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Reimagining the sharing economy: Are platform cooperatives the answer?

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Extended Abstract

The sharing economy is underpinned by a utopian discourse promising economic, social, and environmental benefits: yet, sharing economy business models have largely failed to deliver the positive social outcomes (Belk 2010; Belk et al. 2019; Botsman and Rogers 2010; Eckhardt et al. 2019; Laamanen et al. 2018; Schor 2020; Yates 2021). Research is called to generate a better understanding of the future and transformative potential of the sharing economy at its maturation (Eckhardt et al. 2019; Schor 2020). The alternative business model of platform cooperative is hailed with potential to realize promises and overcome limitations of the sharing economy (Schor 2020; Scholz 2014, 2016; Vallas and Schor, 2020). Platform cooperativism has three key aspects: 1) replicating existing technology from commercial platforms; 2) embedding solidarity within the business model whereby platforms can be owned and operated by various forms of cooperatives; 3) reframing innovation and efficiency with an eye on benefits for all, not just profits for the few (Scholz 2016). When commercially viable, platform cooperatives have been shown to benefit both end-users and platform owners (Schor 2020). Largely, platform cooperatives are still struggling to gain momentum, raising questions about their true potential (Curtis, 2021; Muñoz and Cohen, 2018; Qualtrough 2021).

In this paper we therefore ask, how can platform cooperatives contribute to reimagining the sharing economy? Empirically we examine FairBnB and Driver's Cooperative, which are the two main platform cooperative challengers to mainstream platforms. Data is collected netnographically (Kozinets 2020) and depth interviews with purposefully sampled (Patton 2002) consumers and service providers, as well as managers working or having worked directly with these platform cooperatives (n=17). Our investigative focus is twofold: on consumers/service providers' lived experiences with these platforms, and on management's strategic visions and practices. Analysis and data collection are proceeding iteratively, constructing emergent conceptual frames accordingly to arrive at theoretically informed representations of our informants' narratives (Spiggle 1994).

Our findings illuminate platform cooperatives working in between platform functionality, market structures, ideological narratives and decentralization. Functional and structural issues challenge platform cooperatives on the market while ideological discourses and decentralization strategies may shift the competitive space more indirectly. First, despite being regularly featured in prominent media, platform cooperatives struggle to attract and/or retain end users and to deliver a competitive service, due to a range of limitations which we label functional. Functional limitations often significantly compromise the consumer experience, causing tension between the platform's prosocial benefits and the actual experience. The platforms fail to measure up against their baseline requirements in replicating the existing commercial platform technology – a key characteristic for the platform cooperative model (Scholz 2016). Our data also suggests that while provider-users are eager to support the cooperative model, a vicious cycle builds when lack of platform supply is combined with the limited interest from consumers.

Second, structurally, platform cooperatives are challenged by the specificities of their operational set-up within the sharing economy ecosystem. Structural limitations for platform cooperatives relate to the possibility to benefit from both venture capital financing *and* workforce exploitation that maintain the dominant incumbent's position (Maier 2021). Mainstream providers dwarf platform cooperatives' marketing and promotional efforts, significantly restricting the cooperatives' outreach and visibility. Capital investment creates marketing power for customer acquisition, app development and digital advertising and the lack of capital hampers platform cooperative's ability to compete for individual contracts (the one-to-one level).

Third, the primary differentiation for platform cooperatives is the ideological discourse of equity, sustainability and fairness (Schor 2020). Platform cooperatives are mission-driven (Scholz 2016) and deploy various ideological narratives of disrupting unsustainable leaders, providing guilt-free choice, and promoting non-commercial appeals (Beverland et al 2021). Such narratives do not necessarily translate into relevance at the level of the lived experience. For instance, FairBnb shares revenues with local communities, however, while appreciated, such ideological differentiation is not sufficient to foster higher consumer or platform participant involvement, as consumers and users typically lack capacity or interest to get involved. Still, our data suggests if platform cooperatives can scale just enough to be considered to be potentially viable competition in the future, they can disrupt the broader ideological landscape by injecting authentic narratives into the marketplace that expose the limitations of mainstream platform claims' pushing the market leaders to increase the actualisation of prosocial engagements.

Fourth, our data suggests that stakeholders expect more disruptive business models, advocating for a different, decentralized approach that attempts to overtake leading commercial platforms from the sidelines. Our respondents agree that it is hardly possible for platform cooperatives to win head-to-head due to the structural limitations turned to functional detriments. However, decentralizing dominant market power can come from one-to-many sales, institutional collaboration and local partnering. High volume contracts create significant, sustained revenue while "absorbing" smaller likeminded partners as members / partners allows to concentrate operational and communicational efforts. The fit between the prosocial orientation embedded at the ideological level allows platform cooperatives to access local authorities and policy decision-making proactively and build scale through institutions (Laamanen et al. 2022).

Our study offers three primary contributions. In contrast to previous literature (Schor 2020; Scholz 2014, 2016; Zhu and Marjanovic 2021), we demonstrate that platform cooperatives are not a silver bullet solution. We extend this literature by identifying a new role for platform cooperatives as a catalyst for indirect change over the sharing economy incumbents, scaling outside the one-to-one competition model. We also contribute to de Ruyter et al. (2021) by addressing the grand challenge of responsible business by building on the strategic avenues of developing innovative collaborative network effects. We suggest that platform cooperatives can disrupt the competitive landscape with a strategic model for change from the margins. Platform cooperatives can shift the sharing economy from the periphery utilising institutional and ideological avenues. Finally, we contribute to the consumer ideology literature in the context of the sharing economy (Beverland et al 2022; Schmitt et al. 2022) by demonstrating consumers seek to engage with platforms that allow them to resolve emergent conflicts between their experiences and ideological orientations. Overall, we offer actionable insight to reimagining the sharing economy toward sustained change.

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