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Fairness, Legitimacy, and the Regulation of Home-Sharing Platforms

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Abstract

Purpose – The purpose of this study is to contribute to current hospitality and tourism research on the sharing economy by studying the under-researched aspects of regulatory desirability, moral legitimacy, and fairness in the context of home-sharing platforms (e.g., Airbnb).

Design/methodology/approach – Three separate 2x1 between-subjects experimental vignette surveys are used to test the effects of three types of fairness (procedural, interpersonal, informational) on two outcomes: moral legitimacy and regulatory desirability.

Findings – The results of the research show that high perceived fairness across all three types increases moral legitimacy and reduces regulatory desirability. Respondents who perceive a fictional home-sharing platform to be fair consider it to be more legitimate and want it to be less regulated.

Research limitations/implications – Following established practices and reducing external validity, the study uses a fictional scenario and a fictional company for the experimental vignette. The data collection took place in the United Kingdom, prohibiting cultural comparisons.

Practical implications – The research is useful for home-sharing platform managers by showing how they can boost moral legitimacy and decrease regulatory desirability through a strong focus on fairness. It can also help policymakers and consumer protection advocates by providing evidence about regulatory desirability and how it is affected by fairness perceptions.

Originality/value – The article adds to hospitality and tourism research by offering theoretically meaningful and practically relevant conclusions about the importance of fairness in driving stakeholder opinions about home-sharing platforms.

Keywords: Sharing Economy, Fairness, Regulation, Legitimacy, Ride-Hailing, Home-Sharing

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Introduction

By popularizing asset-sharing among private individuals, the so-called 'sharing economy' [1] has ushered in a variety of technological, economic, and societal advances (Hamari *et al.*, 2016; Malhotra and Van Alstyne, 2014). However, the rapid growth of the sharing economy has garnered criticism for its disruption of traditional industries, ranging from transport and tourism to logistics and finance (Einav *et al.*, 2016; Gyódi, 2019; 2018; Zervas *et al.*, 2017). With their legitimacy called into question (Frenken and Schor, 2017), sharing economy platforms such as Uber, Airbnb, and BlaBlaCar, face a scattered regulatory environment. The struggle over appropriate regulation is intensified by platforms and their advocates operating within a narrative frame which counterposes the benefits of innovation with the restrictive nature of governmental regulation (Oskam and Boswijk, 2016). In this contribution, we focus on home-sharing platforms such as Airbnb and HomeAway (Dann *et al.*, 2019). We understand home-sharing platforms to be internet-based services that offer peer-to-peer (p2p) accommodation either exclusively or as a complement to existing hospitality services. We thus contribute to the emerging debate about perceived impacts of the sharing economy in hospitality and tourism (Mody *et al.*, 2019; Stergiou and Farmaki, 2019).

In-depth reviews of the home-sharing literature in leading hospitality and tourism journals have shown that there are several prominent topics (Altinay and Taheri, 2019; Guttentag, 2019). While ample research has looked at matters of trust (Ert *et al.*, 2016; Han *et al.*, 2019; Wu *et al.*, 2017), consumer segmentation (Lutz and Newlands, 2018; Mody *et al.*, 2017; Wiles and Crawford, 2017), and pricing (Abrate and Viglia, 2017; Gibbs *et al.*, 2018; Zhang *et al.*, 2018), neglected topics include "competition and consumer protection issues" (Altinay and Taheri, 2019, p. 189). Indeed, while growing research has studied the regulatory climate of the sharing economy (Cetin and Deakin, 2019; Uzunca and Borlenghi, 2019), no research to date has examined the desirability of regulation from a user perspective.

The user perspective is particularly critical since home-sharing platforms have increasingly co-opted the voices of users as amateur lobbyists, mobilizing bottom-up opposition to governmental intervention (Pollman and Barry, 2017; Strabowski, 2017). Airbnb, for instance, has established “home-sharing clubs” in an attempt to mobilize hosts for anti-regulation public activism (Holburn and Raiha, 2017). In light of the peer-to-peer nature of home-sharing, co-opting users as lobbyists can be understood as a pragmatic response by home-sharing platforms. Many users rely on home-sharing for their income and could face financial difficulties if regulatory changes remove their ability to operate (Böcker and Meelen, 2017; Schor and Attwood Charles, 2017). Likewise, consumers accustomed to the on-demand nature of home-sharing platforms may operate with self-interest, opposing any top-down governmental intervention which could hinder their consumer choice. Thus, the regulation of home-sharing services is a key battleground for the platforms in their quest for legitimacy and growth. In addition to the aforementioned efforts to mobilize their users, platforms such as Airbnb spend considerable resources to win lawsuits and affect local short-term legislation in their favor (Carville *et al.*, 2020).

A critical investigation into issues of consumer protection and regulatory desirability is particularly pressing in turbulent times such as the current Covid-19 pandemic. Sharing economy platforms in general and home-sharing platforms in particular are strongly affected by the travel restrictions imposed by governments across the globe and have suffered severe losses. Airbnb, for instance, announced a lay-off of 1900 employees (about a fourth of its workforce), in addition to cost cutting measures such as a hiring freeze, the stop of bonuses in 2020 and the suspension of its marketing activities (Bosa and Rodriguez, 2020). The cancellation of thousands of bookings in spring 2020 and the ensuing uncertainties about refunds have resulted in angry reactions, particularly among hosts, who see themselves disadvantaged in comparison to guests (Rodriguez, 2020). Some hosts are selling their properties or listing them on the regular rental market (Yurieff, 2020). Airbnb's request for the Canadian government to bail out hosts, in the form of unemployment benefits, was not only rejected, but also met with public derision, demonstrating the in-flux nature of a company's moral legitimacy as well as its regulatory position (Yun, 2020).

Since a substantial body of research has established how fairness perceptions can affect legitimacy perceptions, as well as acceptance of organizational policies and legal decisions (e.g., Colquitt, 2001; Folger and Cropanzano; Tyler and Smith, 1998), our article addresses the following research question: *How does perceived fairness of home-sharing platforms affect perceptions of moral legitimacy and regulatory desirability?* To address this question, we conducted three separate 2x1 between-subjects experimental vignette surveys, thus testing the effects of three types of fairness (procedural, interpersonal, informational) on two outcomes: moral legitimacy and regulatory desirability.

Literature Review

Legitimacy and Controversial Industries

Legitimacy, as a key concept in institutional theory (Deephouse and Suchman, 2008), can be understood as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). Legitimacy can be assigned by different actors, such as the media, the state and the general public. However, despite the importance of individuals as "the micro-level foundation of legitimacy" (Finch *et al.*, 2015, p.265), few studies have focused on the general public as a source of legitimacy (Tost, 2011). In new sectors, such as the platform economy, there is particular value in adopting a user- and individual-centric approach to legitimacy. We take here an individual perspective on legitimacy (Finch *et al.*, 2015), focusing on moral legitimacy, which describes the evaluation of an entity's morality and its normative approval (Bitektine, 2011; Scott, 1995; Suchman, 1995).

Legitimacy questions are particularly salient for controversial industries (Finch *et al.*, 2015), such as the oil industry (Finch *et al.*, 2015), the tobacco industry (Palazzo & Richter, 2005), the alcoholic beverages industry (Lee *et al.*, 2018), and banking (Norberg, 2018). As a similarly controversial industry, platform-mediated hospitality is a suitable context for studying moral legitimacy. Home-sharing platforms such as Airbnb face regular negative media coverage. In particular, such platforms have been accused of creating black markets, resulting in the disruption of residential areas through tourists (e.g., noise, vandalism), crowding out long-established and often working class residents, and leading to gentrification in large cities such as Barcelona (Llop, 2017).

Moreover, home-sharing platforms are a nascent phenomenon with disruptive potential and questionable legitimacy (Murillo *et al.*, 2017; Oskam and Boswijk, 2016). Guttentag (2015), for instance, adopted the lens of disruptive innovation theory to examine Airbnb's impact on the tourism sector while highlighting the legal issues which remained due to short-term rental regulations. Some commentators have associated issues of housing congestion and rent increases in large cities to sharing economy platforms (Lee, 2016; Sheppard and Udell, 2016). The ongoing disruption of the sharing economy has been exacerbated by the concentrated winner-takes-all approach to the sharing economy, driven by platform capitalism and venture capital logics (Srnicek, 2017).

Regulating Home-Sharing Platforms

In light of such controversies, policymakers have been presented with the difficult task of regulating home-sharing platforms while still encouraging innovation. Although multiple definitions of regulation are available (Black, 2002; Koop and Lodge, 2017), the consensus holds that the purpose of business regulation is to address social concerns and limit the negative externalities of business practices. Indeed, while the traditional public interest model of regulation holds that regulation can counteract perceived market failures and is instituted to maximize general welfare (Pigou, 1938), the "economic theory of regulation" (Stigler, 1971) also holds that the goal of regulation is addressing perceived market failures, such as safety concerns or pollution.

In general, regulation can act as a barrier for new firms entering a market (Djankov *et al.*, 2006), with regulatory compliance costs being a particular burden for smaller firms (Calcagno and Sobel, 2013). However, large and established platforms have continued to present themselves as the opponents of regulatory intervention. This opposition is understandable when contextualized alongside the business objectives of platforms. Indeed, a lack of appropriate regulation has been identified as one of the key causes of their global expansion to date (Murillo *et al.*, 2017) and platforms have been supported in their opposition by libertarian economists who argue strongly for a regulation-free approach to the sharing economy (Cohen and Sundararajan, 2015).

From a normative standpoint, such a laissez-faire approach is far from ideal, particularly when considered in the context of rising tensions over discrimination, disability provision, and fair competition (Edelman *et al.*, 2017; Katz, 2015). Concerns have been raised over the absence of license requirements (Malhotra and Van Alstyne, 2014), and taxation has become a sticking-point, with Davidson and Infranca (2016) arguing that major sharing economy firms purposely structure their business operations to avoid taxation (Murillo *et al.*, 2017).

The sharing economy in general and home-sharing in particular have faced criticism for operating under what Pollman and Barry (2017) term a system of 'regulatory entrepreneurship'. In this case, platforms actively lobby for weaker regulation as a fundamental aspect of their business model, where they operate as anti-regulation challengers against seemingly pro-regulation incumbents (Crespo, 2016). One key mechanism for anti-regulation efforts is the mobilization of users in what Collier *et al.* (2018) term the 'industry-consumer coalition'. Here, platforms adopt low-effort strategies, a type of 'clicktivism', where users can register their opposition to regulation through online petitions (Pollman and Barry, 2018).

Despite platform preferences for a regulation-free environment, there are ongoing movements to introduce appropriate regulation. Focusing on the European context, where regulatory efforts are the most advanced, regulators have been cautious to avoid curbing beneficial innovations, while simultaneously preserving fair competition and consumer protections. Most regulatory response in Europe is largely fragmented and occurring on a local scale. Brussels, for example, has amended its regulations on shared tourist accommodation, ensuring alignment between the experiences of shared spaces with that of hotel rooms (Hope, 2017). Restrictions have also been levied in Paris, where Airbnb hosts are now automatically restricted to 120 days per year to keep in line with French laws on short-term rentals (Coffey, 2017).

There have also been movements on a broader scale, with the European Commission releasing a report titled "A European Agenda for the Collaborative Economy" (EU Commission, 2016). This report, supportive of the sharing economy, encourages EU member states to apply existing legislation to platforms rather than creating new rules, as well as encouraging member states to work at the EU level to avoid regulatory fragmentation.

Despite considerable top-down debate on regulating the sharing economy among policy makers, academics, and platform advocates, there remains a lack of empirical research into the opinions of users and non-users of home-sharing platforms towards such regulation. One exception, where a US-based Pew study surveyed attitudes towards regulation (Smith, 2016), demonstrates that there are varied opinions held towards regulation and the antecedents and correlates of such opinions demand closer attention. As key stakeholders in the sharing economy, and increasingly as lobbyists for and against platform regulation, lending attention to the individual voice can make a first step in rectifying this oversight.

Fairness

Considerable research has investigated how fairness perceptions affect people's attitudes and behaviors (Brockner and Wiesenfeld, 1996; Colquitt, 2001; Folger and Cropanzano, 1998; Lind and Tyler, 1988; Tyler and Lind, 1992; Tyler and Smith, 1998). Previous research has shown how fairness is one of the determinants of legitimacy perceptions, with perceived unfairness able to spark moral outrage (Barling *et al.,* 2009; Holtz and Harold, 2013). Moreover, fairness perceptions are associated with the acceptance of new organizational policies such as smoking bans (Greenberg, 1994), as well as the acceptance of legal and policy decisions (Lind, 1990 *et al.*; Lind *et al.,* 1993; Tyler *et al.* 1985).

Based on this reasoning, we suggest that a key factor impacting moral legitimacy and regulatory desirability of home-sharing platforms is the perceived fairness of the service (Tost, 2011). While a long research tradition has explored issues of fairness and legitimacy, most research has considered these two topics separately and not yet in the context of the sharing economy. As such, we propose that re-examining this relationship in a new context will offer valuable findings for hospitality research. In addition, the nexus between fairness and regulatory desirability remains open as a question and offers a novel contribution to fairness literature, as well as opening up the notion of regulatory desirability for future examination. To assess the interplay of fairness perceptions with moral legitimacy and regulatory desirability, we propose six hypotheses (Figure 1). Drawing on Colquitt (2001), we take three categories of fairness into consideration: procedural fairness, interpersonal fairness, and informational fairness (Colquitt, 2001; Leventhal, 1980). We abstained from including distributional fairness due to the difficulties of operationalizing this dimension in a peer-to-peer context.

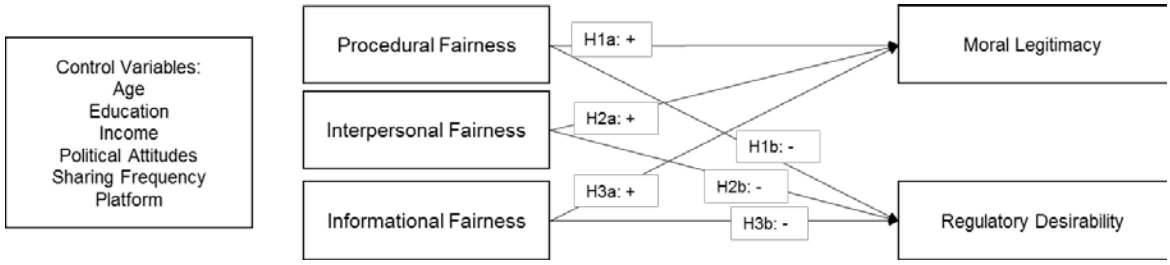

Figure 1: Research Model

The first fairness dimension considered is *procedural fairness*, referring to the perceived fairness of policies and procedures in allocation decisions (Leventhal, 1980). Specifically, procedural fairness describes whether decisions are accurate, consistent, and unbiased. It can be defined as “the perception by the individual that a particular activity in which they are a participant is conducted fairly” (Culnan and Armstrong, 1999, p. 107). Since procedural fairness affects attitudes towards an organization (Leventhal, 1980; Lind and Tyler, 1988) as well as citizens’ willingness to cooperate with governmental decisions and policies (Braithwaite *et al.*, 2007; Tyler and Mitchell, 1994), the inclusion of procedural fairness within the research model is appropriate. Moreover, the connection between procedural fairness and legitimacy has been established by Tyler (2003) in the context of legal authorities. For home-sharing platforms, procedural fairness manifests in how platforms make decisions and whether these principles seem justifiable and appropriate. This includes whether platforms have adequate customer service and complaint management procedures in place and whether their search algorithms consider relevant factors. Airbnb, for example, uses secret trustworthy scores that rely on many signals unrelated to Airbnb from bulk-collected data about users (Bode, 2020). This has led the privacy advocacy group ERIC (Eletronic Privacy Information Center) to issue a complaint to the Federal Trade Commission, saying that “Airbnb’s nontransparent algorithm is unfair and deceptive” (Bode, 2020).

Hypothesis 1a): *Procedural fairness perceptions positively affect moral legitimacy perceptions of home-sharing platforms*

Hypothesis 1b): *Procedural fairness perceptions negatively affect regulatory desirability of home-sharing platforms*

The second dimension considered is *interpersonal fairness*, referring to the quality of treatment received by peers (Bies and Moag, 1986; Colquitt *et al.*, 2001; Lind and Tyler, 1988; Tyler and Lind, 1992). Interpersonal fairness has been found to trigger emotional reactions and to enhance commitment in an organization (Chebat and Slusarczyk, 2005; Zapata-Phelan *et al.*, 2009;). Moreover, in the context of traditional organizations, interpersonal fairness has been shown to increase trust in management, but less so than procedural fairness (Kernan and Hanges, 2002). Similarly, Hegtvedt (2015) has analyzed the relationship between justice, trust and legitimacy, noting scarce research on this topic. Drawing on social identity theory, she explains the mechanism as follows: “When authorities interact with their group members in just ways […], they enhance subordinates’ identities of themselves. Those positive self-feelings, in turn, boost individuals’ identification and commitment to the group that the authority represents as well as the authority himself or herself. Such identification and commitment represent the support necessary to signal that the authority is legitimate” (p. 61). Research has further looked at the effect of interpersonal fairness on taxpayer compliance (Wenzel, 2006), making it an appropriate factor when considering regulatory desirability. For home-sharing platforms, interpersonal fairness manifests in peer-to-peer personal interactions as well as peer-to-platform personal interactions. For example, if a host treats a guest disrespectfully or discriminates against a certain group of guests (Piracha *et al.*, 2019), a violation of interpersonal fairness norms occurs.

Hypothesis 2a): *Interpersonal fairness perceptions positively affect moral legitimacy perceptions of home-sharing platforms*

Hypothesis 2b): *Interpersonal fairness perceptions negatively affect regulatory desirability of home-sharing platforms*

The third dimension considered is *informational fairness,* referring to the quality of information communicated by either peers or the authority figure (Bies and Moag, 1986; Colquitt, 2001). Important facets of informational fairness are the truthfulness of information as well as the reasonability, timeliness, and specificity of explanations (Bies and Moag, 1986; Colquitt, 2001; Shapiro *et al.*, 1994). Thus, informational fairness reflects the value and accessibility of information received. Research has shown that transparency, in the sense of information disclosure and informational fairness, can lead to increased trust and efficiency (Millar *et al.* 2005). Within new and opaque socio-technical systems, such as recommender systems and social media algorithms, information disclosure in the sense of explanations enhances user satisfaction with as well as awareness and interpretability of the system (Rader *et al.*, 2018). Since opacity has been raised as a criticism against sharing economy platforms (Schor and Attwood-Charles, 2017), increased transparency and informational fairness could strengthen the public perception of home-sharing platforms, leading to legitimacy gains and decreased regulatory desirability. For home-sharing platforms, informational fairness occurs when platforms or users are transparent in their communication and provide up-to-date information. For example, platforms varied in their communication about cancellation policy updates in the midst of the 2020 Coronavirus outbreak (Carville and Newcomer, 2020), with some reacting more proactively and providing more in-depth information than others, thus being more informationally fair.

Hypothesis 3a): *Informational fairness perceptions positively affect moral legitimacy perceptions of home-sharing platforms*

Hypothesis 3b): *Informational fairness perceptions negatively affect regulatory desirability of home-sharing platforms*

Methods

Sample and Data Collection

Our data comes from three separate 2x1 between-subjects experimental vignette studies (Aguinis and Bradley, 2014) that were conducted in mid-July 2018. We manipulated fairness as the condition in each study: procedural fairness low/high, interpersonal fairness low/high, informational fairness low/high. Thus, fairness served as the independent variable – with two conditions per dimension – and moral legitimacy and regulatory desirability served as the dependent variables. We chose an experimental vignette design for several reasons. First, it allows for establishing causality more clearly than non-experimental surveys. In our case, establishing causality would have been a challenge with a non-experimental survey due to potential confounding variables and reverse causality. Second, experimental vignette surveys provide more external validity than a lab experiment (Aguinis and Bradley, 2014).

We programmed the experimental vignette surveys in Qualtrics and relied on Prolific for the participant recruitment, surveying respondents who reside in the UK. Prolific was used to recruit the respondents due to its good screening functionality, high data quality, user friendliness, and ethical participant remuneration (Palan and Schitter, 2018). The experimental vignette surveys were pre-tested in early July 2018 on a sample of 60 participants for informational fairness, 40 participants for procedural, and 40 for interpersonal fairness. The pre-test included an open feedback box and a comprehension question about the scenarios. Its purpose was to check whether the manipulation worked and if the comprehensibility of the study could be improved. In light of the feedback, we made a few minor adjustments to the main study.

For the main study, the experimental vignette surveys were posted in short sequence, setting a participant number of 100 respondents per experimental vignette survey. To prevent repeat participation, we relied on Prolific's prescreening function so that participants who had filled out the pre-test or one of the other surveys were unable to participate. Participants for both the pre-test and the full study were compensated with 1 GBP, leading to an average hourly wage of between 10 and 12 GBP. The median completion time was 6 minutes for the procedural and informational fairness surveys and 5 minutes and 40 seconds for the interpersonal fairness survey. For the procedural fairness survey, 98 respondents ended up in the analysis (2 respondents had to be removed for speeding), 102 respondents for interpersonal fairness, and 100 for informational fairness, leaving us with a final sample of 300 participants. The average age across all three surveys is 35 years (SD = 11 years). 178 respondents identify as female (59%), 122 as male (40.5%), and two prefer not to say (0.5%). The sample is relatively educated, with 7% having lower secondary school as their highest degree, 34% higher secondary school, 42% having a Bachelor, 15% a Master and 1% a Doctorate (1 participant reports having only primary education).

Measures

An initial text segment was presented to all respondents, which described a fictional online home-sharing platform called HomeShareCo (online supplement B, Figure A). HomeShareCo is described as a for-profit company which operates globally and is the current market leader (resembling Airbnb). Participants were informed that a couple, Amy and Peter, have recently begun to use HomeShareCo to rent out their second bedroom in their London apartment. Participants were then informed that Amy and Peter had decided to rent their room to Lukas, a business traveler from Germany, for one week.

Participants were then randomly assigned to either a high- or low-condition of the fairness dimension. The six fairness conditions are shown in Figures B-G in online supplement B. We closely followed Colquitt's (2001) scales to develop the six fairness scenarios, intending that the low fairness scenarios would result in low scores on these scales and that the high fairness scenarios would result in high scores. In each vignette, fairness was operationalized on an individual-dimension, with fair or unfair treatment being enacted by the platform towards Amy and Peter.

In each vignette, Lukas had to cancel his booking and the scenarios differed in HomeShareCo's handling of a new refund-policy for guests. In the procedural fairness vignettes, HomeShareCo differed in the level of user involvement in the decision-making process about the policy. In the interpersonal fairness vignettes, HomeShareCo differed in the behavior of their customer service team when Amy calls to discuss the refund policy. In the informational fairness vignettes, HomeShareCo differed in the provision and availability of information about the refund-policy. Each vignette was designed to reflect a realistic scenario in the home-sharing sector, drawn from real-life examples. To establish the scenarios firmly within the unique home-sharing context, we focused on the experience of hosts, who are critical stakeholders in the continued operation of HomeShareCo, as opposed to guests whose experiences could be reflective of a general consumer experience in a traditional hospitality setting.

As a manipulation check, participants responded to several fairness items adapted from Colquitt (2001). Procedural fairness was measured with five items, interpersonal fairness was measured with four items, and informational fairness was measured with five items (online supplement A, Table B). The manipulation checks in the pre-test and full-study indicated that the conditions clearly differentiated perceived fairness. We used t-tests for each of the three dimensions to compare the two conditions, both for the pre-test and the main study. The arithmetic mean for *procedural fairness* in the low fairness condition was 2.61 in the pre-test and 2.53 in the main study, whereas in the high fairness condition it was 5.42 and 5.64 respectively ($t_{pre\text{-}test}$=-9.12, $p_{pre\text{-}test}$=0.000; t_{main_study}=-13.48, p_{main_study}=0.000). The arithmetic mean for *interpersonal fairness* in the low fairness condition was 1.71 in the pre-test and 1.71 in the main study as well, whereas in the high fairness condition it was 5.98 and 5.78 respectively ($t_{pre\text{-}test}$=-15.14, $p_{pre\text{-}test}$=0.000; t_{main_study}=-23.30, p_{main_study}=0.000). Finally, the arithmetic mean for *informational fairness* in the low fairness condition was 2.21 in the pre-test and 2.44 in the main study, whereas in the high fairness condition it was 5.31 and 5.65 respectively ($t_{pre\text{-}test}$=-12.35, $p_{pre\text{-}test}$=0.000; t_{main_study}=-18.36, p_{main_study}=0.000). The manipulation check questions were not used in the main data analysis (i.e., the regressions to test the hypotheses).

The fairness conditions were entered into a linear regression analysis as dummy variables (0-low fairness condition, 1-high fairness condition). No significant demographic differences in age, education, and income exist between the low and high fairness condition of all three fairness types. For procedural and interpersonal fairness, no significant gender differences exist between the low and high fairness conditions. For informational fairness, women were over-represented in the low fairness condition and men in the high fairness condition (χ^2 = 5.41, p = 0.020). The gender distribution for this fairness type was the most uneven (28 men, 72 women), Overall, however, the randomization seemed to have worked.

To assess *moral legitimacy* on an organizational level (see online supplement A, Table A), we adopted a scale by Jahn *et al.* (2020), who had based their scale on Bachmann and Ingenhoff (2017). We slightly adapted the scale to the UK context and extended it by adding two items (“*HomeShareCo is beneficial to the UK*” and the reverse coded item: “*I want HomeShareCo to close down*”) and dropping one item. The adapted scale had good reliability in all three of the surveys: Cronbach's α was 0.93 in the procedural fairness survey, 0.90 in the interpersonal fairness survey and 0.85 in the informational fairness survey. For all three surveys, all six items loaded neatly on one factor in the principal component analysis (PCA) to bundle the factors (see below), with all loadings larger than 0.70 (the lowest loadings was 0.71 for the reverse coded item in the informational fairness survey).

To assess *regulatory desirability*, we developed a scale with four items (online supplement A, Table A). The scale was self-developed due to a lack of suitable scales in the previous literature. The items intend to measure regulatory desirability as desired government intervention, specifically on an organizational rather than on an industry level. The scale revealed high reliability in all three surveys: Cronbach's α was 0.89 in the procedural fairness survey, 0.87 in the interpersonal fairness survey and 0.82 in the informational fairness survey. For all three surveys, all six items loaded neatly on one factor in the PCA, with all loadings exceeding 0.80, except the last item in the informational fairness survey, which had a loading of 0.69.

The control variables used were age, gender, education, income, political attitudes, frequency of using sharing services, and most frequently used platform (Newlands et al., 2018), Frequency of using sharing services was measured with the following question: "*How frequently do you use sharing platforms?*" and respondents could answer on a 10-point scale, ranging from *0-never*, *1-less frequently*, *2-once a year*, and *3-several times a year*, up to *9-daily*, and *10-several times a day*. The most frequently used platform was assessed through an open text box, where the respondents could name the respective service. Airbnb and Uber emerged as dominant platforms and there was a range of smaller platforms that we coded as "Other".

Data Analysis Approach

To assess the effect of the fairness conditions on both moral legitimacy and regulatory desirability, we relied on ordinary least square (OLS) regression. This method is appropriate because it allows to account for control variables, comes with easy interpretation of effects, and gives interpretable summary statistics. The dependent variables of moral legitimacy and regulatory desirability were constructed using PCA in IBM SPSS (v.25) and by then saving the new variable with the default “Regression” command. Thus, the values of moral legitimacy and regulatory desirability are standardized factor scores with an arithmetic mean of 0 and a standard deviation of 1. For the OLS regression, we used Stata (v. 15), relying on the “robust” option to account for potential heteroscedasticity. We also checked for multicollinearity using the post-estimation vif command. However, the largest variance inflation factor was 3.49 in the procedural fairness experimental vignette survey, 3.16 in the interpersonal fairness survey and 2.93 in the information fairness survey, thus considerably below the acceptable value of 5 (Hair *et al.*, 1995).

Results

Tables 1-3 display the results of the regression analysis. For all three fairness types, we found a significant and strong effect on the dependent construct of moral legitimacy. Thus, hypotheses 1a, 2a and 3a are supported. In the case of procedural fairness, the standardized regression coefficient is 0.60 and the unstandardized coefficient is 1.19. Thus, respondents in the high fairness condition ascribe considerably more legitimacy to HomeShareCo than those in the low fairness condition. Similar results were found for interpersonal fairness ($\beta = 0.61$, $B = 1.22$), The effect in the informational fairness case was weaker ($\beta = 0.42$, $B = 0.84$) but still pronounced and strongly significant. Thus, individuals who perceive sharing platforms as fair in procedural, interpersonal and informational terms ascribe to them greater moral legitimacy. We could account for 44% of the variance in moral legitimacy in the procedural fairness regression, for 41% in the interpersonal and for 26% in the informational fairness regression.

Table 1: Results of the regression analysis for procedural fairness

Independent Variable	**Moral Legitimacy**	**Regulatory Desirability**
***Procedural Fairness* (Condition)**	0.60** (0.16)	-0.59** (0.17)
***Gender: Female* (Ref.: Male)**	0.21* (0.17)	-0.13 (0.18)
Age	0.09 (0.01)	-0.13 (0.01)
Education	0.18* (0.07)	-0.10 (0.08)
Income	-0.02 (0.03)	-0.01 (0.03)
Political Attitudes	0.00 (0.04)	-0.02 (0.06)
Sharing Frequency	-0.05 (0.06)	0.03 (0.07)
***Platform* (Ref.: Airbnb)**		
Uber	0.12 (0.21)	-0.02 (0.23)
Other	0.09 (0.29)	0.17 (0.35)
None	-0.01 (0.30)	0.17 (0.28)
Constant	-1.96** (0.68)	1.37 (0.77)
R^2	0.44	0.39

N = 98 (47 low fairness, 51 high fairness); Standardized regression coefficients (Betas) are shown; Robust standard errors in brackets; ** p < 0.01, * p < 0.05, no star = not statistically significant; Constant is shown for the unstandardized regression coefficient

In contrast to the strong main effects, few demographic effects occurred. Women and highly educated respondents ascribed greater moral legitimacy to HomeShareCo in the procedural fairness survey, while respondents with a higher income assigned greater moral legitimacy to HomeShareCo in the informational fairness survey. Neither sharing frequency nor the most frequently used platform had a significant effect on moral legitimacy.

Table 2: Results of the regression analysis for interpersonal fairness

Independent Variable	**Moral Legitimacy**	**Regulatory Desirability**
***Interpersonal Fairness* (Condition)**	0.61** (0.17)	-0.52** (0.18)
***Gender: Female* (Ref.: Male)**	0.02 (0.18)	0.17 (0.19)
Age	-0.13 (0.01)	-0.01 (0.01)
Education	-0.13 (0.09)	0.01 (0.09)
Income	-0.09 (0.03)	0.01 (0.04)
Political Attitudes	0.02 (0.04)	-0.13 (0.05)
Sharing Frequency	0.03 (0.07)	-0.04 (0.09)
***Platform* (Ref.: Airbnb)**		
Uber	0.05 (0.26)	-0.04 (0.25)
Other	0.03 (0.34)	0.19 (0.35)
None	0.14 (0.33)	-0.01 (0.36)
Constant	-0.22 (0.75)	0.60 (0.77)
R^2	0.41	0.36

N = 101 (one missing value due to “prefer not to say” for gender; 51 low fairness, 50 high fairness); Standardized regression coefficients (Betas) are shown; Robust standard errors in brackets; ** p < 0.01, * p < 0.05, no star = not statistically significant.

Table 3: Results of the regression analysis for informational fairness

Independent Variable	**Moral Legitimacy**	**Regulatory Desirability**
***Informational Fairness* (Condition)**	0.42** (0.19)	-0.45** (0.19)
***Gender: Female* (Ref.: Male)**	0.00 (0.20)	-0.10 (0.23)
Age	-0.04 (0.01)	0.00 (0.01)
Education	0.03 (0.10)	-0.09 (0.09)
Income	0.20* (0.03)	-0.23** (0.03)
Political Attitudes	0.00 (0.05)	0.06 (0.06)
Sharing Frequency	-0.20 (0.07)	0.30** (0.05)
***Platform* (Ref.: Airbnb)**		
Uber	0.10 (0.29)	-0.03 (0.30)
Other	0.12 (0.33)	-0.01 (0.30)
None	-0.16 (0.25)	0.29* (0.23)
Constant	-0.70 (0.63)	0.92 (0.72)
R^2	0.26	0.27

N = 100 (49 low fairness, 51 high fairness); Standardized regression coefficients (Betas) are shown; Robust standard errors in brackets; ** p < 0.01, * p < 0.05, no star = not statistically significant.

The effects of fairness perceptions on regulatory desirability, as expressed through a desire for government intervention, were negative for all fairness types and strongly significant. This lends support to hypotheses 1b, 2b and 3b. The effect for procedural fairness was the strongest (β = -0.59, B = -1.18), followed by interpersonal (β = -0.52, B = -1.03), and informational fairness (β = -0.45, B = -0.89), Thus, individuals who perceive home-share platforms as fair in procedural, interpersonal, and informational terms want them to face less regulation and governmental intervention. We could explain 39% (procedural), 36% (interpersonal), and 27% (informational) of the variance in regulatory desirability with the independent variables.

For informational fairness, there were also relatively pronounced income and sharing frequency effects. While respondents with higher incomes opted for less regulation, those who use sharing platform most frequently wanted more government intervention.

Discussion and Conclusion

Conclusions

This article focused on the impact of fairness perceptions on perceived moral legitimacy and regulatory desirability of home-sharing platforms. The starting point was the current debate about regulating this industry and the issues and controversies surrounding home-sharing platforms. Not only have the topics of moral legitimacy and regulatory desirability been understudied in the hospitality and tourism literature, they have also been neglected as a subject of interest across other sectors, particularly when considered as an outcome of fairness (Hegtvedt, 2015; Tost, 2011). This oversight is contrasted with the heated public discourse in instances of governmental intrusion into growing business sectors. Situated within this discourse, we developed six hypotheses. Specifically, drawing on the long-standing literature on fairness perceptions (Colquitt, 2001), we examined the impact of users' procedural, interpersonal, and informational fairness perspectives on moral legitimacy and regulatory desirability. Using an experimental vignette design, we then examined how fairness perceptions impact moral legitimacy and regulatory desirability causally.

We found that procedural, interpersonal, and informational fairness all have a positive and pronounced effect on the perceived moral legitimacy of a fictional, but realistic, home-sharing platform. The effects were stronger for procedural fairness and interpersonal fairness than for informational fairness. Respondents who were in the high fairness scenarios assigned significantly more moral legitimacy to the fictional home-sharing platform than those in the low fairness scenarios. This shows a mental process where respondents take violations of fairness norms personally and make strong conclusions about the overall moral assessment of the organization. In addition, our findings indicate that procedural, interpersonal, and informational fairness all have a negative and pronounced effect on the regulatory desirability of the fictional home-sharing platform. Thus, respondents who think they are unfairly treated want the platform to be more strongly regulated. Again, this implies a mental process where violations of fairness norms result in an overall more critical assessment of the platform.

Theoretical Implications

Our research has two main theoretical contributions. First, we identify perceived fairness as a key driver of organizational legitimacy. Second, we demonstrate the impact of fairness perceptions on regulatory desirability towards home-sharing platforms. These contributions have implications for the hospitality and tourism literature in the context of home-sharing platforms, particularly nascent literature that tackles social issues such as disability accessibility (Boxall *et al.*, 2018; Olya *et al.*, 2018), discrimination (Cheng and Foley, 2018; Edelman *et al.*, 2017; Piracha *et al.*, 2019) and emotional labor (Bucher *et al.*, 2020; Newlands *et al.*, 2019). While such studies have shown problematic or challenging aspects of home-sharing, they have not systematically assessed what consequences certain platform treatment (or the knowledge thereof) might have on user perceptions.

Our study contributes by showing how three key types of fairness affect both moral legitimacy and regulatory desirability. Perceived legitimacy and regulatory desirability do not operate in a social vacuum but are perpetually constructed through experiences and confrontations of stakeholders with platforms, including procedural, interactional and informational aspects. Thus, our novel focus connects business ethics and corporate social responsibility discourses to micro-level research in hospitality and tourism, showing the relevance of an interactional perspective. From a normative and ethical perspective, we can argue that of course home-sharing platforms ought to treat their stakeholders fairly (Clarkson, 1995). From an instrumental perspective, stakeholder theory also suggests that organizations which treat their stakeholders fairly and attempt to satisfy diverse stakeholder interests will create greater value and help in achieving organizational goals (Harrison and Wicks, 2013; Jones, 1995). Organizational literature, particularly from an institutionalist perspective, has long been interested in legitimacy as a key resource for organizations (Suchman, 1995). The peer-to-peer nature of home-sharing platforms further enhances this need for legitimacy, as hosts are reliant on the continued operation of the platform for their own income. An Airbnb host, for instance, has a stake in the continued legitimacy of the platform in order to maintain an income source. Although there have been tensions over the appropriateness of terming participation as micro-entrepreneurship (Kuhn and Maleki, 2017), we can argue that an element remains of individuals not wanting to take part in, or make money through, companies seen as illegitimate.

Similarly, for platforms which operate via regulatory arbitrage, reducing regulatory desirability could be in their interest. Organizations might have to rely strongly on user advocacy, sometimes even co-opting them for regulatory concerns (Holburn and Raiha, 2017). However, recent events in the home-sharing sector, triggered by the Covid-19 pandemic, have shown how fragile the alliances of home-sharing platforms with users can be and how quickly trust is lost. Ironically, our study's vignettes were concerned with a key pressure point for hosts, namely the question of refunds, which has now become a major concern for home-sharing platforms such as Airbnb and their continued operation (Carville and Newcomer, 2020). The considerable outrage by hosts, we would argue, is not only due to the fact that they lose out on projected income but also that they feel treated as second-class users by Airbnb, which favored the guests by changing its cancellation policy to give them full refunds (Rodriguez, 2020). Thus, violations of fairness norms, especially informational and procedural ones, played an important part in the backlash against Airbnb in March 2020 and Airbnb CEO Brian Chesky admitted that "the company has become further removed from hosts' concerns over time, and needs to 'connect better' with hosts again" (Schaal, 2020).

Practical Implications

Along this line of reasoning, we can argue that home-share platforms can increase their moral legitimacy and reduce regulatory desirability by treating their stakeholders more fairly. Particularly, they can ensure that procedural, interpersonal, and informational fairness levels are high, which can be achieved through open, transparent communication and by a friendly customer service approach. This would be a contrast to current concerns about platforms being opaque, having limited opportunities for direct company interaction and often acting through intermediaries (Newlands *et al.*, 2017).

Notwithstanding the fictional nature of HomeShareCo, the vignettes used in the experimental vignette study were all realistic and achievable. Relatively small and manageable differences in operation can thus result in large effects to perceived moral legitimacy and regulatory desirability. To date, home-sharing platforms have invested considerable resources, both financial and reputational, in their legal and regulatory efforts. Although most regulatory and legal intervention emerges as a result of top-down governmental intervention, public voice remains a powerful component of discourse. Indeed, if we draw on the traditional public interest model of regulation (Pigou, 1938), where regulation is implemented to maximize public welfare, then the voice and opinions of the public is a fundamental component in shaping regulation. The dominant implication thus follows the concept of 'prevention is better than cure', whereby home-share platforms can improve moral legitimacy and reduce regulatory desirability by their own actions, rather than spend resources on fighting legal battles after the fact or on extensive media campaigns.

Our findings also could prove useful for policymakers, users, and competitors in the hospitality sector. There has been ample discussion on how to best regulate the sharing economy, including home-sharing platforms (Calo and Rosenblat, 2017; Koopman *et al.*, 2014; Ranchordas, 2015; Rauch and Schleicher, 2015). However, empirical research on how much regulation the broader public actually wants and what the drivers of regulatory desirability are remains scarce. Our findings show the close intertwinement between fairness and regulation. This suggests that policymakers could closely monitor how fair sharing platforms are perceived to be in procedural, interpersonal and informational terms, and to intervene if fairness norms are violated on a consistent basis. This includes aspects such as tax compliance (Park *et al.*, 2019), where home-sharing platforms have lagged behind. Thus, policymakers can profit from our study by being pointed towards fair user treatment as an important consideration in legislation.

The user implications of our findings are similar for guests and hosts, although we focused on hosts in the vignettes to situate our research more firmly in the sharing economy. Users might be empowered by the results to reflect on their own practices and role in the hospitality exchange process – particularly to see how voting with their feet presents a viable strategy.

Given that perceptions of unfair treatment result in lowered moral legitimacy and higher regulatory desirability, users can be demanding and expect high service standards from home-sharing platforms. They can also be vocal in communicating their dissatisfaction if fairness violations occur, knowing that such violations on a consistent basis will result in substantial issues for the platform down the road.

Finally, our results could be interesting for competitors in the hospitality sector, especially hotels and hostels. They show how fairness should be a guiding principle that might help establish competitive advantage in those areas where sharing platforms might score worse. Particularly, focusing strongly on the controllable aspects of interpersonal fairness (sharing platforms might have a hard time avoiding opportunistic hosts consistently and have less of a reputation for in-depth customer service) and informational fairness (through their long-standing experience, many hotels have an excellent knowledge of local conditions and are in a great spot to provide local and contextualized information) might be a good strategy.

Limitations and Future Research Directions

One key limitation of this study is the aspect of legacy. HomeShareCo, as a fictional company, was presented without the legacy, media coverage, or personal user experience. Moreover, no reference was made to current or historical regulatory battles of HomeShareCo. Current sharing platforms, by contrast, have developed significant legacies of regulatory interaction and a reputation. We expect that if the study was run with a real company, such as Airbnb, the results may have been affected. Moreover, we cannot ignore that the current reality of the sharing economy and perceptions thereof could have impacted respondents' perceptions of HomeShareCo.

Future research could take up our results and use different methods to assess the link between fairness, moral legitimacy and regulatory desirability. A promising approach would be to conduct qualitative interviews with Airbnb hosts with varying levels of perceived fairness. The interviews could then go into more depth how fairness perceptions relate to moral legitimacy and regulatory desirability, trying to identify potential mechanisms such as inference and generalization. Exploratory quantitative research could be used to assess the overall levels of fairness perceptions of existing home-sharing platforms and to explore the frequency of fairness violations.

A second limitation is the relatively small and exploratory scope of the research. Our respondents were based in the UK, a country with a developed sharing economy market and a relatively pronounced interpersonal politeness culture, where violations of interpersonal and procedural fairness are seen as particularly severe. The question remains whether the fairness effects are similarly strong in other contexts. Future research might apply a cross-cultural lens to study the phenomenon more holistically (Arnould and Rose, 2016; Uzunca *et al.*, 2018). Moreover, our study was about home-sharing platforms but did not contrast the findings to more traditional hospitality settings. An interesting avenue for future research would be to undertake comparative studies in different hospitality sectors.

Finally, our research was cross-sectional in nature and did not allow for temporal conclusions. Given the dynamic nature of the sharing economy, legitimacy and regulatory desirability perceptions might change quickly. Longitudinal studies could account for the temporal dimension of regulation and fairness and thus observe developments over a longer timeframe. Despite these limitations, our results have laid the groundwork for future research on the interplay between fairness perceptions, moral legitimacy and regulatory desirability

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Online Supplements

Online Supplement A: Measurement of Dependent Constructs and Items Used for the Manipulation Check

https://www.dropbox.com/s/1c62dl85jlh8zk2/Online%20Supplement%20A%20-%20Measurement.pdf?dl=0

Online Supplement B: Experimental Vignettes

https://www.dropbox.com/s/w17dixq9e33w53u/Online%20Supplement%20B%20-%20Vignettes.pdf?dl=0

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