

Impact of Platform Governance Mechanisms and Consumers' Risk Perception on the Intention of Collaborative Consumption

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ABSTRACT: Based on signal theory and social exchange theory, this paper discussed the effects of platform governance mechanisms and consumers' risk perception on the willingness to participate in collaborative consumption from the perspective of platform enterprise. The empirical results indicate that effective governance mechanisms (monitoring and social control) of platform enterprises can effectively reduce consumer's perceived risk, which in turn increase consumers' willingness to participate in collaborative consumption. Consumers' perceived benefits (economic benefits and pleasure) will weaken the negative relationship between consumers' perceived risk and their willingness to participate in collaborative consumption. The conclusions will help the platform enterprises adopt effective strategies to promote consumers' willingness to participate in collaborative consumption.

KEY WORD: Sharing economy, Collaborative consumption, Governance mechanism, Risk perception

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I. INTRODUCTION

In recent years, the business model of sharing economy has developed rapidly in China. Shared products have spread to all aspects of life, including food, clothing, housing and transportation. It is estimated that China's sharing economy market will grow at an average annual rate of more than 30 percent in 2018-2022. However, there are many uncertainties in the collaborative consumption. For example, on the sharing accommodation platform, the actual housing provided by the landlord does not match the description. Thus, the consumers will not trust the platform, the risk perception will increase and the willingness of collaborative consumption will decrease. It is important for platform enterprises to reduce consumers' risk perception, reduce the negative effect of it and attract more consumers to join the collaborative consumption. The main objective of this study is to discuss the influence mechanism of platform governance mechanisms and consumers' risk perception on the willingness to participate in collaborative consumption.

II. LITERATURE REVIEW

2.1 Collaborative consumption

Collaborative consumption refers to the reuse of unused goods or resources among individuals in the network environment, in the form of sharing or renting. Most existing researches discuss the influencing factors of collaborative consumption from the perspective of consumers. For example, the motivations to promote consumers to participate in collaborative consumption, including hedonic motivation, sustainable motivation, economic motivation, functional motivation, reputation motivation and so on (Liang Xiao-Bei & Jiang Jiang, 2018). However, few researches discuss from the perspective of enterprises on sharing platform enterprises. It is unclear how to reduce consumers' perceived risks and how to reduce the negative effects brought by perceived risks.

2.2 The influence of platform governance mechanism on consumers' risk perception

Based on signal theory, when consumers are faced with asymmetric information, it is difficult to evaluate the products or services, so they will rely on existing information to make consumption decisions (Wells et al., 2011). The platform governance mechanism can be divided into two sorts: monitoring and social control.¹

Monitoring - Platform enterprises use a monitoring mechanism to monitor all transactions in accordance with pre-determined agreements and rules accepted by collaborative consumers. When the resource provider is found

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to have irregularities or speculation, it will be punished or even removed from the platform (Danese&Mittone, 2018). When consumers find that the platform has established a monitoring mechanism, they will feel that their own interests are guaranteed, thus reducing the perceived uncertainty and risk. Based on this, the following hypothesis is proposed:

H1:The monitoring mechanism of platform enterprises will negatively affect consumers' risk perception.

Social control - Platform enterprises enhance social connections among collaborative consumption participants by building community, which is a platform for consumers and resource providers to communicate. By creating a fair and transparent environment can reduce consumers' risk perception in making collaborative consumption decisions (Albinsson&Yasanthi, 2014). The platform can also set up an evaluation and feedback mechanism to record feedback of each transaction, so as to constrain the behaviors of both parties (Habibi, Laroche, and Richard, 2014). Building communities can make information more symmetrical and reduce the risk perception of collaborative consumption participants. Based on this, the following hypothesis is proposed:

H2:The socialization mechanism of platform enterprises will negatively affect consumers' risk perception.

2.3 The influence of consumers' perceived risks on their willingness to participate in collaborative consumption

Perceived risk refers to the subjective perception of adverse consequences caused by uncertainty when consuming products or services due to the unpredictability of future. The perception of external uncertainty comes from the uncertainty of product and service quality, information asymmetry and speculative behavior of resource providers on the platform. Consumers tend to buy products with little perceived risk. In the context of collaborative consumption, consumers' unfamiliarity of emerging consumption patterns, limited access to information of resource providers, and the uncertainty of Internet transactions, will lead to a higher level of perceived risks and reduce the willingness of collaborative consumption (Benoit et al, 2017). Based on this, the following hypothesis is proposed:

H3:Consumers' risk perception will negatively affect their willingness to participate in collaborative consumption.

2.4 The moderating effect of perceived benefits

According to social exchange theory, people tend to get the maximum reward at the minimum cost. Therefore, consumers will evaluate the benefits and risks of participating in collaborative consumption, and finally make a purchase decision. If consumers can obtain enough economic benefits or pleasure in collaborative consumption, they will be willing to take certain risks. Thus, perceived benefits can reduce the negative effects of perceived risks to some extent.

When participating in collaborative consumption, consumers do not need to acquire the ownership of the product, but only obtain the right to use at low cost. Thus, collaborative consumption can save money for consumers (Yang et al, 2016). One of the attractions of collaborative consumption is that consumers can get high-quality products or services at lower cost. If the economic benefit is low and the negative effects brought by consumers' perceived risks cannot be offset, consumers will not be willing to participate in collaborative consumption. On the contrary, when the economic benefit is high, the negative effect of consumers' perceived risk will be weakened due to the balance of cost and benefit. Based on this, the following hypothesis is proposed:

H4: Economic benefits weaken the negative effect of perceived risk on collaborative consumption intention.

In the same way, collaborative consumption can meet consumers' social needs, their needs to experience new things and their needs to protect the environment. When consumers think that participating in collaborative consumption can make new friends or protect the environment, they will get enjoyment and happiness from such collaborative consumption (Liang Xiao-Bei & Jiang Jiang, 2018). When the psychological pleasure and satisfaction are great enough, consumers will be willing to take some risks and participate in collaborative consumption. Based on this, the following hypothesis is proposed:

H5: Pleasure weakens the negative effect of perceived risk on collaborative consumption intention.

III. METHOD

The study entirely depends on primary data and a questionnaire is used to collect the responses from the respondents. The respondents are consumers who have participated in collaborative consumption on sharing platform (consumers who have used Shared travel and Shared accommodation in recent three months). 330 questionnaires were collected and 305 of which were valid. Among the respondents, 137 were male, accounting for 45.4%, and 168 were female, accounting for 54.6%. 260 respondents were young people aged between 18 and 30, accounting for 85.2%, who are the main participants in the current collaborative consumption.

Based on previous studies, this paper designs various constructs, including platform supervision mechanism, socialization mechanism, consumer perceived risk and collaborative consumption intention. Market needs is also introduced as a control variable to control its influence on collaborative consumption intention. The governance mechanism of the platform is measured by the level of consumer perception. The 7 point Likert scale is used for the survey.

IV. ANALYSIS

4.1 Reliability and validity test

In this study, the combined reliability (CR) value was used to evaluate the reliability of constructs. As shown in table 1, all CR values exceeded 0.8, indicating good internal consistency of factors. It also shown in table 1 that all variable factor loads were greater than 0.7, and AVE values were greater than 0.5, indicating that the measurement indexes adopted in this study had good convergent validity. Discriminant validity is determined by comparing the square root of each factor's AVE with the correlation coefficient between this factor and other factors. Table 2 shows that the constructs adopted in this paper have good discriminant validity ($\chi^2/df=2.12$, CFI=0.943, RMSEA=0.073).

Table 1: Factor Loadings, Reliability and Validity

Variable	Factor Loading		AVE	CR	Variable	Factor Loading		AVE	CR
Risk Perception	RP1	0.81	0.72	0.88	Market Needs	MN1	0.78	0.69	0.87
	RP2	0.84				MN2	0.86		
	RP3	0.89				MN3	0.85		
Pleasure	PL1	0.80	0.72	0.91	Economic Benefits	EB1	0.71	0.58	0.85
	PL2	0.84				EB2	0.82		
	PL3	0.82				EB3	0.75		
	PL4	0.92				EB4	0.77		
Monitoring Mechanism	MM1	0.84	0.71	0.91	Socialization Mechanism	SM1	0.84	0.72	0.91
	MM2	0.84				SM2	0.88		
	MM3	0.86				SM3	0.90		
	MM4	0.82				SM4	0.76		
Participation Willingness	PW1	0.91	0.78	0.87					
	PW2	0.85							

Table 2 Mean Value, Standard Deviation and Correlation Coefficient of each factor

	1	2	3	4	5	6	7
1 Participation Willingness	0.88						
2 Market Needs	0.41**	0.83					
3 Risk Perception	-0.49**	-0.33**	0.85				
4 Economic Benefits	0.56**	-0.38**	-0.32**	0.76			
5 Pleasure	0.38**	0.29**	-0.22**	-0.15*	0.85		
6 Monitoring Mechanism	0.38**	0.31**	-0.29**	0.37**	0.28**	0.84	
7 Socialization Mechanism	0.57**	0.35**	-0.32**	0.55**	0.41**	0.34**	0.85
Average	5.36	5.47	3.15	4.86	4.76	5.48	4.90
Standard Deviation	1.36	0.99	1.14	1.18	1.02	0.950	1.15

Note : The diagonal value is the square root of AVE;

**p<0.01 ; *p<0.05

4.2 Hypothesis test results

In this study, SmartPLS2.0 was used to empirically test the hypothesis by using partial least square structural equation model (PLS-SEM). This method has comparative advantages when testing non-normal distribution data, small sample data and moderating effect. The hypothetical results are shown in table 3.

Table 3 PLS-SEM result

	Risk Perception Path coefficient (standard error)	Participation Willingness Path coefficient (standard error)
Monitoring Mechanism	-0.58 (0.07) **	
Socialization Mechanism	-0.56 (0.06) **	
Market Needs		0.44 (0.05) **
Risk Perception		-0.37 (0.04) **
Economic Benefits		0.44 (0.05) **
Pleasure		0.44 (0.05) **
Risk Perception * Economic Benefits		0.21 (0.06) **
Risk Perception * Pleasure		0.12 (0.07) *
R2	0.27	0.49

Note: **p<0.01,*p<0.05

According to table 3, the monitoring mechanism has a significant negative effect on risk perception (beta =-0.58, p<0.01), indicating that monitoring can reduce the perceived risk of consumers, H1 is verified. The socialization mechanism has a significant negative effect on risk perception (beta =-0.56, p<0.01), H2 is verified. Risk Perception has a significant negative effect on collaborative consumption intention (beta =-0.37, p<0.01), and H3 is verified. Interactive terms of perceived risk and economic benefits have a significant positive effect on the willingness of participating in collaborative consumption (beta =0.21, p<0.01), supporting hypothesis H4. Interactive terms of perceived risk and pleasure have a significant positive effect on the willingness of participating in collaborative consumption (beta =0.12, p<0.05), supporting hypothesis H5.

V. CONCLUSION

The study demonstrated the impact of platform governance mechanisms and consumers' risk perception on the intention of Collaborative. Consumers' perceived risk has a significant negative impact on their willingness to participate in collaborative consumption, which means that consumers' perceived risk is the blocking factor of collaborative consumption. The monitoring mechanism and socialization mechanism of the platform have a significant negative effect on consumers' perceived risk. Consumers' perceived benefits (including economic benefits and pleasure) will weaken the negative relationship between consumers' perceived risks and their collaborative consumption intention.

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