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*Internationalization in Sharing Economy-  
A Business Model Approach*

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## Preface

This master thesis is one of a series of papers and reports published by the Center for Service Innovation (CSI). Centre for Service Innovation (CSI) is a coordinated effort by NHH to focus on the innovation challenges facing the service sector and involves 15 business and academic partners. It aims to increase the quality, efficiency and commercial success of service innovations and to enhance the innovation capabilities of its business and academic partners. CSI is funded through a significant eight-year grant from the Research Council of Norway and has recently obtained status as a Centre for Research-based Innovation (SFI).

## Executive Summary

With the rise of the sharing economy, we witness a significant heterogeneity in the internationalization process of sharing economy companies. While some of these companies spread globally in a relatively short time, other companies seem to be locally bounded. This raises the question as to what facilitates or hinders the internationalization process of sharing economy companies. Noteworthy established theories in the field of international strategy do not sufficiently explain the process of internationalization of sharing economy firms, as those theories were mainly developed in an era dominated by manufacturing and product-oriented firms. Thus, to date, extant studies have not been able to explain this phenomenon. Hence the aim of this research is to understand the internationalization process of sharing economy companies and develop a theoretical framework that could explain this process.

To tackle this issue, we adopt a business model perspective and develop a framework that dimensionalizes the propensity of sharing economy firms to expand globally. We test our proposed model against six different sharing economy companies belonging to three different sectors. We find that the level of flexibility in each component within the business model design will impact the internationalization prospects of the sharing economy firm. In particular, we discover that the companies that: 1) depend on wide range of key partners to conduct their key activities 2) are able to replicate or transfer their key resources, distribution channels, customer relationships in new markets with fewer investment 3) develop a broader value proposition and rely on wider target segment are able to internationalize swiftly and successfully than the rest.

Consequently, our research is among the first to provide first-hand evidence into the internationalization process of sharing economy companies and hereby foster research at the intersection between business model and international strategy. In turn, our thesis opens up a new agenda for the future research to understand the vast ranging implications of choice and design of business models for the success and global expansion of sharing economy firms. Furthermore, our research offers noteworthy implications for the entrepreneurs and managers of sharing economy companies as it provides inspiration on how to design their business models for successful internationalization.

## Acknowledgments

The subject of this Master thesis is “Internationalization in Sharing Economy: A Business Model Approach”. Through the business model analysis of sharing economy companies, we explained the differences in internationalization level among them. The topic of our thesis has not been addressed by scholars so far, hence our thesis adds new insights in the existing literature as well as offer fresh managerial implications.

First of all, we would like to thank our supervisor, Tina Saebi, for her guidance and her wise suggestions. Your passion for the topic and knowledge have been extremely important for us to accomplish our work. Hence, many thanks for your commitment and engagement during all the year.

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## Table of Contents

<b>PREFACE.....</b>	<b>2</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>3</b>
<b>ACKNOWLEDGMENTS.....</b>	<b>4</b>
<b>FIGURES.....</b>	<b>7</b>
<b>TABLES.....</b>	<b>8</b>
<b>1. INTRODUCTION.....</b>	<b>9</b>
<b>2. THEORETICAL FRAMEWORK.....</b>	<b>12</b>
2.1. SHARING ECONOMY .....	12
2.1.1. EMERGENCE OF THE FIELD.....	12
2.1.2. DEFINING THE PHENOMENON .....	14
2.1.3. CATEGORIZING SHARING ECONOMY COMPANIES.....	18
2.2. SHARING ECONOMY & THE IMPORTANCE OF INTERNATIONALIZATION.....	20
2.3. A BRIEF REVIEW OF CLASSICAL AND CONTEMPORARY INTERNATIONALIZATION THEORIES .....	21
2.4. HOW TO EXPLAIN SHARING ECONOMY COMPANIES' INTERNATIONALIZATION?.....	26
2.5. BUSINESS MODELS: A BASIC FRAMEWORK .....	28
2.6. BUSINESS MODELS & INTERNATIONALIZATION.....	30
<b>3. THE PROPOSED INTERNATIONALIZATION MODEL.....</b>	<b>32</b>
<b>4. METHODOLOGY.....</b>	<b>36</b>
4.1. RESEARCH PHILOSOPHY AND DESIGN.....	36
4.2. LITERATURE REVIEW .....	37
4.3. DATA COLLECTION AND CASE STUDY .....	38
4.4. DATA ANALYSIS .....	40
4.5. EVALUATION OF THE RESEARCH METHOD .....	42
4.5.1. GENERALIZABILITY .....	42
4.5.2. VALIDITY AND RELIABILITY .....	43
<b>5. CASE STUDY ANALYSIS.....</b>	<b>43</b>
5.1. BICYCLE-SHARING SYSTEMS .....	44
5.1.1. MOTIVATE INTERNATIONAL INC.: BUSINESS MODEL ANALYSIS .....	44

5.1.2. LIMEBIKE BUSINESS MODEL ANALYSIS .....	47
5.1.3. SUMMARY AND MAPPING ON THE INTERNATIONALIZATION MODEL.....	49
5.2. SHARED SPACE .....	<b>52</b>
5.2.1. Wework: BUSINESS MODEL ANALYSIS.....	54
5.2.2. FLEXE: BUSINESS MODEL ANALYSIS.....	55
5.2.3. SUMMARY AND MAPPING ON THE INTERNATIONALIZATION MODEL.....	57
5.3. ACCOMMODATION SHARING SYSTEMS.....	<b>60</b>
5.3.1. AIRBNB: BUSINESS MODEL ANALYSIS .....	61
5.3.2. SABBATICAL HOMES: BUSINESS MODEL ANALYSIS.....	63
5.3.3. SUMMARY AND MAPPING ON THE INTERNATIONALIZATION MODEL.....	64
<b><u>6. DISCUSSION OF THE RESULTS.....</u></b>	<b><u>67</u></b>
6.1. MANAGERIAL IMPLICATION .....	68
6.2. THEORETICAL IMPLICATIONS .....	70
6.3. LIMITATIONS & CONCLUSION .....	72
<b><u>BIBLIOGRAPHY .....</u></b>	<b><u>75</u></b>

## Figures

Figure 1. Number of Academic Publications Mentioning Sharing Economy.....	13
Figure 2. Number of Academic Publications Focusing on Intersection of Sharing Economy, Internationalization and Business Model .....	13
Figure 3. Definitions of “Business Model” in business academia.....	28
Figure 4. Visual Representation of Business Model.....	29
Figure 5. Visual Representation of Business Model Components .....	30
Figure 6. Proposed Model of Internationalization.....	35
Figure 7. Research Methodology applied in this thesis .....	36
Figure 8. Mapping of Motivate and LimeBike on the proposed Internationalization model.....	51
Figure 9. Mapping of WeWork and Flexe on the proposed Internationalization model.....	59
Figure 10. Mapping of Airbnb and Sabbatical Homes on the proposed Internationalization model .....	66

## Tables

Table 1. Selected Definitions of Sharing Economy.....	15
Table 2. Brief Description of Selected Companies .....	41
Table 3. Criteria for Case Analysis .....	42
Table 4. Summary of Results (Motivate vs LimeBike) .....	50
Table 5. Summary of Results (WeWork vs Flexe).....	58
Table 6. Summary of Results (Airbnb vs Sabbatical Homes).....	65



## 1. Introduction

The rise of Sharing economy has proved to be more than a temporary bubble. It has posed a serious competition across different industries and is projected to keep a sustainable growth reaching over \$335 billions by 2025 (Matzler, Veider, & Kathan, 2015). Interestingly, a group of sharing economy companies have been marked with incredibly swift internationalization across different markets, a phenomenon not generalizable to every sharing economy firm (Parentea, Geleilateb, & Rong, 2018). Consider LimeBike, a bike sharing system in California, United States. The company was established in 2017. However, within 12 months of its foundation, the company expanded over 20 cities in United States as well entered in Europe in Germany and Switzerland (Lunden, 2017). There are various bike sharing companies in the United States (e.g. Yellow Bikes, Motivate International Inc. etc) but there is hardly another company such as LimeBike that have been able to expand rapidly in the international market. Unfortunately, there is no dedicated research focused on sharing economy that could explain why LimeBike has been able to expand with such rapid pace than its competitors. Another classical example of divergent internationalization path followed by two companies belonging to same sector in sharing economy is of Airbnb and SabbaticalHomes. SabbaticalHomes was established 8 years before Airbnb, nevertheless the company has not been able to enjoy the same level of success in international arena as Airbnb has found. Where Airbnb is active in over 200 countries, SabbaticalHomes have even struggled to even fully capture 25 markets. Given such differences in the internationalization path followed by companies, one is bound to ask how to explain these differences. However, the existing literature in the field of international strategy do not satisfactorily explain why companies follow such diverse path to internationalization.

The dominant theories in the field of strategy and international business (e.g. Eclectic paradigm, Uppsala Model) mainly came out decades ago. These theories based their propositions on the internationalization strategy of asset-based manufacturing firms (Parentea, Geleilateb, & Rong, 2018). The companies belonging to sharing economy, which are predominantly powered by digitalization, are characteristically different from the traditional manufacturing firms in terms of their key resources and key activities. The “asset-lite” nature

of sharing economy firms poses a direct challenge to the current internationalization theories that draw from the concept of “transaction costs theory, such as ownership, location, and internalization (OLI) paradigm, the sequential notion of internationalization and other resource-based perspectives.” (Parentea, Geleilateb, & Rong, 2018, p. 53). Given the unprecedented success achieved by sharing economy firms at global level as well as the distinctive nature of these firms from traditional companies, it has been argued that there is a need to develop a theoretical framework that study why, when and how these firms expand into new countries (Parentea, Geleilateb, & Rong, 2018). Our thesis will make one of the first attempts in this field to answer to this question.

The aim of our research is to identify and understand the factors that impact the internationalization prospects of companies within sharing economy. Precisely, our research question for this thesis is stated as follows:

***What are the factors that explain the heterogeneity in the internationalization process of companies operating in the sharing economy?***

In process of exploring the factors that facilitate or hinder internationalization process of sharing economy firms, we aim to develop a theoretical model that is predictive in nature so that it can be used as a reference point for future emerging firms on their prospects to internationalize. To analyse our research question, we have planned to use the most fundamental component of a firm that is its business model. It has been argued the it is the nature of business models of sharing economy companies that differentiates their internationalization process from traditional firms (Parentea, Geleilateb, & Rong, 2018). Extending the same argument, we believe that differences in the business models of companies within sharing economy will also impact their individual internationalization process. Thus, analysing the sharing firms through their business model would provide concrete answer to how and why there is a heterogeneity in the internationalization process of different companies. We aim to conduct our research based on case study analysis methodology. We have picked six different companies from three main sectors of sharing economy. Each company has been analysed on its business model and tested against our proposed model of internationalization. Based on our analysis, we have found that a difference in the upstream and downstream activities and resources of the firms directly impact their internationalization prospects. Within the upstream component of the business model, the range of key partners, the level of resource commitment required to replicate the business and key activities in the new market will directly

impact the internationalization prospects of a sharing economy firm. Furthermore, we have found that the broadness of company's value proposition, the range of its target segment as well as the flexibility of distribution channels will also impact the internationalization prospects of the sharing economy firms. In summary, our study shows that the different choices made in developing the business model of a sharing economy company will be reflected in the internationalization prospects of the company.

The results obtained through our research has wide ranging implications for the sharing economy enterprises. It provides insights to the companies on the factors that could impact their internationalization process. Thus, our thesis can be taken as a guide for the young entrepreneurs on how to design or pivot the current business model that can lead to greater prospects of internationalization. Furthermore, our thesis contributes to the exiting literature by providing a unique business model approach to understand the internationalization process in sharing economy. Indeed, it is one of the first attempts to understand internationalization prospects of sharing economy firms, thus filling a significant gap in the theory of internationalization.

The primary scope of this thesis is to provide a deep analysis of every individual component of business model of the given companies. However, it is important to note here that we will limit our research on understanding internationalization of sharing economy companies within the boundaries of business model. The internationalization model presented in this thesis will be tested against three specific sectors of sharing economy. Moreover, it is important to note here that internationalization of a company can be subjected to many factors such as innovativeness of the firm, managerial experience, international networks and market knowledge (Sharma & Blomstermo, 2003) (Kunday & Sengüler, 2015) (Nummela, Saarenketo, & Puumalainen, 2009). However, considerable research exists in understanding the impact of these factors on the internationalization of firms. Therefore, in order to make concrete contributions to the existing literature, it is essential to focus our research within the boundaries business model in order to gather deep insights on its impact on internationalization. The thesis is organized in six main chapters. The following section will provide an overview of the existing literature in the field of sharing economy and its intersection with the internationalization theories and business model literature. Building on the literature, we'll present our proposed model to gauge the internationalization prospects of the sharing economy firm. Using the research methodologies presented in our Methodology Section, we shall test the model against different firms in our Case Study Analysis chapter. The last section will

focus on presenting the key takeaways of our thesis as well as discussing the underlying limitations and agenda for future research.

## **2. Theoretical framework**

This section sets the theoretical ground of our research. It is vital for pursuing our thesis to understand the prevailing academic studies conducted in the field of internationalization, business models and sharing economy, and identify if and where the gaps exist within the current frameworks.

Research on the internationalization of sharing economy firms is scarce. One reason might be that the concept of sharing economy is not well defined in extant literature and hereby obstructs meaningful research. Furthermore, we find that existing theories of internationalization often focus on the international expansion of manufacturing firms, and thus are ill-equipped to explain the internationalization process of sharing economy firms. Thus, in the following section, we aim to lay the theoretical foundation of the concept of sharing economy and the factors that contribute to successful internationalization of sharing economy firms. To this end, we highlight the key takeaways of existing literature on sharing economy as well as identify the gaps in the existing internationalization theories.

### **2.1. Sharing Economy**

#### **2.1.1. Emergence of the Field**

The term sharing economy was first coined by Lessig (2008). The term started to gain popularity in academia afterwards as shown in the below graph (Figure 1). This coincides with the actual growth in global market size of sharing economy. Sharing economy experienced boom after 2008 financial crisis as a consequence of necessity to cut consumer costs and technological advancements (Habibi, Laroche, & Davidson, 2017). However, by 2015, it had reached an annual market size of \$15 billion and is poised to reach \$335 by 2025 (Habibi, Laroche, & Davidson, 2017). This signifies the rising importance of sharing economy in corporate world.

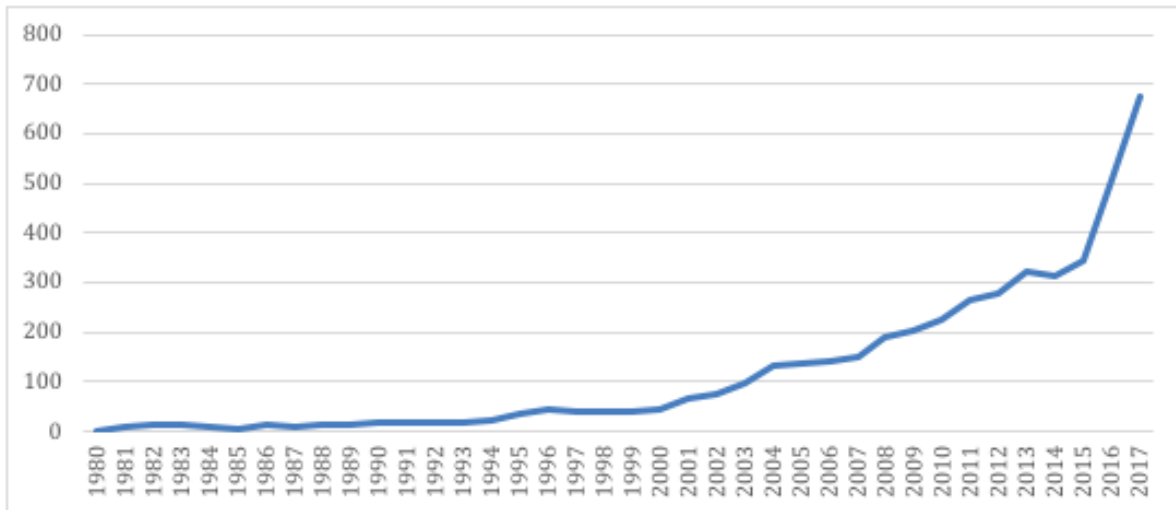


Figure 1. Number of academic publications mentioning sharing economy  
 Data source: [www.scopus.com](http://www.scopus.com) (Authors' own research)

As the above figure exhibits, it is interesting to note that sharing economy gained visibility in the academia in the last one decade, getting more popular in last fast five years. This is interesting and important to note because most of the dominant internationalization theories and frameworks (e.g. Uppsala Model, Dunning framework) were developed decades before the emergence of phenomenon of sharing economy. This shows how detached the traditional internationalization theories are from the phenomenon of sharing economy, and hence they have limited application for the sharing economy firms. On the other hand, there has been hardly any research conducted in these years that could explain sharing economy firms, their business models and their internationalization process (as exhibited in the below figure).

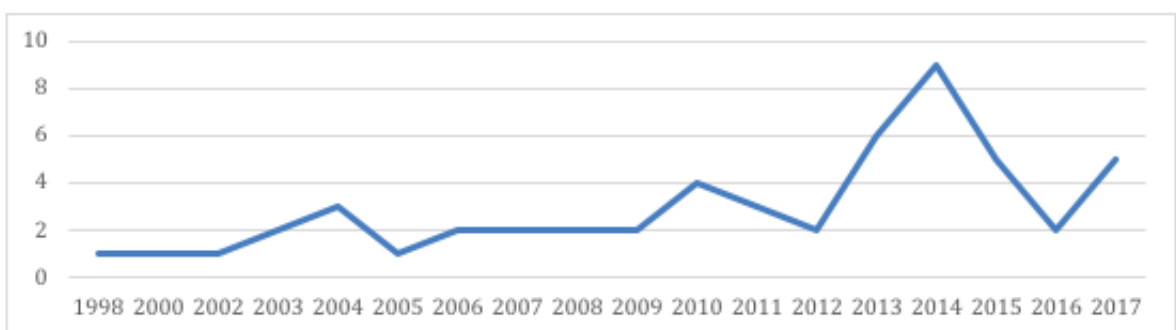


Figure 2. Number of academic publications focusing on intersection of sharing economy, internationalization and business model  
 Data source: [www.scopus.com](http://www.scopus.com) (Authors' own research)

The astonishing lack of research for a sector, which is expected to grow exponentially, demands an urgent need of investigation and our thesis will attempt to fill the vacuum with fresh insights. However, before we dig deep into the phenomenon of sharing economy, it is important to understand what encompasses in sharing economy because the word sharing in its true sense is not new. Since the beginning of time, humans have traded with each other, bartered with each other as well as shared goods with each other for survival. Even in the past, people have shared their houses with paying guests and shared rides with their friends. So, one can wonder what is distinctively new about companies such as Airbnb or Zipcar that we classify them as a new phenomenon. Perhaps, it is the fact that in the past people shared their goods with their acquaintances instead of strangers as this would minimize the risk. Now, the new platforms of sharing economy have enabled to share items with strangers with minimal risk. That's why one of the academics in the field even went on to describe sharing economy as "stranger sharing" (Schor, 2014). Thus, given the wide-ranging meaning of the concept, the following part of this chapter will try to build the concept of sharing economy from the ground up, focusing on meaning and classification of the term before we move to the implications in context of internationalization.

### **2.1.2. Defining the Phenomenon**

The phenomenon of sharing economy has been rather contemporary thus the concept has not been discussed in business academia until recently. As mentioned earlier, sharing economy as a phenomenon was first proposed by Lessig (2008), as he argued for importance of relationships for efficient transactions. He defined the sharing economy as "collaborative consumption made by the activities of sharing, exchanging and rental of resources without owning the goods" (Lessig, 2008, p. 143). The term evolved into wide-ranging concepts of collaborative consumption, sharing economy, peer-to-peer consumption and access-based consumption (Cheng, 2016). Academic scholars have approached the concept of sharing economy or collaborative consumption from different dimensions. In this section, we briefly present some of the prevalent definitions of the concept as well as build support for the most relevant definition in context of this thesis. A summary of the concepts is presented in the below table:

<b>Author</b>	<b>Classification</b>	<b>Explanation</b>
Molz (2013)	Sharing Economy	Sharing Economy defined as moral economy, where participants are motivated by moral affordances to engage in sharing goods.
Frenken & Schor, (2017, p. 5)	Sharing Economy	Consumers granting each other temporary access to under-utilized physical assets (“idle capacity”), possibly for money
Botsman & Rogers (2011)	Sharing Economy	Economic model based on sharing, swapping, trading, or renting products and services enabling access over ownership
Parentea, Geleilateb, & Rong (2018)	Sharing & Economy	Companies that facilitate asset transaction between users/suppliers for temporary use
Botsman & Rogers (2011)	& Collaborative Consumption	An economy that operates through auto-mediated and market-mediated transactions of untapped resources & assets.
Belk (2014)	Collaborative Consumption	People coordinating the acquisition and distribution of a resource for a fee or other compensation
Bardhi & Eckhardt (2012)	& Access-Based Consumption	Transactions that can be market mediated but where no transfer of ownership takes place. The transactions can be arbitrated by six dimensions i.e. temporality, anonymity, market mediation, consumer involvement, the type of accessed object, and political consumerism

Gansky (2010)	The Mesh	The Mesh is based on network-enabled sharing (on access rather than ownership). The central strategy is, in effect, to sell the same product multiple times.
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*Table 1. Selected Definitions of Sharing Economy  
(source: Authors' own research)*

As the Table 1 illustrates, despite the divergences in the use of terminology, sharing economy denotes an economic model that is dependent on mutual consumption of goods. In precise economic terms, it is a system that operates on goods whose consumption is split into parts and parts are separately consumed by different users coordinated by C2C or B2C intermediary networks (Alt & Puschmann, 2016). Furthermore, there are two approaches to understand which companies are included in sharing economy. A narrow approach is taken by Parentea, Geleilateb, & Rong (2018), who set the boundaries of sharing economy to the firms that: 1) facilitate the utilization of unused products 2) consumers pays for temporary access 3) firms rely on user interaction and network for growth. This is a narrow approach as it mainly consider those companies that rely on the users to share their underutilized resources with each other (e.g. Airbnb). A broader approach would include also those companies that offer firms' own assets for temporary usage through a business model that offers flexibility on the rental terms (e.g. WeWork). We aim to use the broader approach in our thesis, as presented by Belk (2014) and Alt & Puschmann (2016), because we believe that the current internationalization theories are insufficient to conceptualize the internationalization process of both types of companies. By using the business model approach as presented in this thesis, we would not only be able to understand the differences between different sharing economy firms but also use these differences to understand the different internationalization path companies follow.

In summary we define sharing economy as set of companies that rent their own items or provide marketplace for sellers and buyers to exchange, share, swap, rent or transfer ownership of products temporarily with or without any explicit money exchange. These companies in sharing economy may exist to facilitate the sale of the use of goods, support re-ownership of goods, exploit underutilized resources, provide maintenance and repair services or in short use innovative business models to facilitate collaborative consumption of products in society using C2C or B2C networks (Alt & Puschmann, 2016) (Belk, 2014). In our definition of sharing economy, we are particularly excluding the companies that grant permanent change in the ownership of the goods (e.g. eBay). When a platform allows to have only temporary access to



a product, the product is consumed by different users at different points in time and hence we call it a shared product. However, when a company allows to grant permanent change in the ownership, then it is a mere change in the owner and therefore doesn't fulfil the concept of sharing in true sense. Thus, such companies should fall in second-hand economy instead of sharing economy (Frenken & Schor, 2017).

The subsequent question that arises here is that how does sharing economy differ from the traditional rental markets, which also offer renting of underutilized resources. For instance, how can one differentiate the services provided by Airbnb from a traditional real state agency that connects a buyer and a seller for renting a particular property for a specific period of time. We believe that the answer lies in the underlying business model design. For long, business academia has struggled how to categorize Airbnb in the existing frameworks of business models (Mikhalkina & Cabantous, 2015). Literature in this domain has evolved over the years, as first business analysts and researchers tried to categorize and compare Airbnb with traditional hospitality industry (Mikhalkina & Cabantous, 2015). Of course, that was not a correct categorization as the business model of Airbnb significantly differs from traditional hotels in terms of how the company creates, deliver and capture value (Mikhalkina & Cabantous, 2015). Proponents of Airbnb's innovative business model, for instance Guttentag, have theorized Airbnb's business model innovation through the lens of disruptive innovation theory and has argued the novelty of Aribnb's business model on the grounds of cost-savings, household amenities, and the potential for more authentic local experiences (Guttentag, 2015). On the other hand, the sceptical academics on the concept of sharing economy, for instance Schmalensee and Evans (2016), categorize Airbnb as a matchmaker and argue that matchmaking platforms are not new nor is the concept of providing a platform for people to share excess capacity. However, even they still agree on the fact that the use of technology and modern communications mechanism have significantly enhanced Airbnb's business model and it has had a transformational impact in the industry (Evans & Schmalensee, 2016).

After reviewing arguments from both sides, we believe that Airbnb, and other sharing economy companies, definitely qualify as examples of business model innovation. The business model innovation is its manner of application of a platform to an existing market of rentals. Airbnb has used the technology to configure the platform in a way that reduces the transactions costs to the minimum and it has managed to reach out to the maximum number of users. Transaction costs here are not referred only to operational financial costs but also the in the form of trust. Evan and Schamlensee (2016) mentions that platforms like Airbnb have minimized frictions in transactions. We attribute these lowering of frictions to level of trust built by allowing two-

way communication, rating mechanisms, insuring the reliability of users on both ends, and to the high reach of Airbnb, facilitated by ease of doing business (Guttentag, 2015). Further, we have seen the emergence of property management companies operating at the periphery to support house owners of Airbnb listings in the management of their reservations as well upkeep of the property. The services of these companies (for instance Happyguest, Guesty etc.) include managing bookings, guest meet and greet, key exchange, guest check-in /check-out, cleaning and bed-linen services, 24-hour guest support as well property repair & maintenance. This level of impact has never been achieved by any single hotel or renting agency.

All of the above mentioned differentiating factors (platforms, two-way communications, rating mechanisms, service companies etc) corresponds to different elements in the business model canvas (key resources & key activities, customer relationships and distribution channels, key supplier partnerships etc). That is why we differentiate Airbnb and other sharing platform models from the traditional economy and we attribute this differentiation in the design of its business model.

However, it is important to note that sharing economy companies differ in the business model design and there is no golden standard set yet (Dervojeda, 2013). We discuss the different business models of sharing economy, and their categorization in the below section.

### **2.1.3. Categorizing Sharing Economy Companies**

Sharing economy companies can be categorized on the basis of the role played by the company: a company can act as distributor (B2C) or intermediary (C2C). In the first case, the company possesses the ownership of, maintains, and rents the goods to its customers. This model is defined by Lisa Gansky (Gansky, 2010) as Full Mesh. A primary example of this model is DriveNow, a car sharing joint-venture between BMW group and Sixt SE. It offers high-quality vehicles which users can rent for a fee. In the second case, companies have an accessibility-based business model, also called Own-to-Mash model (Gansky, 2010). Businesses do not own any items to share but provide the platform that facilitates swapping or renting of property, skills or competencies between consumers (e.g. Airbnb, Turo, MyEquipment4Rent etc) (Dervojeda, 2013).

Furthermore, Botsman & Rogers (2011) organize collaborative consumption companies in three systems: product service systems (PSS), redistribution markets, and collaborative lifestyle. In a PSS, a service enables multiple items owned by a company to be shared (B2C) or products that are privately owned to be shared or rented peer-to-peer (C2C) e.g. Zipcar.

Thus, PSS includes both the Full Mesh and Own-to-Mash models as described by Gansky (2010). In contrast, in a redistribution market, second-hand or pre-owned goods are redistributed somewhere or to someone who is in need of them through social networks (e.g., eBay). Here the transfer of the ownership is permanent. Collaborative lifestyle includes collaborative consumption companies which band together people to share less tangible assets (e.g., CouchSurfing). However, according to the definition of sharing economy we provided, redistribution markets are not analysed and studied in this thesis as they refer to the permanent transfer of ownership. We prefer to separate sharing economy firms like Airbnb from redistribution companies like eBay or Amazon. Certainly, certain components of business models are similar between the two companies. For instance, both use online platforms to facilitate the interaction between buyers. However, the major distinguishing factor that separates a sharing economy firm from the rest is associated with the opportunity to re-use a product time after time (i.e. temporary transfer of ownership). For instance, a customer can borrow a dress at Rent The Runway (RTR), use it and return it back and afterwards the company will offer the same dress to another customer and so on and so forth. Thus, it is the opportunity, integrated in a “sharing economy” based business model, to reuse a product again and again without having the necessity to own the product for lifetime that differentiate a sharing economy firm from the rest. Indeed, in our study we consider only companies which enable users to rent, share or exchange resources without any permanent transfer of ownership. Another way to categorize sharing economy companies is according to their value capture strategy. Olson and Kemp (2015) classified sharing economy businesses in the accommodation and lodging industry according to their revenue model. There are two major scenarios: subscription fee or pay-per-use fee. In the first case, companies charge a flat subscription fee. This model is most appropriate for mature and well-trafficked sites. The latter scenario is divided by Olson & Kemp (2015) into the Merchant Commission fee and the Guest booking fee. While the Merchant Commission fee is charged on the merchant relatively to the value of the rental (e.g., HomeAway), the Guest Booking fee is paid by the guest to book a stay (e.g., Airbnb). The difference between these two pay-per-use model lays on the importance given to the host (supply) or guest (demand): the Merchant Commission method is more guest-centric, the Guest Booking model is more host-centric (Olson & Kemp, 2015). However, the value capture strategy can be a mix of these revenue models. For example, BikeMI, a bike-sharing company located in the area of Milan, charges the users with both a subscription fee and pay-per-use fee.

Lastly, sharing economy companies operating in different industries vary in scale, maturity, and purpose (Botsman & Rogers, 2011). As explained in the next chapter, scale is of crucial importance in the context of sharing economy.

## **2.2. Sharing Economy & The Importance of Internationalization**

Critical mass is one of the principles underlying any sharing economy company (Botsman & Rogers, 2011) and the establishment of the critical mass is the greatest challenge that sharing economy business models have to face to be successful (Wagner, Kuhndt, Lagomarsino, & Mattar, 2015). Critical mass refers to the minimum amount of effort or resources gathered before any impact or output can be realized (Terpstra, 1983). When applied to a sharing economy company, it is interpreted that a small amount of new customers has a moderate effects on sales and profits, but as the amount increases more people are encouraged to be engaged in that company and this eventually pushes the response through a level after which it produces an increasing effect. More specifically, critical mass is vital for two main reasons: range of choice and social proof (Botsman & Rogers, 2011). First, customers within the sharing economy are considered both suppliers and consumers. For example, a Zipcar member can share and lend his/her vehicle through the platform to other members, or he/she can borrow another Zipcar member's car. It is straightforward to conclude that the more the people are involved in a sharing economy system who are both suppliers and consumers, the wider the range of choice and the higher the geographical coverage. All of this results in the reduction of likelihood of people walking away dissatisfied. Second, sharing is an entirely new form of economy and it requires people to change their habits. As explained in more detail in the next section, a sharing economy company is characterized by network externalities which impact the acquisition of new customers. In other words, the perceived benefit of using a peer-to-peer platform becomes substantially large when more people participate (Dervojeda, 2013). For this reason, people, who consider the possibility to make the switch, tend to seek a critical mass of consumers who has already embraced this innovative economy (Botsman & Rogers, 2011). In this way, they feel safe and socially accepted to engage in this new form of economy.

There is no point of reference that sets the right level of critical mass. Nonetheless, it is known that internationalization provides substantial benefits to sharing economies as it eases the establishment of a critical mass of users (Dervojeda, 2013). In some cases, internationalization is even desirable for platforms which do not require any physical proximity between the peers. For example, Fixura is an online platform that connects people who want to borrow money

with people who are willing to invest their money in loans. Internationalization can provide significant benefits to Fixura customers as they have a wider range of investment choices. For example, investors can invest their money in loans requested by borrowers from a foreign country (Dervojeda, 2013). However, while there are many sharing economy companies that seek internationalization from an early stage (Cusumano, 2015), this is not always the case (Pedersen & Netter, 2015). For example, Resecond, Lånegarderoben or Klädoteket are all fashion libraries which have been established only locally. It is especially interesting to observe how the internationalization of a sharing economy company may not only depend on financial resources. For example, local companies Didi Chuxing (founded in 2012) and Lyft (founded in 2012) have raised \$4,4 and \$2 billion in capital respectively, while Coursera (founded in 2012), present in 28 national markets, has raised only \$146 million.

Despite the importance of this topic in the field of sharing economy, the literature on how a sharing economy company become global is lacking. Although the literature on the topic of sharing economy, internationalization and business model exist, there is a scarcity of studies that combine these three topics and analyse the impact of the business model design of a sharing economy company on its level of internationalization. Specifically, the current literature fails to pinpoint the fundamental aspects that could explain internationalization processes of a sharing economy firm. With this paper, we aim to argue that it is the particular business model design of the company that allows for ease of internationalization in the context of the sharing economy. But before going into the details of our research propositions, we first need to understand the primary literature of internationalization so as to see why extant internationalization theories are insufficient to explain the internationalization process of sharing economy companies and why adopting a business model perspective is more suited to capture the internationalization process in sharing economy.

### **2.3. A Brief Review of Classical and Contemporary Internationalization Theories**

Our study aims to understand what determines the prospects of sharing economy companies' internationalization. For this reason, we shall start by investigating the theories that explain the phenomenon of internationalization. The field of international strategy is quite established, with a plethora of related research. However, the rapid growth in information and communication technologies, and changes in how firms generate values, business and regulatory environment challenges the more traditional theories in international strategy (Brouthers, Geisser, & Rothlauf, 2016) (Johanson & Vahlne, 2009) (Axinn & Matthyssens, 2002). The Internet has significantly altered the path companies must follow to expand into

new markets by relaxing the hindrance posed by spatial distances and by facilitating information acquisitions of unknown foreign markets thus eventually enabling them to internationalize faster (Arenius, Sasi, & Gabrielsson, 2006) (Mathews & Healy, 2007) (Ekeledo & Sivakumar, 2004) (Petersen, Lawrence, & Liesch, 2002). Hence, classical theories of globalization do not sufficiently explain the internationalization behaviour adopted by new species of firms (Nayyar, 2014) dubbed as born global (Oviatt & McDougall, 2005), micro multinationals (Bell, McNaughton, & Young, 2001), and dragon multinationals (Mathews J., 2002). More importantly, they do not shed light on how companies operating within the sharing economy internationalize (Campbell & Thornton, 2016). Aptly put by Axinn & Matthysens (2002), there is a definite need to reframe the theories to encompass the economic realities of time and to capture the expansions of new types of companies. Consequently, this section discusses international business theory in conjunction with the new firms that have started internationalizing.

#### **Eclectic Paradigm- The role of O, L & I for Internationalization:**

According to Dunning and Buckley (1977), firms are motivated for a Foreign Direct Investment based on interplay of three variables: possession of ownership-specific (O) advantages vis-à-vis firms of other nationalities in the particular markets they serve, creation or utilization of O advantages in a foreign location (L), and the perception of the firms that O advantages are more profitable when internalized rather than sold (I). Ownership advantages refers to the key assets (resources) internal to the firm that foster a company's competitive edge, whereas location advantage refers to the attributes a market may have (e.g. size, structure, labour cost etc.) that facilitate a firm to exploit its ownership advantages (Dunning & Buckley, 1977). However, information and communication technologies have allowed many firms to overcome resource and knowledge deficits by leveraging external resources (Belf & Loane, 2010). Hence, globalization is not driven anymore by giant multinational firms, but by small and medium enterprises from the "Periphery", which do not usually possess ownership, location and internalization advantages (Mathews J., 2002). As explained by the Linkage, Leverage, Learning framework, firms' internationalization is outward-oriented (e.g., open-source innovation) rather than shaped by their internal resources; dependent on the connection with and the use of already active companies; and based on high levels of organizational integration (Mathews J., 2002). For instance, with the support of technology many smaller and e-business firms, which generally suffer from resource poverty (Belf & Loane, 2010), have been able to bypass the initial stages of internationalization as they interact directly with customer in foreign markets and even sell products to them with the support of internet (Axinn

& Matthyssens, 2002). Furthermore, the rise of open-source innovations has allowed many small business firms to convert new business opportunities more efficiently, effectively, and speedily by reducing the time and costs of new product development (Belf & Loane, 2010).

### **Resource Based-View (RBV)- Internationalizing Competitive Advantage through key resources:**

Barney (1991) suggests that firms should seek market expansion that best exploit their resources to advance their competitive advantage. Resource based-view theory evaluates an organization's value creation potential based on its ownership of resources. Researchers have used RBV to suggest that companies are successfully able to internationalize if the companies are in possession of certain key resources (Westhead, Wright, & Ucbasaran, 2001). For instance, these resources include “general human capital resource, principal founder’s management know-how, principal founder’s specific industry know-how and the principal founder’s ability to obtain financial resources” (Westhead, Wright, & Ucbasaran, 2001, p. 333). However, these factors have been considered against small manufacturing firms that intended to internationalize. One might say that these factors may also hold true for sharing economy firms and RBV can be used to explain internationalization of sharing economy companies. However, referring to the core concept of RBV, in order for the companies to press their competitive advantage, the key resources of companies has to be rare and not imitable. However, it has been argued by researchers that this is not the case for companies in sharing economy (Parentea, Geleilateb, & Rong, 2018). Furthermore, as it will be presented in the case studies section of thesis, we will see different companies (e.g. LimeBike) that were established and internationalized within a short period of time. So, in that case, it is hard to argue that the managerial know-how is main factor for internationalization of the firm. This will hold true for perhaps most of the sharing economy firms, as they are established usually as start-ups by young entrepreneurs and some of them manage to internationalize in a quick span of time.

### **Network theory- Establishing Relationships for Resource Acquisition:**

According to Johanson & Mattsson (1988), companies develop network relationships through which they gain access to resources and markets controlled by other firms with the aim of internationalization (Johanson & Mattsson, 1988). These connected business relationships are defined as business networks (Chetty & Blackenburg Holm, 2000). Business networks are “a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualised as collective actors” (Chetty & Blackenburg Holm, 2000, p. 246). The networks are highly valuable as they can support a firm in the acquisition of knowledge or learning from each other experiences, expose the firm to new

opportunities, and share the synergistic resources (Johanson & Mattsson, 1988) (Chetty & Blackenburg Holm, 2000).

In our analysis of sharing economy firms, we found that Network Theory does help explain, to a certain level, swift internationalization of some companies. Firms that are able to establish a broad range of key partners in their home and host markets are able to internationalize more successfully than the rest. However, in our analysis we found Network Theory is not a complete explanation to the internationalization process for sharing economy firms. As we will see in the coming section, companies (for instance SabbaticalHomes) were able to develop a wide range of key partners or network. However, due to limitation in their value proposition and target segment, SabbaticalHomes was not able to internationalize as much as other companies did within the same sector.

### **Uppsala Model:**

The model proposes that firms that aim to internationalize will pledge fewer resources to a foreign market in the beginning, operating through sales representative. The company will proceed step by step to sales subsidiaries and finally with time it will increase its resource commitment in the foreign market by establishing a manufacturing subsidiary. Furthermore, the model states that the firm will internationalize to regions that demonstrate lower distance (defined in terms of differences in spatial distance, cultural, language, political systems). Firms, as they face liability of foreignness (LoF), will gradually expand to foreign markets, and in process will gain experiential knowledge which allows them to establish their footing. Liability of Foreignness (LoF) means “all additional costs a firm operating in a market overseas incurs that a local firm would not incur” (Zaheer, 1995, p. 342) Furthermore, the LoF will be further eased for firms as they forge their relationships with local suppliers, distribution channels, and other partners, thereby reducing their investment risk. The Uppsala model has been revised in 2009 consequently to the rapid development of new types of companies, like e-business and i-business firms. I-business firms are those that “offer a platform that allows users to interact with each other and generate value through co-creation of content by users” (Brouthers, Geisser, & Rothlauf, 2016, p. 513) (e.g. Facebook) whereas e-business particularly denotes to the companies that conduct commercial activities (such as commerce) using online platforms (e.g. eBay). We are refereeing here to i-business and e-business companies because despite their differences with companies in sharing economy, they all commonly use an online platform. Johanson and Vahlne (2009) state that these new types of companies suffer only in minimal part from liability of foreignness. However, they greatly suffer from liability of outsidership, which is derived by being not embedded in a network of users and partners when



entering a new market. The multi-sided platform business models of e-business and i-business firms rest on the ability of the firm to create a network of customers large enough that facilitate the viability of operations (Brouthers, Geisser, & Rothlauf, 2016). In pursuit of building user adoption of its online platform, successful e-business firms will invest heavily on internet-based mass media to reach out to its users (Brouthers, Geisser, & Rothlauf, 2016). Likewise, it has been argued that the companies possessing a bigger network of users that is present in higher number of countries will be more successful in expanding in a new market compared to companies that have smaller network of users on its platform and is present in fewer countries (Brouthers, Geisser, & Rothlauf, 2016). These e-business and i-business firms will further stimulate user adoption of their platform by providing incentives to new users in a foreign market as well as by marketing their services with the support of opinion leaders or change agents in the industry (Brouthers, Geisser, & Rothlauf, 2016). In conclusion, Johanson and Vahlne (2009) affirm that network is a source of learning as well as the activities or operation and commitment decisions of the company. Hence, it is important to take into consideration both liability of foreignness and liability of outsidership when considering how a firm internationalize (Johanson and Vahlne, 2009).

Furthermore, the concept of physical or cultural distance that is at the roots of the classical internationalization theories, is far from today's reality in the context of global environment we are living in. It is not just because of the fact that information technology has brought people closer together but also the twenty first century has seen spread of a certain homogenous global culture. People, despite living in different regions, have much more in common between them than their ancestors had. Therefore, one can see the global expansion of e-commerce companies across national borders and cultures with the support of the homogeneity of culture in global environment (Axinn & Matthyssens, 2002).

### **International Entrepreneurship Theory- Entrepreneurial Behaviour Accelerates Internationalization of New Ventures:**

Classical theories were primarily focused on the large manufacturing firms. These theories were inherently product focused and saw the global expansion as the means of exporting their manufacturing (Axinn & Matthyssens, 2002), whereas today world economy is dominated by services sector or a more hybrid form of sharing economy. International entrepreneurship is a multidisciplinary theory that links international business and entrepreneurship (Oviatt & McDougall, 2005). It claims that individual and firm entrepreneurial behaviour is the basis of foreign market entry (Mtigwe, 2006). The theory focuses on the internationalization of new

ventures and explaining its accelerated internationalization. Oviatt and McDougall define international entrepreneurship as “the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services” (Oviatt & McDougall, 2005, p. 540). Internationalization speed is calculated on the time between the discovery or enactment of an opportunity and its first foreign market entry, the speed with which country scope is increased and the speed of international commitment. Despite its importance, international entrepreneurship theory is considered a compromise of incremental theory whose primary focus is on the large multinational firm that has slow entry in international markets, and network theory (Mtigwe, 2006).

#### **2.4. How to explain sharing economy companies’ internationalization?**

We believe that traditional international business theory as it stands is not entirely applicable or suitable for sharing economy companies. This claim has also been backed by other researchers, as they argue that the distinct business models of sharing economy firms poses limitations for the existing international business theories (Parentea, Geleilateb, & Rong, 2018). The reason is that the current models of internationalization are quite static in their capture of internationalization process “as the gradual, linear view of internationalization implicit in the stages models is hard to uphold in the e-commerce context” (Axinn & Matthysens, 2002, p. 443). Sharing economy companies are dynamic, owing to their unique business models, use of internet-based platforms and social interactions to form trust. Thus, they are different to traditional companies (Belk, 2014); (Cusumano, 2015). Referring back to OLI model as well as RBV, we can see that both theories place a critical focus on the ownership of resources by firms and the need to exploit these resources in the foreign setting. However, it must be noted here that at the time these theories were developed, the focus was on manufacturing firm and the “resources” were tangible in nature. This is why internationalization was considered a gradual linear process because firms found it risky to advance their resources outside their national borders as it required considerable monetary investments. But for companies like Airbnb the resource is in the form of digital platform and it doesn’t need the same financial investment to transfer its platform to a foreign land as Volkswagen has to incur in order to transfer their manufacturing business to China. The Internet has significantly altered the path companies must follow to expand in new markets by relaxing the hindrance posed by spatial distances and by facilitating information acquisitions of unknown foreign markets (Arenius, Sasi, & Gabrielsson, 2006) (Mathews & Healy, 2007) (Ekeledo & Sivakumar, 2004) (Petersen, Lawrence, & Liesch, 2002). Firms are no longer

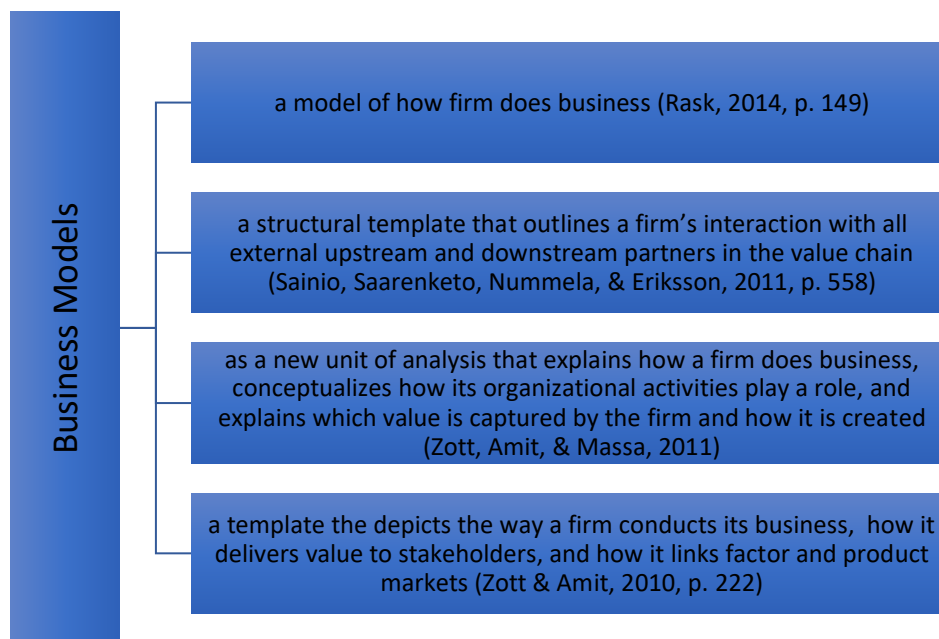
following an evolutionary path to expansion. In fact, often smaller technology-based firms ‘practice advanced entry modes from their outset’ (Axinn & Matthyssens, 2002). The Uppsala model that bases its arguments on experiential learning gives less intuition in the world where now services, knowledge and information are being traded across the globe with the support of technology. With the support of technology many smaller firms & e-business are able to bypass the initial stages of internationalization, as proposed by classical theories, as they interact directly with customer in foreign markets and even sell products to them with the support of internet (Axinn & Matthyssens, 2002).

Based on the above argument we believe that the research conducted in the field is so far insufficient to explain the behaviour and dynamics of companies, which base their business on collaboration consumption, in international arena. The question that arises from here is how to understand which factors are responsible for certain firms to expand easily or speedily in the international arena and what distinguishes them from other companies within the domain of the sharing economy. Academic research on Born-Global firms suggest that firm strategy plays a vital role in rapid internationalisation, but what factors are responsible within strategy are still undetermined (Bouncken, Muench, & Kraus, 2015). Morten Rask (2014, p. 147) claims that “when a firm decides to internationalize its activities, its focus is on business-model innovation”. Internationalization through business model innovation is a topic that has recently begun to take hold more and more among scholars (Hennart, 2014); (Rask, 2014); (Bouncken, Muench, & Kraus, 2015); (Landau, Karna, & Sailer, 2016). For example, Landau, Karna, & Sailer (2016) analysed how firms adapt their business models designed for developed countries to the specific context of emerging markets. They state that a firm’s business model adaptation is a gradual process and the components of the business model are adjusted with different intensity during this process. Furthermore, Bouncken, Muench, & Kraus (2015) suggest a business model approach to understand the factors supporting internationalization for born global firms. Hennart (2014) states that researching the specific characteristics of business models that lead to fast internationalization is a very promising approach. Contrary to internationalization theories, adopting a business model perspective provides a holistic view of the firm structure, thus allowing to analyse different components within firm that are responsible for competitive advantage and expansion (Bouncken, Muench, & Kraus, 2015). The authors conclude that the rapid internationalization which characterised Born-Global firms may be due to differences in their business models and their ability to adapt them to foreign markets. Given the rising importance and the comprehensive view of this approach, we will

develop our research on internationalization within sharing economy from a business model perspective. Hence, in the next sections we will define business model and provide our argumentation as to how business model design can influence internationalization process.

## 2.5. Business Models: A Basic Framework

Business models as a theoretical framework to understand corporate structure of firms was a concept not widely discussed until recently (Zott, Amit, & Massa, 2011); (Bouncken, Muench, & Kraus, 2015); (Foss & Saebi, 2015); (Wirtz, Göttel, & Daise, 2016). The rise of information economy and internet firms has put business models under spotlight in business academia (DaSilva & Trkman, 2013) (Gray & Farminer, 2014) (Onetti, Zucchella, Jones, & McDougall-Covin, 2012) (Osterwalder & Pigneur, 2005). Growing literature on business models has put forward wide-ranging definitions of business models.



*Figure 3. Different definitions of “Business Model” in business academia (Authors’ own research)*

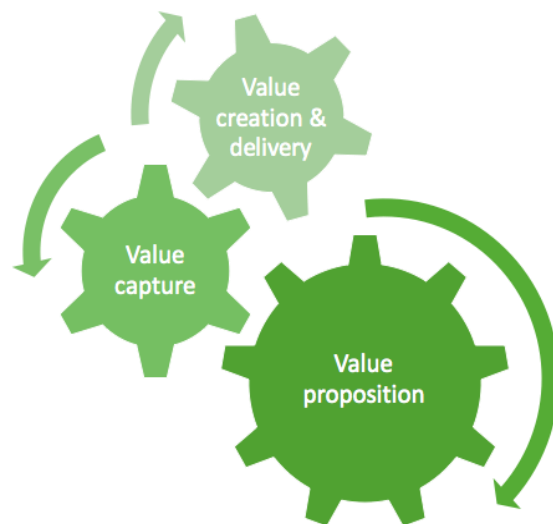
It has been defined as “the design or architecture of the value creation, delivery, and capture mechanisms” (Teece D. J., 2010, p. 191) a firm employs to commercialize its offering (as shown in figure), or “a template that depicts the way a firm conducts its business, how it delivers value to stakeholders, and how it links factor and product markets” (Zott & Amit, 2010, p. 222). However, in order to understand the process of internationalization through the

lens of business models, we firmly believe that a more comprehensive understanding of business models is necessary. A business model is made of different components, which will be discussed in the succeeding sections of the paper, and we argue that each component will significantly impact the process of internationalization. This allows for a solid theoretical foundation for exploration in the field of internationalization.

Fritscher and Pigneur (2009) extend our understanding of business models by breaking the business model canvas into different component parts, as shown in the Figure 5.

The central guiding aspect within business model is the value proposition. It embodies the unique solution that a firm offers to its customer to fulfil their needs as well as the differentiating aspect that makes

it better than its competitors (Fritscher & Pigneur, 2009). It's the single binding component between the downstream and upstream activities of a firm. The former includes customer segments that determine the specific target group a firm aims to reach out to offer its value proposition. By setting up specific customer segments, the firms are able to undertake

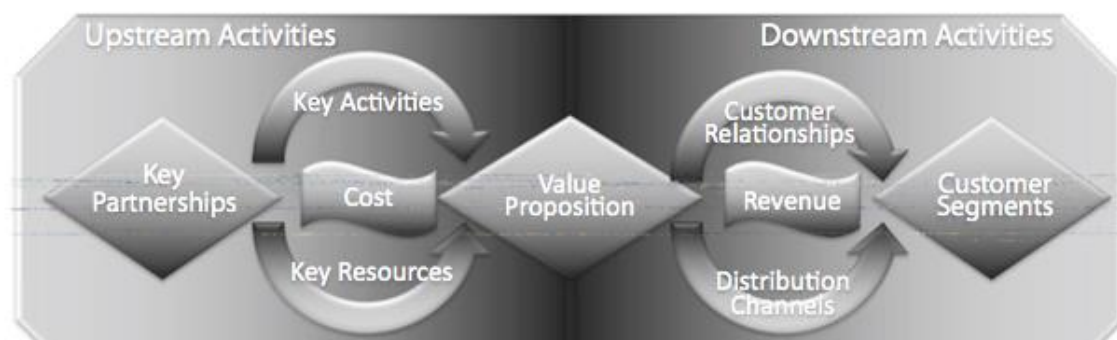


*Figure 4. Visual Representation of Business Model as defined by Teece (2010)*

formal customer analysis (e.g. age, demographics, interest etc) (Fritscher & Pigneur, 2009) which facilitate product marketing in latter stages. Distribution channels represents that mechanics a company must use to reach out to its targeted customer segment. Customer relationships denotes what kind of relationship exists between the customer and firm and how it is established and maintained (Fritscher & Pigneur, 2009).

Scratching the base of upstream activities, two most important components are key resources and key activities of a firm. These two determine what sort of activities a firm undertakes in order to deliver the promised value to its customers and what resources are required to perform

these activities. Furthermore, a company is seldom expected to internalize all of the work required to put together its product/offering within the firm boundaries and more than often it is reliant on external partners within its value chain. Thus, these key partnerships denote the critical external network a firm possesses with its upstream suppliers that facilitate its value delivery to its customers. The financial viability of this business canvas is determined by the costs and revenues components as shown in the figure. These represent the business formula the firm has designed for the commercial success of its offering. The revenue stream must encompass customers' willingness to pay for the firm's offering as well as the cost structure must be aligned with respect to its key resource & activities (Fritscher & Pigneur, 2009). All in all, the business model canvas, as given in the figure below (Figure 5) retrieved from (Rask, 2014) is the shortened yet thorough reflection of a firm's operation. And we aim to explore the dynamics that surround these components to understand and to create models that provide a clear explanation of the phenomenon of internationalization for companies within sharing economy.



*Figure 5. Visual Representation of Business Model Components*  
*Source: Rask (2014)*

## **2.6. Business Models & Internationalization**

Business models impact the speed, scope and degree of internationalization and a vital driver of rapid internationalization, and it is the differentiated business models of firms that enable them to internationalize at different pace (Bouncken, Muench, & Kraus, 2015).

Hennart (2014) states that a fast expansion abroad is mainly due to a firm's business model, namely what the company sells, to whom, and how. Business model innovation and adaptation is considered the driver for international expansion for firms in modern era by many scholars (Rask, 2014); (Bouncken, Muench, & Kraus, 2015); (Landau, Karna, & Sailer, 2016). Building on the traditional models of internationalization, Rask (2014) provides a first conceptual model

that integrates business model innovation and internationalization theory, and thus the model acts as a source of inspiration for our paper. Rask categories companies into four types according to their respective business models

- domestic-based business models where firm address the domestic demand with a local downstream & supply structure
- export based business model, which relies on local production to feed an international market
- import-based business model, which compete in local market but draws its upstream from international factor market
- semi-global business model, in which firms competes for market as well resources in upstream globally

Based on above classification Rask provides a model of how companies must recreate or reinvent their business models that support successful internationalization. According to Rask, internationalization through business model innovation includes reinvention within design dimensions pertaining to downstream as well as upstream activities of a company. The outcome of Rask conceptual model illustrates “four types of international business models with specific resource allocation elements equipped to deal with differences among graphical locations and entry modes” (Rask, 2014, p. 157).

We believe that this framework, although provides elaborative classifications of existing business models based on their design elements and advises firms on how to reconfigure their activities on their path to internationalization, however still falls short on actually predicting which type of business models are more likely to propel internationalization. While we agree with Rask (2014) that these models are useful for explaining evolutionary paths available for internationalization through business model innovation (Rask, 2014), we find that these models are more relevant in the context of manufacturing-based firms, and thus may not fully apply in the context of the sharing economy. In particular, we argue that these models are insufficient to describe the success and expansion of firms that offer platforms instead of products for collaborative consumption among their customers. For instance, Rask defines export-based business model as the one in which company organises its upstream locally and export the locally produced goods in the international market. Now it seems unreasonable to apply this theory in case of companies like Uber. Uber provides a platform to connect private taxi drivers with customer. Having a local upstream to serve international market in case of Uber means connecting taxi drivers of one region to customers thousands of miles away. Certainly, this

won't make sense and hence we believe there is a need for a model that can help us understand the internationalization process of sharing economy companies.

Therefore, the aim of our paper is to advance the literature on the intersection of business models and internationalization, specifically, exploring the impact of different business models on the internationalization of firms in the sharing economy. Moreover, we aim to present a model which is predictive in nature i.e. it's not just a classification of existing companies but also a reference point for future emerging firms on their ability to internationalize. And although deficient in entirety, nonetheless, Rask's basic concept of understanding the internationalization process through geographically flexibility in upstream and downstream activities will be used in our paper while analysing the business models of different sharing economy firms. The next chapter will elaborate this point by explaining the theoretical model that we intend to use for our analysis.

### **3. The Proposed Internationalization Model**

As discussed in detail in the previous sections, traditional theories in international strategy fail to explain fully the phenomenon of internationalization of sharing economy firms. Similarly, the literature on business models acknowledges the link between a firm's business model and its propensity to internationalize but does so mainly in the traditional context of manufacturing-based companies. Thus, in this section, we aim to present a predictive model for understanding how and why some companies are more likely to internationalize, and at the same time at a quicker pace, than the rest. Our key argument is that the internationalization of a company will depend on the flexibility of the different components within its business model to effectively respond, reconfigure and replicate themselves in a new market without creating any drastic changes to the original business model. After presenting the model in this section, our aim is to test this model against different company cases to see if this model holds true for practical examples. Ideally, our research will not only provide classifications for existing companies on their ability to internationalize but also it aims to offer a predictive framework for companies emerging in future.

As discussed throughout the paper, we believe that business model is integral to internationalization of a firm. Each component within business model influences a firm's ability to expand in new regions. For instance, referring to the Figure 5, if key resources of a company or key partnership with certain suppliers are static to a certain region (i.e. they cannot be transferred or replicated in another part of the world with same level of efficiency) then it is



harder for a company to internationalize. To quote an example, Velib, a Paris based public largescale bicycle sharing company, owns all the bikes that it provides to the customers. So, these bikes are its key resources. In order for this company to internationalize, or even move outside of Paris, it has to replicate the same ownership of bikes in a new region. Thus, this level of investment creates friction for the company to invest for expansion. On the other hand, Uber doesn't own any of the taxis, so for Uber the level of resource commitment is much lower than that of Velib. Uber, on the other hand relies on its platform and its ability to find the critical mass of users (on both supply and demand side) for its operations. Looking from downstream dimension, let's look at a company, Munirent. Munirent provides an online platform for government organizations to share heavy equipment with each other. Since it doesn't own any of the equipment by itself, we can assume at this moment that its key resource is the platform (just like Uber). However, the value proposition of this company is suited particular for one specific customer segment i.e. government organizations especially in United States. The limitation in the reach at the downstream level causes a similar friction for the company to internationalize. Thus, as a result, this company is operating in the United States only so far.

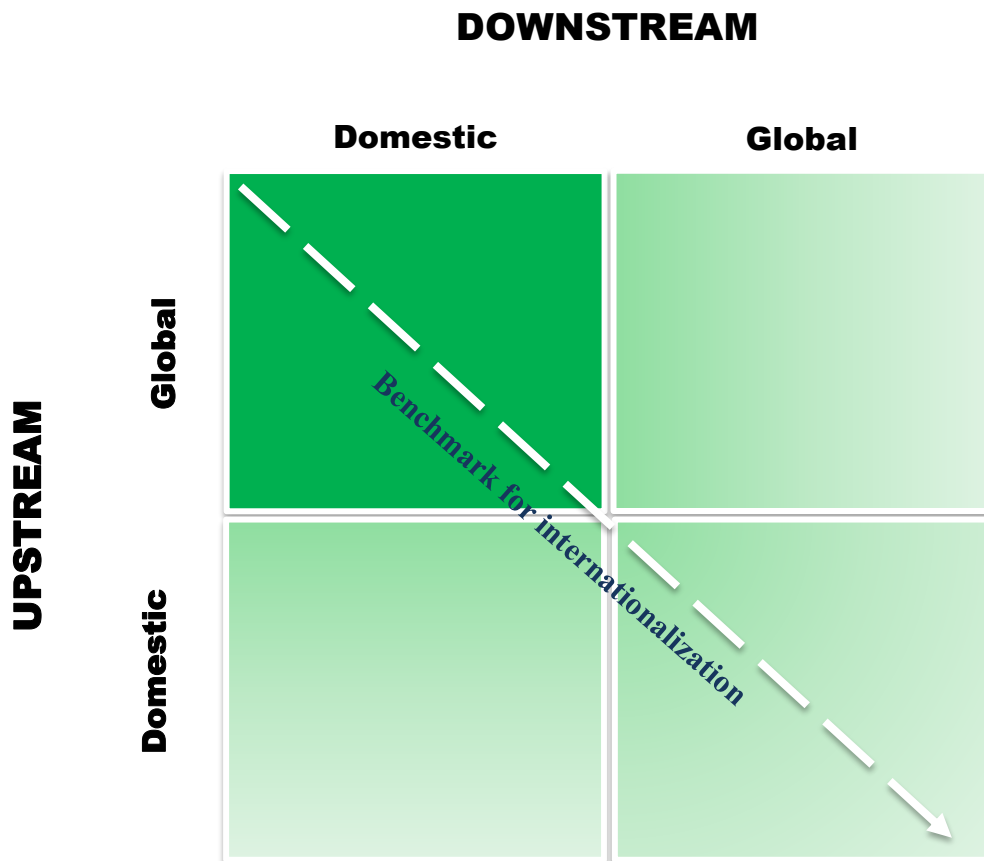
Thus, the point of the above quoted examples is to say that in order for the firms to internationalize, each of the components in their business model has to be agile enough so that it gives the flexibility to upstream and downstream activities for replication in a new environment while keeping the same business model configuration as a whole. This means that first of all, a firm, aiming to internationalize, must offer a value proposition that has a global appeal. So, a value proposition that appeals to a specific niche or fulfil a very local need will not help a firm internationalize swiftly. The upstream activities and key resources of the firm must be easily transferable or replicable in new environments without putting firms under risk or resource commitment. Furthermore, the firm must be able to use existing upstream partnerships in foreign environment or at least be able to form new partnerships while entering a new market without any significant barriers. On the downstream side, if a firm has distribution channels that are static to a specific location, then it would halt the internationalization process of the firm. A quick example, Rent the Runway, which provides designer clothing and accessories on rental, uses its physical stores as distribution channels to provide customers with the rental services. Thus, given the level of static nature of physical stores, it is no wonder that this company is operating in few cities of United States only at the moment. Whereas Chic by Choice, another fashion rental company, uses home delivery/return mechanism as distribution channels and thus it has been able to operate almost all across

Europe. Thus, in summary, in order for a company to internationalize, the business model, along with all of its individual components, has to be flexible enough so that it could be transferred or replicated in a new market without putting pressure on the company for an additional resources commitment. One can question this hypothesis here that how it is different from Uppsala model that also talks about resource commitment for internationalization. We believe that our proposition is different because although the Uppsala model takes into consideration resource commitment, but this model has little relevance to firms of sharing economy. Considering the fact, an online platform or user network is also a resource for the company, still companies belonging to sharing economy will internationalize much faster if their upstream and downstream components are flexible and this internationalization doesn't necessarily have to follow the concept of geographical or cultural similarity (as Uppsala model would suggest). To support this point, consider the example of DriveNow, a joint car sharing service of BMW and Sixt, is present in nine countries including Germany, Austria, Denmark, Italy, Portugal and other European countries. Interestingly the company has expanded in European countries which might seem distant culturally or geographically (consider that company operates both in Lisbon and Copenhagen). The Uppsala model will not explain this expansion; however, we believe it is due to key activities in upstream of the business model that defines such expansion.

“Managing how the cars are located so they do not end up in locations where they are too far to be easily collected by users is the key to whether the system is a success according to John Leech, head of automotive at KPMG.” (Tovey, 2014)

Thus, based on above statement its quite clear why the company has expanded to cities that also happen to be among the most densely populated cities of Europe (e.g. Brussels, Copenhagen, London, Stockholm etc.). For its business model to generate revenues, this company needs to operate in cities that have high population densities so that it can provide services to many customers without travelling long distances.

In the light of the above discussion, the following graph (Figure 6) provides a reference benchmark on a firm's ability to internationalize swiftly.



*Figure 6. Proposed Model of Internationalization*

The company belonging to the top right quadrant will have the possibility for highest internationalization as the companies belonging to this section of graph will have a flexible and transferable upstream and downstream components of business models. Airbnb is a classic example in this case, because all the components of its business model for instance the key partnerships, platform as a resource, distribution channels etc. have been easily transferred across the borders thus bring a mushroom expansion for the company. On the other hand, the companies within the 1<sup>st</sup> quadrant, Velib for instance, will remain fairly domestic as their upstream and downstream activities and resources are deeply rooted in a particular location. Lastly, we believe that companies belonging 2<sup>nd</sup> and 3<sup>rd</sup> quadrant will have internationalization possibilities greater than that of companies belonging to 1<sup>st</sup> quadrant but lesser than that of 4<sup>th</sup> quadrant. To quote an example, Chic by Choice will fall in this category because the company partners with designer boutiques or brands in order to procure their products. Of course, the boutiques are localized to specific regions, thus making the upstream of Chic by Choice slightly domestic. However, by using the online platform and delivery services, the company has

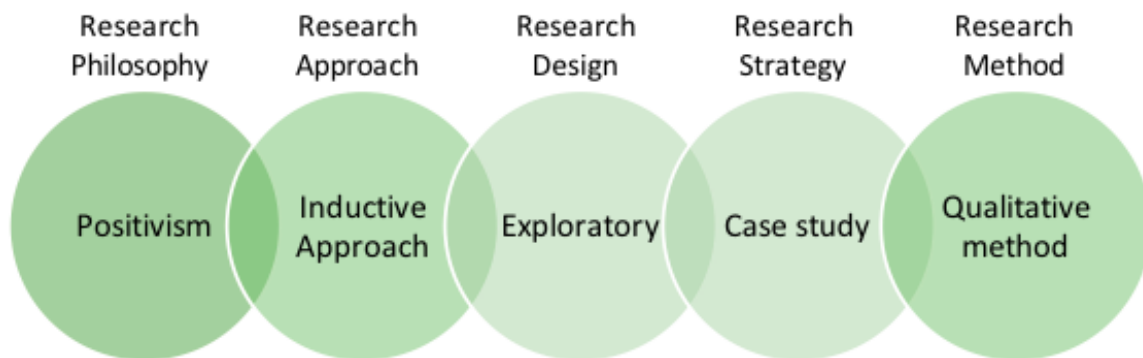
managed to keep downstream very global and thus it has been able to sell its products across Europe. Thus, such a company will fall on the right corner of 2<sup>nd</sup> quadrant.

Based on this analysis, we are proposing here an arbitrary cut-off line of internationalization (as shown in the figure 6). The idea behind this line of internationalization is to show that business models that fall on the right side of the benchmark line will experience internationalization greater or at least quicker than the companies on the left side of the benchmark line.

The important question that arises over here is understanding how companies will be plotted against this benchmark line. The answer to this question will follow in the next section of the paper, which elaborates on the methodological dimension of the research.

## 4. Methodology

This chapter provides a description of the methodology we apply to collect data, answer our research question and eventually prove the reliability of our model. As shown in the figure (Figure 7), this chapter will clarify our philosophy and approach of the research, research design, and the techniques and procedures we use for data collection and data analysis.



*Figure 7. Research Methodology applied in this thesis*

Particularly, the methodology chapter will start by explaining the research philosophy and design. It then continues by explaining the main steps of the thesis: literature review, secondary data collection and case study, and data analysis.

### 4.1. Research Philosophy and Design

Starting from the fact that we aim at explaining the internationalization within sharing economy

through a business model perspective, epistemology suits best our research philosophy. Particularly, our thesis reflects the philosophy of positivism. That is, we are working with an observable social reality and our thesis aims at generating law-like generalisations (Saunders, Lewis, & Thornhill, 2009). We are taking a positivistic approach as we deal with business models of companies operating in the sharing economy. Hence, we use observable and measurable facts and we are not allowed for any researcher-dependent opinion. We chose to adopt the philosophy of positivism because our goal is to generate theory which can be used in future studies or to make strategic decisions by firms in terms of internationalization. Indeed, positivism is considered a scientific philosophy as it implies that credible data are only provided by observable phenomena or facts.

Furthermore, given the lack in the existing theory and hence the novelty of our topic, we aim to find out “what is happening, seek new insights, and ask questions, and assess phenomena in a new light” (Saunders, Lewis, & Thornhill, 2009, p. 139). For this reason, we use an exploratory research design. This type of research is usually conducted to study a phenomenon that has not been analyzed and clearly defined yet (Brown, 2006; Dudovskiy, 2018), which is the case of the prospects of internationalization of sharing economy companies. The purpose of our exploratory study is to explore the issue further and to familiarize with the phenomena investigated, which in turn will help us to formulate research hypothesis (Singh, 2007). Furthermore, exploratory research places reliance on secondary data, that is, the review of available literature and qualitative research approaches such as case studies (Singh, 2007).

## **4.2. Literature Review**

Our thesis aims to add new insights into the already existing theory. To generate our research strategy, we start by studying the existing theory in order to create a model. However, as mentioned in the previous chapters, literature on sharing economy internationalization is lacking. Indeed, we looked for literature around the topic of sharing economy and internationalization on different information service providers such as *Google Scholar*, *Ebsco Premier Sources* and *JSTORE*. The purpose of our research was to find papers that specifically address the correlation between business model design and the prospects of internationalization for companies within the sharing economy. Although there are streams of studies on the individual topic of sharing economy, internationalization and business model, researchers have not yet combined these works to analyse the impact of the business model design of a sharing economy company on its level of internationalization. As we could not find any study that

could completely satisfy our research and at the same time it is written by acknowledged scholars in the field, we had to look for papers which analyse these topics individually or partially together. Among the many results found on the information service providers, the core of our literature review is composed with certain accredited researches. This selection was made considering the literature that highlights on one hand the limited applicability of previous business internationalization studies to new typologies of companies (e.g., born global companies) and on the other hand, that shows the impact of business model design on internationalization of a firm.

Despite the scarcity of studies on sharing economy internationalization, we gathered and studied the existing theory in order to build our model and test it using real-life cases and consequently develop a new theory on internationalization within sharing economy. For this reason, we use an inductive approach. Lodico et al. state that “inductive reasoning is often referred to as a “bottom-up” approach to knowing in which the researcher uses particular observations to build an abstraction or to describe a picture of the phenomenon that is being studied” (Lodico, Spaulding & Voegtler, 2006). With reference to business research, the process of induction is data-driven and it involves drawing law-like inferences out of observations. Therefore, theory is considered the outcome of the research (Bryman & Bell, 2015). However, it is important to notice that inductive approach does not preclude the researcher from using existing theory to formulate the research question to be explored (Dudovskiy, 2018). Moreover, we believe that the inductive approach suits best our study as we are particularly interested in understanding why something is happening, rather than describing what is happening (Saunders, Lewis, & Thornhill, 2009). Indeed, our study is set out to find out why some sharing economy companies are local and other are global and what can predict their internationalization prospects. Lastly, the inductive reasoning is flexible and can be better adapted to constraints such as limited access to data or lack of prior knowledge of the subject, which is our case. Contrary to the deductive approach, the inductive approach does not require the researcher to frame a hypothesis because of insufficient information on the topic.

### **4.3. Data Collection and Case Study**

The choice of research strategy is not only dovetailed to the research design, but it is also guided by the research, the extent of existing knowledge, the amount of time and other available resources, and our research philosophy (Saunders, Lewis, & Thornhill, 2009). We decided to examine our research question by adopting a case study retrieved strategy using secondary

data. The reason behind our choice is mainly due to the novelty of the topic we are investigating and due to the implications that our thesis have on sharing economy companies. We decided to use a case study analysis as our research requires a holistic and in-depth investigation (Zainal, 2007). We focus on secondary data retrieved both from written materials such as books or journals, online resources and on non-written materials like videos. We aim to use secondary data in order to obtain information on the components of sharing economy companies' business models. By analyzing their business model designs we aim to understand the internationalization process of the sharing economy companies and generate a theory.

This research strategy allows us to explore and gain understanding of complex issues (Zainal, 2007; Saunders, Lewis, & Thornhill, 2009), as it tends to answer "why" questions rather than "what" ones. Specifically, we are conducting an exploratory case study which "tend to be conducted as preliminary research in advance of wide-scale surveys to map out the themes for the subsequent research" (Lee, Collier, & Cullen, 2007, p. 170). In the end, through case study analysis we aim at generating new theory by answering our research question which focus on why some companies operating in the sharing economy have different internationalization patterns. Moreover, we will use a qualitative research method as it is coherent with an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories (Bryman & Bell, 2015). Furthermore, as the topic of our study has not been thoroughly investigated yet, there are no quantitative data which we can lay our research on.

In selecting our case studies, we particularly focused on three sectors, which are vehicle sharing (bicycle sharing systems), workspace/storage sharing and short-term lodging rentals (hospitality). These three sectors are among the five most popular targets of venture funding (Wallenstein & Shelat, 2017). Since the level of funding available in each sector can also influence a company's internationalization so by choosing most popular sectors, we have aimed to control this factor. Furthermore, we are comparing two companies of same sector with each other while testing them on our model. Thus, by comparing companies of same sector, we are able to control for factors specific to the industry other than the business models that could influence their internationalization. Lastly, we have imagined that country of origin might also influence the internationalization process. For instance, comparing a company from Germany with a company from United States is not optimal because for a company operating in Germany it could be easy to expand in the neighbouring European countries due to relaxed trade laws and geographically proximity. But this will not apply to the company of United

States. Hence, we have chosen all the companies in our case studies that were operating from the same country i.e. United States.

Thus, by pursuing the above-mentioned data selection approach, we believe we have controlled most of the outside factors that could have otherwise influenced the internationalization process of the company. By comparing the companies in our selected case study set, we'll be able to analyse and infer how business models can influence the internationalization process of a company.

#### **4.4. Data Analysis**

As explained in the previous section, we will retrieve information on different sharing economy companies' business models. We expect the information to be with no formal organization or structure. Therefore, we will group these information in categories that represent the different components of a business model design i.e. upstream and downstream activities. In this way, we will be able to recognise relationship or connection between our data and disclose patterns. In the end, we will give a score to the upstream and downstream activities considering each component of the business model according to its level of internationalization. In other words, we analyze the entire business model of a company with its value proposition, upstream activities (key activities, key resources and key partnerships) and downstream activities (customer relationships, channels, target customers). Afterwards, we score each of these categories. The score will go from 1 to 3, where 1 indicates a low level of internationalization and 3 a high score of internationalization. A score of 3 means that the company has set up upstream or downstream activities which make its business model more flexible and supportive for expansion. On the contrary, having a score of 1 means that the business model is rigid and does not allow the company to consider the possibility of international expansion. Every sharing economy will eventually get a total score that is the sum of the scores given to each components of the business model. The higher is the score, the higher the level of possibility for internationalization of that particular business model. Below two tables summarizes the firms analyzed (Table 2) as well as general criteria of evaluation for all the case studies used in this thesis (Table 3).



Industry	Firm	Brief Description
Bicycle Sharing System	Motivate International Inc.	Motivate operates bicycle sharing systems in the United States.
	LimeBike	LimeBike is one of the recent companies operating the concept of dockless bicycle sharing systems.
Shared Spaces	WeWork	WeWork is an international sharing economy firm operating access based business model. It rents its office spaces to the companies after transforming the workspaces according to the needs of the organization.
	Flexe	Flexe is a US based company offering a C2C platform to rent extra capacity as short-term warehouse to businesses that are in need of such facility.
Accommodation Sharing System	Airbnb	Airbnb is a globally-established sharing economy platform, which matches a host who has listed his property with a guest who is looking for accommodation on short term basis.
	Sabbatical Homes	Sabbatical Homes is an US based sharing economy company which offers a platform for home exchange, home rental, house sitting and sharing opportunities among academic community.

*Table 2. Brief Description of Selected Companies*

Company Business Model	Business Model Component	Score Criteria
	Company Business Model	Upstream
1 Point for digitally transferrable key resources, 0 points for capital intensive or non-transferrable resources		
1 Point for agile and broad set of key activities, 0 for a narrow and specialized set of key activities		
Downstream		1 Point for a broad Value Proposition and wide target Segment, 0 for limited Value Proposition or Niche target segment
		1 Point for digitally maintained customer relations, 0 for otherwise
	1 Point for digitally accessible or mobile distribution channels, 0 for rigid or immobile distribution channels	

*Table 3. Criteria for Case Analysis*

The scorecard allows us to compare the different business models within the sharing economy and offer a framework to future entrepreneurs or managers on how to boost the international exposure of a sharing economy company.

#### **4.5. Evaluation of the Research Method**

##### **4.5.1. Generalizability**

Despite the fact that the result of an exploratory study may not always be generalised (Zainal , 2007), we will use the triangulation of multiple sources of data and the incorporation of multiple case studies to corroborate research findings within our study (Saunders, Lewis, & Thornhill, 2009). The rationale of using triangulation or multiple case study design is to compare cases and verify the occurrence of the same findings in more cases, and eventually to produce law-like generalisation from these findings (Saunders, Lewis, & Thornhill, 2009). In our thesis we will use both triangulation and a multiple case study design as we want to add new insights into the existing theory and generalise our findings. We will analyse 6 sharing economy companies and their business models. The 6 sharing economy companies we investigate belong to 3 different industries: bike sharing, space sharing and accommodation sharing.

#### **4.5.2. Validity and Reliability**

We must be aware of the fact that secondary data come with some disadvantages and hence they have to be handled with caution. Data may carry measurement biases which can occur by a deliberate distortion of data or a change in the way of data collection over time. In order to avoid any measurement biases, we will triangulate our case studies. That is, we will retrieve information from different reliable sources and cross-check the data to corroborate our research findings. Furthermore, we will evaluate any secondary data source by assessing the overall and the precise suitability of data to our research purpose (Saunders, Lewis, & Thornhill, 2009). Despite several disadvantages, there are also important advantages in using secondary data. Such data are less cost and time demanding compared to primary data. Consequently, they are usually of higher quality compared to the one we may collect and are provided in a well-readable format (Kervin, 1999). For data to be useful, we need to conduct a data analysis. Because of its dynamicity, this type of analysis is especially suited for our inductive research approach as the study of data results in the development of a conceptual framework or theory, namely the internationalization in the sharing economy (Crabtree & Miller, 1999). The problem of qualitative data is that they are unstructured and different in nature. In order to analyse and read through these data, we will group them in categories (Saunders, Lewis, & Thornhill, 2009).

### **5. Case Study Analysis**

This section will explore the companies selected for our case study analysis. As explained in the methodology section, the companies were picked from the most financed sectors (i.e. vehicle sharing, workspace sharing and short-term lodging rentals). The level of funding available to each company can influence the internationalization prospects. Thus, by keeping those sectors that attract similar level of funds, we aim to control the effect of this factor and see the impact of business model in isolation. Furthermore, all the companies are from the United States. Thus, we have also diminished the impact of country of origin on the internationalization prospects.

The different sharing economy companies will be analysed through the lens of business model framework that has been discussed throughout this paper and afterwards we attempt to map the companies on our model. The section is divided into three subsections each focusing on a particular industry within sharing economy.

## **5.1. Bicycle-Sharing Systems**

Bicycle sharing systems have been around for several years. The largest bike sharing systems across different regions include Hangzhou Public Bicycle in Asia, Vélib in Paris and Citi Bike (operated by Motivate) in United States. Hangzhou Bicycle system is a government owned public system, whereas Vélib is run through a public-private partnership and Citi Bike is solely a private entity owned by NYC Bike Share LLC (subsidiary of Motivate) and sponsored by Citigroup. However, an interesting phenomenon in this sector is that despite owning thousands of bikes and hundreds of stations, these systems have been confined to one particular country, and in some cases one particular city. One can argue that Hangzhou and Vélib, being run by local municipalities, had little motivation to expand outside of their respective cities. However, Motivate had no such restrictions to expand and it has pursued expansions outside of its prime turf New York city. However, their expansion intentions have met with formidable challenges. For instance, in case of Citi Bike, the challenges are primarily linked with high level of capital required for the expansion of the company (Furfaro, 2017). We associate these challenges with high resource intensive and rigid business model of Motivate. Contrary to Motivate, LimeBike, another US based bicycle sharing system has seen tremendous expansion in United States and already in motion to expand in Europe. LimeBike is following the dockless based business model, heavily propagated by Chinese companies like Ofo that is now present in over twenty countries. Now the question is that how it is possible that one company (Motivate) has found it longer and harder to expand even to the few cities outside of its home base whereas on the other hand company such as LimeBike that was established years after Motivate has not only been able to capture a broader market within United States but at the same time have initiated its expansion in Europe. We believe that by exploring the business models of the two companies, one can answer the difference in internationalization prospects of both companies.

### **5.1.1. Motivate International Inc.: Business Model Analysis**

In order to understand the business model of Motivate, we shall split the analysis in two categories i.e. upstream and downstream activities, as discussed in the literature in the preceding sections of the paper. Motivate, established in 2009, designs, deploys and manages bicycle sharing systems across different cities in United States (Bloomberg, 2018). Currently the company is present in eight different cities including their biggest operation (Citi Bike) in New York (Motivate, 2017).

## **Upstream Activities**

The key partners for Motivate include first of all local administrations of each municipalities, where it is present (Motivate , 2018). The partnership with local governments is not only necessary to obtain licenses and operate in the city but also it allows Motivate to establish bicycles stations or docks. In certain cases, for instance in case of Capital Bikshare (Motivate's bike sharing system in Washington) the bike stations are also owned by the government however Motivate pays rent to the government for using the stations. The other key partners for Motivate include the sponsors that facilitate the establishments of Motivate in different cities. Motivate have different key sponsors for each of its establishments in different cities. For instance, in New York, the bike sharing system has been sponsored by Citi Group whereas Ford sponsors the bike sharing system in San Francisco Bay Area, California. Beside sponsors, another key partner for Motivate is 8-D Technologies that provides the point of sale (POS) solutions including real time wireless payment, remote management and monitoring of all terminal functions in wired and wireless environments (8D Technologies, 2017). Furthermore, Motivate has partners that provide complementary services on the periphery, for instance in New York it has partnered with Brooklyn's Bedford Stuyvesant Restoration Corporation that offers helmets, bike cycle classes (Motivate , 2018). Similarly, in Chicago Motivate has partnered with Divvy for Everyone to offer payment solutions to people who don't own a credit or debit card (Motivate , 2018).

The key activities of Motivate is end-to-end management of the bike sharing systems in each of the cities it is present. A brief summary provided by Bloomberg (2018) on Motivate's key activities is as follows:

“Motivate designs, deploys, and manages bicycle sharing systems. Its planning process includes feasibility assessment, demand modelling, business plan development, and station location design, planning, and permitting. The company also coordinates various aspects of a system installation and launch, including equipment order, shipping equipment from the manufacturer, determining and preparing station install sites, unpacking and assembling bikes and stations, station installation and bicycle distribution, and system go-live. In addition, it offers data analysis and reporting, bicycle redistribution, bicycle maintenance, station maintenance, and station cleaning services. The company manages bike sharing systems for public sector clients that include cities and towns of various sizes, transit agencies, and departments of transportation; colleges and universities; and private companies.” (Bloomberg, 2018)

In terms of key resources, the most important resource of Motivate is of course the bikes that are on the streets. Similarly, bikes alone are not enough for Motivate to run its business model; the docks or the stations where people get the bike from or park at the end of the ride are vital for the business operations of the company. Furthermore, there are some soft or intangible key resources that are crucial for the Motivate business model. For instance, the customer and ridership data gathered by Motivate is also a key resource as it helps the company planning and managing the company's operations. Motivate has also developed a mobile application that helps customers tracking and planning their trips as well as purchasing tickets or memberships for their ride.

Based on the information provided above, our argument is that the upstream component of Motivate is quite rigid and localized to a particular region. The reason for this argument is that first of all in terms of key resources, the bikes and especially the bike docks/stations are immobile, demand high investments and are specific to one region i.e. if Motivate wants to expand to new region, it has to develop new stations and pour in new bikes; in no way it can use its existing resources of bikes and docks to expand to a new region. This is in contrast to the Motivate mobile app, which can be used in different regions with little modifications. Similarly, an interesting observation in case of Motivate is that most of the sponsors of the company are specific to one city or region. For instance, Citigroup has solely invested in Citibike in New York and Ford has invested for Bay Area only. Thus, even the available finances for the company are city specific. This is in contrast to the case of LimeBike, which has mostly received a lump sum financing unrestricted to any particular region, details of which will be discussed in the succeeding section of this paper. Thus, based on the information provided above, we believe that upstream activities of Motivate are region specific and it takes time for company like Motivate to build support from government and private sponsors for its expansion, who cover the financial costs of bikes and stations as well installing the payment solutions (Griffith, 2017). Our argument has also been reinforced by Caen Contee, a founding member of LimeBike, who also believes that the traditional dock-based bike sharing systems faced strict economic barriers for expansion and thus they were limited to certain metropolis whereas the dock less business model introduced by companies like LimeBike removes these barriers to expansion (Beyer, 2017).

### **Downstream Activities**

The bike sharing systems by Motivate are some of the largest and most penetrated bike systems of United States (Statista, 2017). The unisex designs of the bikes are suitable for all the

customers and the penetration of the program is high both in the residents as well as the tourists segment (The City of New York NYC, 2017). Thus, one can fairly deduce that the target customer segment for bike sharing programs introduced by Motivate is masses.

In order to understand the distribution channels and customer relations in the downstream market of Motivate, let's take the example of one of the programs run by the company i.e. Citi Bike. In order to take a Citi Bike a customer needs to register with the company. The daily or 3-day pass for the bike can be bought at a Kiosk near the station or through mobile application. Whereas for annual subscription the customer has to sign an agreement via website of Citi Bike. Once a customer has successfully bought a pass, he or she must pick up the bike from the nearby Citi Bike station and after the ride, the bike must be parked in one of the Citi Bike stations. Thus, we see that the role of bike station is very crucial in the business model of Citi Bike or any of the dock-based systems.

#### **5.1.2. LimeBike Business Model Analysis**

The past couple of years have seen a new innovation in bike sharing system that is based on dock-less bike sharing business model. Two of the companies that have tremendous success in this business are Chinese companies Ofo and Mob, both sponsored by Alibaba and Tencent respectively, and now present not just in China but across the globe (Yang & Yang, 2017) (Yong, 2017). A US counterpart of such business model is LimeBike. The company has been under the investor's spotlight for its dock-less bike sharing system, enabling it to expand over many cities and now in Europe, as well just within one year of inception (Auchard, 2017). In order to use the bike system, the users have to scan the QR code on the bike that unlocks. The customer can ride and pay by 30 minutes interval or monthly pass. Once the customer has reached his/her desired destination, he or she just has to park the bike, not necessarily on any particular station. The bike can be locked with a "smart lock" that contains GPS technology that helps the company to locate and track the position of the bikes (Maya, 2017). The below section will analyse the upstream and downstream components of LimeBike business model.

#### **Upstream Activities**

The key partners for LimeBike, being a start-up firm, include the investors, who are funding the expansion of LimeBike so far. Until December 2017, the company has managed to raise over \$62 Million dollars already from different investors (Auchard, 2017). Contrary to Motivate, whose sponsors are region specific (Citi Group for New York or Ford for Bay Area), LimeBike has funnelled its funding through venture capitalists (Griffith, 2017), who don't restrict their investments to a particular city.

Furthermore, unlike Motivate, LimeBike does not necessarily have to partner with the local government in order to enter a new market (Griffith, 2017). Since they don't need docks or payment kiosks setup in city, all LimeBike needs to enter a new region is leave some bikes in the city and users can start using them through the mobile application (Griffith, 2017). However, not necessary but still partnering with government can help managing the operations and controlling on the theft of bikes.

The first and foremost activity for dock-less bike sharing companies like LimeBike is to manage the bikes, replace the stolen bikes and move the bikes parked improperly (Griffith, 2017). However, as it can be seen that business model of LimeBike is fairly dependent on digital infrastructure as this is the sole platform for the customers to use LimeBike, hence maintaining the platform (i.e. mobile application) is also crucial for its operations. This includes several dimensions for instance gathering and managing the data on bikes, updating customers on nearest bikes available to them, ensuring smooth online payment system. The data collected by Limebike is itself an activity but also a resource for the company for future insights into its customers.

Being a startup, one of the key resources for LimeBike is the financial resources. Furthermore, LimeBike owns all of its operating bikes and together with the mobile application, they are perhaps the most crucial resources of LimeBike. Lastly, given the fact that we are living in the age of big data, we believe that given the fact that LimeBike is able to track activities of its customers through the mobile account (need to run the application) as well as through the GPS technology attached to the bikes, the data collected by the company on its customers is a very important resource for the company.

### **Downstream Activities**

In order for customers to use LimeBike, users have to sign up through the mobile applications. The bike hiring, ride renewal and payments are all operated via the mobile application of Limebike. So, at the moment, the customer relations are entirely vis-à-vis digital infrastructure of the company.

The distribution channels of LimeBike are interesting because theoretically there are no physical distribution channels of LimeBike. Users can track and pick up bikes from their nearest locations (tracked via GPS) whether it's a parking lot, garage or park and start their ride. And after the end of the journey the users can leave their bikes on any public parking area. We classified the target market of Motivate as masses given its high penetration and ease of use. Based on the same argument, we can classify Limebike as product for the masses.



Especially considering the ease of use, given everything is maintained digitally, as well the subscription price of LimeBike, which is lower or at least more flexible than that of Motivate, Limebike has higher appeal than Motivate. Below is the information on subscription prices of LimeBike as taken from the website

“Regular Lime Rides: Rides will cost just 50 cents per 30-minute time block for students with a valid ".EDU" e-mail address. \$1 for non-student riders, per ride.

LimePrime is \$29.95 per month with 100 rides. LimePrime Students is \$14.95 per month with 100 rides, with a valid ".EDU" email address. Students, faculty, and staff all qualify.”

### **5.1.3. Summary and Mapping on the Internationalization Model**

Based on the information we have above, we have already discussed that upstream activities of the Motivate are very localized. The key resources or key partnerships are region specific. This includes docking stations, need for partnerships with the local municipalities as well as bikes itself. On the other hand, LimeBike does not need docking stations. Theoretically, since the company doesn't need to establish docking stations, it doesn't necessarily have to partner with city governments as well. The investors behind LimeBike don't limit their investments with respect to a particular city or region, in contrast to the case of Motivate where investors like CitiGroup or Ford have limited their investments to New York and Bay Area respectively. So, we'll categorize the upstream segment of Motivate at 1 on the scale of 1 to 3, where 1 represents highly localized upstream. And we'll categorize the upstream of LimeBike at 2 on the same scale, because although the company doesn't need to setup docking stations in order to expand to a new market but still it needs investment to arrange bikes for the new market.

For the downstream component of the business model of Motivate, we have seen that the target segment of the company is diverse. It appeals to both the tourist and the residents. Of course, there is a bit of limitation in appeal i.e. the customer of regular Taxi or Uber or people who own their own vehicles perhaps will not use bicycle sharing system however still the product is for masses. Since the availability of the mobile application, one can say that the nature of customer relations has also become flexible since you can use the application across different regions with slight modifications. However, the distribution channels, since they are linked to stations, remain immobile and region specific. Thus, when a customer has to pick or park a bike, he must visit the bike stations. Based on this, we'll categorize the overall downstream segment at 2 on a scale of 1 to 3. On the other hand, the customers of LimeBike can pick the bike at the nearest parking lot (regardless if there is docking station or not) and can start the

journey through a single click on the application. Furthermore, the cost of LimeBike is also less than that of Motivate. In this perspective LimeBike is certainly less region specific (less localized) in its downstream component of business model thus we'll categorize it as 3 on the scale, which means that downstream activities can easily be globalized for LimeBike. All the company has to do, in order to expand, is provide access to their mobile application and perhaps devise a payment plan that is suited to local currency. Below table summarizes the business model of the two companies as well as the respective scores.

<b>Business Model Components</b>	<b>Motivate</b>	<b>LimeBike</b>
Key Partnerships	Limited regional partnerships, high reliance on city governments	Broad range of partners, low reliance on city governments
Key Resources	Capital Intensive, Non-transferrable Resources	Capital Intensive, Non-transferrable Resources
Key Activities	Agile key activities	Agile key activities
<b>Upstream Total</b>	<b>1</b>	<b>2</b>
Customer Segment	Broad Target Segment	Broad Target Segment
Customer Relationships	Digitally Maintained Relationships	Digitally Maintained Relationships
Distribution Channels	Rigid Distribution Channels	Mobile Distribution Channels
<b>Downstream Total</b>	<b>2</b>	<b>3</b>

*Table 4. Summary of Results*

Based on the information, we have mapped the two companies on our proposed mode. Below figure represents the mapping:

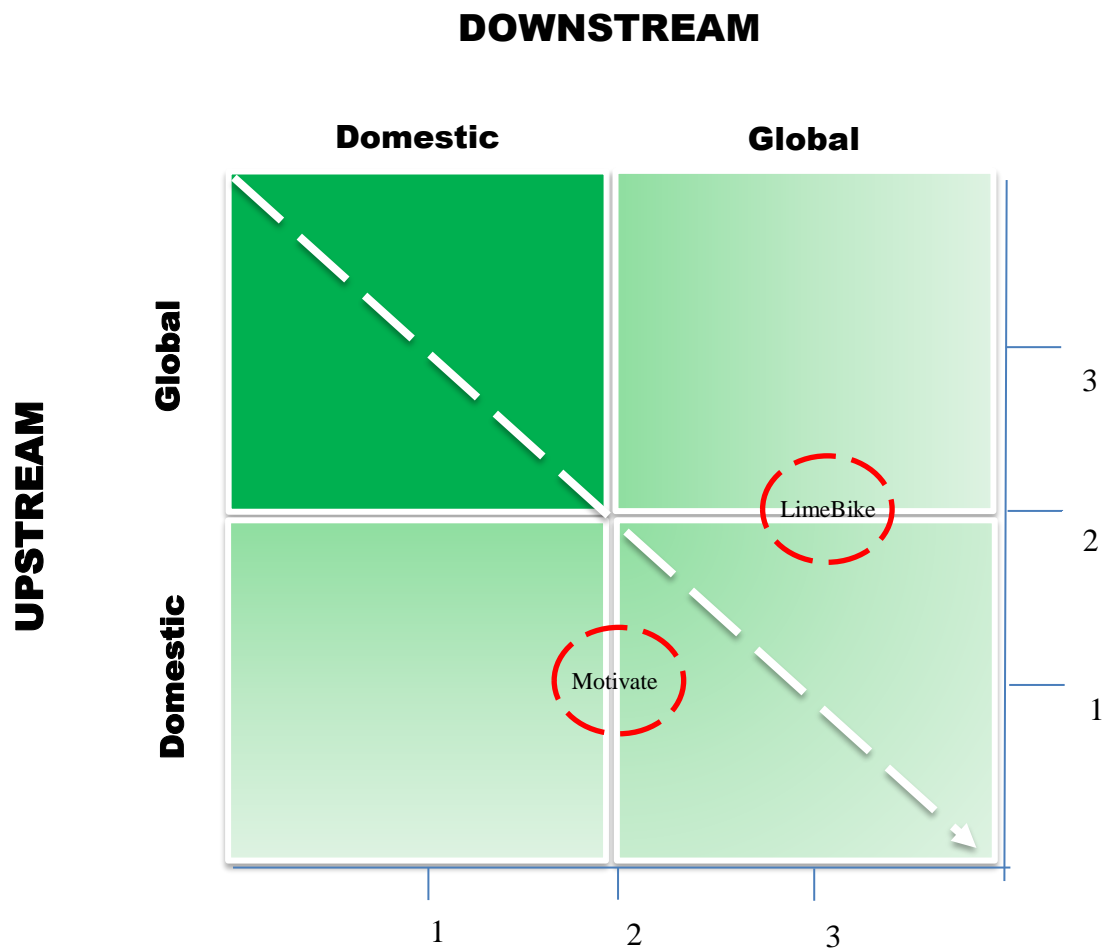


Figure 8. Mapping of Motivate and LimeBike on the proposed Internationalization model.

This mapping is in line with the actual expansion of the company. As we see that due to resource intensive nature of the business model, Motivate has operations only in United States. Furthermore, even within United States, the expansion ambitions of Motivate have always been met with challenges. Not only expansion requires considerably investment in key resources (bicycles and stations) but also keeping stations inventory balanced is a challenge i.e. having too few bicycles in one station or too many bicycles in the other (Fitzsimmons, 2016) (Barone, 2017). On the other hand, LimeBike has already expanded to over 20 cities in United States as

well as it has expanded in two new countries in Europe, astonishingly the company has achieved such expansion within one year of its establishment. We can see similar trend in expansion of other dockless bike systems around the globe, for instance Ofo (Chinese dockless bike) is already present in over 22 countries. Thus, we assert that the differences in business models of dock-based and dockless bike systems fairly explain the differences in internationalization potential of the companies.

## **5.2. Shared Space**

Sharing additional capacity in workspace is one of the rising concepts in sharing economy (CBRE Group, Inc., 2016). This includes shared workspace environment that refers to the idea of different organizations coming together to share a single work place, B2B renting of additional space like for warehousing or logistics or even for parking purposes. Shared workspace (for work, storage, logistics etc) is one of the top sectors in sharing economy that have received tremendous attention from the investors (Shelat & Wallenstein, 2017). One of the reasons for being in the spotlights is perhaps because of the high level of growth this sector has received in recent years, amounting to over 35% in 2015-16 (CBRE Group, Inc., 2016).

There have been a number of companies that are operating with slightly differentiated value propositions but within the same sphere. For instance, Prep Atlanta, in United States, offers small restaurants and food businesses the opportunity to share a single kitchen for preparation of their products. The major motivation for the businesses in this case is cost savings, which comes from the fact that first they are sharing kitchen, so they don't need to necessarily purchase/lease and own a place for themselves. Moreover, Prep Atlanta makes all the investment in ensuring compliance with the workspace safety requirements and obtaining approvals from relevant authorities (e.g. FDA, USDA, Environmental Health etc) so these small businesses don't have to make an effort or monetary investment in obtaining licenses to operate from these authorities. Flexe is another US based company that offers a platform for peer to peer rental opportunity for people who have extra capacity in their property to rent their extra capacity as short-term warehouse to businesses that are in need for such facility. The company act as a matchmaker between the two sides and has been quite successful as it has been able to expand in different regions within United States as well as Canada. Perhaps, one of the biggest companies in this sector is WeWork that operates in over 20 countries now. The company operates on-demand business model that rents office spaces by itself and offers it to the companies after transforming the workspaces according to the needs of the organization. The question here is that how WeWork is different from a traditional real estate agency or how

does it see itself in sharing economy?

According to Dave McLaughlin, GM WeWork (Eastern US & Canada), WeWork falls within the sphere of sharing economy in the sense that customers of WeWork don't have to commit themselves to purchasing office property or leasing it for a long period (e.g 5-year or 10-year lease) (BusinessTown, 2018). Instead the lease period could be very short-term and flexible (i.e. even on month to month basis). Hence the customers pay a fraction of what they used to pay for a property (BusinessTown, 2018). Thus, in this way the office property is not a resource for a company that they need to own but instead it's a service that companies can access whenever it is needed. In our opinion, one can draw an analogy of WeWork with LimeBike. Just as LimeBike offers its bikes to the customers for a short period, WeWork offers the workspace to its tenants. Or one can also see an analogy with Airbnb. A customer rents an apartment from Airbnb for few days whereas in case of WeWork a customer rents an office for months (instead of days). The only difference is that Airbnb is facilitator or matchmaker between two parties (tenant and landowner), whereas WeWork itself acts as landowner, though in actual WeWork might not own the land but has leased from someone else. A major differentiating factor of WeWork from a traditional real estate agency is that the company doesn't just provide a basic real state property but offers a complete work environment supported by a range of complementarities. So, for instance for Uber one can argue that it is just another Taxi service because there is no additional value added by Uber on the ride, but for WeWork it is hard to argue that it is another real estate agency. For instance, if a person plans to rent an office space from WeWork in Barcelona, then he will not only get the office but also all the necessary work equipment with it i.e. printers, cleaning services, internet, phone booths, common entertainment areas and even services to organize social or professional events. And this holds whether one wants to rent an office space for people or just one desk for one person. Of course, individuals that rent just a few desk spaces from WeWork will share the office building and office amenities with other companies operating in that space, which adds another dimension to the concept of sharing propagated by WeWork.

We have introduced two companies above, Flexe and WeWork. Both offers real estate solutions to the corporate customers. However, the value proposition and consequent key resources and key activities of both companies are totally in contrast with each other. Therefore, in the next section we aim to explore the business model of both companies in detail and understand if the model presented in our thesis can suggest internationalization prospects

for both companies.

### **5.2.1. WeWork: Business Model Analysis**

WeWork was established in 2010 in United States and within 8 years the company has expanded to over 23 locations in United States and 21 countries across the world (Wework, 2018). Its core activity includes offering designed shared workspaces to start-ups, entrepreneurs and even blue chip companies like Pepsi. In the below sub sections, we'll analyse the upstream and downstream activities of WeWork.

#### **Upstream Activities**

The key partners in WeWork business models include the real estate companies that support WeWork in leasing and developing a workplace in the beginning. Furthermore, WeWork also partners with various service providers that support WeWork in transforming their workplaces with a dynamic environment. For instance, for most of the office amenities, WeWork has partnered with external service providers to ensure that expectations of their customers are met (WeWork, 2018). WeWork also provides back-end support and business services to start-up companies in managing their operations that range from bookkeeping, human resource services or even different tools to support marketing & sales. WeWork accomplish this task by partnering with specialized third-party companies like Slack, Amazon web services, Go Daddy etc (WeWork, 2018). WeWork also partners with brokers and various referral partners (online & offline) that assist companies in acquiring new customers in exchange for a certain level of commission. Lastly, we believe that success of WeWork is also rooted in its partnership with different venture capitalists and investors that have supported WeWork expansion with strong financial backing, which include big names like JPMorgan, Harvard Corp etc (Konrad, 2014).

In terms of activities & resources, the key activities of WeWork include first of all providing consultancy to their clients on office space, leasing office properties and renting it back to its customers. Furthermore, designing and implementing office space is also key and differentiating activity of WeWork. The different services WeWork provide on periphery, in partnership with third party service providers, for instance cleaning services or event management etc are also part of overall activity system for WeWork. The key resources for the company includes all the office properties it possesses and operates in different locations, office equipment and IT infrastructure, as well the range of its key partners that enable WeWork to deliver its value proposition.

## **Downstream Activities**

WeWork offers a unique value proposition. As per company website, WeWork doesn't just offer a physical workspace but a dynamic environment that foster creativity, connection and collaboration (WeWork, 2018). Furthermore, the cost saving and the flexibility for companies in renting their workspace is another dimension to the value proposition of the company. The unique and inclusive value proposition has been major reason for the company's expansion in the recent years. Given the high level of work ambiance that WeWork promises in the light of its price, one can argue that the value proposition of the company appeals both to the small companies or start-ups as well as the big companies. This points to the second aspect in downstream activities of business model i.e. target segment.

The target segment of WeWork can be classified at two levels. One is the individual level that is individual freelancers who don't need a complete office but perhaps a single desk is sufficient for them to pursue their work. Second target segment is corporate customers (both start-ups and established firms) that may require accommodating multiple employees and other office amenities like conference halls, work cafes etc. WeWork has successfully managed to keep a broad target segment as it has managed to attract individual freelancers, start-ups as well as very established firms like Microsoft, Facebook, HSBC and others (WeWork, 2018).

In terms of distribution channels and Customer Relations, WeWork primarily operates through its website. The company does have an operating Sales team on ground to support some specific clients and enterprise partners like Dell, Microsoft etc, however most of the customers are managed via websites. In order to rent an office from WeWork, customers can log on to the WeWork website to browse through different locations, book an appointment to visit a site as well as schedule their monthly payments. For some specific issues, WeWork offers on ground customer support, but the rest queries and concerns of customers are handled via website or social media platforms.

The next section will focus on the business model of Flexe, which also offer the value proposition of space sharing for business purposes but in a distinctive dimension with respect to WeWork.

### **5.2.2. Flexe: Business Model Analysis**

Flexe, established in 2013 in Seattle, is a US based warehouse sharing firm (Bloomberg, 2018). In contrast to WeWork that offers workplace solutions for a broad spectrum of customers in

corporate sector, Flexe, though also offering space sharing in corporate section, differs in value proposition. It's offering is very exclusive to those companies that are in dire need of extra storage capacity for short-term basis. Furthermore, another distinctive aspect of Flexe from WeWork is that Flexe is a marketplace for companies that require additional storage space and organizations that have extra space. The company has termed itself as the 'Airbnb' of logistics, however as of March 2018 the company is present in only two countries (Flexe, 2018). The next section will analyse the business model of Flexe to understand what supports and prevents its internationalization.

### **Upstream Activities**

Flexe allows companies that have additional space to use its platform to share their additional capacity with firms that require space for storage. Furthermore, Flexe also partners with third-party service providers for instance insurance companies that provides value added services to its customers. Recently, Flexe has also partnered with Shopify, a Canadian e-commerce platform, to seek new customers from its vast merchant base (Siebrecht, 2018).

In terms of key resources and key activities of Flexe, the prime resource for the company is its platform that enables the company to connect the users on both sides. The key activities for the company also revolve around maintaining its platform so that users can have uninterrupted access to the marketplace at all time. Flexe offers its customers, not just a marketplace for warehouses, but also the opportunity to manage their inventory, track inventory, generate invoices, plan shipments and other phases of operations. Thus, updating and maintaining the cloud-based platform with all its features for its users is a major activity for the company. Moreover, Flexe takes considerable measures in screening and monitoring the warehouses, which are available on its platform, to ensure safe and high-quality environment for its clients. Finally, it's important for the company to create awareness and educate its customers on how to make best use of the platform. Thus, Flexe offers trainings to its customers, which can also be counted toward the upstream activities of Flexe's business model.

### **Downstream Activities**

In the downstream segment of the business model, as presented above the company's value proposition is offering space sharing to companies requiring additional storage space or to grow their fulfilment rate in new markets (Flexe, 2018). However, an important point to note here is that the company's value proposition is quite restricted to the companies that specifically require extra storage to overcome an unforecasted demand or to cover shipments in regions



where the customer doesn't own any of its own warehouses. So, in this way, this value proposition is more relevant to companies belonging to retail sector.

In terms of distribution channels and customer relationships, the company manages both through its online platform. A user can search additional space in the required region, book the space on the same platform as per requirement and request for any additional services that are required, for instance scheduling deliveries, pickups etc. Flexe charges the fee in this process for services provider as a matchmaker. Furthermore, specific to customer relationships, Flexe has maintained an on-ground operation contact for every customer, in order to handle all their complains and queries.

### **5.2.3. Summary and Mapping on the Internationalization Model**

Based on the information provided above for both the companies, we argue that the certain aspects of upstream activities of WeWork are more rigid to be global than that of Flexe. For instance, in terms of key resources, Flexe doesn't have to own or lease any of the warehouses it offers on its platform, instead it's a matchmaker between the companies who have extra space and the ones who need additional capacity. On the other hand, WeWork has to lease or own property before it can sublease them to its customers. One can draw an analogy between WeWork and bike sharing companies (LimeBike, Motivate etc) in the sense that just as bike sharing companies owns its bike and then rent them to the customers similarly WeWork also has to acquire a building before it can offer it to the customers. In most cases, this acquisition of property by WeWork is done through leasing instead of buying the property (Sidders & Turner, 2017). As it appears, company business strategy of leasing the property instead of actually owning allows it to keep a high level of flexibility for expansion without putting too much resource commitment (Sidders & Turner, 2017).

At the same time, there are other aspects of WeWork's upstream activities that make its business model more flexible and supportive for expansion than that of Flexe. For instance, WeWork has been able to setup a vast network of partners that can support its business model in different domains, including real estate referrals for acquiring and renting a new place, offering complementary services or workspace amenities to its clients, and even higher level of financial backing from investors. Thus, based on these arguments we score both WeWork and Flexe as 2 and 2 on the prospects of globalization for upstream activities in business model.

Digging into the downstream activities, we see a similarity in distribution channels for both the

companies in terms of distribution channels and maintenance of customer relations i.e. both companies use online platforms as means for selling their offerings and both companies mediate the customer relationships primarily through the platform but also support at some level with the on-ground team. However, we see a stark difference when we analyse the target segments and value proposition of the companies. On one hand, WeWork has broad value proposition and it targets a range of customers including individual freelancers, small firms, start-up as well as well-established firms (Sidders & Turner, 2017). However, the target segment of Flexe is very specific to manufacturing firms and in particular brands or retailers that face fluctuating demand and supply and require additional capacity on ad hoc basis. In fact, it is stated on Flexe website

“FLEXE has a \$1,500 monthly minimum charge. Please note that not all FLEXE warehouse partners are willing to accept projects of this size and we cannot guarantee acceptance or a project across our network of warehouses.” (Flexe, 2018)

Thus, Flexe offer its services to customer of specific size or in other words even within its target segment, Flexe is not able to provide services to customer of all size, unlike WeWork. Thus, in this way we believe that Wework has higher level of appeal and thus greater prospects of expansion than Flexe and hence we score Wework at 3 on downstream and we score Flexe at 2.

The below table summarizes the above provided information and the figure maps these companies on our model based on their respective points.

<b>Business Model Components</b>	<b>WeWork</b>	<b>Flexe</b>
Key Partnerships	Broad range of key partners	Limited key partnerships
Key Resources	Capital Intensive, Non-transferrable Resources	Transferrable Resources
Key Activities	Agile key activities	Agile key activities
<b>Upstream Total</b>	<b>2</b>	<b>2</b>
Customer Segment	Broad Target Segment	Narrow Target Segment
Customer Relationships	Digitally Maintained Relationships	Digitally Maintained Relationships
Distribution Channels	Mobile Distribution Channels	Mobile Distribution Channels
<b>Downstream Total</b>	<b>3</b>	<b>2</b>

*Table 5. Summary of Results*

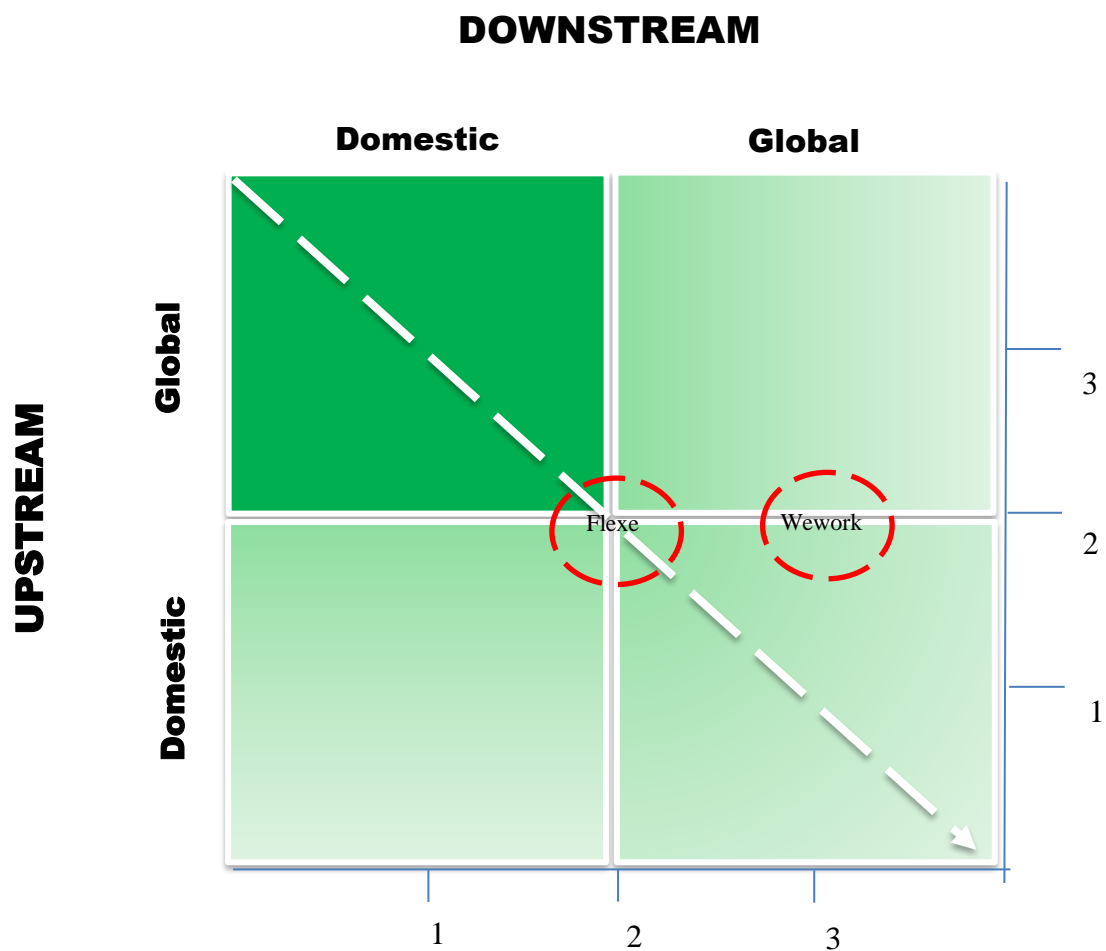


Figure 9. Mapping of WeWork and Flexe on the proposed Internationalization model.

The above mapping is also in-line with the actual internationalization of the two firms. WeWork is currently present in over 23 countries, offering it services across a wide range of metropolitans and cities. On the other hand, Flexe is currently present in United States and

Canada. As suggested in our business model analysis that there are two factors in upstream and downstream components of Flexe that preclude internationalization for Flexe. In upstream market it is the deficiency of supportive partners and in downstream it is the narrow segmentation of value proposition. If Flexe is able to overcome at least one of the two deficiencies in its business model, then our model will predict a much quicker and smoother internationalization for the company.

### **5.3. Accommodation Sharing Systems**

House sharing economy has seen considerable growth in the recent years (Euromonitor International, 2016). This new form of sharing economy has redefined consumption in the housing context which so far has implicated the exclusivity of the use and enjoyment of real property. It has become exceptionally easier for private persons to not only rent their private spaces but also to share their house or condominium with others. Hence, the real property, which has long been contemplated to be exclusive use of the owner, has begun to be considered a more unrestricted asset. There are many companies which offer house-swap or house rental online platforms, such as Couchsurfing, Airbnb and Sabbatical Homes. They mainly differ from the value they propose to the customers. Couchsurfing is a platform that connects travellers who seek for accommodation with hosts who offer a spare room or a couch to travellers. The purpose of Couchsurfing is to allow couchsurfers to “share their lives with the people they encounter, fostering cultural exchange and mutual respect” (Couchsurfing, 2018). For this reason, it is free for users as it does not require a monetary exchange among the users. Airbnb is an American platform, which has created a “trusted community marketplace for people to list, discover, and book unique accommodations around the world” (Airbnb, 2018). It is defined as a rental platform, as it generates monetary gains both for hosts and for platform operators (Palgan, Zvolska, & Mon, 2017). Sabbatical Homes is a US-based rental platform and offers the possibility of non-monetary exchange among the customers, which means that simultaneously or in at a later occasion a guest becomes a host and vice versa. Sabbatical Homes mission is to bring “academics on sabbatical leaves, research trips or exchange programs together on the web” (Sabbatical Homes: Press Page, 2016).

In this case study we are going to analyse the two American rental platforms, Airbnb and Sabbatical Homes. Despite the two sharing economy companies aim to match house owners with accommodation seekers, their level of internationalization differs substantially. Sabbatical Homes has more experience in the accommodation industry as it is eight years older than Airbnb, but it did not manage to scale up its business outside of US borders with same level of

success as Airbnb managed to expand in new markets. We believe that this difference in internationalization degree is due mainly to a difference in their business model.

### **5.3.1. Airbnb: Business Model Analysis**

Airbnb is one of the most famous lodging sharing economy company in the world. This community-based online platform is present in more than 191 countries around the globe and only few years after its launch it counts 4,5 million guests listed worldwide (Airbnb Newsroom, 2018). Thanks to its successful scaling up strategy and growth, Airbnb is expected to become the second largest player in the accommodation industry by 2020 (Euromonitor International, 2016). In the next section we will deep dive into the business model of Airbnb, a successful example of global sharing economy company.

#### **Upstream Activities**

An essential key partner for Airbnb is its community of hosts and guests. As mentioned in the literature review chapter, the considerable number and diversity of Airbnb users are precious assets for this international company and should be sustained. The number of Airbnb hosts has been increasing since the launch of the business in 2008: it now amounts to almost 5 million listings around the world. Airbnb housing offer is spread in more than 191 countries and more than 81.000 cities (Airbnb Newsroom, 2018). The vast community of hosts is explained by the high number of stays: more than 300 million guests have booked a stay on Airbnb since 2008. In order to attract millions of guests and receive more responses from them, Airbnb partners also with a network of professional photographers who are in charge of providing high quality pictures for some selected properties (Jungleworks, 2017). Furthermore, it is important for the success of Airbnb to partner with international payment processor, like PayPal, to provide the customer with a secure and globally accessible money transfer system. And lastly, the pool of investors and venture capitalists has been of crucial importance for the development and management of the platform. Airbnb has raised 4.4 billion dollars since it was launched from both small investors like Y Combinator and international investors like City Group, JP Morgan & Chase Co. and Morgan Stanley (Crunchbase: Airbnb, 2018).

Regarding the key resources and key activities concerning the company, it's vital for Airbnb to focus on product development and management. That is, it's important for the company to maintain and improve the online platform that connects the two parties: the hosts who list their properties and the guests who find their accommodation. For this reason, the company places

great importance on its human resource capital. Together with the platform, hosts and guests are the main resources for Airbnb and hence, a major share of all the company activities is devoted to marketing activities, like leveraging web search engine, and increasing and maintaining the network effect. The higher the number of hosts, the wider the choice for guests. The higher and diverse the number of hosts, the easier for Airbnb to attract more and more diverse guests on the platform (Brouthers, Geisser, & Rothlauf, 2016). One of the activities in support of the hosts is professional photography. That is, whenever a house is listed, Airbnb pays and sends a professional photographer, if available, to take pictures of the property that eventually increase the visibility of the host's listing (Jungleworks, 2017). On the other hand, Airbnb aims at increasing the number of guests and retaining the current ones with strategies like promotional codes. Last but not least, payment processors are key resources for Airbnb as they guarantee a fast, trusted and international way of payment. This is especially important considering that the value proposition of Airbnb has no geographical boundaries.

### **Downstream Activities**

Airbnb mission statement describe the value that the company promises to provide to its customer: "Airbnb uniquely leverages technology to economically empower millions of people around the world to unlock and monetize their spaces, passions and talents to become hospitality entrepreneurs. Airbnb's accommodation marketplace offers access to millions of places to stay in more than 191 countries, from apartments and villas to castles, treehouses and B&Bs." (Airbnb Newsroom, 2018). The value proposed by Airbnb is to offer a platform without any customer segment, product or geographical boundaries. In other words, Airbnb provides an online platform where villa, castle, treehouse, house, apartment owners have the possibility to share their spaces with travellers all over the world who, on the other hand, can find an affordable and the most suitable type of stay for them. Different types of location have different price range and the guests have also the option to rent an entire house or just a room. Hence, the offer is tailored to their needs and to their economical affordability. Therefore, customers can be lonely travellers, a group of friends on vacation, a single business man or even a company. In particular, Airbnb has registered not only a constant growth in the number of stays for leisure reasons, but also a sharp increase in the number of bookings for business reasons. Airbnb has a part of the website dedicated to travels for work, called "Airbnb for work", which is used by more than 250.000 companies like Domino's Pizza or Alphabet, Inc. (Google) (Jet, 2017).

In terms of customer relationships Airbnb focuses on enhancing positive network effects between its customers, both guests and hosts. Trust toward the platform is key to maintain and increase the network. For this reason, Airbnb provides and encourages guests to rate the hosts and vice versa with the purpose to manage bad behaviour and decrease risks for both the two parties involved. Furthermore, regarding the guests, the American house sharing platform offers both promotional codes and credits. For example, a current customer can invite a friend to sign up to the platform and in exchange he/she receives credits to use for the next booking. Hosts are the other part of the customers and Airbnb retain them by providing services (e.g., professional shooting for their properties). Finally, regarding the distribution channels, the company utilizes mainly online channels, like website and mobile application. The hosts as well as the guests maintain mutual contact and transactions using the digital platform.

### **5.3.2. Sabbatical Homes: Business Model Analysis**

Sabbatical Homes is a house sharing platform that connects academics who are on sabbatical leaves, research trips or exchange programmes and thus are searching or offering accommodations. So, Sabbatical Homes is strongly dedicated to academics who want to share, rent or exchange their properties with other academics. The platform was launched in the US in 2000 and has listings in over 55 countries around the world, but with 25 countries with less than 5 houses listed (Sabbatical Homes: Press Page, 2016).

#### **Upstream Activities**

As for the case of Airbnb, the network of hosts and guests is considered a key partner for Sabbatical Homes. Sabbatical Homes has on average 60.000 visitors per month from University Worldwide who seek to find an accommodation through this online platform (Sabbatical Homes: Press Page, 2016). Sabbatical Homes relies on the community of academics also for its economical sustainability. It is clearly stated all over their website that the platform relies on success-based contributions in order to sustain its low-fee, advertisement-free business and specialized website service (Sabbatical Homes: Press Page, 2016). So, it is important for the company to favour matches between the hosts and the guests. For this reason, the platform is considered a key resource for Sabbatical Homes and it's a key activity for the company to enhance the positive network effects by improving the service for its customers. In particular, the company created a blog page where it provides tips to its customers around its service. For example, it gives suggestions on how to list the properties to find a match, or how to prevent scam (Sabbatical Home: Resources, 2018).

Another key partner is the international payment processor PayPal, which guarantees secure and fast listing fee transactions. Moreover, the company allows the member to transfer the listing fee through bank payment. However, in this case the transaction is limited to 24 currencies from 190 countries (Sabbatical Homes: Pricing, 2018).

### **Downstream Activities**

The value proposed by Sabbatical Homes is narrow as it is focused on only one customer segment. Academics cannot afford two residences during an exchange programme or a sabbatical period. So, the company is born with the purpose to connect only academics who are in search of a place to stay during their sabbatical or exchange time with academics who want to rent their property. In this case both parties in the transaction, the hosts and the guests, are academics, who should prefer this platform over the others because, as the founder wrote in a press release, “there is an implicit degree of trust amongst academics” (Sabbatical Homes: Press Page, 2016). The customer segment is hence limited to one typology of customer: the academics.

Regarding the channels adopted to reach its target, Sabbatical Homes interacts with the customers through its website. The website offers the possibility to list or rent a residence. The customer relationships are also maintained digitally. Its revenue model is based on service fee for both listing and looking for a residence, and voluntary contributions. However, for academics it offers discounted prices on listing fee and the replying to offers is always free (Sabbatical Homes: Pricing, 2018). Despite its attention to the customers, the leasing agreement and transactions between the tenant and landlord are privately regulated.

### **5.3.3. Summary and Mapping on the Internationalization Model**

Based on the information provided above, we here discuss the differences in the upstream and downstream activities that determine differences in internationalization strategies outcome for Airbnb and Sabbatical Homes. Taking first into consideration the upstream activities, there is noticeable difference of partnerships between Airbnb and Sabbatical Homes. Airbnb key partnerships include investors and venture capitalists, on which the sharing economy company has been relying on since it was founded. So far it managed to raise up to 4.4 billion dollars from a mix of local and famous international investors (Crunchbase: Airbnb, 2018). Furthermore, Airbnb, relies on global payment processors like PayPal for transactions between the hosts and guests, guaranteeing fast and trusted transactions. On the other hand, Sabbatical Homes relies on contributions especially from successful customers in order to run their operations and improve their website (Sabbatical Homes: Press Page, 2016). Sabbatical



Homes, despite being the platform equipped with an international payment method like PayPal, the listing and searching fee can also be paid through bank payments but with currency choice limitation (Sabbatical Homes: Pricing, 2018). Despite considering the slight differences in upstream activities, we believe that the upstream model of Sabbatical Homes is quite as flexible as that of Airbnb, and both requires very less resource commitment while moving to a new market. Thus, we rate both a 3 on the upstream segment.

Regarding downstream activities, both the companies adopt online channels like website, mobile application or blog page to ease the communication with a geographically scattered customer base. There are also clear differences between the two companies which make Sabbatical Homes less fit for international scaling up. First of all, Sabbatical Homes has a much narrower value proposition compared to Airbnb. That is “Sabbatical Homes is dedicated to bringing academics on sabbatical leaves, research trips or exchange programs together on the web. It is a place where scholars can go to post their homes for rent/exchange/homestay or to search for what other academics have posted in the database” (Sabbatical Homes: Press Page, 2016). On the contrary, Airbnb has a broader spectrum as it proposes to connect hosts and guests with different needs, backgrounds, economic affordability and in different geographical location on its platform. This difference in value proposition is reflected in the target segment. It’s clear that the customer segment for Sabbatical Homes is very specific and narrow compared to the much broader and general one for Airbnb. Considering the broader scope of Airbnb, we assign 3 points to its downstream activities. On the contrary, we assign 2 points to Sabbatical Homes downstream design because of the too narrow value proposed which influences all its downstream design.

Below table summarizes the above given information

<b>Business Model Components</b>	<b>Airbnb</b>	<b>Sabbatical Homes</b>
Key Partnerships	Broad range of key partners	Broad key partnerships
Key Resources	Transferrable Resources	Transferrable Resources
Key Activities	Agile key activities	Agile key activities
<b>Upstream Total</b>	<b>3</b>	<b>3</b>
Customer Segment	Broad Target Segment	Narrow Target Segment
Customer Relationships	Digitally Maintained Relationships	Digitally Maintained Relationships
Distribution Channels	Mobile Distribution Channels	Mobile Distribution Channels
<b>Downstream Total</b>	<b>3</b>	<b>2</b>

*Table 6. Summary of Results*

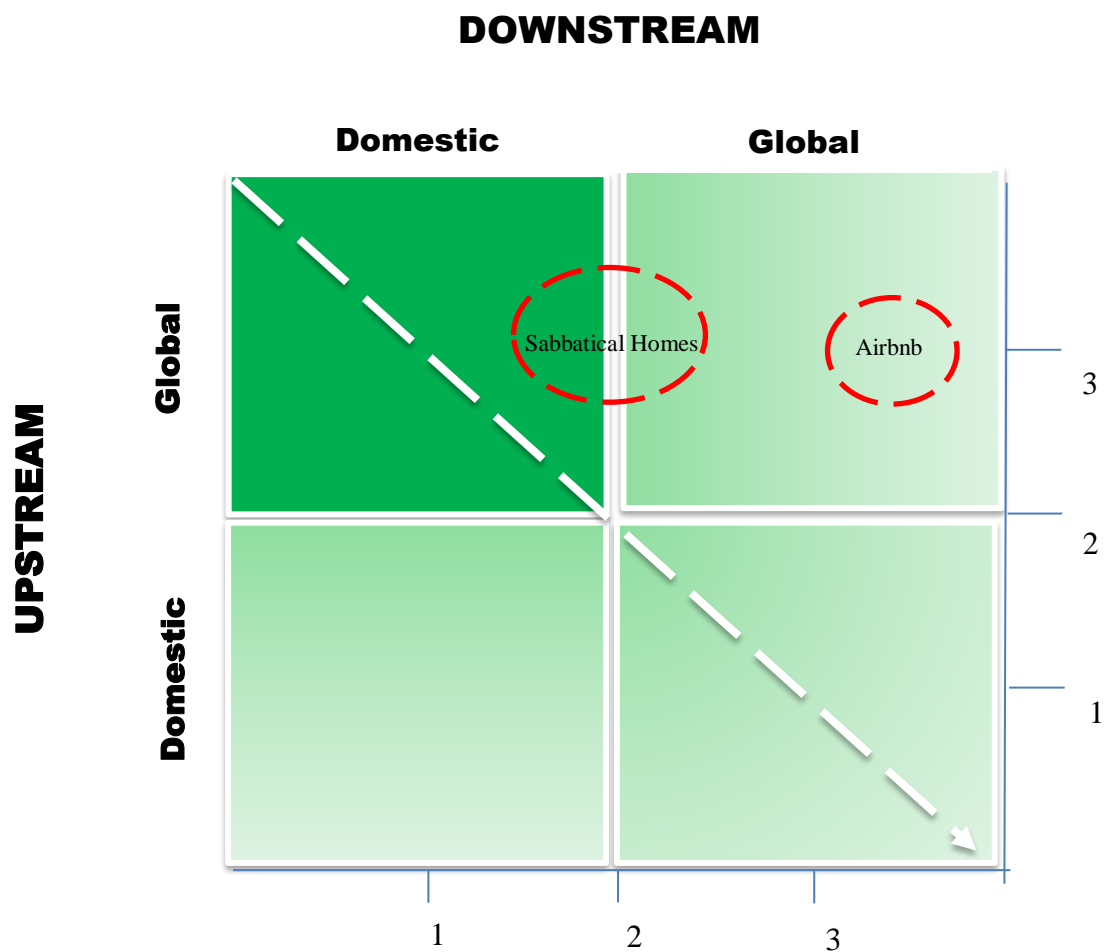


Figure 10. Mapping of Airbnb and Sabbatical Homes on the proposed Internationalization model.

The above mapping reflects the actual internationalization of the two firms. Airbnb started its activity in the US but is now present in more than 191 countries in all the 5 continents and has almost 5 million listed properties. On the contrary, although Sabbatical Homes was launched eight years before Airbnb. It is present in 55 countries, but almost half of these countries offer less than 5 residences. As proposed in our business model analysis, the factors that hold Sabbatical Homes back from being a global sharing economy firm are mainly related to the

target segment and narrow value proposition. Furthermore, the lack of global partners like big international investors also has a strong impact on Sabbatical Homes business model, making more difficult for it to internationalize than Airbnb.

## 6. Discussion of the Results

The aim of this research was to understand how business model of a company belonging to sharing economy can influence its internationalization prospects. Based on this idea, we made an attempt to propose a model that analyses each business model through its both upstream and downstream segments. We tested our model against three case studies to highlight different elements that could impact the internationalization prospects of a company.

In our first case study (i.e. Bicycling Sharing Systems) we tried to present how a difference in the range of key partners, level of resource commitment and mobility of distribution channels impact the internationalization prospects of a company. Motivate relied heavily on a small set of business partners (mostly city administrations and a key sponsor for each city), a higher resource commitment for building the docking stations and lower mobility of distribution channels as people could only pick and drop a bike from the docking station. On the other hand, LimeBike managed to attract a broader set of investors willing to support company's expansion plans. The company required lesser resource commitment as it based its business model on dockless bike sharing systems, and it had a possibility to reach a wider audience as even those customers could make use of it who didn't have access to a dock station. Thus, we can expect that:

**Proposition 1(a):** *A company that develops a wider set of key partners across different markets is more likely to have greater prospects of internationalization.*

**Proposition 1(b):** *A company that relies on a lower level of resource commitment in replicating its business model in a new market is more likely to have greater prospects of internationalization.*

**Proposition 2:** *A company that develops digitalized or mobile distribution channels is more likely to have greater prospects of internationalization.*

As evident from above, the proposition 1(a) and 1(b) relates to the upstream component of the business model whereas the proposition 2 relates to the downstream component of the business model.

The second and the third case studies exhibited how targeting a wider audience (target segment) with a comprehensive value proposition and broader set of key activities could influence the internationalization prospects of a company. By targeting a wider set of audience while providing higher level of complementarities, as part of company's key activities, WeWork has been able to surpass Flexe in reaching a bigger international market. Similarly, the ability of Airbnb to not only appeal to a wider audience compared to that of Sabbatical Homes, but also offer a much richer value proposition of accommodation combined with true local experience for tourists allowed it to get a quicker and wider international expansion than the latter. In fact, the case of Airbnb offers a perfect example to test our model as it shows that, in order for a company to internationalize successfully and swiftly, each component of the business model has to fit together perfectly to offer a solution that appeals to a wider range of audience, requires least level of resource commitment (or the key resources are transferrable or replicable without significant investment), relies on a spectrum of key partners and easily accessible through mobile distribution channels.

**Proposition 3 (a):** *A company that offers a wide and comprehensive value proposition is more likely to have greater prospects of internationalization.*

**Proposition 3 (b):** *A company that performs a wide range of key activities to capture a broad target segment is more likely to have greater prospects of internationalization.*

The above propositions 3(a) and 3(b) suggest a certain fit of upstream and downstream components of business model that would enable companies in sharing economy to experience successful internationalization. It suggests that companies need to have a comprehensive, all-inclusive value proposition. The companies need to capture a broad segment of customers in the market. In order to achieve these two objectives, the companies need to perform a wide set of key activities, as we saw in the case of WeWork.

Thus, our findings, as summarized in the three propositions, point towards a causal relationship between design of business model and the internationalization process of companies operating in the sharing economy. The following sections will further elaborate on the managerial and theoretical implications of these findings.

## **6.1. Managerial Implication**

Our research provides managerial implications for new enterprises as well existing sharing

economy companies striving to internationalize. Regarding managerial implications for the new enterprises, earlier in this paper, we have discussed how important it is for the survival of new start-up companies to achieve the critical mass, especially in the sector of sharing economy. It has been argued that it is crucial for companies within sharing economy to internationalize early and successfully in order to press the first-mover advantages as well as establish a high level of user base to unlock the network effects (Parentea, Geleilateb, & Rong, 2018). Our research provides a guide to the entrepreneurs how to design a business model that is suited for expansion at global scale. For instance, an intuitive implication of our research is that companies whose key resources are digital would find less hindrance while internationalizing, as the resources could be easily transferrable or replicable in the new market. A company with less fixed resource commitment (e.g. LimeBike) will find it easier to expand to new markets. Given these inferences, it is prudent for entrepreneurs to design their business models that are more reliant on resources that are replicable or transferrable in new markets.

In the upstream component of the business model, we found that companies (e.g. LimeBike, WeWork) that are reliant on a broader range of key partners (whether they are financial investors or operational partners) to carry out key activities find it much easier to expand to new markets. Specifically, in the case of WeWork, we found that the company relies on a range of local partners in every market to conduct its key activities, which supports its successful global expansion (Russell, 2018). Thus, it can be concluded from our research that for a successful global expansion, entrepreneurs should engage a wide range of key partners. These key partners should be preferably localized with respect to each target market.

In the downstream segment of the business model, a clear implication for the entrepreneurs is to design a business model that offers an inclusive value proposition capturing a bigger target segment, as evident from the case of WeWork or Airbnb (versus Flexe or Sabbatical Homes respectively). Based on our research, we believe that companies that offer a narrow value proposition would find it harder to postulate a target audience significant enough to pursue an investment in a new market. If a company moves into a new market with a narrow value proposition (like in the case of Sabbatical Homes), it would not be able to capture a meaningful market share. Furthermore, the flexibility of distribution channels plays an important role in appealing to a wide range of audience as highlighted by the case of LimeBike (versus Motivate). By using technology and innovation, the companies can reach out to the wider

audience without investing heavily in distribution or sales channels. This can further enhance a company's internationalization prospects, as proved by past research (Madsen & Servais, 1997) (Sinkovics, Sinkovics, & Jean, 2013). For instance, a leading fashion retail start-up in sharing economy named Chic by Choice that allows women to rent designer dresses has been successfully operating in 15 European countries. The company offers a quite simple mechanism to rent or return the dress. A person, who wants to rent a dress, just has to visit the website online and order the dress and it will be delivered to the doorstep. Similarly, the company ensures that the dress is picked up from the customer's doorstep thus avoiding any additional hassle for customer. We believe that, despite the other factors involved, the ease and flexibility of distribution channels certainly allows the company to appeal to a wider set of audience thus enhancing its successful internationalization. Based on our research, we recommend the managers to design the business models with distribution channels that are less reliant on fixed or immovable resources and are digitally transferable to international markets.

The above given managerial implications were particularly presented for the entrepreneurs that aim to establish new businesses and are in the initial phase of designing their business models. However, we believe that the same recommendations would apply for the established firms. Firms that aim to internationalize can pivot their business models according to the above discussed propositions, and this would increase their likelihood of swift and successful internationalization.

## **6.2. Theoretical Implications**

The model presented in our research suggests that flexibility within each business model component is crucial for a company for successful international expansion. It is important to highlight here that the traditional theories of international strategy are limited in their analysis and prediction of internationalization process of firms belonging to sharing economy sector. The model presented in this paper is perhaps a first attempt to understand the internationalization prospects of firms pertaining to the sharing economy.

Referring back to the traditional theoretical frameworks in the field of internationalization, there has been discrepancies in the traditional internationalization theories' and the internationalization of the sharing economy firms. For instance, it has been argued that the Dunning's OLI model doesn't exactly apply to the sharing economy platforms (Parentea, Geleilateb, & Rong, 2018). Sharing economy firms are mostly built around intangible assets (i.e. digital platform, IP, superior technology etc), as the companies relies on the sharing of the

goods among the users. Thus, the ownership advantages of the sharing economy firms lie in unlocking the value of the underutilized resources for its users. However, these ownership advantages are not rare or difficult to imitate and thus don't qualify as a source of competitive advantage for the companies (Parentea, Geleilateb, & Rong, 2018). Similarly, Parentea Geleilateb, & Rong (2018) have argued that the L dimension of OLI model is limited in explaining sharing economy firms' expansion in the international market. Sharing economy platforms have expanded even in those countries where technology infrastructure is low, or regulations are strict, but the market is attractive (Parentea, Geleilateb, & Rong, 2018). Furthermore, firms in sharing economy don't depend on "tangible internalized assets" in foreign markets to create or capture value (Parentea, Geleilateb & Rong, 2018, p. 57). Thus, it is not essential for the firms to internalize the foreign activities to reduce transaction costs in the pursuit of I advantages.

Further, the existing literature stresses the role of resource commitment as instrumental in understanding the internationalization prospects of a company. For instance, the Uppsala model of internationalization suggests that high level of resource commitment could be a resistance to internationalization. Applying this model to the case studies we discussed in this paper, we did see the consistency of this idea to a certain extent. For instance, in case of Motivate versus LimeBike (Bicycle sharing systems), one can argue that the high resource commitment required to build the bike stations (docks) was a resistance for Motivate to expand to new markets. On the other hand, the case of WeWork presents a contrary case as the resource commitment required by WeWork to expand to new markets is much higher than that of Flexe, however still WeWork is far more global as a company than Flexe is. Similarly, Uppsala Model suggests that companies would expand to the market which are closer to home market (both geographically and culturally). However, in case of LimeBike, the company instead of expanding to its neighbouring countries decided to expand to Europe. This is something that is not explained by the traditional theories in the field of strategy or internationalization, whether its Uppsala Model or Resource Based View. Consequently, we find these models quite limited in their scope especially in the case of the companies we have discussed in this paper. This is consistent with literature as well, as number of authors have found the traditional models of internationalization "deterministic and of limited value" (Madsen & Servais, 1997, p. 562) (Reid, 1983) (Turnbull, 1987). Previous scholars in the field have found convincing evidence to support the claim that the traditional theories are limited in their scope to explain the internationalization of the companies that do not follow a traditional stepwise path to

internationalization (Madsen & Servais, 1997). In our model, we found an alternative explanation to understand the process of internationalization. As it has been exhibited in our case studies, it is not only about resource commitment, or cultural or geographical distance. In order to expand in the international market, the firm needs to develop a certain level of network of key partnerships. As we have seen in the case of Flexe or Sabbatical Homes, even when resource commitment is not very high, international expansion could be challenging. The companies need to take a wider stance i.e. looking at the complete fit of business model if they wish to expand internationally. So, for instance in case of Flexe or Sabbatical Homes, the internationalization process was challenging because both the firms were unsuccessful in leveraging their key resources and key activities to reach out to a wider set of customer segment. These companies were unable to develop a network of key partners that could support their expansion in the new market as well as they were unable to maintain customer relations while pursuing their internationalization strategy. We believe that these are the details that the traditional internationalization theories were unable to explain, and our presented model brings a new perspective on understanding internationalization of sharing economy firms.

### **6.3. Limitations & Conclusion**

As described earlier, the aim of this research was to understand internationalization process of a firm in sharing economy through their business model. Although we have been able to extract interesting insights through this research, however it is still premature to generalize the model presented in this thesis to every company. The model is still limited in its application as it doesn't fully incorporate many other factors that could influence the internationalization prospects of a company, and thus these limitations open up agenda for future research. For instance, it is likely that the origin of a firm could also impact the internationalization process of a company. It is possible that firms within European Union could find it easier to expand to the neighbouring countries, due to geographically proximity as well as liberal trade laws. This would perhaps not hold true for the companies originating from United States or Asia Pacific. In our analysis, in order to keep *ceteris paribus*, we took the case studies of all the companies that were originating from United States. So, we believe that at least for the case studies presented in this paper, the country origin will not cause discrepancy in the results. However, it would be interesting to see, in the future studies, that whether the model presented in our paper holds true for the companies of other regions (e.g. Europe or Asia).

Furthermore, there are other factors that impact the internationalization prospect of firms. For



instance, internationalization of a firm could also be stimulated by the individual traits of the founder or the top management's ambitions (Simmonds & Smith, 1968) (Kunday & Şengüler, 2015). In this research we have tried to see how business models could explain the internationalization of a firm. However, it is possible that these factors such as firm specific strategy, top management ambitions or individual capabilities of the entrepreneur could also impact to certain extent the internationalization of the companies discussed in this research. These individual specific biases are hard to control in such case-based studies. Nonetheless, in order to remove such biases, perhaps the future researchers can study internationalization prospects of companies following different business models but founded or governed by single serial entrepreneur.

Another factor that could influence the internationalization prospects of a company is the financial capital of the company. The start-ups within sharing economy are mostly reliant on the external funding for their expansion or even survival. Thus, the prospects for internationalization is not only dependent on the choice of the business model or decision of the top management but also it is dependent upon the outlook of other stakeholders or investors. In this research, we tried to minimize the impact of the level of financial investment on internationalization prospects of a company by focusing on those specific sectors that are among the top financed sectors in sharing economy. Due to limitation on information available on company specific data, in our case studies, we couldn't differentiate between firms that received higher investment. However, future studies can further refine this by focusing on companies that hold a similar level of financial capital so the impact of business model on internationalization can truly be studied in isolation.

Lastly, despite the limitations, we believe this research is an interesting development in the field of internationalization, business models and sharing economy. It has been perhaps a first attempt to understand how business models could influence the internationalization of a sharing economy firm. The research was strengthened by the fact that we studied firms of different sizes and from different sectors to analyse the model we presented in this paper. The model was analysed against some of the biggest brands in sharing economy for instance Airbnb or WeWork as well as some of the very recently established firms like LimeBike. Based on the above discussion we believe that this research is a first step toward developing concrete internationalization theory in the sector of sharing economy. Future studies, backed by much deeper and richer empirical data, can further build on our research and develop concrete

internationalization models in the field of sharing economy, a sector that is likely to dominate the next decade.

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