Responsible Platforms: Aiming for Social Value Rather than Scale

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The platform economy has failed in creating a fairer marketplace ⨯ The digital revolution has brought fundamental changes to market exchange dynamics, transforming how, where and what we consume. One of the most significant transformations has been the advent of the platform business model. Amazon has become the dominant player in e-commerce with unmatched variety, competitive prices and convenience for consumers, while driving local retailers out of the market and creating precarious jobs. Platforms have also enabled the sharing economy. Its rise was accompanied by high hopes: easy market access, flexibility and better utilization of resources as well as economic, social and environmental benefits for society as a whole. Sharing platforms were expected to account for the interests of multiple stakeholders and were therefore anticipated to push capitalism toward a more prosocial future. Yet, while flagship platforms such as Amazon, Airbnb and Uber have indeed fundamentally changed how goods and services are provisioned and consumed, they have exacerbated materialism instead: more pay inequality, gig jobs without benefits, destabilized neighborhoods, more emissions and waste, bypassing of regulation and data privacy issues.

Responsible platform models promoting social value have emerged ⨯ In response to the growth and the concentration of power of profit-maximizing platforms, other models seeking more participation, cooperation and multi-stakeholder inclusion have emerged. Their marketing strategies follow a long-term orientation toward resilient and sustainable solutions. The goals of such responsible platforms range from fairer working conditions and fairer distribution of profits and wealth to the revitalization of local economies, as well as to waste and emission reduction. We focus on platform cooperatives and social entrepreneur-led platforms as promoters of more responsible platform strategies attempting to mitigate one or several problems of mainstream platforms. While their approaches are often promising, they face many challenges and operate on the margins rather than in the center of the platform/sharing economy.

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Responsible platforms are not as widespread as leading platforms but are able to challenge ''hypercapitalist'' models from the margins.
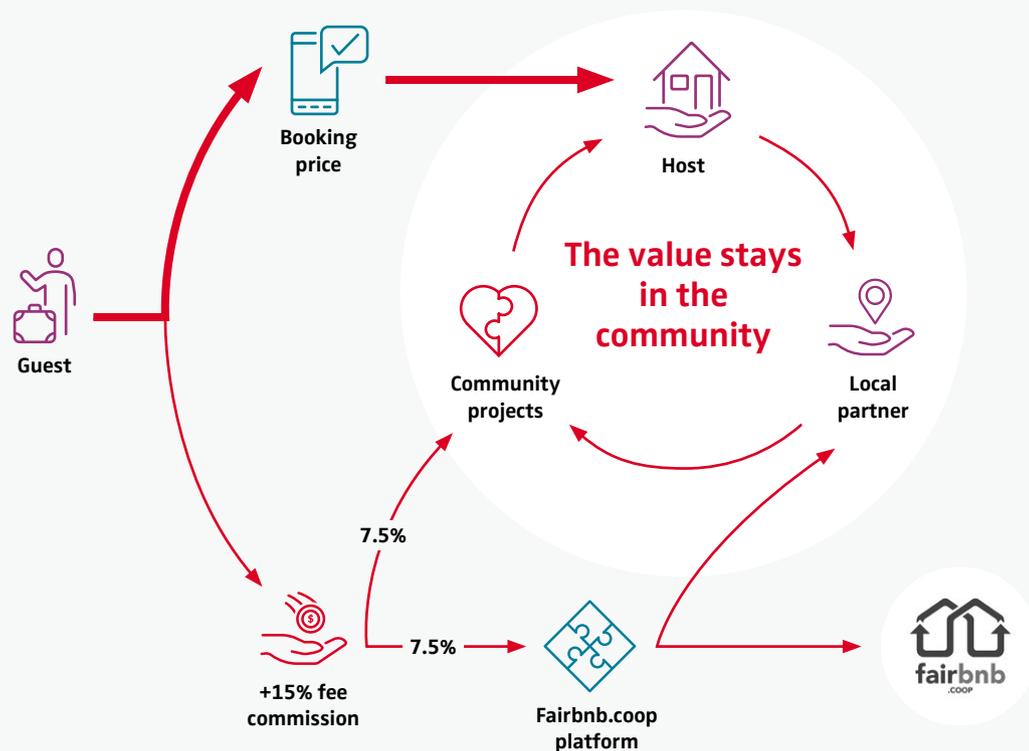
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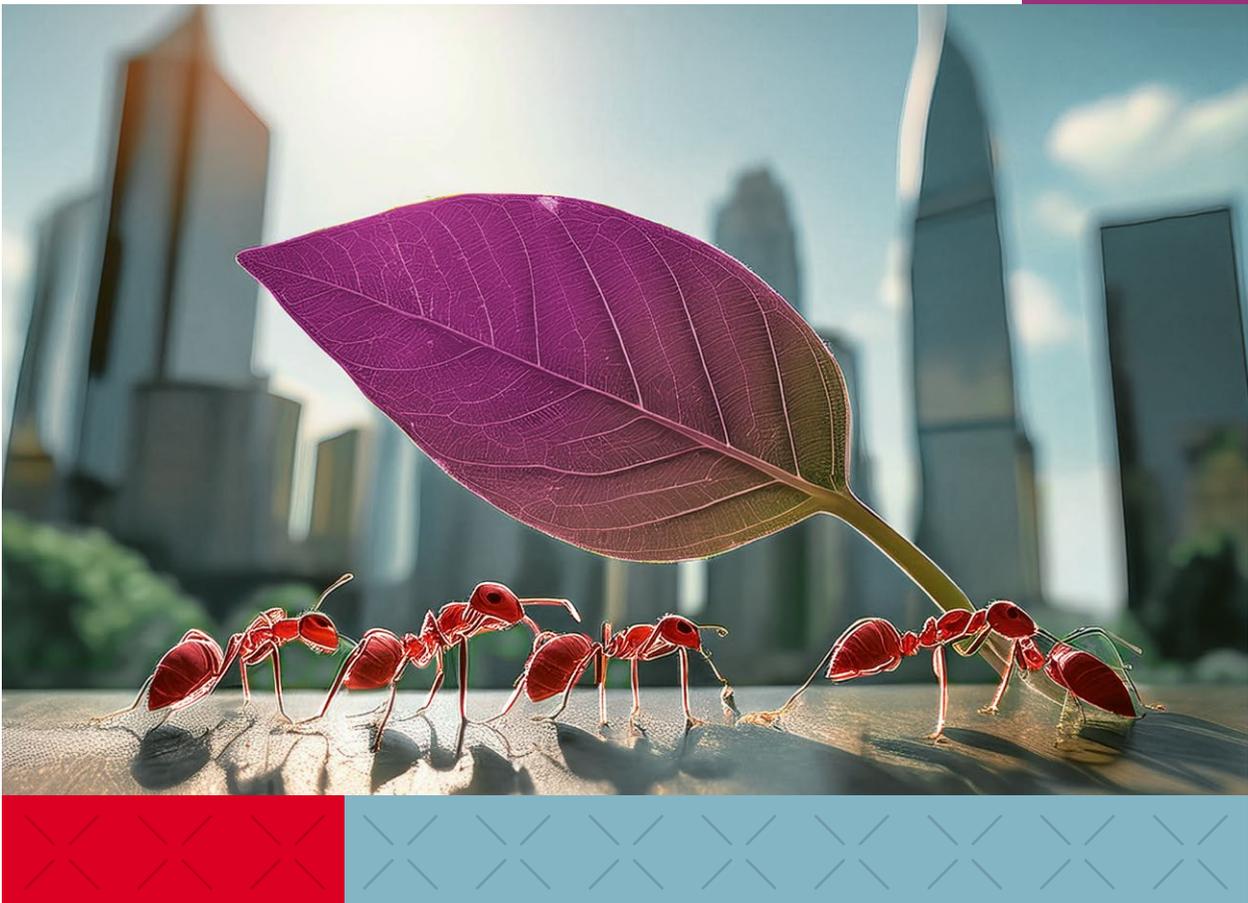
Examples of platform cooperatives

Fairbnb ✕ Fairbnb is a short-term rental platform founded in Venice in 2014 and currently operating in Italy, Spain, France, Portugal, Belgium and the UK. Fairbnb positions itself as the ethical alternative to Airbnb, which has been criticized for adverse effects on local economies, such as exacerbating housing shortages. As part of its community-oriented business model, Fairbnb donates half of the platform's 15% customer booking fee to local community projects and initiatives. Structurally, the administrative personnel, including founders and board members, are owner-members. In addition, the platform recruits local partners to activate local nodes and grow its geographic presence. For a commission on every booking, these partners help the platform understand local needs and regulations, bring social projects on board and recruit new hosts (see Figure 1).   www.fairbnb.coop

FIGURE 1 > The Fairbnb model for community-powered tourism

Booking price

Host

The value stays in the community

Guest

Community projects

Local partner

7.5%

7.5%

+15% fee commission

Fairbnb.coop platform

fairbnb .coop

The Drivers Cooperative ✕ The Drivers Cooperative is a driver-owned ride hailing cooperative that launched in New York City in 2020 and has recently expanded operations to Denver, CO. The platform's mission is "to end exploitative conditions in the for-hire vehicle industry." At the end of the financial year, the cooperative distributes patronage benefits – a form of dividend – to its members if the platform has been profitable. Patronage benefits are based on patronage points, which drivers can earn by driving riders, recruiting riders and drivers, and attending meetings. The percentage of the profit paid out to the driver depends on the amount of patronage points they have earned. The Drivers Cooperative currently takes 15% commission from drivers, which is lower than Uber's 25% rate.   www.drivers.coop

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> **Platform cooperatives** ✕ This challenger business model replicates technology developed by mainstream platforms but has ownership models that include employees, consumers or other stakeholders. Platform cooperatives embed solidarity between users and owners and make sure that all stakeholders benefit from innovation and platform efficiencies. They are acknowledged as an egalitarian, communal and sustainable alternative to dominant platforms and a way to reimagine the platform economy. However, funding is often a challenge as platform cooperatives are less attractive to traditional investors because they provide lower returns on investment due to their profit-sharing models. Further, collective decision-making and the heterogeneity of diverse stakeholders can complicate cooperative governance and slow down operations. Direct competition with incumbents is therefore challenging. Box 1 describes two examples of platform cooperatives: Fairbnb in the home-sharing business in several European regions and The Drivers Cooperative, a ride-sharing platform operating in a few US cities.

> **Platforms founded by social entrepreneurs** ✕ In contrast to platform cooperatives, the focus of social entrepreneurs is on building cooperations rather than shared ownership. Central figures and founders are individuals driven by a specific social mission. They build digital platform solutions to create social innovations and bring responsible change to specific communities or networks. Compared to commercial entrepreneurs, social entrepreneurs give higher priority to creating sustainable social value instead of short-term economic gains. Funding such platforms and their development is a big challenge for their founders. Funds typically come from venture capital, crowdfunding or dedicated government or state funds. The entrepreneurs can often link their mission to their own biography, which helps them shape authentic narratives to promote their cause and garner media coverage. Box 2 introduces two types of social entrepreneur-led platforms. Bauernkiste began as an analog platform and

over time has improved its platform using digital technology. Sojo is an app-based platform born in the digital age.

Platform strategies for prosocial change in the market ✕ Platforms with a responsible mission often find it difficult to gain substantial market share. Because of social and sustainability goals, such platforms tend to incur higher operational costs and need to charge higher prices. Even if there is a shift toward more consumer awareness of the adverse effects of mainstream platforms, responsible platforms haven't yet revolutionized the marketplace. However, market challengers with responsibility-centered marketing strategies can decentralize the platform landscape by delivering a specific type of disruption, which we define as ''change from the margins.'' There are three strategic dimensions to this approach.

> **Decentralizing the marketplace** ✕ Making social value the core mission can disrupt monopolistic tendencies of platforms by better catering to niche needs and not-yet-served market segments. In contrast to traditional strategic platform goals to scale up – that is, capture market share by growing in size – this approach can be seen as a form of scaling deep: seeking to create consumer commitment and loyalty by appealing to sustainability-oriented consumers who have so far found a lack of such offerings. Workers and platform partners do not only benefit from better pay, higher income and fairer treatment but also from being able to cater to new market segments. Drivers in The Drivers Cooperative noticed that the cooperative affords access to different types of customers – for instance the elderly in addition to businesspeople. The cooperative also formed business partnerships with larger accounts such as retirement homes and hospitals rather than directly competing for individual customers with Uber or Lyft. Sojo's seamstresses were able to get access to digital natives who wouldn't have entered their old-style stores without digital intermediation. And in the case of Bauernkiste, the farmers were able to serve an urban population formerly out of their reach.

Examples of social entrepreneur-led-platforms

Bauernkiste ✕ Bauernkiste (Farmer's Box) is a farmer-to-consumer direct marketing platform selling locally produced agricultural products in urban areas in the Austrian Alps. It emerged from a publicly sponsored work group (ARGE) founded by agricultural economist Therese Fiegl in 1997 and has invested in technology over the years to establish a digital platform. It enables small local agricultural producers to survive and earn their living from what they consider their core mission – production – rather than transferring payments for rural conservation. Platform stewardship is based on shared values, and decisions are jointly made by a board of representatives of farmers, logistics and administration headed by the founder. Bauernkiste's mission is to preserve regional agricultural jobs, knowledge, skills and regional species and to reduce the carbon footprint by avoiding long-distance transport and plastic packaging. Producers determine the price for their products and are free to leave or sell elsewhere. A jointly determined margin covers the costs of distribution, communication, administration and platform development (see Figure 2).
https://bauernkiste.at

FIGURE 2 › The Bauernkiste Platform for fair sales of local agricultural products
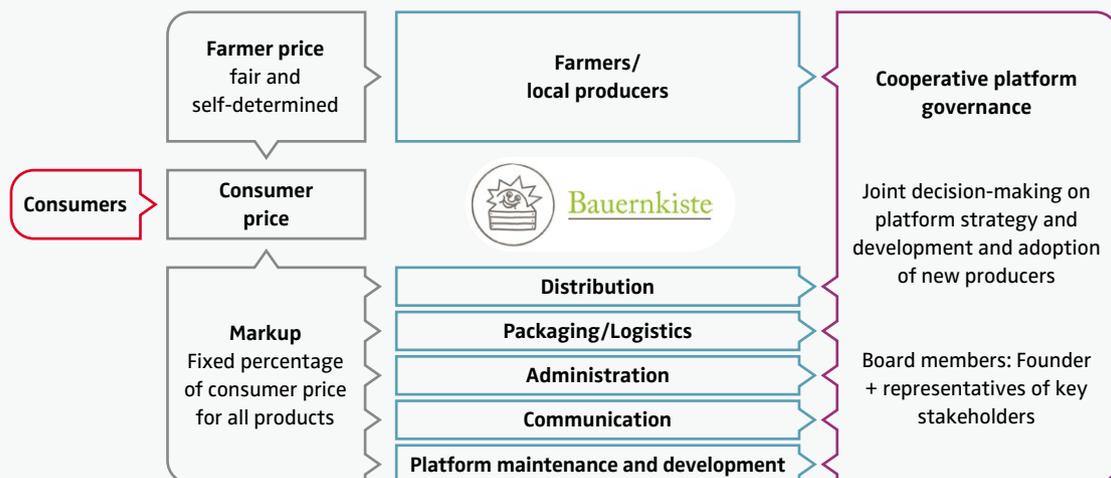
Sojo ✕ London-based platform Sojo uses an app to facilitate altering and repairing clothes rather than replacing them. Its mission is to make the fashion industry more circular by reducing the millions of tons of clothes that end up in landfills in developing countries. The app works by connecting its users to local seamstresses or tailoring businesses using delivery services (within London by bicycle) to fetch and bring back the items to be altered or repaired. Sojo also builds partnerships with leading fashion brands, such as Ganni and Selfridges, to provide repairs to their customers. It connects brands and secondhand shoppers who want to engage in sustainable fashion but lack sewing skills with experienced seamstresses. These seamstresses were often losing business along with the decline of high streets. Sojo has shaped its authentic narrative around the vision of its founder, Josephine Philips.
https://www.sojo.uk

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Despite their smaller market share, responsible platforms can shape the public discourse about the distribution of wealth, power and consumption in important ways.

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> **Building institutional partnerships** ✕ Platform cooperatives can further destabilize the established structures and power dynamics of the sharing economy by promoting localized, networked collaborations between smaller service providers. This can be described as scaling out – replicating the platform's business model across different locations to form partnerships with like-minded organizations or extending it with new partners. Several regionally dispersed platforms could build new ecosystems as alternatives to dominant players and shift the market power dynamics. In addition, scaling through institutions can help Fairbnb grow with municipal collaboration in new regions and countries, whereas The Drivers Cooperative can draw on specific service offerings to the health care sector as illustrated in their new focus on paratransit and non-emergency medical transportation. Sojo is extending its network beyond London and building relationships with delivery services and seamstresses in additional UK regions via partnerships with platforms such as Vestiaire Collective.

> **Shaping authentic narratives** ✕ Despite their smaller market share, responsible platforms can shape the public discourse about the distribution of wealth, power and consumption in important ways. As the dominant platforms continue to fall under scrutiny, responsible platforms have been attracting attention from mainstream media, with leading outlets frequently and enthusiastically increasing their visibility. Charismatic and authentic social entrepreneurs can create buzz and serve as role models. Josephine Philips from Sojo was, for instance, featured in Wired and gave a TED Talk about sustainable fashion in 2023. Therese Fiegl has a prominent presence in regional media as a thought leader and networker for innovative and sustainable projects like and beyond Bauernkiste. Platform cooperatives like The Drivers Cooperative also leverage authentic stories about their values as part of their strategic practice. Such dissemination of responsible platform approaches through media or word of mouth can have a substantial influence on marketplace dynamics and inform various stakeholders' perceptions. These plat-

forms are thus able to demonstrate the original sharing economy value of prosociality. They demonstrate that platforms building on sustainable economic and social change can compete in the sharing economy, albeit at a smaller level than the mainstream platforms.

Even if responsible platforms are not as widespread as leading platforms, they are able to challenge ''hypercapitalist'' models. From their niches, they incrementally but consequentially influence platform dynamics more broadly, engendering change from the margins and moving incumbents to change and consumers to act in more responsible ways. Being small is not equal to being powerless.   ✕

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FURTHER READING

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