. Yet, surprisingly, these actions did not raise any formal concerns with local authorities nor changed the regulatory repercussions. The media also continued to refer to BlaBlaCar as an important sharing economy or technology firm, even when reporting on the above events (see Appendix F for data evidence).

In Figure 1, the 'future modifications' vis-à-vis the original market entry strategy and the 'stickiness' of the category priming are graphically depicted with dotted arrows. Whereas the former represents firms' actions taken after digital market entry and scrutinization by non-market stakeholders, the stickiness indicates the tendency of stakeholders to go back to the category that was initially associated through the priming, and which constituted the 'first impression'.

DISCUSSION

Introducing 'Category Priming' to Management Studies

Our work unravels how different categorization strategies enacted by digital new entrants lead to divergent responses by non-market stakeholders. Our comparative case study of two digital new entrants in the Spanish market revealed that firms' strategic positioning at market entry can, to a certain extent, affect stakeholders' responses in or against their favour. We shed light on the enduring influence of adopting two distinct market entry strategies, which we term as *incumbent-focused, economic categorization* and *emergent-focused, non-economic categorization*. Our analyses unveiled that *category priming* is the key mechanism triggering media and regulators' divergent responses and making categories *'stick'* to the entrants despite their *counteractions*.

The concept of category priming – largely used by and borrowed from (social) psychology – points to the spontaneous activation of attitudes and behaviours associated with a specific category. Kawakami et al. (2003) claim that 'people who are primed with specific categories actually tend to act in ways congruent with the stereotypic actions associated with this group'. Adapting this notion from an individual level to a firm level, we define category priming as the process of directing stakeholders' selective attention towards, or away from, the commonalities shared with a specific market category. This process, in practice, provides stakeholders with a preferential association to a primed category in their evaluations of firms. At the same time, such preferential association might remove stakeholders' attention from similarities with categories other than the primed one. The category priming has a long-lasting effect, which makes the initial association persistent, which we refer to as 'stickiness.' While former studies have explored the concept of 'stickiness' in relation to knowledge and its attachment to practices (Szulanski, 1996) or geographies (Markusen, 1996), we extend its meaning to indicate the persistent association of categories to firms due to category priming at market entry.

Our findings in fact demonstrate that category priming can play an important role in digital market entry. As indicated by Day et al. (1979, p. 9), 'ultimately all product-market boundaries are arbitrary. They exist because of recurring needs to comprehend market structures and impose some order on complex market environments'. Following this logic, scholars postulate that there are 'potentially infinite similarities between any two entities' (Cattani et al., 2017, p. 66) and 'any two entities can be arbitrarily similar or dissimilar by changing the criterion of what counts as a relevant attribute' (Murphy and Medin, 1985, p. 292). We claim this might be particularly relevant for digital firms as their atypical nature can make distant associations more plausible in the eyes of a stakeholder. Both Uber and BlaBlaCar presented similar and different features vis-à-vis firms in the incumbent categories – taxi and bus companies, respectively, – but also with each other. In a context of categorical ambiguity, they could both be (and have been) considered sharing economy companies (Cannon and Summers, 2014; Frenken and Schor, 2019; Meelen and Frenken, 2015). Yet, Uber's incumbent-focused, economic categorization primed non-market stakeholders to selectively perceive the similarities with taxi companies as more relevant, deflecting the attention from features that could have made them classify the digital new entrant as closer to alternative categories such as 'sharing economy'. Conversely, by adopting emergent-focused and non-economic categorization, BlaBlaCar primed media and regulators to selectively pay attention to its similarities to the 'sharing economy' category, which in turn might have made associations with established categories such as 'bus' or 'train', as well as the similarities with Uber's business model, less plausible. As such, our research contributes to former studies (Vergne and Wry, 2014) in revealing how firms may direct the non-market stakeholders' attention, and thus their categorization. The mechanism at play, *category priming*, explains why 'first impressions' stick to digital new entrants – a notable insight for academics and practitioners.

By examining the responses of two types of non-market stakeholders, we respond to recent calls for studies that recognize stakeholder multiplicity in categorization strategies (Cattani et al., 2017). We purposefully focused our analysis on the perceptions of media and regulators, with the latter holding a prime role in our study as key 'outcome variable'

– the verdict that permitted or banned the digital new entrants. Both stakeholders associated Uber and BlaBlaCar primarily with the 'taxi' category and the 'sharing economy' category, respectively. However, it is notable that the media statements preceded the legal sentences and represented part of the social context where the regulatory actions took place. Since stakeholders' actions hardly happen in a vacuum, and although the regulator does not explicitly refer to third parties' statements (besides documents from the European Commission and official statements by the two firms), it is reasonable to assume that the regulator might have been at least in part influenced by the interpretations of the digital new entrants which the media consistently diffused. Similarly, the stability of the categorization by the media over time is likely to be partially driven by unchanged regulatory repercussions for both firms. Hence, we affirm that the congruence of the categorization processes between the two non-market stakeholders might have amplified their associations resulting from the category priming.

Our findings contribute to three distinct but complementary streams of research: digital market entry and corporate strategy; strategic categorization; and the cognitive perspective of business models. We discuss in turn the theoretical implications for each literature.

Literature on Digital Market Entry and Corporate Strategy

Our paper investigates a diffused phenomenon in today's industries: digital firms entering new markets and challenging incumbents (Bughin and Van Zeebroeck, 2017; Cozzolino et al., 2020; Uzunca et al., 2018). We advance a cognitive perspective to market entry and the critical corporate strategy decision of 'where' to compete (Porter, 1980; Puranam and Vanneste, 2016; Wernerfelt, 1989). This decision does not merely relate to the geographies a firm moves into and the products or services it offers (Puranam and Vanneste, 2016), but also to the firm's embrace of a categorical positioning that signals the new entrant's engagement with certain competitive groups (Porac et al., 1989). Although this points to a fundamental competitive tension between new entrants and incumbents (Madhok, 1997; Porter, 1985) the advent of *digital* firms redefined this tension in a way that deserves careful reflection (Ahuja and Novelli, 2016; Smith et al., 1999). Digital firms not only enhance the value creation and value capture mechanisms of products and services which were formerly provided by traditional firms (Aversa et al., 2019) but also contribute to creating new categories which stakeholders often struggle to understand. This means that firms ascribed to similar markets might find their most direct competition in firms that are part of different competitive groups – for example, Uber's main competitors seem to be taxis rather than other match-making platforms for transportation.

In our study, we tried to meticulously document how Uber and BlaBlaCar's activities present several differences (e.g., cross-subsidization) but also commonalities (e.g., matchmaking platform for different consumer groups, maximization of underused private assets). Yet, it is noticeable how the firms' value propositions diverge significantly, and how this points to two distinct types of self-categorization upon market entry. Our paper contributes to the scholarly conversation on digital market entry (Cozzolino et al., 2020; Garud et al., 2020; Phung et al., 2020) by advancing two types of cognitive strategies,

which might lead to different polar implications in relation to the entry timing, the type of entry barriers, and the incumbents in the target category.

By analysing Uber's moves, it emerged that the decision to opt for an incumbent-focused and economic categorization strategy – which strongly stimulates demand and supply – might more effectively and promptly communicate the firm's strategic position to market stakeholders (i.e., consumers), thus allowing the company to quickly achieve significant market share. Yet, offering a direct benchmark (and thus pursuing quick user growth) might also backfire insofar incumbents are likely to appeal to non-market stakeholders (i.e., media and regulators) to effectively associate the digital new entrant to the incumbent category, thus expecting and demanding a more stringent alignment to certain legislative requirements. Instead, the BlaBlaCar case suggests that an emergent-focused and non-economic categorization strategy that points to a more generic community and is aimed at resolving social or environmental problems might perhaps support a slower market entry, but an association to a nascent and relatively de-regulated market category (i.e., 'sharing economy'). This helped BlaBlaCar to deflect the regulator's attention towards the similarities with Uber and the bus category, and ultimately left BlaBlaCar more leeway in strategic moves which did not trigger any sanction – such as the aforementioned acquisition and launch of bus operations. In line with Tantalo and Priem (2016) we posit it is important for digital entrants to comprehend that different stakeholders look at the value propositions from a distinct perspective and, therefore, may require distinct approaches. Market stakeholders interpret the value proposition as a consumption opportunity to satisfy a need. Non-market stakeholders might instead be interested in the firm's externalities for a broader group and its compliance to regulations.

However, we warn to refrain from expecting the same outcomes in any situation, as our specific case might have been determined by idiosyncratic contextual conditions, such as the presence of influential industry associations, the level of industry (de)regulation, the common category ambiguity, or the strength of the rule of law (Nartey et al., 2018; Uzunca et al., 2018). In other words, we acknowledge that that in different regulatory conditions (e.g., in more de-regulated settings) the incumbent-focused strategy could have emerged as the most effective. More in general, our contribution sheds light on the strategic opportunities of market entry in conditions of a 'legitimacy vacuum', and it complements the work of Dobrev and Gotsopoulos (2010) – which instead focuses on the negative effects. By focusing on market entry in the digital domain, our study advances the institutional design model which posits that entrepreneurial actors construct institutions (Barley and Tolbert, 1997). Specifically, our study sheds light on the importance of conflict and contestation in institutionalization processes, as called for by Hargrave and Van de Ven (2006). Indeed, a firm seeking to shape an institutional arrangement – such as digital new entrants challenging incumbents' status quo (Markides and Oyon, 2010) – is likely to run into opposition from those who seek to preserve that arrangement. Our findings challenge the general idea of power imbalance, where firms are highly dependent on institutional processes and decisions, and suggest that there is a window of opportunity for digital firms – when there is no clear or shared understanding yet of what membership to the new category entails – for co-dependence.

Literature on Strategic Categorization

Our study contributes to the emerging research on strategic agency in categorization (Durand and Khaire, 2017; Kennedy, 2008; Rhee, 2014; Vergne and Wry, 2014). Extant literature has started to explore how firms decide on and manage their affiliation with a specific category (e.g., Granqvist et al., 2013; Kodeih et al., 2019), but has not directly addressed the consequences of strategic categorization. By comparing two cases in the digital domain, we respond to Durand and colleagues' (2017) call for qualitative studies to uncover categorization processes in different settings. Our data show that, even with considerable overlap in business activities, choosing a different categorization strategy influenced the trajectory of the digital new entrants differently. Thus, we extend current theory on categorization by looking beyond 'acts of categorization' and examining their plausibility and actual impact on critical non-market stakeholders (i.e., media, regulators). We posit that, in an evolving categorical space, self-categorization can steer the way digital new entrants are anchored among non-market stakeholders in ways that could ultimately affect firm performance and survival. Our theorizing also points to implications at the collective level, in particular how the legitimation of a new market category is likely to result from the confluence of factors internal to the category (i.e., strategic actions of member firms) and factors external to the category (i.e., non-market stakeholders) (Navis and Glynn, 2010).

We show how digital new entrants position themselves vis-à-vis an established, well-understood category or vis-à-vis a new, not clearly defined category. This sheds new light on the notion of category currency, or the extent to which a category has coherence and valence (Kennedy et al., 2010). The authors suggested that firms prefer to become members of categories in which both attributes are high or categories with clear meaning and positive appeal. The evidence from our study challenges this assumption; we found that firms can actively pursue membership in a category with low coherence (i.e., BlaBlaCar's emergent-focused, non-economic categorization) and yet acquire a favourable market position. A potential explanation lies with the fact that members of the emerging category (i.e., the 'sharing economy') benefit from its high degree of symbolic or cultural distinctiveness (Giorgi et al., 2015; Glynn and Abzug, 2002). This entails that positive stakeholder evaluations are based on certain shared values, as opposed to information about firm or product characteristics.

Our study also contributes to the scholarly conversation on temporality in optimal distinctiveness. Whereas prior studies have suggested a conformity-differentiation sequence for new entrants to be optimally distinct (Barlow et al., 2019; Zhao et al., 2017), our results indicate that, when dealing with powerful non-market stakeholders, optimal distinctiveness might be achieved by inverting this sequence. Namely, new entrants might gain advantage from emphasizing novelty and associating themselves with an emerging, possibly under-regulated category (i.e., differentiation from the established category) and only attacking incumbent firms after they received regulatory permission (i.e., conformity to the established category). The conditions supporting this differentiation-conformity sequence point to three important boundary conditions for our study which need to be taken into consideration when generalizing our findings. First, the two digital new entrants under study introduced features that are likely to disrupt incumbent firms

competing in substitution markets, increasing the likelihood of stark reactions and retaliation from those firms. Second, the new entrants presented category combinations which made it plausible to either associate them to the incumbent category (i.e., traditional transportation services such as taxi or bus) and to another market category (i.e., sharing economy). Third, and perhaps more importantly, the alternative market category was in an emerging phase, which corresponded to ambiguity and a de-regulation. This is, however, a common scenario for digital entrants, and similar cases have been experienced by other platforms which ended-up disrupting traditional industries (e.g., Netflix in movies, or Spotify in music, AirBnB in house rentals).

Finally, our work provides interesting insights regarding stakeholder multiplicity in strategic categorization. Extant research has emphasized that firms' strategic positions are evaluated by different types of stakeholders that may hold distinct expectations (Cattani et al., 2017; Durand and Paolella, 2013; Pontikes, 2012). Based on our comparative analysis of Uber and BlaBlaCar, we posit that digital new entrants' categorization strategies may have a differential impact on market stakeholders versus non-market stakeholders. Specifically, an incumbent-focused strategy can speed up user adoption, yet at the same time, it provides anchors for regulators to control the new entrants' actions. In contrast, while an emergent-focused strategy is likely to slow down user adoption, it positions the digital new entrant in an under-regulated domain. Accordingly, one could argue that the incumbent-focused strategy corresponds to a market strategy, which positions firms to be competitive in the marketplace. The emergent-focused, non-economic categorization embodies a non-market strategy, where firms try to produce a favourable institutional environment (Dorobantu et al., 2017). Given the need for an integrated strategy to increase a firm's competitive advantage (Baron, 1995), this raises questions about which actions are complementary to the categorization strategies we identified. These findings are also consistent with one of Pfeffer and Salancik (1978)'s points in their seminal work on resource dependence; they emphasized that multiple stakeholder dependencies co-exist and that firms should deploy different strategies to appeal to different stakeholders who may have conflicting demands.

Literature on the Cognitive Perspective of Business Models

Although scholars have extensively acknowledged the importance of cognitive aspects of business models (see among others Aversa et al., 2015; Baden-Fuller and Mangematin, 2015; Baden-Fuller and Morgan, 2010; Martins et al., 2015; Massa et al., 2017; Sund et al., 2020; Tikkanen et al., 2005), the conversation so far has been mostly relegated to conceptual works, with very few exceptions exploring such complex and compelling claims through empirics (among the few exceptions see Chesbrough and Rosenbloom, 2002; Furnari, 2015; Mikhalkina and Cabantous, 2015). In joining this small set of empirical works, our study provides non-trivial implications which can help strengthen the theoretical relevance of the cognitive perspective in business model research (Prescott and Filatotchev, 2021). We posit that value propositions – traditionally considered a key part of the business model (Chesbrough and Rosenbloom, 2002; Payne et al., 2017) – contribute to digital new entrants' categorization strategies, might this be in associating the firm to an existing category, or in helping a new category emerge. In our study, while

both firms presented similarities in their value creation and value capture activities, their divergent value propositions focused the stakeholders on different aspects, thus inducing different categorical associations and reactions.[14]

The Uber and BlaBlaCar case in Spain also provides clear evidence of the importance of communication and stakeholder engagement – a paramount point for both researchers and practitioners (Phung et al., 2020; Priem et al., 2018). Beyond engaging with the consumers, when entering new markets, firms pioneering new business models need to prepare the ground by engaging with key non-market stakeholders (e.g., media and regulators) before unleashing new, disruptive actions. Failing to do so might trigger costly consequences which could push firms to redefine their business models. This reflection finds face-validity in the firms' modifications or counteractions following the Spanish trials. Indeed, besides a growing focus towards a sharing-economy value proposition in its communications and petitions, in 2018, Uber launched its carpooling service (named 'Uber Pool') which uses an algorithm to offer 'discounted rides to customers who are willing to share their trip and walk to nearby pickup and drop-off points determined by the driver' (Palmer, 2018) – a strategic positioning which is closer to BlaBlaCar's.

In broader terms, our set of findings contribute to the emerging demand-perspective on value creation (Priem, 2007; Priem et al., 2012, 2018), and deepens our knowledge on the role of value propositions (Teece, 2010). We show how, despite providing similar services, firms can leverage diverse value propositions to engage with different consumer groups, which are driven to the same service by distinct incentives and motivations – for example, professional aims for Uber drivers and cost-effective transportation for Uber riders versus resolution of broader societal issues for BlaBlaCar users.

Complementary Explanations and Future Research Directions

Though we provide substantial evidence that the pursuit of incumbent-focused, economic categorization versus emergent-focused, non-economic categorization can shape stakeholder responses, we acknowledge that other factors may interfere with this process such as structure (Vergne and Wry, 2014), hierarchy (Gehman and Grimes, 2017), or position and power (Durand and Boulongne, 2017; Ozcan and Gurses, 2018) in the incumbent category. Yet, we do not claim that the observed cognitive strategies count above and beyond every other explanation – something that is not testable in a qualitative study. Our aim was to unravel the nature of a cognitive mechanism that has contributed, to at least some extent, to the variability in non-market stakeholders' responses.

It is further probable that the non-market stakeholders were aware of prior legal controversies in other contexts and were formerly primed to focus on commonalities with a specific market category. Particularly in the case of Uber, the ongoing international disputes might have also primed the regulator with a 'stigma' (Phung et al., 2020) which consistently suggested a specific (non-favourable) interpretation. This stigma might also have escalated from the single company to the entire category, thus extending to companies operating a similar business model (e.g., Lyft, Grab, etc.). Still, without the concept of category priming, we could not fully explain why the sentence in favour of BlaBlaCar downplayed the evident similarities with Uber – which had been also contested – while emphasizing the positive externalities, typical of the sharing economy.

A critical aspect of our study relates to the general ambiguity surrounding the 'sharing economy' category at the time of our investigation, and the confusion created by the proliferation of related terms to define novel business models in the transportation industry (e.g., ride-sharing, car-sharing, ride-hailing etc.). This allowed the digital new entrants to pursue self-categorization, which might be unfeasible or ineffective if categories were clearly defined. We expect that varying degrees of categorical ambiguity could have differential effects on the final outcome.

As we were unable to verify the digital new entrants' strategic intentions through interviews with company executives, we remained rather agnostic towards claiming any form of conscious agency. Still, whether deliberate or not, different acts of categorization can trigger diverging stakeholders' responses. Thus, we believe our empirical approach should not diminish the validity of our findings. However, we can expect that stronger intentionality in the categorization act might have better directed the stakeholders' attention, thus determining different outcomes. This question also raises additional interesting research questions concerning decision rationales, for instance how digital new entrants expect to benefit from their chosen category affiliations in the first place. Moreover, it would be interesting to gain insights into the motivations and implications of 'hybrid' self-categorization upon digital market entry. One intriguing example of such investigation is the 2013 launch of Flixbus in Germany. Interestingly, the company's mission upon market entry was 'to reinvent *the established bus industry* from a fresh and innovative perspective'. Yet, conversely, their vision was to create '*smart and green mobility for everyone* to experience the world' (Hende, 2020). Thus, the digital new entrant seemed to have combined elements of the two types of categorization that we identified.

Another fascinating aspect beyond the scope of our study relates to a classic theme in corporate strategy, namely the relation between the central headquarter and the international subsidiaries (Menz et al., 2015). Uber and BlaBlaCar entered the Spanish market through local subsidiaries, and we established these were given guidelines on how to enter the market by consistently following indications from the corporate centre – see for example Uber's motto 'we build globally, we live locally' (Khoswowshani, 2017). Yet, we were not able to obtain data on the actual interplay and possible frictions between the corporate centre and local subsidiaries. This would be particularly interesting in the case of Uber, which before the market entry in Spain had experienced controversies in the United States. We can expect that the specific type of corporate arrangement between the headquarter and the subsidiary might be in part responsible for this outcome, and different arrangements might have corresponded to other results.

CONCLUSIONS

Digital new entrants continue to disrupt traditional markets; they do this not only by advancing innovative solutions but also using cognitive strategies to signal where they compete. Yet, such strategic exploitation of category associations is challenging due to the need to resonate with a heterogeneous set of stakeholders. The ability to manage the multiple and competing demands has important implications for firm survival and market development. We are far from achieving a complete understanding of this timely

and compelling phenomenon, and many questions remain open. For example, both sentences involving Uber and BlaBlaCar in Spain are not definitive, which means that the attempt to influence non-market stakeholders through self-categorization or alternative strategies might be still ongoing. This leaves fertile ground for scholars to continue the work we initiated with this study, and we trust our contribution will stimulate further research on the long-term implications of the mechanisms we introduced – at the firm level and beyond.

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NOTES

[1] In Spain, the firm entered in 2009 as Comuto.es, and got rebranded as BlaBlaCar in 2012.
[2] Following Lawrence (2010), non-market stakeholders (also referred to as secondary or society stakeholders) are individuals or groups that do not engage in direct economic exchange with the firm but are nonetheless affected by or can affect its actions. Examples include regulators, social and environmental activist groups, media, and NGOs. Market stakeholders (also called primary or economic stakeholders) are individuals and groups that engage in direct economic exchange with the firm, such as customers, suppliers, competitors, and employees.
[3] According to PWC study in 2016, peer-to-peer transportation is the largest collaborative economy sector in Europe in terms of revenue (€1.7bn).
[4] According to Mikhalkina and Cabantous (2015), an iconic business model refers to an innovative business model that is imitated across industries and is considered as a prototypical exemplar for a particular category of firms.
[5] Operating in greater Barcelona area, see website: https://elitetaxi.taxi/ [Last Accessed December 25 2019].
[6] Operating in greater Madrid area, see website: http://amt-taxi.com/ [Last Accessed December 25 2019].
[7] Operating in whole of Spain, see website: http://www.confebus.org/ [Last Accessed December 25 2019].
[8] To avoid ex-post sensemaking, we retrieved archival data published at the time of the digital firms' market entry or during our observation period after. Spanish documentation was translated to English in this article.
[9] The WayBackMachine archive contains a total of 393 webpage captures during the 2009–14 period (101 for comuto.es, 132 for (blog.)blablacar.es, and 160 for blog.uber.com and uber.com/es-es).
[10] Given the cases took place in Spain, we also used Spanish translations of these English words.
[11] A second part of the monetization relates to advertising.
[12] The same applies between users and advertisers for the part of monetization related to advertising.
[13] We hereby refrain from assuming agentic purpose, that is, that such communications were part of an organized plan to position themselves in a specific market category. We posit that the voluntary

association to either established or emerging categories occurred upon market entry and left space to the enactment of strategic or self-categorization.

[14] categorical associations and reactions.

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