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Preliminary Master Thesis Paper

The Sharing Economy – How do companies capture consumers, and make them stay loyal?

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INTRODUCTION

Today, shared economy is a common used terminology that are not well defined, but is seen as a peer-to-peer (P2P), often online, exchange of sharing goods and services. Even though the term has only been widely used the last couple of years, the concept of the sharing economy is not a new phenomenon. Human kind have shared since the early beginning. Still, the importance of sharing is more vital now than ever before. After the financial crisis, sharing economy companies have attracted huge bases of consumers and captured market shares from companies in the traditional industry. One possible explanation of its success is that sharing gives us more possibilities. There are also new values for consumer through price, convenience and other factors that the traditional industry has not yet provided.

Companies in the sharing economy have the role of intermediaries between two parts, seller and buyer, which in turn creates value for each other. What is definitely new about the sharing economy is that individuals now have the possibility of earning money that companies would traditionally earn. These profit seeking humans see more value in renting out their possessions than they are afraid of a complete stranger using their possession. These new developments may change how we feel about ownership and opens up possibilities for entrepreneurs and companies. Reports states that the sharing economy will further blossom and some say it would be comparable in revenue size by the next decade with B2C companies in the rental industry. This highlights the importance of how sharing will impact future growth in our economy.

There is a lack of research about the sharing economy from the marketing perspective. The goal of this research is to help close this gap by further using conceptual work from the B2C (business-to-consumer) industry and apply it to the sharing economy. Factors that has not been perceived as important in the B2C literature, but has most likely a direct effect in the sharing economy is included to make a more precise model to predict purchase loyalty. In this research the hospitality industry in the sharing economy is explored. Moreover, we use Airbnb since it is the most well-known brand in the hospitality industry and can be compared to hotel providers in both revenue and recognition. Trust between peers is vital for companies in the sharing economy to create purchase intention. The notion of doing transactions with a complete stranger is uncertain in both value and risk. In this research the effect of recommendation systems, WOM and Airbnbs own security system called ID Governmental Verification is measured. Further, the perceived value the customer forms towards the sharing economy would have an effect on if they intend to purchase in the sharing economy. The purchase intention is also affected by the convenience that the sharing economy brings and if people see the sharing economy as more convenient than what they can get in the traditional industry. The second part of this research is to see how purchase loyalty is generated towards the sharing economy. Factors such as the relationship between the peers will result in both brand reputation and satisfaction towards the brand. These two factors would further generate purchase loyalty towards the brand including willingness to pay a price premium and the mediated purchase intention. There have not been a lot of research about the sharing economy in the marketing perspective and therefore not a lot of focus on how brands create purchase intention and further receive loyal customers.

Research question 1: How does sharing economy companies to trigger customers to purchase from their brand

Research question 2: How does sharing economy companies create brand loyal customers.

The Sharing Economy

The sharing economy has had a substantial increase in popularity and companies in this industry have captured significant market shares from companies in the traditional industries (PWC, 2015). There have been numerous of new ventures that has captured high market shares such as Uber, Airbnb, Lift, Couchsurfing, Snapgoods and Liquidspace. The sharing economy is also projected to grow considerably in the future. According to PWC, in 2013, the sharing economy captured $15bn out of 255$bn in the rental industry, which measure about 6%. In 2025 the same report states that the sharing economy sectors will account for 50% of 770$bn from the total rental sector including the sharing economy and the traditional rental sector. This shows the significance of the sharing economy and that it should be taken seriously. The idea of sharing has been around for a long time and the sharing economy is not a new phenomenon, but in recent years it has become more popular.

Sharing economy has a wide range of definitions. Rachel Botsman (2015) define it as "an economic system based on sharing underused assets or service for free, or for a fee, directly from individuals". Belk (2007) suggest that sharing is "the act and process of distributing what is ours to others for their use and/or the act and process of receiving or taking something from others for our use". A product is therefore better utilized by sharing when that product or service is actually needed by someone. Belk (2014) states that most of the successful companies operating in the sharing economy saw their rise after the financial crisis back in 2008. The effect of the financial crisis led to a higher unemployment rate which again led to people having less money to spend. This can have resulted in people seeing more benefits in sharing than owning. PWC (2015) further states this in their report and found that people today do not have the same urges to own something.

"I don't need a drill, I need a whole in my wall" describes the idea of the sharing economy, where people share their personal belongings for a fee. In this way two parts create value instead of someone buying something they only need to use for a limited time or amount, thus not having a clear benefit of being bought. Though the sharing economy is dependent on having both buyers and sellers present. This does not seem to be any issue as 51% say they could see themselves being providers in the sharing economy and 72% said they could see themselves being a consumer in the sharing economy in the next two years (PWC, 2015).

There are many reasons why the sharing economy has been such a popular topic and important in today's marketplace. Hamari et al. (2015) found that the perceived sustainability helps to form positive attitudes towards the sharing economy, but the economic benefits are perceived as a stronger motivator for people to participate in the sharing economy. The origin of economic benefits could further be backed up by the increased importance and popularity after the financial crisis. This is further proved in the PWC report, where 86% of those who are familiar with the sharing economy agreed that it makes life more affordable. This proves the relative importance of affordability in the sharing economy. Hamari et al. (2015) further states that online collaboration, such as peer-to-peer activity, is fueled by enjoyment, economic incentive, reputation and self-fulfillment showing that the sharing economy creates more value than only economic benefits. The evolution of technology has played a vital part in the success of the sharing economy. It has made it easier for people to connect and made it possible for people to share products or services. This is further explained by Kaplan and Haenlein (2010) who states that the development of information technologies alongside the growth of web 2.0 has enabled the development of online platforms that promote user-generated content, sharing, and collaboration.

Another reason for the popularity of the sharing economy is that it is perceived to create similar benefits as the traditional industry does. Ratneshawar & Shocker (1991) found that when products are based upon similar usages these products are thought to bring similar benefits. The substitution in usage can explain how the sharing economy has taken up huge market shares in different industries. People have now the possibility to pay less for the same benefits. One example is that today's low priced air tickets have opened up the possibility to travel all over the world. Therefore, the possibility of travelling is also then dependent on the possibility of cheap accommodation that fits consumer's affordability and willingness to pay. Here, the sharing economy and companies such as Airbnb have made it possible for more people get affordable accommodation when travelling. Today, the role of doing and exploring has become more important (PWC, 2015). When people have to pay less money for things that is perceived to create similar benefits these service and products becomes relevant for the consumer to purchase.

Other have found the drivers of the sharing economy to be societal, economical and technological drivers. The societal drivers are desire for community, increasing population density, general altruism and drive for sustainability

(Owyang, 2013). The increased population is widely known, and the world population is projected to be around 9,7 billion in 2050 by the UN report (2015). Sharing resources could be a solution to scarce resources and increased consumption. The climate change debate has the world attention with initiative like the Paris Agreement of 2015 involving 195 countries (EU 2015). This debate and focus can lead people to think of sharing as a solution of using scarce resources and contribute to a reduction in overproduction of products that are not being used. It has to be acknowledge that the sharing economy not only have economical benefits, but have adapted to the needs of people and the world and is profoundly going to be there in the future competing against the traditional industry. What becomes interesting is how much of the market the sharing economy will capture and if sharing is the new owning and overtakes the traditional industry.

A sharing economy company that have had a profoundly success is Airbnb. It was founded in 2008 and had a revenue stream of $850 million in 2014. Today the company is valued at $13billion, which is higher than mature players in the hospitality industry such as Hyatt and Wyndham Worldwide (PWC, 2015). Airbnb sees themselves as "a social website that connects people who have space to spare with those who are looking for a place to stay". Their business model as an intermediary is that they collect revenue from the host and guest for using their service. For using their platform, the host pays a 3% service fee charge and the guest pays 9-12% when they book their stay. According to the Vision Critical Report (2015) the importance of price, convenience and brand is vital for success for the sharing economy. These variables are reflected in Airbnb's success as an intermediary between two peers when fighting against the hotel industry.

LITERATURE REVIEW

The literature review goes through the intention of purchasing from the sharing economy which is later stated to be influence by Trust, Perceived value and Convenience. The purchase intention of choosing a sharing economy company is further going to influence purchase loyalty including the effects of brand reputation, WTP and satisfaction. Even though most of these effects is proven in the B2C literature it is still not been proven in the sharing economy literature. Therefore, the conceptual model is represented with many proven effects and factors that are not been researched upon in the traditional industry literature, but still needs to be proven in the sharing economy context. The conceptual model is presented in figure 1.

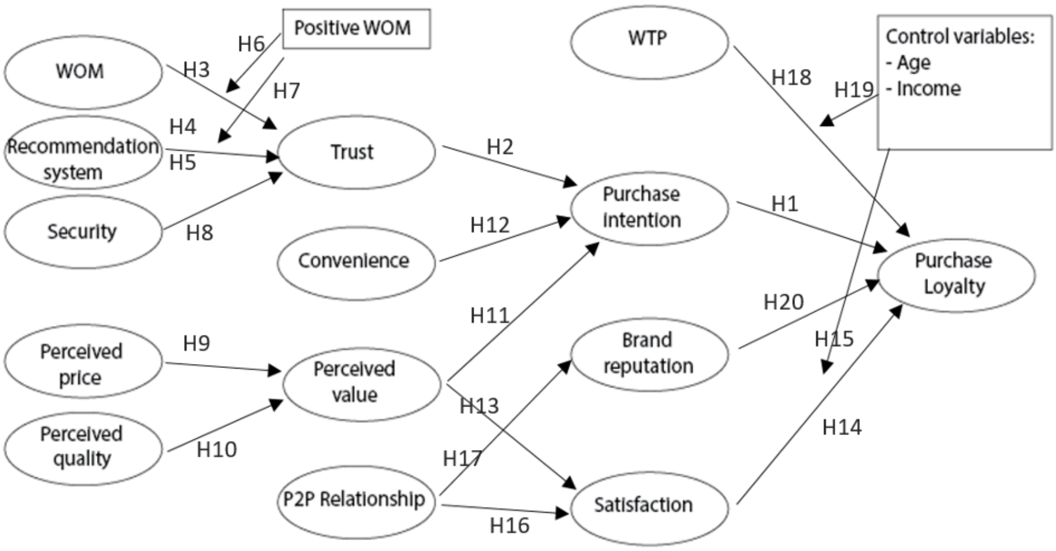

Figure 1: Conceptual model

PURCHASE INTENTION

The PWC report (2015) states that today 6% of the US population have participated in the hospitality part of the sharing economy, while 1.4% has served as a provider. The Vision Critical report (2015) find that 23% of the population would choose an accommodation from the sharing economy, while 77% will choose a hotel when travelling to a new place. Further from the PWC report it is stated that those who have not been active in the sharing economy, 72% could see themselves being a consumer in the next two years. This shows that people are positive to being a part of the sharing economy and it has clearly large potential. Though, it does not seem that the purchase intention is that high when travelling to a new place. The sharing economy has the potential of growing rapidly in the future, therefore the intention of purchasing is an important aspect of why they should choose a company in the sharing economy compared to the traditional industry. Now a day it is still more recognized to order a hotel room when going to a new place. This article tends to find out which variables affect the purchase intention and who further mediates the relationship between these variables to make the consumer loyal towards the brand in the sharing industry.

The intention of purchasing in the sharing economy is conceptualized in this paper to be affected by Trust to the sharing economy company, the perceived value of choosing the brand, the convenience of the brand and the willingness to pay for that brand compare to a brand in the traditional industry. The researcher theorize that the purchase intention has the role of a mediator on purchase loyalty towards the sharing economy.

H1: The purchase intention mediates Trust, Perceived Value and Convenience to have a positive effect on purchase loyalty.

TRUST

Trust is found in the PWC report (2015) to be an important aspect today. 62% of consumers surveyed in the PWC report (2015) state that they trust brands less today than they did in the past. Trust is defined as “existing when one party has confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt 1994). In traditional industry trust is between consumer and the company, such as trusting the company to give the purchaser the services intended and deliver on what was promised. Trust has also been stated as “the confident expectations of the brands reliability and intentions” (Delgado et al 2005). In the sharing economy, or the economic model based on sharing, trust is in the P2P relationship. Companies, such as Airbnb, is a platform who creates trust between the peers. Since, they have less control than what companies have, controlling trust becomes harder for sharing economy companies. The PWC report (2015) found that consumers who were familiar with the sharing economy were 34% more likely to trust a leading hotel brand than Airbnb. This raises the question of how sharing economy companies can build trust between two unknown parties. Airbnb is chosen in this study to represent the sharing economy. The hospitality industry is a competitive industry and Airbnb have close resemblance (trade-off) to hotels. In comparison to the hotel industry Airbnb has an indirect connection to their customers and has the function of a platform, while hotels are physical buildings. Therefore, there is a complete different way of creating value for the two industries. Anyways, trust is found essential for people to purchase from a sharing economy company.

H2: Trust has a mediating effect of WOM, Recommendation Systems and Security on purchase intention

WOM

The importance of WOM has long been discussed and is found to have a significant value on a person's purchase intention. Trusov et al. (2009), found that WOM referrals have substantial longer carryover effect than traditional marketing and produce higher response elasticities.

In the sharing economy report by PWC (2015), 69% agreed that they will not trust a sharing economy company until someone they trusted recommended the service or company. Therefore, people are highly influenced by people that are close to you. They usually do not seek any benefits by recommending you something and long relationships have formed trust towards their recommendations. In the online environment, Kozinets (1999) states that consumers turn to their social networks to retrieve information about products, rather than commercial sources. In Nielsen Global Trust in Advertising survey, 92% said that they trusted recommendations from their friends and family more than any sort of advertising. Therefore, this paper will seek the importance of WOM effects on purchase intention. We distinguish between the difference of strong and weak ties. Researchers have been dealing with the understanding of targeting those with strong or weak ties and how they affect purchase decisions in the B2C setting. The researcher wants to further develop this theory and see if strong ties have an effect on trust and purchase intention in the sharing economy context. Further, the researcher will look at the importance of the online recommendation system of Airbnb to see if the effect of eWOM recommendations are as strong on trust and purchase intention. The recommendation systems also have different effects when they are negative and positive. Finally, the effect of Airbnbs own Government ID Verification system is tested to have an effect on trust and purchase intention.

WEAK AND STRONG TIES EFFECT

Tie strength by Money, Gully and Graham (1998) is said to be "a multidimensional construct that represents the strength of dyadic interpersonal relationship in the context of social networks". This could be described as a social network were there are many nodes (actors) present, the link between those different nodes is most likely to be influenced by how strong tie or link they have. Duhan et al. (1997) defines a strong tie as "If the sources of someone who know the decision maker personally the tie of the relationship is defined as strong (p.284)". As a stronger tie have a closer relationship than a weak tie, a stronger tie could be more influential on the nodes decisions. Brown and Reingen (1987) also states that seeking information is more likely to come from a strong tie than a weak tie, since the two parts are probably more familiar with each other. Due to high uncertainty, the information seeker is more likely to seek strong ties for a first time purchase in the sharing economy. If the strong tie has positive experiences and attitudes towards the sharing economy, the information seeker is likely to be influenced into purchasing from the sharing economy for the first time.

On the other hand, Granovetter (1973) found that weak ties have more impact on the transmission of information in a network of social groups. This was explained by that a weak tie usually had more groups and took the role of a "bridge" in passing information to other groups. However, Brown and Reingen (1987) suggested that the influence on the receiver's behavior was more influential from stronger ties than weak ties, or what they call a local effect. This could also be supported by the PWC report. They state recommendation from your closest ones is more important in the sharing economy than in the traditional industry and is vital for people to make a first time purchase in the sharing economy. In this research the local effect stated by Brown and Reingen (1987) is referred to, which is supported by the PWC report (2015) who states that strong ties have a substantial effect on purchase probability. Also further proven by (Bansal and Voyer 2000) who found that WOM information will have a more significant influence on the receivers purchase decision when the tie between the actors is strong. Resulting in a person's choice is more likely to be influenced by someone you are more strongly attached to.

Hypothesis 3: A strong tie will positively influence the information seekers effect on trust

RECOMMENDATION SYSTEM/ RATING (EWOM)

The importance of eWOM and recommendation systems has become more significantly important because of the easy access to it. Park et al. (2014) finds that the quality of the online reviews and the number of reviews has a significant effect on purchase intention. The PWC report states that "in the sharing economy platforms, trust prevails based on peer review, not on one-to-one interactions". A peer review would be a recommendation system and comment of the other person behavior and place after an experience. Airbnb has its own recommendation system where each peer would rank the other peer and also leave a comment about the other peer's behavior, place, tidiness etc. This system is provided so that the other peer could see if the tenant or the other person's place is to their interest. Also, the system creates trust, the other peer can access information about experiences the other party had in previous transactions. See-To and Ho (2014) finds that eWOM has a strong direct impact on purchase intention in social network sites and also an indirect purchase intention moderated by consumers trust to the product.

Recommendation systems was found by Senecal and Nantel (2004) to be very vital. They found that those who consulted product recommendations selected product twice as often as people who did not consult recommendations. Further, online recommendation systems were more influential than other recommendation sources such as human experts and other consumers. The influence of what other strangers experienced is significantly affecting your purchase intention towards the sharing industry. This study was done in the B2C industry and the effect of recommendations might have stronger impact in the sharing economy. Gupta and Harris (2010) found when the strength of e-Wom increases more time was spent considering a purchase. Also, when multiple e-WOM recommendations was present, people were more likely to include the product in their consideration set.

Thus, many recommendations and good reviews have an effect on the purchase intention of the consumer. It would also seem reasonable that many negative reviews would have stronger impact on not choosing the option than few negative reviews would. In the sharing economy setting, good reviews would likely be important when deciding on who to purchase from. Further, it will affect the person's decision if they are to order from the possible choices. Even though they have to trust a stranger's recommendation, a positive recommendation would have a significant effect on the purchase intention of the consumer.

Hypothesis 4: High ratings in the recommendation system will have a positive effect on trust
Hypothesis 5: The more recommendations the more will it influence the relationship between recommendation system and trust

POSITIVE AND NEGATIVE EFFECT OF WOM

Previously we have distinguished between the effect of WOM and eWOM and their different effects of trusting close relationships (strong ties) and trusting complete stranger's recommendations. In this section, the effect of positive and negative WOM on purchase decision is focused upon.
WOM can be distinguished into two ways, positive WOM which is encouraging the brand choice and negative WOM, which is discouraging the brand choice. Ha (2004) found that positive WOM influences brand trust online. The effect of a customer reading a positive review makes the person trust that company more. In the sharing economy setting, a positive review would make the purchaser and renter be more positive towards a transaction. WOM is also more visible in the online environment compared to the offline environment and therefore negative and positive effect online has a wider range of accessors. Therefore, the effect of PWOM (positive Word-of-mouth) or NWOM (negative Word-of-mouth) online would be an important attribute for companies to control in the online environment.

WOM is a major reason for brand choice and especially important when being introduced to something new. East et al (2008) found that PWOM has more impact on a person's purchase probability of a brand. And also contrary to previous reports they found that PWOM has more impact than NWOM has. In the sharing economy, the effect of positive and negative WOM should be perceived to have the same effect as what has been researched upon in the B2C industry.

Hypothesis 6: Positive WOM will have a positive effect on the relationship between strong ties and trust
Hypothesis 7: Positive WOM will have a positive effect on the relationship between recommendation system and trust

SECURITY

In the online environment security is an issue of trust. Wang and Emurian (2005) states that the lack of trust involving transaction and personal information is one of the most formidable barriers for people to engage in e-commerce. Ha (2004) support these findings that higher security is associated with higher levels of brand trust. This has made it a formidable task for companies such as Airbnb to not overcome the issue of personal information, but also provide enough information to create trust between peers. Therefore, the task of keeping both parties secure is harder than what traditional business faces.

Ang and Lee (2000) states that "if the web site does not lead the customer to believe that the merchant is trustworthy, no purchase decision will result". For a sharing economy company, the task becomes even harder as an intermediary. Airbnb have to rely on persons to provide correct information about themselves and that people creates great experiences. If consumers do not have positive experiences, people would move away from their service and order a hotel room where service and experiences are more controlled.

Airbnb has launched a Government ID Verification System for security and trust reasons. They also let their consumers sign up with their social network accounts such as Facebook. The ID verification system and the social network account is built in their platform for people to provide right information about themselves. When renting or renting out the apartment the other peer has the possibility to see if the other person has provided ID verification from the government or has signed up with a social network account. It is not mandatory, but is present to make people trust the other party. For someone to either rent out or live in a stranger's home trust is essential. This system has not been proved to be successful but since the parties have never met before a verification system can help decrease the issue of trust. The verification system makes it easy to find the other party if they have been hoaxed. This could also make hoaxing less attractive, since they are easily identified. The issue of security is an important aspect for the intended purchase intention. If there is no initial trust in the platform of sharing an experience, then it would not lead to a purchase.

Hypothesis 8: Airbnb's Government ID will have a positive effect on the trusting the other peer

PECEIVED VALUE (Expectations)

Chang and Wildt (1994) found that perceived value is a primary factor influencing purchase intention and that a trade-off between perceived price and quality leads to perceived value. Lai (1995) found that customers will feel satisfied if the perceived value of buying exceeds the standard they hold. From a literature review by Zeithaml (1988) there is found that the perceived quality and price is important in shaping perceived value, where the perceived quality has a positive and the perceived price has a negative effect on perceived value. It is further stated that a high perceived value leads to willingness to purchase. Comparing value between the sharing economy and the B2C industry becomes vital on a consumer's choice behavior. Today, the perceived value of sharing seems to overrule the value of owning in many cases. The introduction of the sharing economy has introduced the re-thinking of not owning, but rather get more value out of paying a less price for someone else's possession. For Airbnb, the value of renting another peers apartment would be perceived as higher than booking a hotel room. The perception of value is from Airbnb having either a lower price and/or higher quality.

Perceived Price

Winer (1986) found that consumers form reference prices and that these are compared to observed prices. The comparison of observed and references prices affects a person's brand choice and how much they purchase, where reference price "is the overall price level or range the consumer perceives for the product category". In the sharing economy context, the reference price will be from the B2C industry and the consumer will compare the reference to the observed price of the sharing. The customer will also compare quality and combine it with the perceived price before they evaluate on which industry would give them the most value. The sharing economy is though known to be more affordable. This is further stated by the PWC report that found 86% saying the sharing economy made life more affordable. Chang and Wildt (1994) found that perceived price is positively associated with objective price and negatively associated with reference price, which they state is similar to previous literature. Therefore, in the sharing economy the objective price would positively affect perceived price and reference price would affect the perceived price negatively. Anyways, the perceived price is found by Zeithaml (1988) to have a negative effect on perceived value. So, if the price of a sharing economy is perceived as high it would affect the value of choosing the sharing economy company compared to the company from the traditional industry.

H9: The perceived price has a negative effect on perceived value

Perceive Quality

Olson and Jacoby (1972) found that the perceived quality of the product or brand was strongly related to actual purchasing behavior and also brand loyalty. Further, they found that intrinsic cues (physical product differences) had a stronger effect on quality perception than extrinsic cues (price, brand image). Also, they found that even price cue is an important factor in purchase decision, it is not as good of an indicator of quality as extrinsic que are. This is also stated by Chang and Wildt (1994) who states that both intrinsic and extrinsic product information affect the quality perception, but that the price cue is lessened when there is direct intrinsic product information. The extrinsic product for Airbnb would be applied to the hygiene and uncertain quality, which was stated in the PWC report to be the issues of trusting and using Airbnb compared to a hotel provider. In the Airbnb example, the issue of quality would be related to these factors and both of them are very important for the consumer when choosing between Airbnb and a hotel provider.

H10: The perceived quality has a positive effect on perceived value

Perceived Value

In Chang and Wildt (1994) study they find that there is a trade-off between perceived price and perceived quality which leads to perceived value. This is also stated by previous research such as Sawyer and Dickson (1984) who distinguish between a trade-off they call “give” and “get” who affects the perceived value. The “give” is referred to as the price paid as perceived by the consumer and negatively influences the perceived value. The “get” is the quality of the product as perceived by the consumer and has a positive impact on perceived value. Chang and Wildt (1994) also found that the reference price was less than objective price. They further stated that the perceived value positively affects purchase intention and support earlier research. The researcher believes that both perceived price, negative effect, and perceived quality, positive effect, will significantly affect the perceived value of the sharing economy compared to the B2C industry. The effect of perceived value will be substantial for the consumers purchase intention.

H11: The perceived value has a positive effect on purchase intention

CONVENIENCE

Data from the PWC report shows that consumers are more interested in affordability and convenience than they are in building relationships in the sharing economy. It also found that 83% think that the sharing economy is more convenient and efficient. Most importantly, the report found that convenience was the most important aspect of choosing a company from the sharing economy. This is also stated by the Vision Critical report where 78% named convenience as the most popular reason for using sharing services.

Even price with 68% were beaten as the most popular reason for choosing the sharing industry. From this research we can state that many people perceive the sharing economy as an economical and more convenient model rather than traditional or renting companies provide. Thus telling that the sharing economy has some benefits that could make it hard for traditional companies to fight against.

In general, convenience is an important aspect for people when choosing sharing economy but in the accommodation industry the convenience becomes less clear than compared to other industries. This is stated in the Vision Critical report. Further, they conclude that people in the accommodation industry are less willing to switch from buying to sharing if it were more convenient. Convenience was more influential in other services such as home furnishing and car rental. In the hospitality of the sharing economy, convenience is the possibility of cooking your own meals and washing clothes, which is not available in the hotel industry. This might also save money by not paying for hotel breakfast and meals at restaurants. Having the possibility to choose among different apartments leads to more variety than what the hotel industry can offer. This might lead to more convenient choices, as the customer could customize their ideal stay on the Airbnb platform.

The online literature finds convenience to be an important factor leading to purchase intention. Zhou and Zhang (2007) reports based on previous research that the convenience, the possibility of anytime, anywhere shopping, powerful search engines and convenient price comparisons is the main characteristics of online shopping. This supports the notion that convenience is an important aspect for purchase decision. Convenience is also seen as more valuable when people are more frequent in their purchases. Even though Brown et al (2003) found that consumers are not only affected by convenience, they discovered that one of the biggest groups of online shoppers are convenience oriented. Berry et al (2002) states in their concept of service convenience, that today the marketing effectiveness is more a function of saving consumer time and effort than saving money. They further state that the firms service quality and customer satisfaction in an encounter is directly affected by the service convenience. Even though the convenience has not been strongly proven in literature to affect purchase intention, the different reports and information about the sharing economy all leads to convenience having a strong effect of choosing the sharing economy over the traditional industry. Convenience has been mentioned by different reports to be the strongest factor of why people have switched over to sharing economy companies.

H12: Convenience has a positive effect on purchase intention.

SATISFACTION (Previous experiences)

Customer satisfaction has been defined in various ways. However, the conceptualization which appears to have achieved the widest acceptance shows that satisfaction is a post-choice evaluative judgment of a specific transaction. Fornell (1992) suggest that satisfaction can be assessed directly as an overall feeling. In addition, he suggests that customers have an idea about how the product or service compares with an "ideal" norm. Thus a person may be satisfied with the focal product or service and at the same time evaluate the performance as mediocre, compared with what it should or could have been. Selnes (1993) says that the conceptualization of customer satisfaction who has received the most acceptance is that satisfaction is the post-choice evaluative judgment of a specific transaction. While Bloemer and Kasper (1994) define brand satisfaction as the outcome of the subjective evaluation that the chosen alternative (brand) meet or exceeds the expectations. They further explain that in most definition what stands out is that satisfaction is the notion of a comparison between expectation and brand performance.

There is a relative importance of satisfaction. Fornell (1992) found that products and services that had high customer satisfaction are less vulnerable to competition and would have a higher proportion of repeat businesses and higher gross margins. Higher proportion of repeat businesses is important for sharing economy companies, as they want people to change from consuming in the traditional industry towards sharing services. Therefore, satisfaction becomes vital for sharing economy companies as loyal consumers provide most value. Substituting to the traditional industry will be highly likely if the customer is not satisfied. This is expected, as the consumer do not have any switching costs.

The concept of perceived value has been discussed previously. Perceived value is what is expected from the customer before purchase as they evaluate price and quality. Further, perceived value sets the expectation and the consumer will decide later if it meet or exceeds this expectation. Satisfaction is achieved when a service meets or exceeds this expectation. Bloemer and Kasper (1994) further distinct this issue by saying if the consumer is not very knowledgeable about the brand at stake, has no experience as a reference point, and is not able to understand or motivated to see the difference between expectations and performance, it becomes hard to evaluate the comparison. The reference point in the sharing economy might be harder to evaluate, as comparing a hotel with renting an apartment could be difficult as their benefits are different. Therefore, the sharing economy needs to be clear on what benefits they provides to help the consumer create a reference point.

Eggert and Ulaga (2002) theorizes a model where customer perceived value is mediated through satisfaction to repurchase intention. This model has a better fit than the model without satisfaction as a mediating variable. This is further stated by McDougall and Levesque (2000), that perceived value should be recognized as a contributing factor to satisfaction and loyalty. A strong relationship between loyalty and satisfaction is found and they also support satisfaction having a mediating effect on the relationship between perceived value and loyalty. Loyalty is correlated further with profitability. What the consumer perceive as valuable would be generated through satisfaction of the service itself, which then will be compared with previous services in the B2C industry. If the satisfaction exceeds the experience in the B2C industry consumer will start to behave loyal towards the sharing economy brand resulting in profits.

H13: Satisfaction has a mediating effect on consumer loyalty from perceived value

Selnes (1994) found that satisfaction has a direct effect on loyalty. However, this effect is driven by the consumer's ability to evaluate quality throughout the experience. Previous evidence shows that perceived quality through satisfaction creates loyalty. Anyway, Selnes (1994) found these result to be biased, since brand reputation were not taking into account. Brand reputation itself was found to affect loyalty and it was concluded that both satisfaction and brand reputation needs to be taken into account when measuring loyalty.

One satisfied transaction does not lead to loyal or non-loyal behavior. If a customer is not satisfied with one transaction it is unlikely that they switch to another brand (Fornell, 1992). The same goes with one satisfied transaction, which will not lead to long-term loyalty. Based on previous research, Homburg and Giering (2001) conceptualize that satisfaction should be a multidimensional construct. The customer's evaluation of the product performance is based upon characteristics such as durability, dollar value, technical sophistication, ease of use and the sales process itself. In the sharing economy satisfaction would be assessed by quality, ease of use, price and the relationship with the other peer. More interestingly, satisfaction on interpersonal interaction in the B2C industry is depended on how well the sales personnel meets the customer's needs. The sharing economy has changed this notion. There the focus is to moderate the relationship between two peers and keep both of the parties satisfied. The relationship between the peers is crucial in order to create satisfaction and loyalty towards the brand.

H14: Satisfaction has a positive effect on purchase loyalty.

In the study by Homburg and Giering (2001) they also found satisfaction to have an effect on loyalty. The interesting results from this study was that variety-seeking, age and income was found to be important moderators in the relationship between satisfaction and loyalty. These demographical variables have no effect on loyalty itself, rather the role of making the relationship stronger. There is a considerable difference by age and income of who consumes in the sharing economy (PWC, 2015). These demographical variables are presumed to also have an effect on the relationship between satisfaction and loyalty in the sharing economy.

H15: Age and income has an effect on the relationship between satisfaction and loyalty.

PEER TO PEER RELATIONSHIP

There is a lack of interpersonal relationship research in the marketing literature, this is further stated by Fournier and Yao (1997). They identify the connection between interpersonal relationship and loyalty, further highlighting the importance of the connection in marketing literature. Macintosh and Lockshin (1997) found in a retail setting the interpersonal relationship between the salesperson and customer to be an important factor of retail store loyalty. The retailers who have successful interpersonal relationship and have salespersons who creates trust and make commitments to the consumers is directly linked to positive purchase intention and store attitude. In the sharing economy the seller could be seen as a salesperson, which both affects the buyers' attitude towards the brand and the future possibility of selling their own service based upon recommendation systems and ratings from previous buyers. Guenzi and Pelloni (2004) found strong support for service provider's interpersonal relationship between front-line employees and customers to be important. Interpersonal relationship positively affects customer satisfaction and loyalty towards the company. It is also a powerful tool for reducing switching behavior of customers when other customers leave. They found reward systems for employees to be a significant contribution to foster customer satisfaction and loyalty. In the sharing economy, reward systems for the peer ends up in better reviews and rating and also secure future profits. These incentives should initiate the seller to provide good services in the same way as companies rewards their employees to perform.

In the sharing economy there are more roles to account for like the relationships between buyer and seller, buyer and brand, and seller and brand. These relationships need to be established to create brand loyalty towards the brand. In this research we focus on the relationship between peer to peer and the buyer and brand. The importance of seller and brand could be discussed in further research.

Anyways, the relationship of the peer to peer is important for satisfied customers. This relationship has not been widely elaborated in previous research. A good experience from a peer to peer relationship would affect satisfaction towards the brand. Multiple good experiences from the relationship will create loyalty towards the brand and presumably make consumers more open to other industries in the sharing economy. Peers are not only representing themselves but also representing the brand even though they are not employees. They are representing the brand to get more value in the future. Since all their experiences is graded by the other peer their behavior is important to secure their future intention. The high importance of the relationship between the peer to peer relationship is further proven by the PWC report. 89% familiar with the sharing economy agreed it was based upon the relationship between the peers.

H16: Peer-to-peer relationship has a positive effect on customer satisfaction
H17: Peer-to-peer relationship has a positive effect on brand reputation

WILLIGNESS TO PAY (WTP) / PRICE PREMIUM

Netemeyer et al (2004) define willingness to pay a price premium to be the amount the customer is willing to pay for their preferred brand over other brands with the same package size or quantity. WTP is one of the strongest indicators of brand loyalty. Aaker (1996) conceptualize price premium as an indicator of the amount a customer is willing to pay for the brand in comparison with another brand who offer similar benefits. It is likely, that consumers are less willing to pay a higher price for an Airbnb apartment compared to a hotel room if they offer similar benefits. The Vision Critical (2015) report found more people are willing to switch from sharing to buying than buying to sharing in the accommodation industry if they were to save 25 percent. 68% of the people surveyed stated price as a second reason for choosing the sharing economy. In both Vision Critical (2015) and PWC report (2015), price and saving money is important factors of why people choose sharing economy over the traditional industry. This makes it likely that the WTP for sharing economy companies is lower.

H18: In the sharing economy WTP has a negative effect on purchase loyalty when compared to traditional industry

It is specified in the PWC report that people between 18 to 24 years old are most likely to participate in the sharing economy. Further, households with income between $50k to $75k a year is seen as the largest group using sharing services. The effect on WTP on purchase loyalty are likely to be affected by age and income of the consumers.

H19: Age and income has an effect on the relationship between WTP and purchase loyalty

BRAND REPUTATION

Selnes (1993) found that brand reputation has an overall effect on brand loyalty. Brand reputation is recognized to be perception quality associated with the brand name. It is seen as an extrinsic cue and a brand would be assessed on the overall quality without linking it to physical or technical compositions of a product (intrinsic cue). Kuenzel and Halliday (2010) found that when consumers perceive the brand as reputable they report a higher level of brand loyalty. Creating better products and service reputations could benefit from stronger brand identification and brand loyalty. The effect of reputation of a company is often served as an indicator of organizational success, since organizations that are well-regarded are assumed to be successful (Bhattacharya et al, 1995). It is found in the research by Vision Critical that people in the sharing economy prefer known brands. In the accommodation industry 55% say that they prefer Airbnb, 29% VRBO, 5% Couchsurfing and the 12% said others. The importance of brand reputation plays a significant role as it creates repurchase intention and trust towards the brand. If the same research were done within the hotel industry, the results would be more even, since there are more providers and less trust issues. Even though the sharing economy is in its early phase with few companies, brand reputation plays a significant role for a consumer to trust purchasing from a complete stranger. In the Vision Critical's brand recognition chart, 10% were positive towards Airbnb, 17% was neutral and 3% were negative towards Airbnb. Those who are positive will most likely bring in future value. On the other hand, those who are negative would most likely not purchase. Even though Airbnb is a known brand, 17% being neutral shows that people have not made up their mind about sharing economy companies. Anyways, since trust is low towards new sharing economy brands, brand reputation would most likely have a strong positive effect on loyalty.

H20: Brand reputation has a positive effect on purchase loyalty

BRAND LOYALTY/ PURCHASE LOYALTY/CUSTOMER LOYALTY

Fournier and Yao (1997) describes brand loyalty as the biased behavioral response expressed over time by some decision-making units with respect to one or more alternative brands out of a set of such brands.
The competitive advantage of creating brand loyal customers is explained as a substantial entry barrier to competitors, increase the firm's ability to respond to competitive threats, greater sales and revenue and also have a customer base that is less effected by competitive marketing efforts. Baldinger and Rubinson (1996) finds that highly loyal customers are more likely to purchase that brand for the coming year based upon their attitudes towards the brand. They also found that non loyal consumers are more likely to change brands if they have a positive view about the products that they have not yet bought. Aaker (1991) discussed the role of loyalty on brand equity and found that loyalty leads to marketing advantages such as reduced marketing costs, new customers, and greater trade leverage. It is clearly stated in previous research the importance of creating brand loyal customer and its profits. This is also the hardest part for sharing economy companies as they need to create loyal customers and create barriers towards the traditional industry and other companies within the sharing economy.

Brand loyalty describes the special bond a customer marks with a brand and these bonds are vital for firms in strong competitive markets. We can further distinguish loyalty into two different types of loyalty, attitudinal and behavioral. Attitudinal loyalty is when customers has strong feelings such as "love" towards the brand or holding the brand as their favorite possession (Keller, 2013). Keller further describes behavioral loyalty as a measure of repeat purchases and share of category volume attributed to the brand. Additionally, attitudinal loyalty forms relative price, while brand loyalty leads to market share (Chaudhuri and Holbrook 2001).

Brand loyalty in the sharing economy is different than in the traditional industry. The loyalty is most likely to be affected by many of the same variables as in the traditional industry, but these variables might have different importance. Loyalty would also be affected by other variables. Most likely, the effect of a peer-to-peer relationship on satisfaction and brand reputation will have an effect of how loyal the customers are going to be towards a sharing economy company. Also, the perceived value, trust and convenience that the sharing economy brings will be an essential part of why people choose the sharing economy. This will the further be mediated through purchase intention, which will lead people to loyal behavior.

In this research, loyalty towards the sharing economy will be represented by loyalty towards Airbnb. Having attitudinal loyalty towards Airbnb would imply that customers have strong feelings towards the brand. This research wants to find how these emotions are formed and the importance of creating attitudinal loyalty. Further, the behavioral loyalty would be the measure of repeat purchases and share of category volume towards Airbnb. This can be compared with previous research on the B2C industry, where conclusions can be drawn.

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