Failure in the Sharing Economy

An investigation of Danish Sharing Economy Platforms

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ABSTRACT

With the consumption patterns of people all over the world changing in light of environmental pollution, hyperconsumption and the 2008 economic crisis, the Sharing Economy is growing in popularity. While most of the best known sharing platforms have emerged from the USA the Sharing Economy has also entered Denmark in recent years. New platforms are being founded and many entrepreneurs look towards the most successful platforms for inspiration when launching their own platform. However, successful Sharing Economy platforms are the exception, and orienting oneself on these exceptions will not necessarily provide a path towards success. Instead entrepreneurs might learn from the failures of past companies to see what mistakes should be avoided. As knowledge can be gained from failed companies, the aim of this thesis is to **identify causes of failure** in the Danish Sharing Economy. In order to do so ten entrepreneurs and one expert were interviewed in semi-structured in-depth interviews. The findings of the interviews were contrasted with theories concerning strategy development, **multisided platform** design, the management of **network effects**, the creation of **trust** in the Sharing Economy and the establishment of **lock-in effects**. Through this process ten potential causes of failure were identified. These are a lack of readiness of the Danish society, no niche focus of the platforms, no market research prior to platform launch, too high technology costs, too high involvement of the company on the platform, too little marketing, an inability to address the “Chicken-or-Egg” problem, too little trust creation, too few lock-in measures and an inability to secure investment. Considering these causes of failure entrepreneurs launching a new Sharing Economy platform in Denmark should familiarize themselves with methods on how to overcome these obstacles and prevent the same mistakes in order to avoid failure.

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Helena & Freya

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1.0 INTRODUCTION

> *It is my ambition that the Sharing Economy should be a driving force for growth and innovation. Therefore, we will promote the Sharing Economy and support new business concepts.* Brian Mikkelsen, Minister for Business and Growth (Ritzau, 2017)

This ambition of the Danish Minister of Economic and Business Affairs, Brian Mikkelsen, underlines the shift and change of many people's consumption patterns from a motivation to own material goods to being content with renting them for a limited period of time and it highlights the importance this innovative concept has for the Danish economy. The ability of and interest in getting access to products and services for a limited time is growing not only in Denmark (Botsman & Rogers, 2011; Eckhardt & Bardhi, 2012). These changes in consumption patterns and the financial crisis of 2008 gave rise to a new phenomenon, that Mikkelsen and many others call the Sharing Economy. While there is no official definition of the Sharing Economy yet, it is defined by Botsman & Rogers (2014, p. 24) as "a system that activates the untapped value of all kinds of assets through models and marketplaces that enable greater efficiency and access".

Sharing itself is not a new or innovative practice, it is is an important cornerstone of children's socialisation and well established throughout history (Belk, 2014). It plays an important role in knowledge enhancement and distribution, as with the online encyclopedia Wikipedia, or in economic business practice, as in the rental of ski equipment or other seasonal sporting goods. Even the first example of car sharing dates back as far as 1948 (Codagnone & Martens, 2016; Shaheen, Sperling, & Wagner, 1999). The innovative part of today's sharing is that online platforms facilitate exchanges of items and services amongst complete strangers (Schor & Fitzmaurice, 2009, p. 410). Since the people who are sharing do not know each other, their transactions with each other entail higher levels of risk, and many of today's exchanges are quite intimate, such as sharing a stranger's home or car, going into a stranger's property to clean, or eating food prepared by strangers. The importance of reducing this risk is central to the platforms. This can be done by creating trust between users through different measures, for example by providing information on users through reviews and ratings. Such trust factors as well as being transparent helps in minimising the perceived risk inherent in sharing between strangers (Schor, 2014).

Both the popularity and the demand of the Sharing Economy is growing (Kumar, Lahiri, & Dogan, 2017). A recent study by Danmarks Statistik for Erhvervsstyrelsen (Erhvervsministeriet, 2017c) showed that the number of Danish consumers participating in the Sharing Economy is increasing. In 2015 nine percent of Danes had engaged in the Sharing Economy, a considerable increase from the previous year, with only three percent (Erhvervsministeriet, 2017a), however this increased number was still relatively small compared to overall European usage, where a 2016 report from Eurobarometer (TNS Political & Social, 2016) showed approximately 17 percent of the European population engaging in Sharing Economy, with Irish (35%) and French (36%) citizens being the most engaged. By 2017 every fifth Dane had engaged in Sharing Economy platforms (Erhvervsministeriet, 2017a). Furthermore, estimates from Erhvervsministeriet (2017a) show that there are approximately 140 digital platforms with an intermediary role existing in Denmark, and about half of these are of Danish origin. With the total consumption of Sharing Economy platforms in Denmark by 2015 being calculated at 425-625 million Danish Kroner (hereafter: Kroner) an estimation that is likely to have grown even further in the last two years.

The American Sharing Economy giant Airbnb has flourished in Denmark and is now providing several thousand rooms, houses and apartments available for rent in Denmark, and is also commonly used by Danes when going on vacation abroad. Danish, "homegrown" examples of successful Sharing Economy companies are the ride sharing platform GoMore, which operates in five countries and has 1.8 million members of which approximately 645,000 are in Denmark (Erhvervsministeriet, 2017d). However, even while being considered a succeeding Sharing Economy platform, GoMore is still not creating a profit and is running on a deficit of 11,1 million kroner before tax, as shown by an estimation from 2016 (Berlingske Business, 2017). This is one example of many, as estimations on 38 Danish Sharing Economy platforms showed 29 having a deficit (Berlingske Business, 2017). Another example of a well known Danish sharing platform is the food sharing app Too Good To Go, in which restaurants can sell leftover food for reduced prices. According to the company the app has been downloaded by 3 million people since its launch in 2016 (Too Good To Go, 2018), but according to financial reports, Too Good To Go is having a deficit, just as GoMore and other Danish Sharing Economy platforms (Proff, 2018).

Many Sharing Economy platforms experience similar challenges to traditional companies, such as attracting investors, funding, developing and maintaining products or services, as well as competition and regulatory issues. Furthermore, an added layer of complexity to the Sharing Economy companies seems to create further challenges particular to platforms, especially the so-called Chicken-or-Egg problem arising from the network effect. Literature, optimism and popular press mainly focused on the growth of the Sharing Economy, even though, the market is more complex and many of these companies are running on a deficit. However, without identifying the problems relevant to the entrepreneurs, sustainable profitability might not be achieved (Kumar et al., 2017).

With the popularity of the Sharing Economy many new platforms are emerging, which are inspired by the current Sharing Economy giants Airbnb and Uber. However, by imitating the actions of these successful examples, many entrepreneurs set themselves up for failure. Airbnb and Uber are the exception among many floundering platforms and much more can be learned by examining the actions of those sharing platforms that have failed. Since an examination of their actions can provide clear insight into what mistakes should be avoided. Thus this thesis aims at identifying common causes of failure and by this highlighting possible struggles for new platforms. In order to identify what caused past Sharing Economy platforms in Denmark to fail, seven companies were examined and a total of ten entrepreneurs were interviewed, as well as an expert on the Sharing Economy in Denmark.

1.1 Research Question

The objective of this thesis is to understand what strategies and behaviours force Sharing Economy companies to stop operating, as such the thesis asks the following research question:

What are underlying causes of failure for Danish companies within the Sharing Economy?

In order to fully answer this research question, the thesis is divided into five theoretical segments each of which are widely recognised aspect that are critical in achieving success in the Sharing Economy: environmental factors, multisided platforms, network effect, trust and lock-in effect. For each of these aspects the actions of failed companies in Denmark will be contrasted with the existing knowledge and as a result the causes of failure will be explored and discussed.

1.2. Purpose and Delimitations

The purpose of this thesis is to identify causes of failure within the Danish Sharing Economy, this can highlight a future path for new sharing platforms in showing what type of struggles can be expected and what mistakes should be avoided. As this thesis aims to find specific reasons of failure within the Danish Sharing Economy only those companies that have officially registered in Denmark's "Central Business Register" with a so called CVR number were observed. Different company types such as IVS and AS were equally considered. Furthermore, as this thesis partly considers the profitability of the businesses, no volunteering platforms were considered. And as the aim of the thesis is to identify causes of failure only "failed" companies were investigated, a company was considered failed if it is no longer operational and the companies website was no longer online. The investigation focused solely on the experience of entrepreneurs within the Sharing Company, and no investigation into the perception of consumers was made. Within this paper several non-Danish companies will be used as examples, since they represent some of the best known companies within the Sharing Economy, and to a certain extent are considered universally known.

1.3 Structure of the thesis

The thesis is structured as shown underneath in Figure 1. The first chapter introduces the research question, purpose and delimitations. Chapter two presents the literature surrounding Sharing Economy and its emergence as a phenomenon, as well as giving insight into the limited literature specific to failure within the Sharing Economy, and presenting the theoretical underpinning of the thesis. The third chapter presents the methodology of the thesis, including the research philosophy, approach and design, as well as the used methods of data collection. Chapter four presents the key findings from the conducted interviews, themed by the theoretical framework. The fifth chapter is a discussion on the findings in connection to the theories and aims to identify the causes of failure. The sixth chapter introduce the conclusion of the thesis, followed by the seventh and final chapter on potential further investigations.

Figure 1 Structure of the thesis

2.0 THEORETICAL FRAMEWORK

Before the research question of the thesis can be answered a review of existing literature and theories is undertaken to identify possible explanations for causes of failure present in existing research. The theoretical framework outlines the theories and thoughts underlying this thesis, as shown in Figure 2 below. Firstly, a literature review of the Sharing Economy is introduced. Secondly, environmental factors that might influence the failure of a company are shown. Thirdly, strategic decisions for Sharing Economy companies are outlined, including generic strategies, the nature of the platform, the importance of the network effect and the pricing structure of the platform. Fourthly, the literature around trust in the Sharing Economy is reviewed and lastly potential lock-in measures are explained.

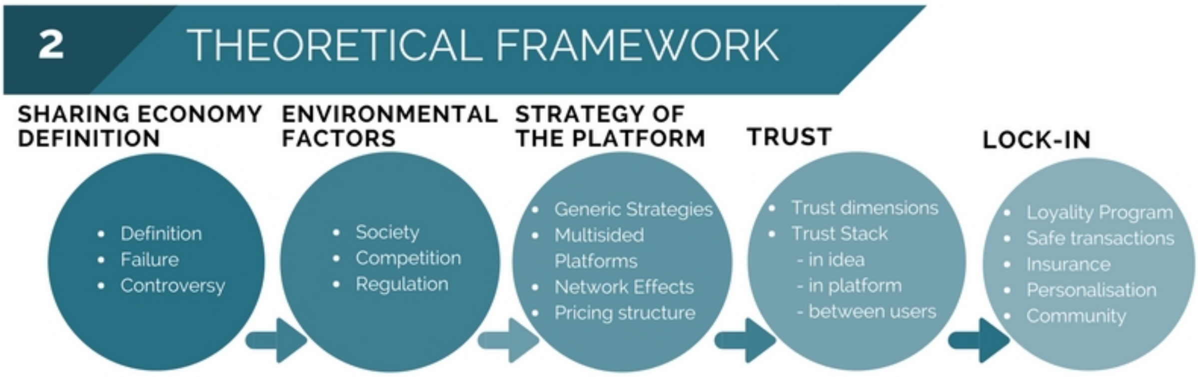

Figure 2 Structure of the theoretical framework

2.1 Literature Review

As a start to the theoretical framework literature around the Sharing Economy is demonstrated. Firstly, definitions of the Sharing Economy by Belk, Botsman, Bardhi & Eckhardt and Schor are described followed by a suitable definition for this particular thesis. Secondly, the literature focusing specifically on failure within the Sharing Economy is presented. And lastly literature around the current worker rights controversy in the Sharing Economy is reviewed.

2.1.1 Definition of the Sharing Economy

In the last few years the public interest in the Sharing Economy has grown continuously. The names of the biggest "sharing" sites are known worldwide and, in some cases, have changed their traditional industries (Cheng, 2016). Due to its disruptive nature, there is neither an official name nor an official definition for the Sharing Economy (Geissinger & Möhlmann, 2018). Some refer to it as "collaborative consumption" (Botsman, 2013; Botsman & Rogers, 2011), "connected consumption" (Dubois, Schor, & Carfagna, 2014; Schor, 2014; Schor & Fitzmaurice, 2015) "access-based consumption" (Belk, 2014; Eckhardt & Bardhi, 2012), "the mesh" (Codagnone & Martens, 2016, p. 6; Gansky, 2010) and also the "peer economy" (Belk, 2014, p. 1505; Botsman, 2013). In this paper we will use the term Sharing Economy as it is the most widely used by the public and the media and it is used as an umbrella term encompassing all the above mentioned names (Hawlitschek, Teubner, & Weinhardt, 2016).

Calling behaviour in the Sharing Economy "collaborative consumption" Belk (2007, p. 126) focuses on the cultural nature of sharing itself, highlighting that sharing is a special type of distribution among people, different from marketplace exchanges and gift giving. He also suggests that sharing involves "the act and process of distributing what is ours to others for their use and/or the act and process of receiving or taking something from others for our use." Belk defines collaborative consumption as "people coordinating the acquisition and distribution of a resource for a fee or other compensation". By including other compensation, the definition also encompasses bartering, trading, and swapping, which involve giving and receiving non-monetary compensation." (Belk, 2014, p. 1597). Belk does not use the term Sharing Economy, as he sees many platforms actually being short-term rental sites that operate as "pseudo-sharing". Furthermore, he identifies two common factors among what he calls collaborative consumption, firstly a model of non-ownership and utilisation of consumer goods and services and secondly a use of the Web 2.0 to facilitate the exchanges (Belk, 2014, p. 1595-1597). Belk identifies one of the main reasons for people to engage in sharing as the creation of positive feelings for the participants, such as solidarity and bonding (Belk, 2010, p. 717), as well as a feeling of unity (Belk, 2010, p. 729). While sharing itself is not new, he highlights that with the Web 2.0 there are now two types of sharing, "sharing in" the traditional sharing among known people as an expression of community, and "sharing out" between strangers facilitated by the Internet (Belk, 2010, p. 730).

One of the earliest books on the Sharing Economy was released in 2010 by Rachel Botsman and Roo Rogers. Using the term "collaborative consumption" they define it as "traditional sharing, bartering, lending, trading, renting, gifting and swapping, redefined through technology and peer communities" (Botsman & Rogers, 2011). As a clearer definition it was defined as "a system that activates the untapped value of all kinds of assets through models and marketplaces that enable greater efficiency and access" (Botsman, 2014, p. 24). According to Botsman & Rogers (2011) all types of collaborative consumption share four underlying principles: critical mass, idling capacity, belief in the commons and trust between strangers. Critical mass refers to "the existence of enough momentum in a system to make it become self-sustaining" (Botsman & Rogers, 2011). There are two reasons why critical mass is vital for the Sharing Economy. Firstly, only through a large amount of offers will the need for choice by the users be fulfilled. Secondly, through a critical mass of users the "social proof" of the concept will be delivered. This can allow others to "cross the psychological barrier" around a new behaviour (Botsman & Rogers, 2011). Idling capacity refers to the unused potential of things that people own, but use infrequently. The core idea of the Sharing Economy is to redistribute this idling capacity elsewhere. Idling capacity can be not just physical products, but also more broad things such as a garden not being used, or even less tangible things such as time and skills (Botsman & Rogers, 2010, 2011). The third underlying principle is the belief in the commons, which refers to certain resources belonging to everybody, and a "significant culture of online socializing that encourages us to share" (Botsman & Rogers, 2011). The last principle of the Sharing Economy, is trust between strangers. Because the collaboration takes place between individuals, there is a need for trust, which can be created and managed "when personal relationships and social capital return to the centre of the exchanges" (Botsman & Rogers, 2011). While the Sharing Economy is mostly discussed "in relation to P2P marketplaces" Botsman (2013) recognises that B2C models can equally seize the opportunities presented by it.

Calling the Sharing Economy "accessed-based consumption" Bardhi and Eckhardt highlight that a shift in consumer behaviour has led to ownership no longer being "the ultimate expression of consumer desire" (Eckhardt & Bardhi, 2012, p. 881), instead consumers are willing to pay to be able to use or access goods temporarily. Bardhi and Eckhardt define access-based consumption as "transactions that may be market mediated in which no transfer of ownership takes place" (Eckhardt & Bardhi, 2012, p. 881). In this definition the key aspect of the Sharing Economy is that ownership of shared goods is not given over. As such trading platforms on which items are exchanged do not fall within the definition of accessed based consumption. For Bardhi and Eckhardt there is a clear difference between accessed-based consumption and sharing, which according to them, does not generate any debts between people sharing, and often has altruistic or prosocial motives (Eckhardt & Bardhi, 2012, p. 882). Overall Bardhi and Eckhardt assert that in the cases of market-mediated sharing, through technological websites the name of "sharing" is not accurate, since consumers are interested in economic exchange, thus "the Sharing Economy isn't really a "sharing" economy at all; it's an access economy" (Eckhardt & Bardhi, 2015).

When defining the Sharing Economy, Schor highlights the difficulty of a definition, as the term covers so many different types of digital platforms and even offline activities. She suggests a very pragmatic approach to these definition difficulties, simply that platforms themselves can self-define as being part of the Sharing Economy (Schor, 2014). However, one constraint placed on the definition is that platforms should be Peer-to-Peer platforms in order to be considered as a part of the Sharing Economy (Schor, 2017). For Schor the main characteristic of Sharing Economy platforms is that they give people the ability to save or make money, provide new types of consumer experiences, increase a sense of community and improve the environment (Schor & Fitzmaurice, 2015, p. 411). Nevertheless, it is noteworthy that while many see sharing as a new and innovative activity it is not truly the case. In many poor communities sharing has long been a necessity and Schor points out that treating it as a brand-new phenomenon is inherently classist and racist (Schor, 2014). Schor and Fitzmaurice (2015) identify five categories within the Sharing Economy, sites that enable the usage of durable assets, through rental or free sharing, sites that exchange labour of services, crowdfunding sites, sites that enable recirculation of goods, through selling of gifting, and hybrid sites that combine labour and products, such as handcrafts.

It is widely recognised that while the Sharing Economy is a recent phenomenon, sharing itself is nothing new, not only in poor communities has sharing been practised for centuries. In more modern times, examples of sharing are laundromats or ski equipment that can be rented, and the first example of car sharing actually dates back to 1948 in Switzerland (Codagnone & Martens, 2016, p. 4; Shaheen et al., 1999). Belk gives an example of knowledge sharing in the form of scientist in the seventeenth century, who profited from rapid and free sharing of information and could thus develop much faster (Belk, 2007, p. 129). The early internet also has a lot of examples of altruistic sharing, such as information shared on internet bulletin boards, blogs and vlogs. Websites like Wikipedia are now well known and a common example for peer to peer information sharing (Belk, 2007, p. 129). What is innovative about today's sharing is that it is a market form in which strangers exchange goods and services (Schor & Fitzmaurice, 2015, p. 410).

As presented above a variety of definitions and names exist for the phenomenon of the Sharing Economy, in order to define companies belonging in the Sharing Economy this paper leans on Geissiger & Möhlmann (2018) to define a Sharing Economy company as:

Exchange platforms for goods and services that connect idle resources with demand or offer access-over-ownership by enabling renting, lending, reselling or swapping.

Furthermore in this thesis the terms "user", "consumer" and "provider" will be used to describe the participants on Sharing Economy platforms. The "users" being any person participating on the platform, "consumers" being members on the side of the platform that demand the idle resources of others or are taking temporary ownership, and "providers" being the members of the side of the platform that offer their idle resources and their goods for access to others. Of course a consumer on a certain sharing platform can also be a provider, and vice versa.

2.1.2 Failure in the Sharing Economy

As the Sharing Economy is a relatively recent phenomenon there is not much literature on the causes of failure in the Sharing Economy. Most researchers either focus on definitions and explanations around the development of the Sharing Economy (Botsman and Rogers, 2011; Belk, 2014; Laamanen, Wahlen, & Campana, 2015; Martin, Upham, & Budd, 2015), the trust needed for the Sharing Economy, (Möhlmann, 2016; Botsman, 2017; Mazzella & Sundararajan, 2016) questions of sustainability (Cohen & Kietzmann, 2014; Daunorienė, Drakšaitė, Snieška, & Valodkienė, 2015; Martin, 2016; Verboven & Vanherck, 2016), and workers rights (Healy, Nicholson, & Pekarek, 2017; Todoli-Signes, 2017; Minter, 2017; Ravenelle, 2017). While the managerial and online literature focuses on presenting success stories from the Sharing Economy, such as Alex Stephany's book "The Business of Sharing: Making it in the New Sharing Economy" that relies on interviews with the founders of some of the best known sharing platforms (Stephany, 2016).

In the academic research few articles about failure in the Sharing Economy exist. Täuschler and Kietzman (2017) present eight causes of failure within the Sharing Economy through interviewing 21 managers and investors, and understanding failures by analysing the business models of 73 companies that had passed the initial start-up phase. Täuschler & Kietzman (2017) highlight that apart from the eight causes of failure specific to the Sharing Economy, companies initially face very similar challenges to non-sharing start-ups. Such as technological challenges, a lack of product-market fit, and the inability to secure investment. The causes of failure they believe to be specific to the Sharing Economy are "low customer lock-in, low control over service quality, high competition for idle resources, low transaction frequency, high cost of developing both market sides and unexpected changes in the legal environment" (Täuscher & Kietzmann, 2017).

2.1.3 Controversial aspects of the Sharing Economy

One major point of controversy and debate in the Sharing Economy is the classification of workers on Sharing platforms (Healy et al., 2017, p. 234). Most Sharing Economy companies classify the service providers on their platforms as "self-employed", "independent contractors" or "freelancers" rather than workers for the company (Healy et al., 2017, p. 233; Todoli-Signes, 2017). Currently the first court case on employment status in the Sharing Economy is being heard by the Supreme Court in the UK, following other cases ruled in lower courts both in the UK and US (BBC, 2018; Bowcott, 2018; Healy et al., 2017, p. 235; Pitas, 2018; Temperton, 2018). The debate and court cases have wide reaching impact, since the rights of self-employed contractors and those of employees vary greatly. While employees are typically entitled to unemployment benefits, vacation, retirement, paid overtime and the right to form unions, contractors do not have the same rights (Healy et al., 2017; Minter, 2017; Ravenelle, 2017).

Even though workers are not classified as employees they are still being often controlled by the Sharing Platforms to a degree that resembles a traditional employer. Frequently payment rates are determined by the platform, changes in design and algorithms need to be accepted and non-compliance with regulations can lead to fines and de-activation (Hullinger, 2016; Minter, 2017; Ravenelle, 2017, p. 288). Minter (2017, p. 439) suggests that a new classification of workers is needed in the Sharing Economy as the existing binary "does not capture the complexities faced by dependent workers in the gig economy".

2.2 Theoretical Background

Sharing Economy companies are usually digital platforms that act as intermediaries between providers and consumers when exchanging information, goods and services (Parker, Van Alstyne, & Choudary, 2016). Several different aspects were crucial in order to investigate what behaviour of Sharing Economy companies lead to failure. Environmental factors, strategic decision, the importance of trust and the lock-in effect are explained.

2.2.1 Environmental Factors

When investigating the failure of Sharing Economy companies in Denmark it is relevant to consider environmental factors, that might be outside of the company's control. These might influence the failure of the sharing platforms. The environmental factors considered in this thesis are the Danish society, competition between platforms and regulation around the Sharing Economy.

2.2.1.1 Society

Much work has been done to identify what factors enabled the rise of the Sharing Economy. The rapid growth of Sharing Economy in recent years is strongly related to social- economic conditions (Gansky, 2010), reduction of ecological impacts (Schor & Fitzmaurice, 2015), technology advancement and people's changing attitudes towards ownership (Botsman & Rogers, 2011). Four distinct drivers have been identified as being responsible for the rise of Sharing Economy, a sociological, an economic, a technological and a trust driver, each one will be explored shortly below.

A social shift in the US and other western countries is seen as one of the drivers for the Sharing Economy, firstly re-urbanisation leading to crowded cities, with people living in small apartments and within close proximity of others, causing people to seek alternatives to ownership (Eckhardt & Bardhi, 2012, p. 884). Secondly globalisation has led to "an increasingly liquid world" (Bardhi, Eckhardt, & Arnould, 2012, p. 512), where attachment to things is a problem, and immaterial things are valued more (Bardhi et al., 2012, p. 512). Not owning things and still being able to use them through sharing with others enables more flexible and adaptable lifestyles (Eckhardt & Bardhi, 2012, p. 883). Thirdly as natural resources are dwindling people were becoming more and more aware of the impact hyper consumption is having on the environment (Botsman & Rogers, 2011; Cheng, 2016; Hamari, Sjöklint, & Ukkonen, 2015). For some participants in the Sharing Economy it is seen as an alternative to capitalism and the business-as-usual economy (Schor, 2014, p. 6).

Generally, the global economic crisis of 2008 is seen by most as one of the main drivers of the Sharing Economy. As consumers had less spending power they needed to rethink their spending behaviour and their own relationships towards ownership (Eckhardt & Bardhi, 2012, p. 883). Renting or sharing ones' property became more and more economically attractive as people were looking for ways to increase their income (Schor, 2014).

The main technological driver of the Sharing Economy is the Internet, more specifically the Web 2.0 (Belk, 2014; Eckhardt & Bardhi, 2012). One of the earliest examples of a globally known sharing site was Napster, a P2P (peer-to-peer) file sharing site (Belk, 2014, p. 1506), where users were sharing files that they might not have the permission to share, in contrast YouTube, Flickr and Facebook where growing in the Web 2.0 with people freely sharing content and information they had created themselves (Belk, 2010, p. 715; Eckhardt & Bardhi, 2012, p. 883). Additionally, digital technologies reduced transaction costs and sped up transactions, allowing for a safer interaction on sharing platforms (Schor & Fitzmaurice, 2009, p. 411). Finally, mobile devices have become so ubiquitous that accessing cars, bikes or other things through smartphones has become an easy and convenient solution (Möhlmann, 2015; Stephany, 2015; Puschmann & Alt, 2016).

Trust is seen as another major driver of the Sharing Economy. Even though sharing had existed since the antiquity people were historically limiting their sharing activities to their own social networks. Stranger sharing was seen as too risky, and too intimate. Through social platforms the risk of stranger sharing could be reduced by enabling feedback and rating systems (Schor, 2014, p. 7). This way a feeling of trust towards a stranger could be generated and people feel more comfortable sharing such intimate things as their homes or cars (Schor, 2014). A more in depth look at the Trust aspect of Sharing Economy will be explained in chapter 2.2.3 below.

2.2.1.2 Competition

Even before the advent of the Sharing Economy digital marketplaces and internet facilitated multisided platforms were changing existing industries. As Teece argues the existing models of competition do not necessarily apply to the digital economy, as "start-ups and firms from related industries move in quickly to create new rent streams that undermine existing business models." (Teece, 1997). Much of the current literature on Multisided platforms and the Sharing Economy focuses on how new innovators are disrupting the traditional markets and old competition concepts no longer apply. Parker et al. argue that: "In the world of platforms, the nature of competition is being transformed. Companies find themselves struggling to make sense of new competitive threats posed by unexpected, often counterintuitive rivals." (Parker et al., 2016).

As the Sharing Economy becomes more and more profitable it subsequently becomes more attractive for new companies. Recent years have seen a large spike in newly created Sharing Economy companies, and many platforms are now highly valued (CB Insights, 2017). While most of the biggest sharing platforms originate in the USA, the presence of new sharing platforms in Denmark has also increased in recent years. In early 2017 the Danish Ministry of Industry, Business and Financial Affairs (Erhvervsministeriet) published a list of 150 Sharing Economy companies operating within Denmark (Erhvervsministeriet, 2017b). With most platforms targeting idle resources an increase in platforms can create stronger competition between the platforms themselves for the aforementioned idle resources (Täuscher & Kietzmann, 2017), for example with the two biggest ride sharing Apps, Uber and Lyft, targeting the same provider groups.

2.2.1.3 Regulation

The Sharing Economy has disrupted traditional industries and changed some of them fundamentally, since the development of the Sharing Economy was fast and unpredicted it lead to the early Sharing Economy companies operating in legal grey zones, with no clear regulations existing for the new business models (Parker et al. 2016). Sundararajan defines regulations as "instruments used to implement social and economic policy objectives", listing possible reasons behind regulations as correcting market failures such as monopolies, protecting consumers from possibly adverse behaviour of corporations, and ensuring public safety (Sundararajan, 2016 p. 138). In recent years a push for more clear regulations has started, as many observers are recognising that the regulatory policy is inadequate when applied to today's rapidly evolving platform markets (Hartl, Hofmann, & Kirchler, 2016; Johal & Zon, 2015; Parker et al., 2016). Most argue that new regulation is needed to reduce market inefficiencies and provide increased safeguards and accountability for participants in the Sharing Economy

(Cannon & Chung, 2015; Gobble, 2015; Zrenner, 2015). Others argue that regulation is needed to prevent unfair advantages (Malhotra & Van Alstyne, 2014). Some argue that governments strive to impose old regulations on these new marketplaces without thinking about whether these laws apply, and without a complete understanding of the benefits and disadvantages generated by the platforms (Quattrone, Proserpio, Quercia, Capra, & Musolesi, 2016). A solution to this is suggested to be "establishing broader, principle-based regulation specific to the Sharing Economy" (Ranchordás, 2015) that would not be limited by existing technology and could be enacted on a experimental basis (Ranchordás, 2015).

In contrast to this, many see regulation as in impediment to innovation and as a threat to the Sharing Economy, advocating for less regulation (Allen & Berg, 2014; Cohen & Sundararajan, 2015; Koopman, Mitchell, Thierer, & Berg, 2016; Thierer, Koopman, Hobson, & Kuiper, 2015).

2.2.2 Strategy of the Platforms

> "The essence of strategy is choosing to perform activities differently than rivals do." (Porter, 1996)

After having considered the environmental factors that might influence the failure of a Sharing Economy platform, the second point to consider is the strategy that is followed by the platform.

2.2.2.1 Generic strategies

According to Porter a formal corporate strategy is essential for any effective business plan, because it "provides a coherent model for all business units and ensures that all those involved in strategic planning and its implementation are following common goals." (Porter, 1997). Porter has identified three basic business strategies which are differentiation, cost leadership, and focus, arguing that a company should avoid being "stuck in the middle" between the strategies, and instead closely follow one of the three (Porter, 1980, 1985, 1997). Following one of the three generic strategies should allow a company to create a defensible position in an industry and be able to outperform its competitors (Dess & Davis, 1984). Despite, having been established in the 1980s Porter's generic strategies still "remain the most commonly supported and identified in key strategic management textbooks" (Allen & Helms, 2006). Thus, the generic strategies will be applied in this thesis to see in how far the presence or absence of a generic strategy could contribute to failure in the Sharing Economy. Below each of the three generic strategies is explained.

1. When following a "cost leadership" strategy, a company aims at offering the lowest prices within an industry (Miller & Friesen, 1986; Dess & Davis, 1984). A cost leadership strategy is the most commonly adopted of the three generic strategies (Porter, 1997), and requires a "rigorous pursuit of cost reductions" (Porter, 1980). In order to successfully achieve the lowest costs within the

industry the company "must be willing to discontinue any activities in which they do not have a cost advantage" (Allen & Helms, 2006).

2. When following a "differentiation" strategy, a company aims at "creating a product or service that is somehow unique" (Miller & Friesen, 1986), either through strong branding, design, technological differences, or other features (Miller & Friesen, 1986). The uniqueness of the product results in a perceived added value to the customer, which can cancel out a higher price (Porter, 1997; Dess & Davis, 1984). In order to successfully implement a differentiation strategy companies typically need to invest in research, marketing and product design (Miller & Friesen, 1986).

3. When following a "focus" strategy, a company aims at targeting "a highly defined market segment" (Porter, 1997). This market can either be defined by geographical location, specific customers, or a narrow range of products (Miller & Friesen, 1986; Dess & Davis, 1984; Allen & Helms, 2006). By targeting a narrow market, the company should be "able to serve its narrow strategic target market more effectively or efficiently than competitors who are competing more broadly" (Porter, 1980). Within the focused market a company can either achieve differentiation or lower costs (Porter, 1997; Miller & Friesen, 1986). For this reason, the third generic strategy is often split up into two parts "cost focus", and "differentiation focus".

In the Sharing Economy examples of all three strategies can be found. The popular ride sharing app Uber, for example, is following both a cost leader strategy in its main business, and a differentiation strategy in its exclusive limousine business. While Porter advises against being "stuck in the middle" of the generic strategies (Porter, 1980), it is important to note that Uber has two distinct branches that each follow a different strategy. The "standard" Uber service has a cost leadership strategy, aiming at offering a lower price than traditional taxi services, and other Sharing Economy competitors, such as Lyft (Uber Technologies Inc., 2018a). The second branch, called UberBLACK follow a differentiation strategy, offering a unique service of professional drivers and exclusive cars (Uber Technologies Inc., 2018b). Examples of a focus strategies are more common within the Sharing Economy, with platforms either targeting specific user groups, or being centered around one specific narrow type of service. Such as for example the service platform Doulamatch, which focuses on the narrow target group of pregnant women looking for a birthing partner (DoulaMatch, 2018), and Rover a sharing platform connecting dog owners with pet sitters (Rover.com, 2018).

2.2.2.2 Multisided Platforms

> "The platform is a simple-sounding yet transformative concept that is radically changing business, the economy, and society at large." (Parker et al., 2016).

In the Sharing Economy most companies are multisided platforms (MSP), businesses that create value by facilitating direct interactions between two or more customer groups (Evans & Schmalensee, 2005; Hagiu, 2014). Below the key characteristics of MSPs are explored, in order to see how these might be influencing the failure of the observed companies.

Since there are often two sides to a MSP they are frequently called two-sided-platforms, one very prominent example of such a two-sided online-platform is eBay (Filistrucchi, Geradin, Van Damme, & Affeldt, 2014, p. 297), but outside of the online world two-sided platforms can be found as well. Payment card markets, such as credit card companies, composed of the two-sides cardholders and merchants are one popular offline example (Vimarlund & Mettler, 2016, p. 4). The dichotomy of consumer groups, wanting completely different goods, defines the two-sidedness of a market. MSPs that can recognize that the demand from one group of consumers depends on the demand from the other group can create value by enabling interactions between two or more customer groups (Filistrucchi et al., 2014, p. 296). Many sharing platforms are accessibility-based systems that "provide a matchmaking service facilitating sharing between lenders and borrowers" (Angerer et al., 2018). As Vimarlund and Mettler (2016, p.4) point out, the literature has already recognized, that consumers must rely on a catalyst to facilitate the mutually beneficial interaction of a two-sided market. Such a catalyst will most likely be a platform, in many cases even a Sharing Economy platform. In recent years the popularity of MSP has grown considerably, with "more than 30 private marketplace firms that are currently valued at more than a billion dollars" (CB Insights, 2017; Täuscher & Laudien, 2017). These high valuations are among the reasons why many new MSPs are being created, many of which describe themselves by comparing to the existing MSP giants in the Sharing Economy, Airbnb and Uber. Often exclaiming to be Airbnb for a certain situation (Täuscher & Laudien, 2017).

Early literature often defines a MSP by the presence of indirect network effects between the user groups participating on the platform (Armstrong, 2006; Caillaud & Jullien, 2003), these indirect network effects will be explained in more detail in chapter 2.2.2.3 below. Rochet and Tirole define two-sided markets as those in which "the volume of transactions between end-users depends on the structure of the fees charged by the platform" (Rochet & Tirole, 2006), meaning that the pricing of the structure impacts the willingness of both sides of the MSPs to trade once they are on the platform. Hagiu and Wright (2015b) point out that these two definitions are limited in that they could possibly encompass businesses that most would not label as MSPs. They propose the following two key features that MSPs have at the most fundamental level:

- "They enable direct interactions between two or more distinct sides."
- "Each side is affiliated with the platform."

"Direct interaction" in this definition means that the side of the platform "retain control over the key terms of the interaction" (Hagiu & Wright, 2015b), instead of the platform controlling these. In the case of trading the key terms of interaction are for example, pricing, bundling, marketing, the delivery of the traded goods, as well as the nature and quality of services offered. On Airbnb for example there is direct interaction between the two sides of the platform, with home owners being able to decide freely what price they want to charge for the offered accommodation (Airbnb, 2018). "Affiliation" in this definition means that users on each side "consciously make platform-specific investments that are necessary in order for them to be able to directly interact with each other" (Hagiu & Wright, 2015b), On Uber for example, drivers need to fill out a profile on themselves, with a picture and a description of their vehicle (Uber Technologies Inc., 2018c). Direct interaction is seen as necessary for the MSPs to create indirect network effects. Figure 1 shows the differences between MSP and a Re-seller or vertically integrated business model, there is no direct interaction between the provider (Side A) and consumers (Side B) side in any of the other models.

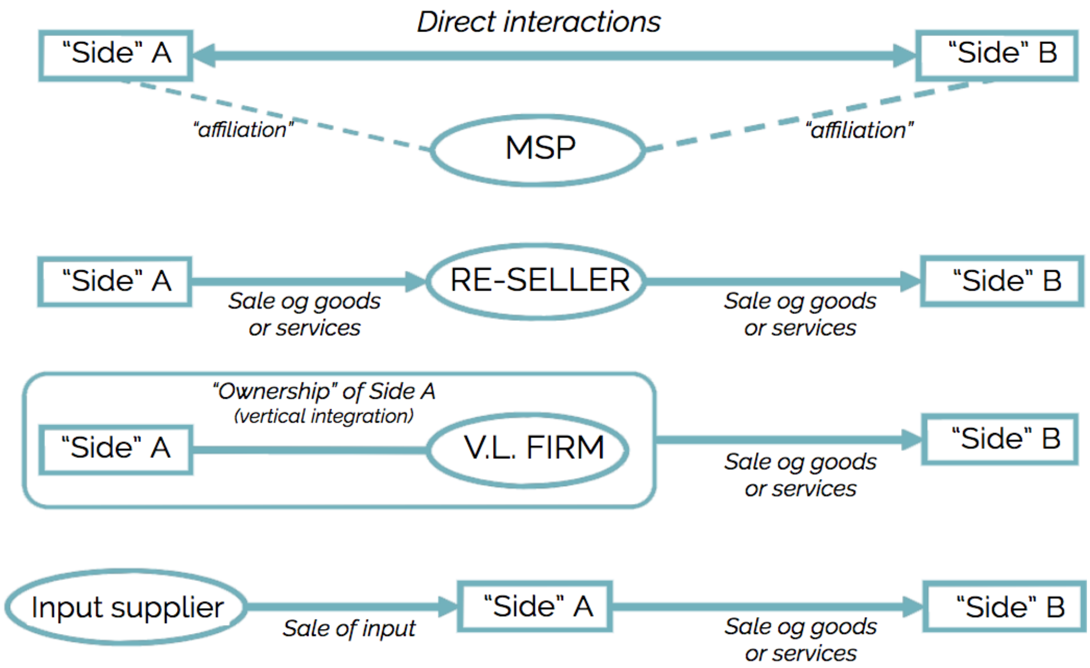

Figure 3 MSPs vs alternative business models (Hagiu & Wright, 2015b)

A distinction of the MSP in contrast to traditional reseller businesses is the flow of the value chain, "In the traditional value chain, value moves from left to right: To the left of the company is cost; to the right is revenue" (Eisenmann, Parker, & Van Alstyne, 2006), in MSPs however cost and revenue are seen on both sides of the value chain, as "the platform incurs costs in serving both groups and can collect revenue from each" (Eisenmann et al., 2006).

Despite the fact that many MSPs are highly valued. Hagiu points out that "successful MSPs are the exception rather than the norm" (Hagiu & Wright, 2015b), and highlights three obstacles that new MSPs are faced with:

- The so called Chicken-or-Egg problem, which is discussed in Chapter 2.2.2.3.
- Resistance from important potential users of the MSP who do not want to be tied to a strong MSP.
- The complexity of needing to meet the interest of both sides of the MSP.

At the start of a new MSP the basic functionality of the platform needs to be decided on. The managerial literature frequently highlights that a new platform should solve a specific problem for its intended audience. Evans & Schmalensee call these problems friction and see the main task of a MSP in finding and reducing friction (Evans & Schmalensee, 2016). Evans & Schmalensee (2016, p.57) argue "Fundamentally, MSPs create value by reducing friction. They are more valuable in total to all parties the more important the frictions they address are, and the greater their success at reducing them", they point out that some frictions simply are not significant enough to create value for users. And that "an entrepreneur considering whether to start a MSPs must consider what friction that platform would address, how much of the friction it could eliminate, how much value could be created by doing so, and whether that is enough to ignite a sustainable and profitable business." For example the car sharing company DriveNow, which allows short term rental of cars, solves the friction of people wanting to efficiently and quickly reach destination without the need to own a car, and without any obligation of delivering a rented car at a specific location (DriveNow, 2018). Parker et al. (2016) argue that the first step in creating a platform has to be the design of the core interaction that is being enabled between the providers and the consumers. This core interaction is the exchange of value that attracts the users to the platform and involves three key components: the participants, the value unit, and the filter. Below each of these key components is briefly described:

- The participants are the provider, who creates value, and the consumer, who consumers value. "When defining the core interaction, both roles need to be explicitly described and understood" (Parker et al., 2016).

- The value unit is the information on what is being offered that is exchanged on the platform, this could be a description of available services, or a listing for a rental apartment. "In each case, users are provided with a basis for deciding whether or not they want to proceed to some further exchange." (Parker et al., 2016).

- The filter is how the value unit is delivered to consumers, most platforms have a filter instead of showing the consumers every single available listing on the platform. This filter can for example be a search option that allows consumers to define in which area they are looking, or what type of goods they are interested in (Parker et al., 2016).

Parker et al. (2016) argue that "all three must be clearly identified and carefully designed to make the core interaction as easy, attractive, and valuable to users as possible." Hagiu (2014) argues that when implementing new features on an MSP a cost-benefit analysis should be made, examining whether the cost of building and implementing the feature is less than the value created for the sides on the platform. When making design decisions Hagiu (2014) argues that decision should be made in favour of the side of the MSP that is most important to the long-term success of the platform.

2.2.2.3 Network Effects

As pointed out above, one of the most commonly mentioned features, and in some cases even the definition of a MSPs, is the presence of the network effect (Hagiu & Wright, 2015a, 2015b). The simplified definition is that indirect network effects occur when a "platform's value to any given user largely depends on the number of users on the network's other side." (Eisenmann et al., 2006). This phenomenon has received a lot of attention in recent years, and it is especially central to the "new economy" of information technology industries. Network effects arise when two groups are attracted to each other, meaning users want to interact or trade with one another (Farrell & Klemperer, 2007).

Two-sided platforms differ substantially from other traditional businesses. As mentioned above, the value chain is one of these differences. Since the platform is serving both groups of users it causes cost from each side, and can also receive revenue from both as well (Eisenmann et al., 2006). This presence of two sides of the platforms means that transactions in multi-sided networks always entail a set of relationships. The platform's user groups the network's "sides" interact with each other through the platform.

These MSPs have two main types of network effects, which either can be positive or negative. A same-side (direct) network effect and a cross-side (indirect) network effect. Same-side effects occur when the increased number of users on one side of the network makes it more valuable to users on the same side (Eisenmann et al., 2006). A good example of positive same-side effect is PlayStation Gamers, the more people there are playing PlayStation, the more useful is it to have one yourself. Cross- side effects occur when increasing the number of users on one side of the network makes it either more or less valuable to the users on the other side (Eisenmann et al., 2006). As an example of positive cross-side effect is Uber and Airbnb. Uber's network effect grows with the number of people who need a lift which increases the amount of drivers who want to drive. As well as Airbnb's network effect growing with the number of people who need accomodation, which in turn increases the amount of people willing to rent out their private homes. However, within the Sharing Economy these positive network effects are sometimes very local, in the example of Uber, the positive indirect network effect of the number of people needing a lift only affects the number of drivers in their particular city (Sundararajan, 2016).

If network effects are especially strong, winner-takes-all outcomes are likely to emerge, these are outcomes in which the market adopts one dominant platform (Muzellec, Ronteau, & Lambkin, 2015; Täuscher & Laudien, 2017). The economics of networks are driven by positive feedback, which is a dynamic process by which the strong get stronger and the weak get weaker (Shapiro & Varian, 1999). Users will pay more for access to a bigger network, so margins improve as user bases grow, this process is also referred as reaching critical mass. In broad terms critical mass is defined as "the existence of enough momentum in a system to make it become self-sustaining." (Botsman & Rogers, 2011), in the context of MSP a critical mass of participants will mean that network effects will drive the subsequent growth of the business (Evans & Schmalensee, 2010). However, if the MSP does not achieve a critical mass of participants, the network effect will lead to zero participation over time (Evans & Schmalensee, 2010).

The high importance of the presence of the two sides for the network effect leads to the so called "Chicken-or-Egg" problem (Rochet & Tirole, 2003), which is one of the most difficult challenges to overcome for many MSPs (Vimarlund & Mettler, 2016). In order to attract consumers, a platform needs a large base of providers, but the providers will only be willing to sign up if they can expect many consumer (Caillaud & Jullien, 2003). No side will join without the other, since the platform "can deliver value to one side of the platform only if there are participants on the other side of the platform" (Evans, 2009). This leads either to a sequential problem of asking which side needs to be brought onto the platform first, or to a simultaneous problem, where both sides need to be brought onto the platform at the same time (Evans, 2009).

Parker et al. (2016) have developed 8 distinct strategies for overcoming the "Chicken-or-Egg" problem, below is a short explanation of each:

1. "Follow-the-rabbit strategy" is advised for companies that already have a non-platform business, using their past success record and established user base when switching to a new multi-sided platform.

2. "The piggyback strategy" recommends to connect with a different platform with an existing base of users and recruiting these users to the new platform. This could involve directly recruiting members of an existing platform or scraping the content to display on the new platform.

3. "The seeding strategy" focuses on creating value that is relevant for one side of the potential users, for example the customers. Once these are attracted to the platform, providers who want to interact with these consumers will join. This strategy is often achieved through the use of "fake" profiles and activity on the platform, simulating the desired behaviour with the help of bots.

4. "The marquee strategy" targets one specific group of users or even one particularly valuable user by providing incentives, either through a cash payment or through other special benefits.

5. "The single-side strategy" focuses on first starting the platform as a single-sided platform and later attracting another set of users who wish to interact with the initial side. This could be achieved by providing a (software) solution to a common problem for the provider side and only once many providers have adopted the solution enabling it to connect consumers with providers.

6. "The producer evangelism strategy" focuses on attracting providers with an existing customer base, this often involves offering providers a customer relations management (CRM) solution which they can easily reach their existing customer base.

7. "The big-bang adoption strategy" is a push marketing strategy attracting a high volume of attention, by launching at a specific event which large amounts of potential users present.

8. "The micromarket strategy" deals with targeting a small market that already consists of engaging members in interactions, and by that provide a effective matchmaking characteristic of a large market. Such a small market could either be a specific interest group or a small location.

Any of these eight strategies could be used to overcome the Chicken-or-Egg problem, however not all of the strategies are suitable for all types of business and depend on the circumstances. The microblogging platform Twitter for example used the "big-bang strategy" at the 2007 South by Southwest (SXSW) festival. By installing large screens that would display tweets in real time a large group of users was attracted to the platform. Twitter usage had tripled to 60000 tweets per day at the end of SXSW (Parker et al. 2016). While this is a successful example of the "big-band strategy" it does not work for all types of platforms, after Twitter several other platforms have attempted to use SXSW as a launching point, but none were as successful (Parker et al. 2016).

2.2.2.4 Pricing Structure

Apart from the need to overcome the Chicken-or-Egg problem and create strong network effects a further obstacle that new MSPs are facing is the decision on how the sides of the platform should be priced. Much of the early literature on MSPs focuses on the pricing decisions that need to be made by the MSPs (Armstrong, 2006; Caillaud & Jullien, 2003; Hagiu, 2009; Rochet & Tirole, 2003). The key difficulty in pricing a MSPs lies in the fact that "platforms must choose a price structure and not only a price level for their service" (Rochet & Tirole, 2003), meaning MSPs need to decide if both sides of their platform are being charged and how this will be done. Caillaud and Jullien point out that MSPs have two pricing instruments at their disposal: registration fees that are applied to each user when they sign up and transaction fees, which are collected when a transaction takes place (Caillaud & Jullien, 2003).

As the pricing decision is of key importance for MSPs a lot of literature has been dedicated to this issue, with many concluding that most MSPs decide to use a "divide-and-conquer" pricing strategy, subsidizing one side of the platform (divide) and making profits from the other side (conquer) (Caillaud & Jullien, 2003). While such a pricing strategy of charging one side below marginal cost or even negative is prevalent it is not universal for MSPs (Evans & Schmalensee, 2005; Hagiu, 2014). However as Eisenmann et al. (2006) point out "It is not always obvious which side–if either–the platform should subsidize and which it should charge."

Several factors are identified as influencing the decision on which side of the MSP should be subsidized and which one should be charged, and overall it is considered that "[...] the relationship between price and cost is complex, and the simple formulas that have been derived by single-sided markets do not apply" (Evans & Schmalensee, 2005). One commonly named factor in the pricing decision is the intensity of the indirect network effects and the ability to capture those effects (Armstrong, 2006; Eisenmann et al., 2006; Evans & Schmalensee, 2005) as well as the price elasticity of demand, or in other words the users' sensitivity to price on all sides of the MSP (Eisenmann et al., 2006; Evans & Schmalensee, 2005) with MSPs subsidizing the side that is more price-sensitive, the side that is "more likely to abandon the platform when charged" (Parker et al., 2016). Further factors to consider when deciding the pricing strategy are: the users' sensitivity to quality, the output costs of the platform (Eisenmann et al., 2006), the value one side assigns to the opportunity with the other side (Parker et al., 2016) and the presence of single-homing or multi-homing (Armstrong, 2006). (Single-homing takes place when users are only using one platform, multi-homing is the opposite scenario, users being active on multiple platforms). Angerer et al point out that the majority of Sharing Platforms decide to charge the provider side (Angerer et al., 2018, p. 675).

2.2.3 Trust

> "Thanks to online trust [...] individuals are empowered to share, rent or exchange goods, knowledge, money, skills, networks and content on an unprecedented scale, unleashing formidable untapped value." (Mazzella, Sundararajan, Butt d'Espous, & Möhlmann, 2016)

With the decisions of what strategy to follow, and how the network effect should best be captured, as well as how the platform should be priced, one further challenge lies ahead of any new Sharing Economy platform. The challenge of creating trust.

One of the most popular cartoons ever published in The New Yorker shows two dogs sitting in front of a computer with one saying to the other: "On the internet, nobody knows you're a dog." (Steiner, 1993). This 1993 cartoon captured the attitude many had, and still have, towards strangers on the internet very well. You don't know anything about the strangers you are interacting with online (Belmont, 2018; Fleishman, 1998, 2000). How then, can people be willing to share their homes, cars and skills with these strangers in the Sharing Economy?

The answer is trust; "sharing is closely related to trust" (Belk, 2014) and trust is needed whenever humans interact with the unknown, or with uncertainty (Botsman, 2017; Gefen & Straub, 2004). People not know how a stranger online will treat their dog while we are gone, but if they trust the stranger they nonetheless feel comfortable enough to leave their dog in the stranger's care. German sociologist Niklas Luhmann defines trust as "confidence in one's own expectations" (Luhmann, 1979) and Rachel Botsman concludes that trust is "a confident relationship with the unknown" (Botsman, 2017, p. 18). A useful definition, especially in the context of Sharing Economy, comes from James Coleman who defines trust as "a willingness to commit to a collaborative effort before you know how the other person will behave." (Coleman, 1990; Mazzella et al., 2016). Trust is a key part of human interaction, not just online. Trust is what allows people to form communities, cooperate and go beyond self-interest (Geissinger & Möhlmann, 2018).

In e-commerce trust is needed to allow a trade (Gefen & Straub, 2004), but in the context of the Sharing Economy trust is of far greater importance. While traditional online transactions involve a monetary risk, Sharing Economy trades involve additional risks due to their social nature (Ert, Fleischer, & Magen, 2016). Risk, uncertainty and interdependence are very prominent in the Sharing Economy, all situations which make trust very important (ter Huurne, Ronteltap, Corten, & Buskens, 2017). Recently incidents such as the report of a man being attacked by his Airbnb host's dog, or another of a young man being sexually assaulted by his host, and other reports of theft, rape and danger have made the Sharing Economy scary in the eyes of many (Ert et al., 2016; Möhlmann, 2016). Furthermore, as the Sharing Economy is still relatively new, legislation in many places is still scarce. Such lack of regulations leads to confusion about how situations, such as damages, are to be handled between two private individuals who connected on a platform. Since "the Sharing Economy is based on human interactions" (Geissinger & Möhlmann, 2018) interpersonal trust plays a significant role. Indeed "trust has been repeatedly identified as the most important driver of the longŧerm success of customerŧocustomer (C2C) platforms" (ter Huurne et al., 2017). Some even argue that creating trust is one of online platform's main reason for existing (Mazzella et al., 2016) and others argue that the Sharing Economy can only exist if people manager to overcome their fear of strangers and their "[...] profoundly rooted stranger-danger-bias [is] overcome" (Geissinger & Möhlmann, 2018, p. 3).

2.2.3.1 Trust Dimensions

Historically, in face-to-face offline interactions, trust "was limited to close circles of family and friends" (Geissinger & Möhlmann, 2018; Mazzella et al., 2016). Trust to a stranger was established through repeated interactions (Botsman, 2017; Mazzella & Sundararajan, 2016), and through the reputation the other person had in the community (Mazzella et al., 2016). In non-face-to-face interactions people decide to trust one another based on different dimensions. Gefen and Straub list these dimensions as trust in ability, integrity, benevolence and predictability (Gefen & Straub, 2004). With Mazzella et al. adding the dimensions trust in authenticity and quality, and summing up the dimensions integrity, benevolence and predictability as intentions (Mazzella et al., 2016). Authenticity addresses the following question: is the other person on the sharing site who they say they are? Intentions is addressing the question: is the person planning anything negative against me? And Quality is addressing the question: is the service of product I want at the quality I need?

In order to help fulfil these trust dimensions sharing platforms can use different trust cues. Sharing platforms are constantly introducing new and innovative cues to build trust, and it is important to note that these cues are cumulative. The more cues a platform offers the more trust can be built (Geissinger & Möhlmann, 2018).

In the e-commerce context trust has been conceptualised as a one-dimensional construct, trust from the consumer to the online retailer (Gefen & Straub, 2004). In the Sharing Economy such a one-dimensional construct is not suitable, most interactions do not take place between consumer and platform but rather between peers connected through the platform. This "triadic nature" (Geissinger & Möhlmann, 2018, p. 4) of the Sharing Economy means that a differentiation between trust towards the platform and trust in peers is needed. "The Sharing platform provider is an enabler for interpersonal trust, while at the same time being dependent on being perceived as a trustworthy institution itself." Geissinger and Möhlmann argue that in the Sharing Economy the construct is of a twofold nature, Hawlitschek et al. see it a as three fold construct with trust in the platform, in peers and in the products, meaning users perception of the resources exchanged on the platform (Hawlitschek et al., 2016). Botsman also argues that trust is a three-fold construct, and argues that in order for people to engage with a new experience people need to "climb the trust stack" and first trust the mere idea (Botsman, 2017).

2.2.3.2 Creating Trust

When people decide to use a new invention or engage with a new type of platform, they are making a leap from the known to the unknown, in order to be comfortable enough with the unknown to do so, they need to climb the trust stack. First people need to trust in the idea, then they need to trust in the platform and finally they need to trust in the individuals on the platform (Botsman, 2017). Below are some of the most common and most effective trust cues explained in detail, following the order of the trust stack, trust in the idea, trust in the platform and trust between the users.

2.2.3.2.1 Trust in the Idea

People are reluctant to use a new invention until they understand it, this is not to say that people need to understand every technological aspect of a sharing platform, but rather they need to "grasp what it can do and what it can give [them]" (Botsman, 2017). Trust in the idea of a new Sharing platform can be increased by helping people understand how it works. On Airbnb for example, instead of having long text explaining the concept there is a search for locations centrally, when people first consider using Airbnb they often type in their own city in the search. Seeing familiar environments and the fact that locals are using the site gives users a better understanding of what they can expect from the site (Botsman, 2017). Furthermore, the trust in the idea can be increased through people's familiarity with the Sharing Economy as a whole, either because they heard about it in the media or because it is part of the "cultural dialogue" (Mazzella et al., 2016). Additionally, trust in the idea can be increased because of consumer's previous experience with another sharing service (Geissinger & Möhlmann, 2018). Vice versa consumers who have never participated in the Sharing Economy at all are "particularly deterred by the risks involved" (Hawlitschek et al., 2016).

2.2.3.2.2 Trust in Both Platform and User

One of the most frequently named trust cue is that of a reputation system through user generated reviews and ratings. "The value of reputation is not a new concept to the online world" (Botsman, 2012) and not exclusive to the Sharing Economy. Star ratings are familiar to many online customers from eBay and Amazon (Botsman, 2012). The rating system on eBay from the 1990s proved that customers could police themselves very effectively through reviews. Those sellers with bad reviews were not trusted and people did not trade with them further (Mazzella et al., 2016). A recent phenomenon is the "portability" of online reputation, "we leave a trail of how well can or can't be trusted" (Botsman, 2012), an example of this is the programmer site Stack Overflow, where users are rated on how well they have answered other programmers requests for advice. Lately programmers have started to include these reputations on Stack Overflow into their CVs and applications to potential employers, carrying their trust reputation from online to offline (Botsman, 2012). Reviews can be used both to create trust in the platform, when the reviews are left on an external site, as well as to create trust between users.

Another trust cue can be an insurance covering the transactions on the Sharing Economy platform. Many feel it is risky that peers are providing most of the services in the Sharing Economy, fearing that without trained professionals accidents might occur, or that any cost for negative incidents might be very high, such as when having a car accident in a shared car or when a guest breaks things in a shared apartment. A solution to elevating that anxiety can be providing an insurance that will cover any such potential costs (Mazzella et al., 2016; Möhlmann, 2016; Sundararajan, 2016).

2.2.3.2.3 Trust in Platform

Brands are an effective tool in creating trust in corporations, substituting the trust that in the past was only placed in formal contracts. Through a brand's value proposition customers can be assured in their trust towards a new company (Geissinger & Möhlmann, 2018, p. 3). As such users are more likely to trust a sharing platform with a strong brand and even to trust other users on the branded site more than on another unknown platform (Mazzella et al., 2016). However, trust can also be lost when the brand of a Sharing Economy platforms is tarnished, for example by public scandals (Geissinger & Möhlmann, 2018).

Social proof builds trust, if a large group of people is using a platform, their presence can reduce uncertainty in new users (Botsman, 2017 p. 79). Informing users of the size of an internet store of e-marketplaces has been linked with higher trust levels in the platform (Jarvenpaa, Tractinsky, & Vitale, 2000; Son, Benbasat, & Tu, 2006). Additionally, since the providers on a platform are mostly private people usually offering services on a small scale, a large network is needed in order to assure that the demand and supply is matched to the satisfaction of all users. As such the larger the network the more users trust that the platform can deliver on their promises (Möhlmann, 2016).

2.2.3.2.4 Trust in Users

In 2004 when one of China's biggest online retailer was starting out few Chinese online users trusted in e-commerce, fearing non delivery of their ordered good. In order to create trust among consumers and vendors, the e-retailer Alibaba created the payment System Alipay, which works as an escrow service. When consumers order online, the payment is being held by Alipay until the customer agree that the goods have been delivered to their satisfaction (Chen, 2015). This establishment of Alipay is seen by many as one of the key success factors of Alibaba (Botsman, 2017 p.22). Sharing Economy platforms can also implement escrow services to create trust between users on the platform (Geissinger & Möhlmann, 2018; Mazzella et al., 2016; Pavlou & Gefen, 2004; Sundararajan, 2016).

Sharing Platforms can create a feeling of security and safety by certifying or validating the users on the site. For example, by asking for government issued IDs to be uploaded, or by providing personal information such as telephone numbers, pictures or linking external social networks (Geissinger & Möhlmann, 2018; Mazzella et al., 2016; Pavlou & Gefen, 2004; Sundararajan, 2016).

In connection to the abovementioned the information provided by users on a platform can also lead to increased trust. Mazzella & Sundararajan argue that "No-one trusts a complete stranger, so [providing information] is the first essential step in moving away from anonymity towards online trust." Requiring users to upload photos of themselves and emphasise a sense of personal, human contact (Botsman & Rogers, 2011; Ert et al., 2016; Guttentag, 2015).

According to Coleman (1988) social capital "exists in the relations among persons" and it is usually built among members of closed networks (Coleman, 1988). Geissinger and Möhlmann see social capital as the key to trust in digitally-enabled networks arguing that connecting social media accounts on platforms allows users to accumulate digital social capital and to carry it on to different platforms by allowing users to show the amount of social media contacts they have in common with one another. (Mazzella et al., 2016; Möhlmann, 2016). Some argue that the most important aspect of social media networks is that they contain a digitized representation of our social capital, and that connecting an existing social media account allows users to leverage their existing online presence to create trust (Mazzella & Sundararajan, 2016; Mazzella et al., 2016).

Knowing that information transferred between users is verified or approved by the sharing platform itself can create greater trust between users, as "users need to know that everything they see online meets a required level of goodwill and authenticity, as ensured by the third party providing the sharing platform." (Mazzella & Sundararajan, 2016; Mazzella et al., 2016).

Overall trust is seen by most as one of the key elements of the Sharing Economy, and generating trust in potential users is one of the main tasks of a sharing platform. This can be achieved by letting users climb the trust stack, of first trusting the idea behind the platform, then trusting the platform itself, and finally trusting in the other users on the platform. To achieve this several different trust cues can be implemented by a platform. Once trust has been successfully created by a platform to attract new users, these need to be retained as repeat users and prevented from switching to other platform. This can be achieved through creating high switching costs and exploiting the lock-in effect, which will be explored below.

2.2.4 Lock-in Effects

Once enough trust has been created by the platform to make users comfortable enough to engage with a Sharing Economy platform the challenge is to keep them continuously engaged on the platform, this can be achieved through creating a strong lock-in effect. If a product or service is unique or there are high switching costs, it creates a high lock-in effect. "Lock-in prevents the migration of customers and strategic partner to competitors," (Amit & Zott, 2001) by increasing the switching cost to a new platform, a strong brand name and high trust (Amit & Zott, 2001). Sharing Economy companies are usually not involved in delivering a service directly to their customers, which is why they benefit from low costs. Instead, the platforms provide value through connecting consumers and providers, and handling the transactions. Most members are willing to switch to another platform (Habibi, Davidson, & Laroche, 2017), Porter argues that switching costs are typically very low in internet based businesses (Porter, 2001). Therefore, locking in customers can be a challenge for the Sharing Economy companies as it is quite easy to substitute the value from one platform to another. What is preventing the users from switching is the perceived lack of current alternatives and trust in the processes (Amit & Zott, 2001) as well as confidence in the platform, and safety and social benefits offered by the sharing platform (Yang, Song, Chen, & Xia, 2017). Sharing Economy platforms can, through different methods, increase the switching costs for their customers and strategic partners, and increase the perceived trust (Farrell & Klemperer, 2007). Switching costs are the "perceived economic and psychological costs associated with changing from one alternative to another" (Jones, Mothersbaugh, & Beatty, 2002). The higher switching costs are, the less likely users are to change to an alternative platform (Parker et al., 2016).

A mechanism enhancing lock-in effects that increases the incentives for customers to use the same specific platform, is enabling the opportunity for the customers to personalise and customise their profile with personal information, pictures, reviews, ratings and add filtering tools that make personal recommendations (Amit & Zott, 2001). Additionally, increasing switching costs can be achieved through rewarding customers with different benefits or special bonuses with loyalty programs (Amit & Zott, 2001; Hagiu & Wright, 2015b). A good example of a loyalty programme is a Matas membership card where bonus points get collected when using Matas instead of another beauty shop, which in turn may be used to again purchase products from Matas. Another possibility to retain customers is by creating virtual communities that bond the users to a certain platform (Amit & Zott, 2001). Airbnb have succeeded in creating a common dream for all the users as they share their experiences and inspire others as they state on their website: “A global community of hosts like you. Join the conversation and connect with other hosts who are creating a world where anyone can belong” (Airbnb, 2018). Such communities enable frequent interactions on a wide range of topics and thereby create loyalty and enhance transaction frequency. Moreover, companies can establish trustful relationship with their users by offering them secure and safe transactions, by holding the money until the product or service has been completed. A good example of this is the chinese payment system Alipay, which played an essential part in bringing e-commerce to China, by working as an escrow service for purchases. Another safety benefit to the users are special add-ons as for example insurance. If the users are insured by the platform, they are more likely to remain loyal to the site rather than switch to a competitor (Yang et al., 2017). Acquaintance with the design of a platform requires customer learning, and switching to another platform requires users to again invest their time in learning which can prevent the users from switching (Amit & Zott, 2001). Switching to a new platform will require the cost of rebuilding trust, a time consuming process, additionally the user interface and the experience on a different platform might be entirely different (Amit & Zott, 2001).

3.0 METHODOLOGY

After having presented the theoretic framework of the thesis above this chapter presents the methodological approach used throughout the thesis. The philosophy of science, research approach, research design and how primary and secondary data has been collected is explained to comprehensively answer the research question. Furthermore, validity, reliability and generalisability of the thesis are discussed in order to ensure the quality of research.

3.1 Research Philosophy

The research philosophy forming this thesis is that of critical realism, we, as the authors of this thesis see the nature of reality (the ontology) as layered (Fleetwood, 2005; Saunders, Lewis, & Thornhill, 2016). The goal of this thesis is to explain what the entrepreneurs in the Sharing Economy platforms experienced with their previous companies and seeing what underlying structures shaped the failure of the companies. Since we see reality as external and independent but not directly accessible purely through observation, it is layered. Reality is built upon the first layer the empirical, the sensations of the interviewees, and on the second layer the mental processing done by the interviewees. This processing was done to explain what could have caused the events that led to the eventual failure of the company. We believe that the failure of Sharing Economy companies represents a bigger picture of which each of the interviewees only perceived a small part. As a critical realist research this paper's goal is to provide an explanation for the observable failure of Sharing Economy platforms by looking for the underlying causes and mechanisms.

The axiological position (role of values) of this paper is that our knowledge of reality is a direct result of our social conditioning, and as such we cannot understand reality independently of the social actors involved. Thus, we are aware of how our own cultural background and our past experienced might influence our research. We have attempted to reduced our own biases by addressing these before conducting the research. As one of us (Helena) previously founded a Sharing Economy company, that was unsuccessful, we were aware that her past experience might influence our perception of what the interviewees were telling us. To minimise this influence Helena wrote a diary detailing her own experiences with the company which not only helped in contributing to the findings but also in highlighting which assumptions she held due to her experience. The diary can be found below in Chapter 3.6.

3.2 Research Approach

As the critical realist goal of the paper is to understand the underlying patterns behind failure in the Sharing Economy the overall research approach of this thesis is abductive (Saunders et al., 2016). Both deductive and inductive approaches were unsuitable as they were too restrictive (Wuisman, 2005). Literature around the Sharing Economy and MSPs was used to find known premises (such as the importance of the network effect) and these were used in combination with the qualitative interviews to generate a testable conclusion. The data collected through interviews was used to explore the phenomenon of failure within the Sharing Economy in Denmark, and to identify themes and patterns. However, this paper did not test the generated 10 causes of failure which is needed for a truly abductive approach. Due to time constraints this testing of the generated conclusion could not be performed. The abductive approach of this paper sought to aid in theory generation and modification, by incorporating existing theories where appropriate.

3.3 Research Design

The research conducted in this thesis is of an explanatory research with some descriptive elements. An explanatory research seeks to study a situation or a problem explaining the relationship between variables (Saunders et al., 2016, p. 140). The explanatory research in this paper is searching for explanations for "why" and "how" the Sharing Economy companies have not managed to succeed and if there are common causes for failure. To achieve this, qualitative data has been collected and seven companies has been chosen and the founders or partners in the companies were interviewed. The explanatory study fits well within the critical realism philosophy underlying this thesis, as stated by Easton "an important aspect of mechanisms in the critical realist tradition is that they offer a rich source of explanatory devices" (Easton, 2010, p. 122).

The purpose of descriptive research is to gain a precise profile of the companies and it is usually a forerunner of explanatory research (Saunders et al., 2016). The descriptive research is conducted by collecting secondary qualitative data from public available sources such as news articles, press releases and business databases about the chosen Sharing Economy companies and presenting these in chapter 4.1 Findings. This is done, in order to have a clear picture on the different companies before interviewing and collecting data from them.

3.4 Data Collection

To fully answer the research question, it has been necessary to collect both primary and secondary data, this section explains how each of these were obtained.

3.4.1 Primary data

The primary data consists of qualitative research interviews which aim to understand the world from individual an person's point of view, where knowledge is produced through interactions between this thesis authors and the interviewee. Interviews lasted from 45 minutes to 70 minutes, and were conducted in person or via Skype. Table 1 shows the interviewees and their corresponding pseudonyms in this thesis.

In order to adequately and systematically describe the interview process, the seven stages of an interview inquiry by Kvale (Kvale, 1996, 2007) have been applied. Starting with the pre-interview stages of (1) thematizing the research topic and the purpose of the study, hereafter (2) designing and planning the interviews, followed by (3) conducting the interviews, (4) collecting and transcribing the interview, (5) analyzing, (6) verifying according to reliability and validity, and lastly (7) reporting the findings of the entire interviews (Kvale, 2007).

COMPANY NAME	NAME OF INTERVIEWEE	ROLE	REFERRED TO AS
EnjoyLocally	Niklas Palm Otzen	Co-founder	"EnjoyLocally, Co-founder 1"
EnjoyLocally	Helena Linding Andersen	Co-founder	"EnjoyLocally, Co-founder 2"
EnjoyLocally	Stefan Hedegaard	Partner	"EnjoyLocally, Co-Partner"
Mineisyours	Kristian Zanchetta klercke	Founder	"Mineisyours, Founder"
Lejdet	Kasper Honoré	Founder	"Lejdet, Founder"
PinguShare	Irina Birzan	Founder	"PinguShare, Founder"
Helpfully	Jeppe Klausen	Founder	"Helpfully, Founder"
Petreas	Lasse Stokholm	Founder	"Petreas, Founder"
Petreas	Mickey Schubert-Suell	Product Manager	"Petreas, Product Manager"
Petreas	Niels Schmidt	CTO	"Petreas, CTO"
Joli Cph	Stine Sloth Gosvig	Co-founder	"Joli, Co-founder"
	Claus Skytte	Expert on Sharing Economy	Expert

Table 1 Overview of interviewees

3.4.1.1 Thematizing research topic and purpose

According to Kvale (2007) it is essential to know where the interview journey is heading before the interview takes place. When planning an interview investigation three key questions need to be ask: why, what and how. The "why" is the purpose of the study. The purpose of this thesis is to investigate what causes Sharing Economy platforms to fail, and if there are are patterns behind these failures. This will be investigated through listening to individuals' experiences with their previous companies within the Sharing Economy, by collecting 10 semi-structured in-depth interviews. These companies have been picked carefully and have been screened before in order to fulfill the criteria of being a failed company within the Danish Sharing Economy; the companies are not operating any more, and therefore seen as failures, and all had been registered in Denmark with a CVR number. The "what" question concerns, obtaining pre-knowledge of the subject, which was done through the assembly of secondary data in the form of literature. Lastly the "how" question was addressed to decide which techniques would be used to acquire the intended knowledge, in order to get a detailed look at why the Sharing Economy companies failed, in-depth semi-structured interviews were chosen. The design of the interviews is the second step of the interview process and will be described below.

3.4.1.2 Designing interviews

As the second step of the interview process, the interview guides were designed and individual interviewees were identified and contacted. Two types of interviews were used in researching this thesis, an expert interview, with an author on the Sharing Economy, and ten first hand interviews with entrepreneurs. As this thesis is an explanatory research the expert and first hand witness interviews were well suited.

The sample size of the interviews consisted of one semi-structured in-depth interview with the Sharing Economy expert of Denmark "Claus Skytte", and ten interviews with entrepreneurs of failed companies. Semi-structured interviews make it possible to obtain knowledge about an outline of topics to be covered, but at the same time gives space for a more opened dialog where there is possibilities of new and unknown knowledge to be developed (Kvale, 2007). This type of interview also gives the interviewees the possibility of speaking freely, and by not strictly sticking to a specific order of the questions it minimises interrupting and repetition.

Before the interviews were conducted, two interview guides were created by identifying themes within the literature surrounding MSPs and the Sharing Economy. The interview guides, which consisted of 23 questions were tested with our supervisor ensuring the right understanding of the questions and covered all essential aspects of the topic. One guide was made for the expert interview with Claus Skytte, see appendix 1 "Expert interview guide", and another made for the companies, see appendix 2 "First hand witness interview Guide". Ideally in an interview process a pilot test of the interview guide would take place, in order to ensure that it will yield the type of information that is being sought (Kvale, 1996). However, since the amount of willing interviewees was extremely limited, and due to time constraints a pilot testing was not conducted. The expert interview took place before the interviews with the first hand witnesses and helped in ensuring that the questions were suitable in addition to providing vital information. Though, as the questions for the expert were slightly altered form the interview guide for the entrepreneurs it cannot be seen as a pilot of the interviews.

The interview guide contained key questions about the actions of the entrepreneurs in order to obtain necessary knowledge to fully answer the research question. Questions were adjusted for each interviewee in order to make each one more personal. The interview started with the authors presenting the purpose of the thesis, then introductory questions about the respondent and their previous company in a free and open way were asked. Thereafter, the interview guide contained questions regarding each area for this thesis; network effects, lock-in effect, trust, competition and regulation and then overall questions regarding their personal experiences. The interview guide consisted of open-ended questions, allowing following up questions in order to get a deeper and wiser knowledge of the research question. To ensure open and detailed answers by the interviewees the questions were phrased as "what" and "how" questions. At the end of the interview one final overarching question was asked, in hopes that any aspects that were not addressed by the researchers might be included. This open question was "If you could do it all over again, what would you do differently?". Furthermore, in the closing of the interviews approval to contact the interviewees again if any more questions arose was asked and in the early stages of the interview process the interviewees were asked if they could recommend other failed companies to investigate.

3.4.1.3 Conducting and transcribing interviews

Before the interviews were conducted potential interviewees needed to be identified. This was a longer ongoing process throughout much of the early stages of the research. Firstly several lists of Sharing Economy companies in Denmark were aggregated, a list of participants in a Sharing Economy forum Deleby Innovationsforløb provided by this thesis' supervisor, a list of active companies compiled by the Danish Ministry of Industry, Business and Financial Affairs (Erhvervsministeriet, 2017b) and a list by Sharing Economy expert Claus Skytte posted on his LinkedIn blog (Skytte, 2016). All companies on these lists were screened to identify those that met the criteria of being registered in Denmark and no longer operational. In total from the aggregated list of 161 companies (Appendix 3), 16 were identified to match the criteria (Appendix 4). Furthermore, two companies were identified through personal connections, the first having been the previous company of one of us, and the other one belonging to a friend.

The potential interviewees were contacted through email if one was openly available, and through Facebook Messenger if no email could be found. However, many of the Facebook messages were never received by the potential interviewees, which was visible to us because of the "read receipts" function of Messenger. This lead us to pivot to another strategy and contact the potential interviewees through LinkedIn "in-mail" for which a premium LinkedIn account was purchased. An example of the message send to potential interviewees is in Appendix 5. Of the 21 possible companies only 7 companies agreed, with 10 people being willing to be interviewed. Once they agreed on doing an interview, a place and time was scheduled for the meeting, two interviewees could not meet in Copenhagen and were interviewed via Skype call, the remaining interviewees either came to Copenhagen Business School or invited us to their places of work.

Before the meeting a short introduction of the purpose of the investigation was presented, but the interview guide was not send to them beforehand in order to let the interviewees be as open and honest as possible when conducting the interview. To counteract individual interviewee bias both authors were present to the interviews. With the exception of the two interviewees from "EnjoyLocally" because of bias, as one of us had been the co-founder. At the beginning of the interview meetings, approval for audio recording the interview was asked, and all respondents accepted this. Smartphones were used to record the interviews, to avoid any potential problems with the audio files two phones were used. Recording the interviews, made it easier for us to concentrate on the topic, and be fully focused and more present. Furthermore, recording the interviews gave us the possibility of re-listening to the interviews after they had been held and transcribe them. All this prevented too many distractions and interruptions during the interview and gave a free flow of conversation. In order to let the interviewees, feel comfortable, we told them that there were no right and wrong answers, and they were given time to reflect and answer the questions freely. Moreover, all interviews were conducted in English, because one of us does not speak Danish, but interviewees were told that if they did not know how to respond in English they could do so in Danish. After the interviews were conducted, the recordings were used to transcribe the interviews verbatim. For each interview one of us made a first draft, and the second one corrected the transcript.

3.4.1.4 Analysing, reporting and verifying interviews

After having transcribed the interviews they were analysed by coding. Each theme identified in the literature was assigned a colour and relevant passages in the transcripts were marked with the colour of the corresponding theme. Additionally, in the margins of the transcripts key words were assigned to the relevant sentences, this enabled a comparison in the meaning of the different interviews. Below Figure 4 is an example of two colour codes and the corresponding "note" in one interview sentence. The appendix includes all transcript with their colour coding, but since the marginal notes were made by hand on paper they are not included in the appendix.

Figure 4 Example of colour codes

	Network Externalities						
	Audience Focus						
	targeted providers first	targeted consumers first	providers did not need to be convinced/reached out themselves	thought providers most important	thought consumers most important	targeted both consumers and providers at same time	tought both were important
EnjoyLocally, Co-founder 1	x						
EnjoyLocally, Partner	x			x			x
Lejdet, Founder	x				x		
Petreas, Founder	x				x		
Mineisyours, Founder	x					x	
PinguShare, Founder						x	
Joli, Co-Founder		x	x				x
Helpfully, Founder		x	x				
Petreas, Product Manager	x						x
Petreas, CTO	x						x
Expert				x			

Table 2 Example of coded findings

After coding the transcripts all notes from the margins were transferred into a spreadsheet, so that comparisons between the interviews was possible. The full spreadsheet can be found in Appendix 16, and a small segment is shown above in Table 2 to illustrate its function.

The validity and reliability considerations of the interviews will be addressed below in chapter 3.5. The interview findings were reported by aggregating the relevant sentences from the interviews and describing the meaning.

3.4.2 Secondary data

The secondary data used in this thesis consists of reliable academic journals, books and quality peer reviewed articles on the Sharing Economy and MSPs, as well as online sources. Articles were found by searching databases, like the online search of the Copenhagen Business School Library and Google Scholar. This secondary data was used as a first approach to the topic, to identify relevant themes and aid in the development of the Interview Guide. Furthermore, online sources were used to find more information on the observed companies, such as through the database of the Central Business Register (CVR).

3.5 Validity, Reliability & Generalisability

In order to ensure the interviews fulfilled the basic criteria of validity, and thus would help in answering the research question, the interview guides were controlled by the supervisor of the thesis before the first interview. While it is recommended that any research should include a pilot study to ensure the correct understanding of the questions (Fink, 2017), this was not feasible, given the low amount of available interviewees. As the expert interview took place before the interviews with the companies it was used as a smaller test of the suitability of the questions. Efforts were made to closely observe the interviewees when asking questions, and should they present any sign of confusion by their facial expressions or body language we took care to rephrase the questions.

The reliability, in other words the consistency of the results, was increased by following the same interview guide and comparing the findings of the different companies with each other. However, as the main findings of this thesis rely primarily on the information provided by the interviewees and there is little information about the company outside of the interviews it was hard to verify the reliability of the statements. A possible measure to increase the reliability of the thesis further could have been insisting on interviewing all the founders within each of the companies, or by interviewing past users of the platforms. In order to prevent personal bias from influencing the reliability of the interviews we discussed possible biases and our own preconceived notions before starting the interviewing. Moreover, as one of us (Helena) previously worked together with two of the interviewees in their company of EnjoyLocally, she wrote a short diary of her experiences with the company, before any interviews were held. At the same time, she was not present when interviewing the other founders of the same company, in order to ensure that the interviewees would be honest and comfortable in the interview situation.

As the sample size of seven companies is relatively small this thesis cannot claim to provide generalised causes of failure within the Sharing Economy that can be applied to all platforms. In order for a research result to be generalizable the sample size should be as representative and accurate of the general population as possible (Saunders et al, 2016), this could not be insured. Overall the generalisability of qualitative research such as semi-structured in-depth interviews can be "challenging" (Creswell, 2013). The found causes of failure could be investigated in future research and their generalisability could be confirmed or disproven. A bigger sample size was particularly difficult because of the very nature of the observed companies, finding failed companies proved a challenge as there often was very limited information on the companies after they closed.

3.6 Past Experiences

As mentioned above we were aware of needing to reduce our personal biases, which would focus our research too much on our own thoughts and not the experiences of the interviewees. As I (Helena) previously also worked for a failed Sharing Economy company I wrote down my own experiences, so that we would be able to differentiate between my own experiences and the statements from the interviewees.

From the business idea to actually getting the platform launched took a long time. First we hired a friend to develop the website which took a month without any result. Then we planned to invest more money in the website and hired an external software company. This was a large expense as it took two months and cost more than 60.000

kroner. The end result was designed as we wanted, including many features that we thought necessary but were in fact not used by the audience. Another obstacle was getting NETS to approve the company for online payment. Since we were categorised as a "gift-card company" it resulted in one month waste of time and no Dankort payment on the website. The high tech cost made it necessary for us to recruit a programmer and a designer as interns from Københavns Erhvervsakademi, and I learned how to maintain and further develop the website myself.

In the beginning we used approximately three full working days on each provider, making one event ready for the platform. First we had to make a deal with a provider of an event for example "Champagne and Rafting in the channels of inner Copenhagen". We had a meeting to specify the event, held an event with trial people, made marketing materials such as pictures and videos, and then we uploaded all the material to the platform. This was a lot of work because we did not know if the event would actually be bought. A year later we learned how to handle this problem as a business coach told us to make "fake" events which would solve two problems at the same time, the question of figuring out what the demand was and the problem of needing to have enough events on the site to look professional, as well as to save money and scale in a faster way. Using too much time on providers and different kinds of marketing events promoting the company maybe had the disadvantages of not attracting the consumers as well as developing and scaling the company in the right direction.

Starting in 2014, we were relatively early with our Sharing Economy concept, which had the benefit of us being able to receive two grants of a total 50.000 kroner. No other company was like us, competing with the same concept. But there were more and more Sharing Economy platforms on the way. With regards to legal issues we used a lot of speculation and time solving how to get the system to tax the right way. Another legal obstacle was unclear regulation with regards to untaxed income, we were trying to figure out how to not risk getting in trouble with the government as they would think we supported "black money", because some of the hosts were private people without a CVR number. We did not find a solution because nobody was able to help, not even the Minister of Economics (Økonomiminister) – so we decided to ignore the issue which was a big risk.

My last learning from this experience is that the best idea with a less good team is losing to the ones having a great team with a worse idea. In my opinion the team was one of the things that led to failure of the company, because we were all very different, had different expectations and ambitions, and worked different amounts of hours. I expected the company to grow very fast, and was very focused on reaching goals, such as for example having 20 events on the site at the launch. When we were closing the company 1,5 years later we only had 50 events with a lot of them being made up. We calculated that it would take at least 8 years for one of us to be paid and no longer need other sources of income, and I was at that time working 100 hours a week.

4.0 FINDINGS

In order to answer the research question of this thesis, several in depth interviews were held, both with an expert on the Sharing Economy in Denmark and with 10 entrepreneurs who founded or were partners in failed Sharing Economy platforms. Below some of the key findings from these interviews are presented The full transcripts of the interviews can be found in appendix 6 to 15. The structure of the key findings is illustrated below in figure 5. Starting with a short introduction of each of the seven observed companies, followed by presenting environmental factors impacting the companies, namely the Danish societal attitude towards the Sharing Economy, the competition between sharing platforms and the regulatory environment in Denmark. Furthermore, the strategies of the platforms are presented including the strategic vision, operational decisions, the network effect, pricing structure and attempts to secure funding of the platform. Lastly is trust factors and lock-in effects are presented.

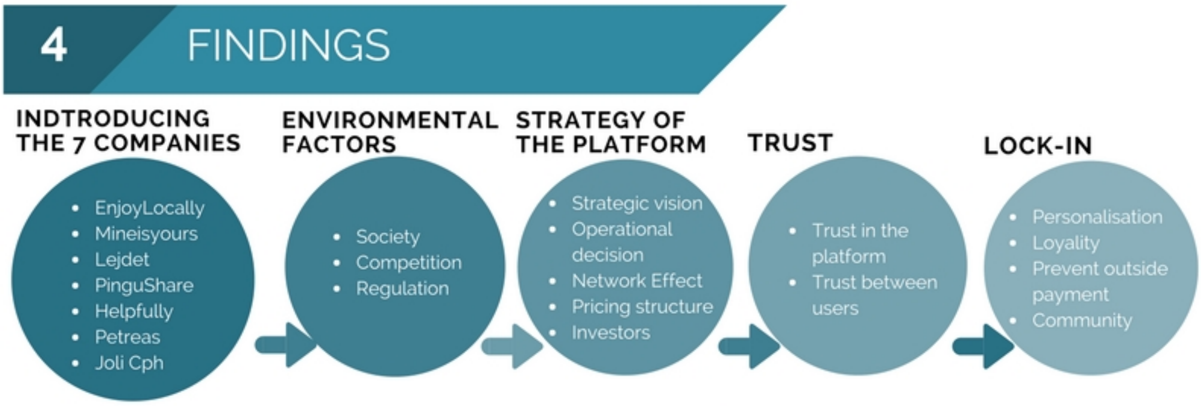

Figure 5 Structure of findings

4.1 Introducing the 7 companies

In order to fully answer the research question of this thesis and get a realistic and useful result of why Sharing Economy companies fail, it is necessary to actually find and explore real life cases. Thus, this thesis has investigated and interviewed 7 different companies with as many of the founders as possible to get the right picture.

The first examined company is called EnjoyLocally", and was founded the 22th of August 2014 and closed the 30th of December 2016. EnjoyLocally was a Sharing Economy event platform in Denmark where private people and businesses could sell and buy unique events ("Cvr, EnjoyLocally," 2016; EnjoyLocally, 2014a, 2014b). The company was founded by Helena Linding Andersen and Niklas Palm Otzen and apart from that, the team consisted of a partner Stefan Hedegaard. Apart from that one external software company developed the platform as well as an internal software developer, a designer and an event coordinator being employed as interns. EnjoyLocally received a micro fund of 25.000 kroner from The Danish Foundation for Entrepreneurship and a private fund of also 25.000 kroner. For EnjoyLocally both Niklas and Stefan were interviewed and the author Helena wrote a diary before interviewing, which is presented in chapter 3.6 of Past Experiences.

The second company that was investigated is “Mineisyours”, which was a Sharing Economy rental platform for individuals that offered private renting of caravans, cottages, bicycles and cars through one “safe and transparent channel” (Nielsen & Heide Lund, 2017; Proff, 2017; Trendsonline, 2016b). Mineisyours was founded by Kristian Zanchetta Klercke the 8^{th} of February 2016 and stopped operating January 2017 with the official shut down at 13th of april 2018. In the first eight month the founder’s brother and a friend developed the website, and after that a developer was hired. Three other co-founders joined the team and Mineisyours received 1.2 million kroner in funding from the founder’s family.

“LejDet.dk” is the third company explored, which was a platform for peer to peer rentals in Denmark with more than 10.000 users and 2 million items within 12 kinds of different rental companies (Mygind, 2014; Trendsonline, 2014). LejDet.dk was founded by Kasper Honore the 1^{st} of January 2013 and shut down the 1^{st} of May 2015. Kasper worked as a CEO and his Partner as CTO and they were not able to get any funding or investors on board.

PinguShare is the fourth company that has been investigated. The company was an online sharing platform that allowed expatriates in Denmark to donate, lend, sell, or swap items and services with others in their area (Crunchbase, n.d.; Oresundstartups, n.d.; Trendsonline, 2013). Irina Birsan founded Pingushare in 2013 in the end of August, and after 6 months she stopped operating and promoting the company. PinguShare officially closed the platform a year after founding. Irina did not have a co-founder but hired hired an external software developer to build the platform. PinguShare did not receive any funding.

“Helpfully” is the fifth company that has been used in this thesis, founded 9th September 2014 by Jeppe Klausen and closed again two years later. The Sharing Economy platform was a service that helped busy people in their everyday life situations “getting things handled by people who had time and could use that extra money” for example childcare, dog walking, and buying groceries (Proff, 2016; Trendsonline, 2015). Three employees were hired by the founder and they had 15 thousand users during the operating period and were not able in getting investors on-board.

The sixth company that has been explored is a company called Peatres, founded the 12th of April 2014 and closed in summer 2016 by Lasse Stokholm. The platform connected service providers of any kind, including carpenters, construction workers, dentists and accountants, with private individuals looking for those services (Vimeo, n.d.). The team of Petreas consisted of 3 partners, Lasse Stokholm worked as the Founder, Mickey Schubert-Suell worked as a Product Manager and Niels Schmidt as the CTO. The company received a micro fund of 25.000 kroner from The Danish Foundation for Entrepreneurship.

Joli Cph was founded in March 2015 and closed in December 2016. Joli operated as a jewellery renting platform that connected upcoming designers with women wanting jewellery for a for a short term rental period, such as necklaces and rings (The Hub, n.d.; Trendsonline, 2016a). After having rented a piece the consumer could buy it directly from Joli. At a later stage the company added a monthly jewellery subscription service, with customers receiving a box of curated jewellery each month for rental. The company was founded by three women, Stine Gosvig worked as the CEO, Cecilie Andersen as the frontend developer and Sigrid Korshøj. Furthermore, at the start of the platform one developer built the website, lateron he left the company. Joli received a micro fund of 50.000 kroner from The Danish Foundation for Entrepreneurship.

COMPANY NAME	DESCRIPTION	FOUNDED	CLOSED
EnjoyLocally	C2C, C2B, B2C, B2B event platform	August 2014	December 2016
Mineisyours	C2C rental platform	February 2016	April 2018
Lejdet	C2C rental platform	January 2013	May 2015
PinguShare	C2C donate, sell, swap platform	August 2013	August 2014
Helpfully	C2C home service platform	September 2014	September 2016
Petreas	B2C service platform	April 2014	Summer 2016
Joli Cph	B2C jewellery platform	March 2015	December 2016

Table 3 Company Introduction

4.2 Environmental Factors

Since the Sharing Economy companies do not operate within a vacuum, the interviewees were asked about environmental factors that might have influenced the failure of their companies. Below the findings around the society, competition and regulation in Denmark are presented.

4.2.1 Society

Societal attitudes towards the Sharing Economy could potentially have affected the success or failure of the observed companies. Three of the interviewees felt that, at the point of starting their platform, most people in Danish society were not ready for the Sharing Economy. "Lejdet, Founder" thought no investors from the traditional economy would want to invest in Sharing Economy as "If you are in the Sharing Economy you have a focus on reducing waste, reducing consumption, reducing production and people sharing. And those four factors combined is not a revenue driver." He strongly believed that the Sharing Economy would only be able to really exist once there was economy equality between all layers of society, he said: "I think the Sharing Economy is perfect once we have established some sort of basic income for everybody. But as it is right now, there is just too big of a difference between the poor and rich, for the rich to want to rent out their [things] to the poor, and the poor to afford what the rich have to offer." Additionally, he thought that "That is how society is. We are not taught to borrow. We haven't learned to share shit. We are taught to accumulate goods and be like financial or material god." "PinguShare, Founder" thought that 2013 was too early to start a Sharing Economy business in Denmark, but believed that at a later point the time would have been more suitable, saying: "[...] the whole hype came almost, like, two years after. And then it was also like on TV and so people were a bit more educated and understood like what this whole thing was all about." "Helpfully, Founder" felt similarly and explained: "[...] if we did the exact same thing now, or in three years, it might be a very different scenario. I think timing wise, what we tried to achieve was not ideally (sic). Because we needed to field a need for a lot of the stuff." The expert explained that initially there was a lot of enthusiasm for the Sharing Economy in Denmark, but after the ride sharing company Uber was banned in Denmark the mood shifted, saying: "[...] everybody agreed that this could be a good way of sharing resources, make better communities, and we could also earn and save some money. And everybody was glad. But after the Uber case then everything has changed, and it is not a positive story anymore."

All three interviewees of Petreas expressed that the construction Industry in particular was not ready for modern technologies and most prefered their traditional ways of doing business. "Petreas, CTO" explained: "[...] one problem is like, those industries are very old and they are not used to using a computer some of them. [...] if it is like, I have to go to a computer or have to go to a website on my phone I don't want it." and ""Petreas, Founder"" said: "Like in the construction business they take their phone, they probably have headphones on and then they can talk to the customers from there. So yeah, we actually built a lot of functionalities that they did not want to use." Furthermore "Petreas, Product Manager" felt that the traditional businesses did not care about having their profiles online, saying: "They didn't necessarily understand the impact of the trust that you then gain. Or the exposure that you look a bit more interesting than the next company without a logo. Or these small natural things."

Both "Lejdet, Founder"and the interviewed expert expressed that a reason why Sharing Economy platforms are less successful in Denmark than in other countries, particularly the USA, is because of the high wealth and level of social security in Denmark. "Lejdet, Founder"explained: "[...] the problem was, we, we Danes just, our lives are just too good to [care] about 20 kroners" and the expert explained it more in detail saying: "[...] Denmark is a very rich country. So, it is kind of embarrassing to say that you want to earn 50 kroner or 100 kroner in mowing somebody's' lawn. [...] The reason why Taskrabbit rocketeered (sic) back 10 years ago in US was because of the crisis. A lot of people were being sacked and they had to earn a lot of money or earn some money very fast in order to keep staying in their houses or make their living. So, people were forced to earn some money fast. And we don't have that kind of problem in Denmark, because of our social security system."

4.2.2 Competition

Apart from the societal attitude another environmental factor potentially impacting the success of a Sharing Economy company in Denmark is competition. Most interviewees did not feel like there was a lot of competition in their respective field neither from traditional companies nor Sharing Economy ones. While they named a few examples of competing platforms there were not many. The expert pointed out that while for most sectors of the Sharing Economy in Denmark there is no competition except for traditional markets, there is a growing amount of service or work sharing platforms saying: "[...] there is maybe 15 other companies doing exact (sic) the same." "EnjoyLocally, Co-founder 1" stated that: "[...] of course there is a lot of event providers, but not this two sided platform", "Joli, Co-founder" felt that Joli was different from previously existing jewellery renting options, saying: "[...] our jewellery was in the price range between 600 kroners and 10000 kroners. And usually if you go out to rent jewellery it is really expensive pieces that are worth 50.000 or 100.000 or something." "Petreas, Founder" similarly explained: "There was like [a platform] for construction, maybe three or four for the construction business, one only for lawyers and accountants, one for dentists [...]" but not a main platform combining them all.

One competitor, that was named by four interviewees was "Den Blå Avis", DBA, a Danish peer-to-peer marketplace, seen by many as the Danish version of eBay. "Helpfully, Founder" pointed out that since DBA already has a large amount of users, new users are more likely to use the site, saying: "[...] if you log-on to Den Blå Avis and you see there is a variety of people that sell stuff, that is where you want to re-engage" and "PinguShare, Founder" explained: "But of course, we are not big enough as DBA for example, [...]" "Lejdet, Founder"managed to avoid competing with DBA by agreeing on a partnership with them, "With everything they had on rental, they would just give us a fee and we would put it on our site."

Some interviewees felt that even with competing sharing sites their platform was better and as a result they were not worried about competition. "Petreas, Founder" confidently explained: "Of course, I thought that they would use mine. Of course" and "Helpfully, Founder" stated: "[...] I don't think I actually was worried about the competition at that point." In contrast to this "PinguShare, Founder" wanted to actively cooperate with her competitors and partner with them.

4.2.3 Regulation

Another environmental factor potentially influencing the Sharing Economy companies is the regulatory framework in place in Denmark. The interviewees all expressed very different opinions on the legal situation surrounding Sharing Economy in Denmark. While some thought a lack of regulation in the past made it harder to operate and newer clearer laws would help. Others felt that more rules would be confusing and an impediment to innovation.

At the time when the companies interviewed were established there was very little legislation about the Sharing Economy specifically. For several of the interviewees this was an obstacle in establishing their companies. The expert pointed out that: "[...] there is no legislations, it's, everything is grey zone and it is very, very complicated for a company to, to work to operate in these inconveniences." Both "EnjoyLocally, Co-founder 1" and "EnjoyLocally, Partner" felt that they had invested a great amount of money and time into figuring out these legal grey zones. "EnjoyLocally, Co-founder 1" explained: "[...] we had some problems with the, with some tax, tax problems.[...] Because it was a two sided platform and nobody could tell us if we should put tax on our fee or on the whole products price." as such "EnjoyLocally, Co-founder 1" felt that there was "a hole in the rules" regarding tax legislation for the Sharing Economy. "Mineisyours, Founder" similarly expressed that: "[...] there was a lot of processes that were destroyed by bureaucracy" in an attempt to find clarity in the legislation he invested a lot of his time: "I spend 50% of my time talking to ministers and mayors and stuff like that."

The expert explained that in the early days of the Sharing Economy in Denmark the lack of regulation did not have a negative impact, since "everything was legal because everybody on both sides of the parties, left and right, thought Sharing Economy sounded positive. Actually, back in 2015 February, Folketinget fully agreed that Sharing Economy was good for Denmark. So, therefore the grey zone was not a problem. Because everybody agreed that this could be a good way of sharing resources, make better communities, and we could also earn and save some money". He believed that the ban on Uber in Denmark led to a change in atmosphere and that afterwards, many potential participants in the Sharing Economy were asking themselves: "'is this legal, can this destroy our country and communities?'".

Five of the interviewees did not experience any legal challenges, "PinguShare, Founder" explained: "I think, all of these things were so new that the legislation was not there yet". "Lejdet, Founder" also thought that regulation was not an obstacle, but mostly because his opinion was that no legislation should obstruct innovation, saying: "[...] this is probably one of the things I could get in trouble for saying, but it just a fact of the entrepreneurial life. If you haven't done something within the first year of your start-up that will possibly get you in jail. You haven't tried at all!". "Joli, Co-founder" also had no legal challenges and attributed this mostly to the fact that the provider side on her platform was companies who would send an invoice for their goods: "I mean legal wise we were a company, so we were paying our taxes and the whole thing about Airbnb and Uber we were kind of like the good girl example. [...] Like obviously we were a company and the designers were companies and they were paying their taxes and everything."

"EnjoyLocally, Co-founder 1" and the expert both agreed that clearer and more defined rules would benefit future Sharing Economy companies, but the others did not feel the same. "PinguShare, Founder" in particular thought that additional legislation would have prevented her from starting her platform at all.

4.3 Strategy of the Platform

After having presented the findings on potential environmental factors impacting the Sharing Economy platforms the below section presents the findings around strategic decisions made by the platforms. Such as the strategic vision underlying the platform, the market focus, and operational decisions like how much market research should be conducted, how the founding team should be composed, how much money to invest in the website development and marketing, how involved the company should be on the platform, and how to secure investment.

4.3.1 Strategic Vision

While talking to the interviewees from the seven failed Sharing Economy companies, two patterns in the motivation behind starting their company, were noticed. Five interviewees had a very idealistic vision as they focused on helping people, improving the society and in general letting people share each other's properties. Whereas the other five interviewees were more concerned about turning their business into profit, making it scalable or they believed more in the entrepreneurial spirit than in the concept of Sharing Economy, which shows that their strategic vision was more capitalistic.

The entrepreneurs with the more idealistic strategic vision, all expressed that the concept of Sharing Economy was of higher importance to them, than actually making the companies profitable, scalable or for personal gain. "Lejdet, Founder" expressed: "[...] the way we thought Sharing Economy was, even though we were behind the concept, we were not supposed to be the ones benefiting the most from it." And "[...] for me the Sharing Economy, at least the way we did it, by now is more a, 'I am doing this for the sake of the world and the environment, instead of doing it for my sake of financial gain'". This is also expressed by "PinguShare, Founder" saying: "[...] it was really much more dear to my heart in a way. Like the product and everything that I realized, okay in order to continue it, I need money, and in order to get money, I will have to go in a really bad deal for myself and I didn't want to do that." "Joli, Co-founder" explained that she focused more on the concept than making the company profitable by stating: "[...] we were promoting the designers and also a good cause that people were instead of buying cheap, throwing out, getting the jewellery that turns your neck green and everything.

They would use better. [...] for me it was very much the ideal. That is also why I started doing it."

"EnjoyLocally, Partner" mentioned several times that he was motivated by helping people and create better events: "[...] personally I was pretty excited about the job. About the networking, creating the ideas and the events [...]." and he also said: "[...] I think our DNA was actually to help them." "Mineisyours, Founder" expressed in a follow up question after the interview that: "I really had a good feeling about the idea and i started it because of inner believe [...] I was extremely inspired by the huge media hype and I think it inspired me to take action in a bigger way than normal."

The other five entrepreneurs had a more capitalistic strategic vision. This was shown by the interviewees stating that the key motivation for them was to earn money and they were very much focused on the revenue and scalability of their companies. Especially "Petreas, Founder" showed this, by saying: "[...] I thought that within a year I would probably, [...] get my first million Danish kroner through the site." Furthermore, "Helpfully, Founder" expressed: "I made a budget saying I want to spend this amount of money, and if I don't have enough reason to continue I'm not doing that." He also expressed that: "[...] I thought that it should have a potential. Moneywise. I didn't do it because I have blue eyes basically." "Petreas, CTO" thought about scaling the company by saying: "[...] I would say maybe if that worked it would be a lot more scalable than what Colego was doing."

Some of the interviewees were more motivated by the entrepreneurial lifestyle. "EnjoyLocally, Co-founder 1" expressed this by saying: "I started EnjoyLocally because I think it is exciting to see [my] idea go live. To build my own concept and see that other people like to use it, and also to do things in smarter way." He also said: "[...] I thought I could earn money and live as an entrepreneur being my own boss." "Petreas, Product Manager" also stated this: "I just thought it was, it was just interesting to do the start-up. The "jeg vil bare gerne have min egen restaurant, mit eget sted" (I wanted to have my own restaurant, my own place)."

4.3.2 Finding a Niche

With the strategic vision guiding the decisions of the interviewees, the next influence on the success of the Sharing Economy companies is the decision of what generic strategy the platform was following. When talking about their company's business model several of the interviewees expressed regret over the fact that they did not have a narrow product focus, or a narrow focus on the target audience for their platform. With most stating that, if they could start over they would choose to operate within a small niche. "Mineisyours, Founder" stated that: "I wouldn't have started on such a wide category focusing platform. I would have started niche", and "Lejdet, Founder" pointed out that it "[...] was in hindsight our biggest mistake [...] not having a niche to focus on", "Petreas, Founder" expressed a similar sentiment saying that "if you don't have something really specific, it is really difficult to become a champ in it".

A frequently named problem with the lack of a niche was that marketing was extremely difficult in absence of a defined audience, with "Mineisyours, Founder" saying that: "we had no idea who to communicate with [...]". And "Lejdet, Founder"describing in detail: "[...]

since we had so many categories it is really hard to retain or maintain visitors, actually on the site, because if you rented a bike from the site, then I know for sure that you like to ride bikes, but do you like to play hockey?" and further explained with "basically we had 12 companies, within one company. 12 rental companies within one site, and we didn't have the focus or the money or the sheer man hours to market 12 companies at once." "Mineisyours, Founder" explained that he believes "99 percent of all platforms die because they don't have a target group" and they themselves tried to combat this by "[…] focusing on seven, six, five and then four categories […]." "Helpfully, Founder" tried a similar approach with marketing only specific categories for his platform, stating: "[…] I think we had marketed 4 verticals. So we would market on cleaning, babysitting, […] dog walking, […] and […] if you want some IT technician." "Petreas, CTO" also explained that they tried to find categories to market on: "I think we started out having like 50 different professions and then we narrowed it down to 10 […]." and explained that the variety of services was a problem saying: "[…] we had like everything from like fixing the heater, to a new roof, […]. So, maybe also like shooting a bit too broad." "Petreas, Product Manager" from the same company corrected his memory of how many categories there were, saying they made 12 distinct landing pages.

For some the lack of niche meant they themselves had trouble identifying their own product. "EnjoyLocally, Partner" talked about his struggles to explain the platform to potential providers because of the wide concept, saying: "it was difficult because we didn't have a standard product." He would have preferred a more defined narrowed product saying "[…] we needed some kind of frame that would limit our ideas a little bit" and "[…] it would be easier for the suppliers to understand and it would be easier for us to implement, and it would be easier for the customers to understand and buy as well." "Helpfully, Founder" expressed that having no niche meant that "[…] if you want to focus on a lot of stuff you would be mediocre at all of it. Unless you really got it all right. Which is difficult. That is one of the reasons why it is difficult to get up running."

Many interviewees expressed that their company should have started with a narrow product and area focus and then later have grown to include further locations and products. "Lejdet, Founder" said that: "In hindsight we should have narrowed it to one category and just become the best at that and then grow." And explained: "[…] we should have focused on just 'bikes, in Aarhus', and made our site the go-to site for bike rentals. And then once people knew, we were the place to go to rent bikes they might go for a PlayStation or a Salsa Tutor or guitar teacher, or whatever." "Petreas, Founder" expressed a similar sentiment stating: "I would focus on one industry and in the beginning, one city. Like I would only focus on Copenhagen." And "Helpfully, Founder" explained: "if we did dog walking and we were good at that and then added on that, it would probably be a better approach."

Only two interviewees had a very clear niche within their company. Joli, which exclusively focused on women's jewellery and PinguShare which, even though it did not have a defined product niche, had a very narrow audience in expatriates living in Denmark for a short time period.

4.3.3 Operational Decisions

Once the companies had identifies their strategic vision, their target audience and specific market, they needed to make operational decisions about how to set up their Sharing Economy company.

4.3.3.1 Benchmarking

Having to decide how exactly their platform should be operated many interviewees looked towards existing Sharing Economy companies for inspiration. In the interviews four of the ten entrepreneurs mentioned the American home rental platform Airbnb, as having been an inspiration for the business model, the design or functionalities. However, some also talked about Airbnb more negatively, highlighting a complicated legal situation in Denmark, and a commercial approach by Airbnb.

"EnjoyLocally, Co-founder 1" described the concept of their company as: "like Airbnb concept just with events instead" and "PinguShare, Founder" compared the review functionality on PinguShare with Airbnb's review system, as well as "Petreas, Founder" mentioning they were using a lot of the same design as Airbnb. While not directly comparing his design to Airbnb "Mineisyours, Founder" was still influenced by the site stating that when planning their marketing they looked to what others had done: "[…] the way it worked out for Airbnb and GoMore at the start or in the very beginning, was word of mouth."

In contrast "Lejdet, Founder" and "Joli, Co-founder" saw Airbnb as a negative example when talking about Sharing Economy in general. "Lejdet, Founder" expressed that the home sharing platform merely uses Sharing Economy as a marketing ploy and he stated: "It has nothing to do with the Sharing Economy." When developing the website "Lejdet, Founder"also expressed that they deliberately designed it differently than Airbnb "[…] the first thing we did was just put our own faces on it. If you go to Airbnb you don't know who is behind the computer, you don't know who is at customer service, you don't know who funded, who started the company. You don't know anything about the company." "Joli, Co-founder" highlighted that compared to Airbnb they were "the good girl example" when it came to the Danish tax regulations. "Helpfully, Founder" equally stated that he did not believe Airbnb to be part of the Sharing Economy, but in contrast to the others did not see this in a negative way, as he himself was using Sharing Economy as marketing. Saying: "It sounds good when you put it in the papers. And it is easier to get PR, all that kind of stuff, if you label it as Sharing Economy."

Another existing platform that was referenced by several interviewees was the Danish ride and car sharing platform GoMore. "Helpfully, Founder" compared their pricing and rating system to GoMore, stating that "[…] GoMore is probably the good story of Denmark". "Lejdet, Founder" felt similarly negative about GoMore as about Airbnb, he said "GoMore is not Sharing Economy. GoMore is a capitalistic set up, made to have shareholders become extremely rich."

4.3.3.2 Market Research

Once the companies had been inspired by existing Sharing Economy companies about how their platform should be operated on a fundamental level, they needed to decide which exact features should be implemented. These decisions could be based on prior market research, however, several interviewees expressed regret over not having done more market research before having launched their platform. Interviewees felt this led to their product not fitting within the market and features being implemented that were unnecessary. A majority of the entrepreneurs and the expert mentioned that a better approach would be to start with a so called “minimum viable product” and develop the platform based on this. Expressing his frustration "Petreas, Founder" explained: “actually an MVP could have just been a Wordpress page, takes one day, costs nothing” further explaining: “[we] actually started out, maybe doing the wrong things instead of actually listening to the carpenters like ‘what do you need?’. We thought we would have the solution in our heads,” he further explained that not conducting research on the needs of his providers meant that “we built a system that they didn't really want to use, that was too much for them.” "Petreas, CTO" also explained: “[...] like really understanding the customers. We didn't spend a lot of time on that. It was more like ‘Okay, if I wanted my roof, what would I need.” Similarly "Mineisyours, Founder" regretted not having done a more practical test of the product market fit, explaining that “[...] we didn't have a clue of customer values, we didn't have any clue of who our actual customers was.” "Joli, Co-founder" also mentioned the MVP and explained it is all about getting the product out in a fast and possible way in the beginning to see if the product work and if there is a demand for it. "EnjoyLocally, Partner" suggested that they should have started with “[getting] customers to rate or to find out what kinds of events there was interest in”. With “EnjoyLocally, Co-founder 2” explaining that at a later stage of their platform they attempted to find out more clearly what demands customers had, by adding events to the platform that did not exist. Once customers had booked one of these “fake” events the company would find a suitable provider.

The expert pointed out that new platforms need to know the needs of the users and that “Specific Target Behaviour is the first and foremost, this should happen before all the other stuff.” His suggestion for getting a good understanding of the market is partnering with somebody from the traditional business world, saying: “[...] find a CEO from the old working world, that can give the reputation and the knowledge [...] instead of you just being some happy-going-lucky (sic) entrepreneurs have this great idea but you can not take an discussing on the level with the client because they can hear that we have absolutely no idea of how this business works that we wants to disrupted (sic).” He also stated that it is important to make a MVP by saying: “[...] build something not complex, totally simple and see if people wants (sic) to use it. And if a lot of people using it saying, ‘we also want this, and we also want that’, then it’s a sign, an important tool.”

Three interviewees felt like their lack of prior research meant that they implemented unnecessary features on their platforms, with "Petreas, Founder" saying: “[...] we actually built a lot of functionalities that they did not want to use” and "Lejdet, Founder" reflecting on the implementation of NemID login for the platform saying it was a mistake. And

"Petreas, Product Manager" explained: "you can add the picture and the first name and the position [of an employee] and that was totally overkill. These carpenters [...] they don't even want to have their employees on their [own] website [...]."

4.3.3.3 Building a strong Team

Another aspect that needs to be considered at an early point when starting any company is the composition of the team operating the company. Most interviewees had partners or co-founders in the companies, except for "PinguShare, Founder", who did not have a partner at all and "Helpfully, Founder" who did not have a co-founder but employed three people. Of those with partners and co-founders, four interviewees felt like there were different ideas and expectations in the team, whereas four interviewees felt like there were no such disagreements. It is important to note here that of those four without disagreements three were in the same company. Two of the interviewees from the same company of EnjoyLocally stated that there were differences in expectations and goals of the team. "EnjoyLocally, Partner" said: "[...] there was a gap between all of us in almost every level so we had kind of different approaches, and different goals, and different visions with the company." "EnjoyLocally, Co-founder 2" equally believed that differences between the team members were present. "Lejdet, Founder" explained that the main disagreements between him and his co-founder was based on different expectations towards finances, while he believed the positive impact of the platform should be the main motivator his partner "had a focus on money because he had a house, he had kids, and a wife to take care of" however, "Lejdet, Founder" thought these differences were good as "[...] if we were both like laid back hippies who just want to smoke weed and have fun, we wouldn't be where we are. But if we both are capitalists [...], people wouldn't want to talk to us." The expert explained that the team is a very important aspect of any start-up, as well as the commitment level of the team members.

Two interviewees had major conflicts within their teams. "Joli, Co-founder"'s company consisted of three partners, who started with similar expectations, but over time started to disagree to a point where two partners decided to buy out the third. "Joli, Co-founder" explained: "[...] we had this whole disagreement with our third partner that we ended up buying her out. But I think it took 6 months for us to agree. So, it was a super long process and there was these internal fights."

For "Mineisyours, Founder" a team conflict was the direct cause of failure for the company, with it having to go into bankruptcy as the result of internal team fraud. He explained: "It was one of the guys who was in charge of the economies, he hid money to activate another business loan" and that he could not control where the company was going as he was no longer the majority stakeholder, saying: "But I think the biggest mistake I made was to give away more than 51% of the shares."

4.3.3.4 Technology Cost

With the companies having decided on the features on their platform and the composition of their teams they needed to develop their platforms in order to be able to reach their vision. For all interviewees the development of their website was one of the biggest costs, both in terms of money spent and in terms of time used. Helpfully and Mineisyours had internal programmers responsible for their website development, Joli initially had an internal programmer who left after some time, and Petreas started with several external programmers and later a internal CTO joined. The remaining 4 companies hired external web developers.

Interviewees who had no internal programmers felt like this was a mistake, with "EnjoyLocally, Co-founder 1" saying: "None of us were programmers [...] It was quite difficult to use [...] this framework. It takes a lot of time. So I think that we used too much time on that. Instead of just trying to sell the product." Similar "Lejdet, Founder" explained: "[...] starting out with no programming skills it is quite expensive to have some third-party to program you site. I think that was the biggest challenge, and that was a financial thing." The expert highly recommended against hiring external developers as he believes them to be too expensive saying: "[...] external developers are very good at sending bills."

Even with the companies having internal programmers the cost for the website development was a large burden. "Helpfully, Founder", who himself was programming the site and had internally hired web developers explained: "[...] of course it is costly because if you look at the salaries in this country." "Petreas, CTO", who joined his company after an external programmer had set up the initial site expressed that it took a large amount of work to change the website to the product they wanted to see, saying: "[...] the most part was like cleaning stuff up. And actually make it work. Because they delivered like paper, so it is not dynamic so it is exactly as it is. [...] So that took the most time."

4.3.3.5 Marketing Focus

Having developed their website the observed Sharing Economy companies needed to attract both consumers and providers for their platform. Four out of the seven Sharing Economy companies attracted the providers of the site directly, either through cold calling, texting or by face to face meeting, in order to convince them to join the site, and get their profile online. "EnjoyLocally, Partner" explained this as a very time consuming process, but a necessity: "[...] so it was all about infiltrating all kinds of networks and all kinds of people and trying to get that word of mouth going. Which is obviously a time challenge and also it was difficult [...]." Also "Joli, Co-founder" indicated that word of mouth was very important: "Word of mouth in the beginning was actually really important to us, it was usually a friend of a customer who would go to the website." "Lejdet, Founder" attracted a lot of users by direct contact of the providers but stated that it is not a scalable solution as: "[...] I would write them on Facebook like 'Hey, you are not going to use the car every day you should put it on for rent'. So that attracted a lot of private users. But that approach isn't scalable. I can't write a million people a day."

All the companies mainly used Facebook as a social media marketing channel, some mentioned Instagram, and others payed more attention to marketing on the search Engine Google with AdWords. Only the three interviewees from Petreas expressed that they used AdWords and it really worked to attract users: "Petreas, Founder" said: "[...] we got maybe three tasks every day, maybe five tasks just from AdWords. [...] AdWords were (sic) our main driver to get in new customers."

A majority of the interviewees used PR as a way of reaching attention and to get people on board. The expert stated that there was a hype around the topic of the Sharing Economy, which made it easy for the early companies in Denmark to get marketing and published, but for some it maybe came too quick: "[...] I know that Mineisyours paid very much attention, it felt like they were more focused on the hype. [...] Than the actual tool. Because they really got a lot of hype and I think they were very good at creating a hype. But maybe they were out too early." Independently "Mineisyours, Founder" agreed on this statement saying: "I had a session with Brian Mikkelsen the minister of business of Denmark and it was in the prime time news at DR1. And then we had, I think we had like 40 or 50 thousand visitors at one night at the site and that was when we gained a lot of attention." Thus, agreeing with the expert about being too early mentioning: "We had about 600 products and I think our critical amount of products was a 100. So we didn't manage to create the site fast enough. Because, we received attention way, way too soon."

"Joli, Co-founder" explained that they were lucky with the press specially because they were a team of three women, with a new concept of helping out upcoming local jewellers in a sustainable way. After a piece about their company was published in Børsen, other local papers quickly started to contact them. "Helpfully, Founder" also used PR as a marketing strategy, but indicated that they didn't really get the users engaged in doing anything, by saying: "[...] we used PR quite strategically to get into newspapers. And we actually had half and hour on DR, [...] I think we got like 4000 users during that half hour. So, it gave us a big spike but we didn't get any jobs done in regards to it."

Except for the traditional marketing channels and the hype, "EnjoyLocally, Co-founder 1" promoted the company by local events of their own and their hosts, as a kind of different marketing strategy: "We created some events. One of them was [...] in a [cinema] and, we [...] tried to use events to get knowledge about, yeah, to promote EnjoyLocally. [...] So, to this event we had, I think it was a 100 people."

4.3.3.6 Platform Involvement

Once the observed companies had directly contacted the providers on their platform to convince them to join, the companies needed to ensure that providers would engage with the platform. A majority attempted to ensure this by actively assisting the providers in most matters. Four out of the seven companies started out as very involved platforms, actively recruiting providers, setting up their profiles, and in some cases even creating the products in tandem with the provider. The whole team of EnjoyLocally explained their involved role at the platform with the fact that many event providers did not have a pre-made product, but needed to develop something new for the site, for which they used a lot of time and effort. "EnjoyLocally, Co-founder 1" expressed dissatisfaction with the high involvement saying "[the] plan was that they could go and put it on themselves", however, "EnjoyLocally, Partner", did not see it as a problem saying: "I think our DNA was actually to help [the providers]." "Joli, Co-founder" felt similarly, expressing that she would prefer to keep the local focus of the company with their high involvement. "Petreas, Founder" had a similar experience with construction workers on his site expressing: "We did everything to get people on board. Maybe that was even like, that we helped people too much." "Joli, Co-founder" explained that while their initial idea was for the providers to be responsible for sending out the rented goods they quickly changed this as "[…] [the providers] were very focused on the creative, and drawing and making and sometimes they would forget to send the packages, or they weren't, or they forgot to keep updated with their stock […]" as a solution Joli would "[…] manage the sending out, the cleaning, everything."

4.3.3.7 Securing Investment

With the website being developed, marketing efforts and the time spend on directly assisting providers on the platform, many of the observed companies needed to find a source of funding, in order to be able to further operate their platforms. All interviewees expressed that a main obstacle was their lack of funding, most felt they did not have enough money for marketing or for keeping their business active at all. "Petreas, CTO" said: "It was too expensive, and we didn't have any money.", "PinguShare, Founder" explained: "[…] you really need to have an amount of money to burn", "Helpfully, Founder" felt similarly explaining: "I was pretty confident that it would take twenty or thirty million to get to a point where you would actually see a business case in it." Particularly regarding marketing several of the interviewees expressed that lack of money was a major problem, "EnjoyLocally, Co-founder 1" explained: "It was difficult because we didn't have that much money. So we didn't use a lot of money on like AdWords or online marketing in general," and "Petreas, Founder" said: "[…] we found out that to get in customers, takes a lot of money. To get in the tasks, to find people that are in the need of getting a carpenter […]. You have to make a lot of money in order to get the money back you spent on marketing" and "Petreas, CTO" explained: "[…] you need to experiment with all these marketing dollars to see how it converts and that is when you also adjust the business model. But you need some kind of money to even get to that place and we didn't really have that."

All interviewees were actively trying to find investors for their companies in order to maintain and grow. Petreas and EnjoyLocally thought the biggest obstacle in attracting investors was two things: needing proof of concept, and lack of traction on their platforms. Others had more varied explanations for why they could not receive funding, or in one case even felt like the direction that funding would lead to was not their goal. "Lejdet, Founder" thought that since a Sharing Economy platform aimed at renting and reducing consumption, it was in direct contrast to the values of most investors making it impossible to receive investment, he explained: "because the people who had the money, made their money from the conventional world, from the conformed business world. And if all of the sudden they were to disrupt their revenue stream, they would have to have a huge revenue stream in our concept that would make up for the loss to their revenue from selling items", he added "[…] we weren't able to find investors, because we didn't have a perfect business plan that would make people insanely rich in no time." "PinguShare, Founder" felt that the difficulty of receiving investment was mainly due to the financial situation at the time and that in "[...] 2013 it was also like the beginning of the startup world. Everything was new, people were still afraid. Like I think investment was hard to get for pretty much anyone." but she also thought that to achieve a functioning sharing platform she would need to "[...] be able to run it for a year and a half, two years, without making any profit of it. And a regular business person would not do it." The expert also confirmed this saying that a sharing platform would likely not give any profit for the first two to three years. However "PinguShare, Founder" did receive an investment offer which she declined because she thought it would be a bad deal for herself. Similarly "Joli, Co-founder" received some funding for their company, and had some interest from other investors but felt like these potential investors had very different goals than her and her partners and they would be pressured into turning Joli into a global company which was not their goal.

Three out of the seven companies managed to get a micro grant of 25-50.000 kroner and Mineisyours received 1.2 million kroner funding from relatives. "Helpfully, Founder" had the chance to receive some funding, but not at the amount he thought was necessary for his platform as he explained: "I think when I started looking for investors after a year or something like that. I was pretty aware that two million in investors wouldn't help a shit, it would just prolong the pain of getting it down." Additionally, Petreas also had issues regarding lack of funding as the only reason they needed to close down the platform: "The money ran out and then we can't really get any investors and then the hard core realisation of having to kill it" ("Petreas, Product Manager").

4.3.4 Managing Network Effects

While deciding on the strategy of the platform, such as the functionality, the marketing and how to attract investors, the observed companies also needed to keep in mind how they would attract both sides of their platforms in order to reach a critical mass and become self sustaining. The interviews showed that most of the interviewees were aware that the network effect was a big issue. This is especially indicated by two of the interviewees mentioning the Chicken-or-Egg problem by name. Lejdet, Founder" mentioned this problem by saying: "you also need to have a critical mass of people and different items to rent. [...] So, what is first, the Chicken-or-Egg?". Also "Petreas, Founder" expressed this: "[...] it is like the Egg and the Hen, like what to choose first." The expert's answer to this question of who the companies should focus on first, was as followed: "[...] Because without stuff on the sites then the user can't use it. I remember when Handyhand, that was one of the first Sharing Economy companies in Denmark, they were like Taskrabbit, a place where you can ask people to mow your lawn for 50 kroners. And there was like 4000 who wanted their lawn mowed, but nobody wanted to do it." The expert later followed up on the question by saying: "[...] the most important thing when you are opening a Sharing platform, is to have some stuff that can be shared."

Even though the Chicken-or-Egg problem was only mentioned by two interviewees, nearly all expressed that it was difficult to attract both sides of users to the platform. Four out of the seven companies primarily focused on attracting the providers to the platform first, while two companies focused on the consumers and the remaining platform was attracting both sides at once, as she did not differentiate between the two sides. However, interestingly, several of the interviewees stated that should they start their company over again, they would decide to target the opposite site, stating that they focused on attracting the wrong side. With "EnjoyLocally, Partner" explaining that they focused on the providers first, but thought it was a difficult decision, saying: "The product was the main thing at the start. But obviously we also, yeah it is difficult, right, because also you have to have some kind of customer base [...]." "EnjoyLocally, Co-founder 1" explained: "[...] we had to focus on the people who wants (sic) to put the events into the portal. That was our main task in the beginning. Because without any events nobody will come and buy anything. [...] So, we needed to find the first like 10 events, yeah, before we focus on getting customers." Additionally, "Petreas, Founder" expressed that they focused on the providers first, by saying: "[...] I hired two guys to call up a lot of service providers and asked them, if 'Hey [...] if you had this website do you want to use it?'." But at the same time "Petreas, Founder" thought the consumers were most important: "To get the customers in was more important, because we probably only needed to focus on customers in Copenhagen and then have yeah, five service providers in Copenhagen to bid, and then we would be, make them really happy, because they would get a lot of tasks to bid on." "Lejdet, Founder" also explained that he focused on the providers first but actually thought the consumers were most important: "[...] you can always get the items. It is a matter of teaming up with great partners. So what we did to get some items on the shelves in the beginning. At first my thing was, we just open the stores, nobody wants to come into a store with empty shelves. So I need to start this store, how do I do that? So, we teamed up with Silvan (home improvement retailer) and they had 100.000 rental items across the entire country. So by partnering up with larger partners, we were able to reach that [...] inventory amount rather quick. But it is the users, the organic side of users that is really difficult."

Two interviewees explained that they focused on attracting consumers to their platform, as the service providers came easily themselves. "Helpfully, Founder" mentioned: "[...] it was quite easy to attract service providers basically. There is a lot of people signing up, with the idea that they could help someone. On whatever, people would want. But it is very difficult to get actually consumers on." "PinguShare, Founder" did not distinguish between the provider and the consumer, and by that, attracted both at the same time.

4.3.4.1 Pricing of MSP

Apart from the difficulty of needing to overcome the chicken and egg problem, another factor affecting the network effect of a platform is the pricing structure. Most interviewees decided to only price one of their sides, and subsidize the other side. When deciding which side of their MSPs to be priced and which side to be subsidized most interviewees priced the providers. Four out of the seven companies received their revenue by imposing a transaction fee on the side of the provider.

EnjoyLocally, Helpfully, Lejdet, and Petreas all had a similar pricing structure with a transaction fee added on the price of the provider. "Lejdet, Founder" explained: "[...] we had one revenue stream and that was a commission. So, whatever you would rent your item out for we would take 10% in commission. Once you had a rental confirmed. So it was free to join the site, it was free to do whatever you want and it only costs you money the second you made money. And at that point we would take 10% on the transaction." "Helpfully, Founder" pointed out that this pricing structure was somewhat complicated to enforce as many service providers and consumers went outside of the platform because "[...] the people who want to clean for 100 kroner an hour, first of all they don't want their salary to be tracked anywhere. Second of all if they decided they don't want to pay 10% cut off because the salary is so low."

"Mineisyours, Founder" was the only interviewee who priced the consumers, he explained: "[...] we just [...] added it to the customer, so if the [...] person who uploaded the product on the site wanted to have [...] 3 or 400 kroners an hour the renter was added another 15% to the actual price." "Joli, Co-founder" did not take a percentage of each transaction, instead they would initially give all earnings directly to the provider until the jewellery was payed off and from then on Joli would keep the entire payment, she explained: "We made a deal with the designers, that we would pay them every time that we rented out their pieces. And when the piece has been rented out for about 4 or 5 times, the piece was kind of paid off. And then we would keep it, and the designer would get the money, and then after renting it out the money would be like an earning for us."

4.4 Creating Trust

With the companies having decided how they would attempt to manage the network effect, and the pricing structure of the platform, they also needed to consider the significance of trust from users to their platform, and decide on how they would attempt to create trust. In the interview of the expert, trust was mentioned several times and he pointed out that trust is one of the key factors of success for any Sharing Economy platform, by saying: "It's not enough to have supply and demand, you also got to have a strong community, and you got to have a lot of trust." All the interviewees expressed the importance of creating trust, with "Joli, Co-founder" saying: "[...] when you built a company that is based on the Sharing Economy thought, I think it is very important that you built your company on trust, instead of mistrust [...]". Below each of the methods that the observed companies were using to create trust are presented. Starting with the trust in the platform and followed by the trust between the users.

4.4.1 Trust in the platform

In order to create trust in the platform, all interviewees with an idealistic vision thought one of the most important factors was through transparency. What exactly was meant by transparency was slightly different between the respondents, with some meaning being transparent about who is behind the company, and others meaning transparency on how the platform worked and what was expected of all users. The former transparency was a major trust factor according to "Lejdet, Founder", "Joli, Co-founder" and "EnjoyLocally, Partner", and the latter was seen as crucial by "PinguShare, Founder" and "Mineisyours, Founder". None of the interviewees with a more capitalistic vision highlighted transparency as a trust factor. "Lejdet, Founder" explained how he thought trust was generated by transparency by saying: "[...]the first thing we did was just put our own faces on it. If you go to Airbnb you don't know who is behind the computer, you don't know who is at customer service, you don't know who funded, who started the company. You don't know anything about the company" and adding "[...] we felt like if there was 100% transparency, people knew who we were, we were not hiding behind some get rich fast scheme, this was our like lovechild of let's try to save the world." "Joli, Co-founder" explained that even though initially they did not provide personal information about the founders on the platform they changed this after some time and openly communicated who they were, explaining that this generated trust: "[...] that worked really well, [...] because we were also really different women" ("Joli, Co-founder"). For "EnjoyLocally, Partner" the personal connection to the providers ment there was a lot of trust, he said: "[Transparency] is the personal angle [...], we are always on the phone." "Mineisyours, Founder" explained his understanding of transparency by explaining that all the information needed was available on the platform: "It was really important to us that we were transparent so [everyone] could see, how much is the cut, you are completely insured, how much tax do you have to pay if the government comes asking you, and stuff like that. So it was definitely a transparency." While none of the interviewees with a more capitalistic vision mentioned transparency, two of them expressed that by putting contact information on the website they were creating trust, "Petreas, Product Manager" explained: "I think a lot about it was the communication on the landing pages. The reassurance that everything is safe and secure etc."

Except for being transparent, several interviewees also encouraged reviews on the external review site Trustpilot, in order to create more trust. Although, "Helpfully, Founder" pointed out, that while they were eager for external reviews they struggled to received them, saying: "We were on Trustpilot we were on all those places. But, again I don't think we got that many reviews."

Four interviewees explained that they manually or in person controlled the quality of the service being delivered on the platform. The remaining interviewees pointed out that they could not control the quality because of the amount of potentially shared goods or the nature of the service being shared. "EnjoyLocally, Partner" and "EnjoyLocally, Co-founder 1", would personally attend the events offered on their platform to ensure the quality was delivered correctly, "EnjoyLocally, Partner" explained: " [...] we were trying to go to the first event that the supplier had, and see it for ourselves [...]." Additionally, this was also the case in the platform of Joli, as they decided to take over the handling of goods, because it was impossible for them to control the quality of service by the jewellery designers on the platform. "Mineisyours, Founder" would not control the products being rented in person but they validated each posting on the site individually, by saying: "we had a camera and a photo guide. So, you had to be extremely, [...] good at taking pictures. [...] And then we validated it before you posted your product on the site. We did that manually; it wasn't a problem at the time." The remaining interviewees indicated that their rating and review systems were their main form of quality control, "Helpfully, Founder" pointed out that for the rating system to effectively police quality a certain amount of transactions and ratings need to have already taken place, saying: "We thought that if people rated each other that would raise it to the point. [...] But you need a mass volume, and I think that would take a lot of time."

Additional trust factors that were implemented by some of the interviewees were: moderation of the platform by removing unprofessional content or postings violating the platforms policies mentioned by "PinguShare, Founder", and all three interviewees from Petreas. Additionally both "Lejdet, Founder"and "Joli, Co-founder" included links to press coverage of their platform on their website. Furthermore, "Lejdet, Founder" and "Mineisyours, Founder" offered an insurance for their users which they both stated would increase the trust. Joli similarly offered a type of insurance, with "Joli, Co-founder" explaining: "[...] when [the user] returned [the package] she would go to a pakkeboks and she would scan it [...] so it would not get lost in the mail. Because that was actually the biggest concern for a lot of customers. What if it disappears in the mail, what do I do." As a solution Joli reached an agreement with the Danish postal service Postnord, to insure their packages. Both "PinguShare, Founder" and "Helpfully, Founder" believed their platforms design and branding was an important trust factor, and "Joli, Co-founder" said they used influencers as brand ambassadors to create more trust in the platform.

Table 4 shows the trust cues implemented by the interviewees to generate trust in their platform.

TRUST IN PLATFORM	Transpa-rancy	Informa-tion	External reviews	Manual quality control	Moder-ation	Media	Insurance	Brand & design	Influen-cers
"Lejdet, Founder"	x	x				x	x		
"PinguShare, Founder"	x	x			x			x	
"Joli, Founder"	x	x		x		x	x		x
"EnjoyLocally, Partner"	x			x					
"Mineisyours, Founder"	x			x			x		
"Petreas, Founder"			x						
"Helpfully, Founder"			x					x	
"EnjoyLocally, Co-founder 1"				x					
"Petreas, Project Manager"		x	x		x				
"Petreas, CTO"		x	x		x				

Table 4 Trust cues for the Platform

4.4.2 Trust between users

When it came to trust factors between the users, enabling the providers to trust the consumers and vice versa, most interviewees had at least one measure in place to create the trust. The most frequently named trust cue was user input, asking both sides of the platform to provide information about themselves. Eight interviewees explained that having users fill in information helped show other users that they were "real" and could be trusted. "Petreas, Product Manager" explained: "I think it was just making the flow feel natural, it was also probably why we created the company pages to kind of see and have that trust in what they are looking at is something, like a real company." "Helpfully, Founder" said: "They had to upload pictures, they had to fill in details of themselves. If they wanted to be service providers they needed to mark which type of jobs they were interested in, stuff like that" and "PinguShare, Founder" had a policy of using real names, asking other users to report if they did not believe an individual to be compliant with that policy.

Another trust factor among users that was mentioned by several interviewees, was the implementation of review systems for users. With the exception of "Joli, Co-founder", "EnjoyLocally, Partner" and "EnjoyLocally, Co-founder 1" everyone asked the users to rate or review each other after a transaction had taken place. "EnjoyLocally, Partner" and "EnjoyLocally, Co-founder 1", from the same company mentioned that implementing a review feature was a plan for the future. And "Joli, Co-founder" explained that not implementing reviews was a conscious decision, as market research had shown that the consumers did not want to know who had used the rented jewellery before them. The expert mentioned that reviews were an essential tool in creating trust among users, saying: "[...] the reviews are very important and positive reviews on the front page of your platform is very important. Because people are very social animals, and they don't really want to try something, if they are not sure, that everybody is doing it. Nobody wants to go on a platform as the first one. Because you could be cheated, or just be a dumbass doing it. So, so the more you can say that a lot of people are using it and they are very happy, the more secure you feel, doing it yourself." "Lejdet, Founder" explained their rating system, saying: "[...] if you rented something you were prompted to rate the product, the service, the entire situation and the other way around, where you as a provider you would rate the renter." "Petreas, Product Manager" explained an obstacle with the review system that they faced was that many tasks shared on their platform would take a long time, and providers thus could be performing several tasks but not have received a single rating yet, he said: "[...] if you had to do your roof, can you really rate them until 12 months after when they have actually completed the roof? [...] Are they rating the experience, the interaction or like the finished product? [...] it is clearly a problem to wait 12 months to get the rating." "Petreas, Founder" pointed out that they had the review system, but very few people were leaving reviews. "Helpfully, Founder" had a similar problem, saying: "[...] I think the rating mechanism would, well the intention was to make that, make the service providers more reliable. And since we didn't get that up and running we kind of, I think a lot of other, chain reaction of other stuff, made it more difficult for us to get the consumers on board. Or at least to put out tasks."

A majority of the companies allowed users to login to the site by using their Facebook accounts. The two interviewees for EnjoyLocally, "EnjoyLocally, Partner" and "EnjoyLocally, Co-founder 1", did not agree on whether or not such a feature was indeed implemented, but both expressed that they had plans to do so but could not quite remember how successful the implementation was. "Mineisyours, Founder" also allowed users to connect their existing Instagram accounts. "Petreas, CTO" explained: " think we actually had like also in their profile you could see that you had connected with their Facebook account and you could probably also do it with others. [...] So, it was kind of like, check." Except for "Mineisyours, Founder" and "Helpfully, Founder" none of the interviewees had an option for users to see the relation between users based on their Facebook friend lists. "PinguShare, Founder" explained that at the time of her platform this was not possible. While "Helpfully, Founder" had this option, saying: “Yeah, we had the regular ‘see what your friend relations are’. That was also a part of it.”

Another trust factor implemented by a majority of interviewees was some type of validation of the users on the site. Either internally by reviewing information such as uploaded passports, CVR and CPR numbers or externally by using the Danish system called NemID. "Lejdet, Founder" was the only interviewee who had implemented NemID, and it was only required to log in via NemID of the platforms pre-registration screening algorithm identified the user as not trustworthy, based on available online information. "Lejdet, Founder" also pointed out that only 4 users ever used NemID verification on the site. On "Mineisyours, Founder"'s platform, every user had to upload either a passport or driving license when signing up. "PinguShare, Founder" asked users to fill in their CPR number, which was not shared publicly, but there was no additional step to verify that the CPR number belonged to the signed up person. "Joli, Co-founder" explained that they would see based on the users’ shipping information who they were, but they did not validate the users’ information additionally.

A majority of interviewees also provided an escrow service for payments made on the site, meaning that once a consumer paid for a good or service the money was not transferred directly to the providers, but rather kept by the site until service delivery was confirmed by both sites. "EnjoyLocally, Partner" explained: “we kept the money till the event was over [...], so that we knew that, the service and everything would be good and then, [...] we paid the money afterwards.”

"PinguShare, Founder" was the only interviewee who implemented a reward system for users’ engagement, in order to allow users to see how much their peers had previously participated on the site. This reward system was called Karmapoints, one of the reasons for these Karmapoints, according to "PinguShare, Founder", was that when sharing goods for free often times the final exchange of goods does not take place as would-be consumers never show up, since there is no accountability. This lack of accountability of commitment was also mentioned by "Petreas, Founder" as a problem on his sharing platform, he explained that providers on his site often did not take tasks posted by consumers seriously as they did not trust in the consumers commitment: “[...] when it is going through us the private person are maybe not ready. They just want to check out the prices, and the carpenter know (sic) it. They probably have the experience with other platforms as well.” He thought this lead to providers on his platform trusting more in their traditional way of doing business than in the users on the platform. Table 5 shows the trust cues implemented by the entrepreneurs to generate trust between the users on their platform.

TRUST BETWEEN USERS	Information	Reviews	Facebook login	Validation	Escrow service
"Lejdet, Founder"		x	x	x	x
"PinguShare, Founder"	x	x	x	x	x
"Joli, Founder"					
"EnjoyLocally, Partner"	x				x
"Mineisyours, Founder"	x	x	x	x	x
"Petreas, Founder"	x	x	x	x	
"Helpfully, Founder"	x	x	x		
"EnjoyLocally, Co-founder 1"	x		x		x
"Petreas, Project Manager"	x	x	x	x	
"Petreas, CTO"	x	x	x	x	

Table 5 Trust Cues between Users

Overall several trust cues to create trust in the platform were implemented, as well as several trust cues to create trust among the users. For trust among the platform the most commonly implemented cues were transparency and external reviews, in the case of trust between users the most commonly implemented trust cue was asking users to provide personal information and review systems.

4.5 Harnessing Lock-in effect

After having implemented trust cues the observed companies also needed to consider how they would ensure that users on the platform were re-engaged. A majority of the interviewees explained, that it was difficult to re-engage the users and prevent them from going to a potential competitor. Additionally, "Petreas, Founder" expressed, that the very nature of tasks on the platform were such that they had low transaction frequency, saying: "Yeah, that is the thing. When your task is done, it is done. Then it maybe takes you half a year before you need something new or more." He also explained that the providers were not engaging enough on the site: "[...] We never had any construction workers to actually bid on enough tasks." Below several features that the platforms were using to create lock-in are presented, starting with personalisation, followed by loyalty programmes and lastly, community building.

4.5.1 Offering Personalisation

In order to increase lock-in for users and re-engage them, all interviewees said they had a personalised site for the providers with a login function. Especially Petreas focused on the personalisation of the site, as it was supposed to be a main selling point. "Petreas, Product Manager" stated: "[...] we had like badges, and like adding employees, adding pictures from [...] for example inside the auto shop.", this was further commented on as "Petreas, CTO" expressed: "[...] they could control what images there are and like what tasks they have completed on the platform and stuff like that." Additionally, "Lejdet, Founder" mentioned the personalisation of his platform as: "[...] once you signed up you would get your own business within our site. So, you would have your own profile like on Facebook. With your contact information the different categories of stuff you had."

A majority of the interviewees said they personalised the website for the consumer, but only "Lejdet, Founder" and "Joli, Co-founder" expressed this in details, showing that this was an important part of their platform. "Joli, Co-founder" explained: "There would be like personal letters, and there would be descriptions of the designers, they were using the jewellery from. Just something simple as the author confirmation would be a fun letter to receive in the email [...] we would try to like, catch up after they returned the package saying like 'Hey we got your package, and we hope that you liked it.'" "Lejdet, Founder" said: "[...] so if you want to throw your 30 birthday you go to the party section and you say "I'm having 40 people over tonight, it is 50% men and 50% women, we want to play some beer pong, we want to play some snooker and we want to listen to some music". All three interviewees of Petreas actually stated during the interview that they felt they had personalised the site for the consumers too much. "Petreas, Product Manager" expressed: "They would like take pictures and videos [...] it was like a lot of stuff, like usually when you go like I want to fix my heater you don't want to [...] create an account."

4.5.2 Developing Loyalty

Besides offering personalised log-in pages for providers and consumers, some of the observed companies also implemented loyalty programmes for their users. Three out of the seven companies used loyalty programs in trying to re-engage the users, but two of them mentioned that it did not work. "PinguShare, Founder" was the only one expressing that the loyalty program actually created value for the users and made them engage even more in using the platform. She called this reward system "Karmapoints", and it worked as a reward system where each action by the users was rewarded by receiving the Karmapoints. She explained: "[...] I built in this algorithm, sort of, [...] to keep people accountable, so basically you would request it, and then there was these Karmapoints, or sort of reputation stuff, so you would see like from the people that ask things from you, how much they also contribute to the platform. So, you can sort of choose to reward the ones that are also participating. So, they are like accumulating Karmapoints for any sort of transaction [...]". "Joli, Co-founder" explained that offered a loyalty program at the beginning, but did not think keeping the program was worthwhile, explaining: "We actually tried with the points as well. [...] But it wasn't like, we were just giving money away."

The rest of the companies explained that they didn't use loyalty programs because they believed that they didn't reach that point of their platform, but it was on the list of things to do. "Petreas, Founder" explained this by saying: "We never had any construction workers to actually bid on enough tasks." And "Helpfully, Founder" said: "[...] we had a bunch of ideas for loyalty and gamification things, but we never got to the point. I definitely think [...] you need to re-engage. So, we of course wanted to have recurring tasks done. Like cleaning every second week. We wanted people to go back in the app. And we had stuff, trying to make sure that they would do that. But it just didn't take off."

4.5.3 Building Community

Apart from personalised pages for providers and loyalty programmes some of the observed companies also attempted to create communities on their platforms, in order to lock users in. The expert explained that community building is very important in the Sharing Economy and that it should focus on presenting a common dream for the users on the site: "This dream is all about community." And, "[...] when you go into Airbnb website then the first thing you will see is exotic people of the world, and the question is 'where do you go?'. So, they give this dream about, staying with real people in foreign places, a cultural experience, getting closer to before. And that's a part of the community that uses. They get you to feel, that you are a part of something bigger than yourself."

Only one out of the seven companies, explained that she managed to foster a strong community on her platform. "PinguShare, Founder" explained:: "[...] I really wanted to sort of like function more as a community" and she also mentioned an example of a message posted by a user "saying things like 'Hey I just moved here, does someone maybe want to have a coffee with me?'" "Joli, Co-founder" had tried to create a community on the platform but she explained that it was difficult because the customers didn't want to know who had worn the jewellery before them.

4.5.4 Preventing Outside Payment

One further factor influencing the lock-in effect of the platforms is the ability of users to easily circumvent the platform and conduct their transactions outside of the platform. When talking about keeping users continuously using their platforms the difficulty of preventing communication outside of the platform was mentioned by many interviewees. The interviewees with a more capitalistic vision argued that preventing outside payment was a priority for them, while the interviewees with a more idealistic vision indicated that they were not concerned about it. "Petreas, Founder" expressed the importance of preventing outside payment by saying: "[...] that is why we built the chat. The phone number was hidden. Then later on we figured out that, it is easier for us to make money, if they have to buy the phone number instead. So we just said it would be 50 kroners." However, the other partner of Petreas said it was difficult to prevent people from going outside of the platform, saying: "[...] the problem was the suppliers they didn't want to, they needed to see the house that they were making a roof on, the mason needed to see which bricks or whatever. [...] but then it is kind of out of our control what happens from there. If they first meet physically it is just too easy for them to make the agreement" ("Petreas, Product Manager"). "EnjoyLocally, Co-founder 1" also attempted to prevent outside payment by hiding direct contact information of the provider: "We didn't put any personal information on the website, so [...] they booked the trip or the event on the website and then we took the concept to the provider. So they didn't get his personal informations (sic)." "Helpfully, Founder" tried preventing people from going outside the company, but saw this as a very big problem: "[...] they would get cash in hand and I think one of the issues for the payment was as well, when they had people out cleaning the house. [...] it didn't seem natural to both parties to bring up their phone and start a payment on the phone. And you had mobile pay, which everyone has and [...] that is for free. [...] it was difficult to, to get the traffic via the app." "PinguShare, Founder" communicated that she did not care about the outside communication: "[...] if people want to do that very good. Because I was thinking anyway the risk that they are taking, I mean, then they could just do it on Facebook, you know."

The expert expressed that he considers preventing payment outside of the platform impossible: "[...] GoMore had the same experience and they of course discussed it a lot in the start what they were going to do with that problem and they decided not to do anything." But he also stated that with a good platform solution, the people don't want to go outside of the platform with the payment.: "[...] If you have a trust system that works, really works and securing that money is being paid. Maybe you made a under the table agreement with somebody that are (sic) going to stay in the apartment next year for a week, but what if they don't show up again, or what if we don't agree of the amount of money it was? Then, there will be a lot of awkward situations that could be solved better on the platform."

Making a better solution for the customer, in order to keep the benefit of using the site higher than the benefit of avoiding payment, was seen as a solution by two of the interviewees. "Mineisyours, Founder" expressed: "You would not get insurance if you did it the other way around." And "Lejdet, Founder"said: "[...] we thought our service was so great. Our messaging system was good, we had the insurance, we had the online signature that was legally binding, so we had some features that you didn't have on your own, [...] our thinking was, as long as you have extra features that makes (sic) your life easier, and better, and faster, and funner (sic) or funnier, you'd use our site. And if you felt that you could do better on your own, go ahead. Do it! Make the world better on your terms. We are glad to help if we can in any way." Table 6 shows the Lock-in Effects implemented by the entrepreneurs to keep the users locked in and re-engage them.

LOCK-IN EFFECTS	Personalisation		Loyalty program	Community	Tried to prevent outside payment	Insurance
	Provider	Consumer				
"Lejdet, Founder"	x	x				x
"PinguShare, Founder"	x	x	x	x		
"Joli, Founder"	x	x	x			x
"EnjoyLocally, Partner"	x				x	
"Mineisyours, Founder"	x	x	x			
"Petreas, Founder"	x	x			x	
"Helpfully, Founder"	x	x			x	
"EnjoyLocally, Co-founder 1"	x				x	
"Petreas, Project Manager"	x	x			x	
"Petreas, CTO"	x	x			x	

Table 6 Lock-in measures

4.6 Summary of Findings

Overall, the interviews showed a wide variety of entrepreneurial experiences within the Sharing Economy in Denmark. One notable finding of the interviews was the presence of two distinct strategic visions of the interviewees. Five of the interviewees had a very idealistic vision, altruistically caring more about the positive impact their platform had on society and the environment, and the other five interviewees had a capitalistic vision, primarily being concerned about their entrepreneurial accomplishments, growing their company and achieving a financial success. A second key finding of the interviews was that a majority of the interviewees did not have a niche for their platform, not having a narrow focus on the target audience of the platform, nor a specific niche regarding the services offered. This was perceived, by many, as a major regret, as it made product development and marketing a considerably more difficult challenge. Furthermore, all interviewees, mentioned that the platform development was one of the most expensive aspects, both in terms of time invested and money. Additionally, all the Sharing Economy companies had difficulties in receiving funding, with many disparate opinions existing on the reason for the difficulty. A majority of the interviewees with a more capitalistic vision believed they could not receive funding because they needed proof of concept before investors would be interested. Some thought investors would disagree with the ideology behind the Sharing Economy, and others believed the financial situation at the time was preventing investment, and others could have received investment, but did not want to go in the same direction as investors.

With regards to the other findings not as high a consensus was found in between the interviews. In summary the following aspects were found regarding the strategy of the platform. For environmental influences on the sharing platforms three of the interviewees, including the expert believed that society as a whole was not ready for the Sharing Economy and thus did not accept the concept. The expert and one additional interviewee thought that the economic situation in Denmark was too good to necessitate the Sharing Economy. With regards to competition most of the interviewees did not feel that there was a lot of competition at that time around the Sharing Economy in Denmark. Four interviewees mentioned the Danish website Den Blå Avis as a possible competitor. Regarding legal challenges, five of the interviewees did not notice that, but some thought a lack of regulation was confusing. Several interviewees expressed regret over not having conducted intensive market research prior to launching their platform. Half of all interviewees mentioned that there were disagreements in the team of their companies, and for one interviewee this team conflict was seen as the direct cause of failure for the company. In regards to marketing of the platforms and reaching users a majority was in direct contact with the providers and used word of mouth and PR as a main tool of attracting consumers. Four of the seven companies were very involved in their platforms, helping providers fill out the profiles and assisting them in many ways, for the entrepreneurs with more capitalistic visions this was seen as a step towards the goal of having all users operating independently on the site. For those with more idealistic visions this was seen as a positive feature of helping their users, which they would like to maintain in the future.

Concerning the Chicken-or-Egg problem related to the network effect a majority of the interviewees were aware of the importance of needing to have both sides present on their platform, but none of the interviewees had a strategy dedicated to overcoming the Chicken-or-Egg problem. Most respondents chose to target the provider side of the platforms first, but thought attracting both sides was a major obstacle both in time and money invested. Four of the seven companies priced the provider side with a transaction fee. Regarding trust the interviewees implemented different trust cues. In order to get users to trust in the platforms “transparency” was seen as vital by some interviewees, while others believed external reviews to be the most effective trust cue. The most frequently used trust cues for trust between users were the Information provided by the users themselves and internal review and rating systems, which a majority of the platforms had.

Locking in users was also mentioned as a big obstacle by most interviewees. Interviewees with a capitalistic vision in particular thought it was near impossible to prevent outside communication which was a big concern as users would avoid paying through the platform. While the interviewees with a more idealistic vision agreed that they could not prevent outside communication several of them expressed that they were not concerned about it. Except for locking users in by preventing outside communication, all interviewees offered the providers a personalised login page, with information on their past transactions. Although, only two companies had personalised the page for the consumers. Three of the platforms had established loyalty programmes, and only one platform managed to create a community among the users of the platform.

5.0 DISCUSSION

After having presented the main findings from the interviews of ten entrepreneurs and one expert on the Sharing Economy in Denmark the following chapter contrasts the main findings with the theoretical framework of the thesis. Comparing the actions of the companies with the prevailing knowledge on how to establish a successful Sharing Economy platform. The structure of the discussion is illustrated below in figure 6. Firstly, environmental factors on the failure of the companies are discussed, namely the Danish societal attitude towards the Sharing Economy, the competition between sharing platforms and the regulatory environment in Denmark. Secondly, the strategic vision of the interviewees is analysed as well as the influence of it towards the interviewees' actions, followed by discussions on the market research, the cooperation of team members, the cost of developing the platform, the involvement of the platform, marketing activities, as well as efforts by the entrepreneurs to secure investment.. Followed by a discussion on how the network effect and the pricing influenced the failure of the company, as well as how the interviewees attempted to create trust. Lastly the lock-in effect is discussed.

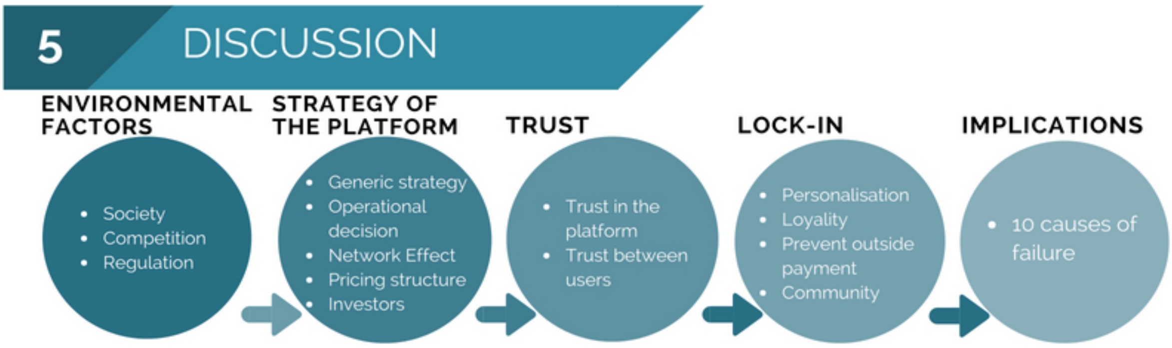

Figure 6 Structure of discussion.

5.1 Environmental Factors

When considering the failure of Sharing Economy companies in Denmark it is important to realise that environmental factors, outside of the entrepreneurs' control, might be affecting the performance of the company. Because of this the environmental influences of society, competition and regulation are examined to see in how far they influenced the failures of the observed companies.

5.1.1 Society

Societal changes are seen by many as the main driver of the Sharing Economy, especially as a result of the global financial crisis in 2008. The crisis brought high unemployment and uncertainty of income, which caused people and governments to rethink consumption patterns. Renting or sharing of other people's properties became attractive because people had less spending power and were looking for ways to boost their income (Schor, 2014). This is also strongly highlighted by the literature of Bardhi & Eckhardt (2012) who argue that social changes have been a major driver for the Sharing

Economy. They point out three main reasons: re-urbanisation led to alternative ownership, globalisation led to lending goods instead of owning, and lastly environmental thoughts led to a desire to reduce waste, consumption and production. However, it is important to stress that this thesis only focus on Denmark where the general perception of the crisis was that it affected Denmark less than for example the USA (Abildgren, Buchholst, & Qureshi, 2011; Lin, Edvinsson, Chen, & Beding, 2014).

There is little literature of Sharing Economy specific for Denmark, with literature being primarily focused on the USA, which is not necessarily transferable to Danish society as it is not the same as in the USA. For example, Denmark has low-poverty with 5,4 percent compared to the USA with 17,9 percent. Denmark has a higher income than the USA but the taxation of Denmark is 48,6 percent nearly double the United States' of 25,4 percent. A higher level of welfare expenditures indicates Denmark as being a richer country as well as a relatively high amount of leisure time for workers (Bruenig, 2015).

The expert suggested that the fact that Denmark was not ready for the Sharing Economy, could have contributed to the failure of companies. Furthermore, he mentioned that the companies first had to teach people about the Sharing Economy to increase understanding of the concept, and that Denmark is a rich country meaning that people are less reliant on the small amounts of money saved or earned on sharing platforms. However, this thesis does not focus on sociological aspects of the Sharing Economy and does not investigate Danish attitudes to the Sharing Economy. Nevertheless, research both by the Danish ministry of Industry, Business and Financial Affairs (Erhvervsministeriet) and at the request of the European Commission, seems to confirm this impression. The Erhvervsministeriet found that only 14 percent of the Danish population used the Sharing Economy in 2015 (Erhvervsministeriet, 2017a), and Eurobarometer results confirmed that in 2016 only 14 percent of Danes said they had ever used a collaborative consumption platform (TNS Political & Social, 2016). Though, this has increased to 19 percent of the Danish population in 2017, which corresponds to approximately 800,000 Danes, participate in the Sharing Economy (Erhvervsministeriet, 2017a). Compared to France and Ireland who are the biggest users of the Sharing Economy in Europe with at least 35 percent of the population having used a sharing platform before (Erhvervsministeriet, 2017a, 2017d; TNS Political & Social, 2016), the users of Sharing Economy in Denmark are still quite few. Data on exactly how many Danish Sharing Economy platforms are operating is as well difficult to find as the term is not universally used (as has been explained in early chapters of this thesis). Estimations from Erhvervsstyrelsen (Erhvervsministeriet, 2017a) show that there are approximately 140 digital platforms with an intermediary role existing in Denmark, some of which can be considered to be Sharing Economy platforms, of which about half are of Danish origin, which in the end calculates to around 40-50 in total. However, these kinds of numbers are purely speculative, as there simply is no definitive list, and comparisons between different lists yield diverging information. Although, it still seems to be clear that the amount of Sharing Economy platforms has increased in Denmark over the last years.

When discussing Danish attitudes about the Sharing Economy it would be remiss not to mention the banning of Uber in Denmark. The ridesharing company Uber has changed the way people look at Sharing Economy in Denmark. Uber was founded in 2009, as a ridesharing platform with 2000 drivers (providers) offering people a lift and 300.000 people (consumers) using the platform to search for a ride (Henley, 2017). In 2017 Uber was banned from operating in Denmark as they were not complying with the legal standards for established taxi companies and the service of Uber was perceived as unfair competition (Henley, 2017; Jasper, 2018; Jensen, 2017; Ritzau, 2018). The expert argues that this is also resulted in turning the positive hype away from the Sharing Economy, which might make it more difficult to operate in the sector nowadays. The episode of Uber has definitely made an impact of the Sharing Economy and turned the positive perspective to a negative tone in Denmark, which also affects the trust in the idea of the customers as mentioned in the trust section.

Overall the attitude of the Danish society towards the Sharing Economy is very likely to have affected their chances at success to a certain degree. However as explained above the amount of Sharing Economy participants has been increasing in Denmark, along with the amount of Danish sharing platforms. The famous banning of ride sharing app Uber might have contributed to a negative attitude of Danes towards the Sharing Economy, but as this took place in 2017, after many of the observed companies already closed down, it is not necessarily connected to their failure.

5.1.2 Competition

Sharing Economy platforms are seen by many as the biggest competition towards established companies and as transformers of many industries (Parker et al., 2016). But with the popularity of the Sharing Economy increasing and new start-ups being founded regularly, platforms no longer only need to compete with their traditional counterparts, but also with new Sharing Economy competitors. Täuschler and Kietzmann suggest that one reason of failure within the Sharing Economy is an increase in the competition for the idle resources utilised by the platforms (Täuscher & Kietzmann, 2017).

However, during the interviews the majority of interviewees did not feel like they had much or in fact any competition in their respective fields. While some companies mentioned the Danish platform Den Blå Avis as a competitor, none thought that too high competition had been a problem for the operation of their company. As such it is not possible to point to increased competition towards idle resources as a failure for Sharing Economy companies in Denmark.

5.1.3 Regulation

At the moment, criticism of the Sharing Economy has increasingly been raised in the areas of consumer protection, taxation, safety, employment practices, insurance, and demands are being made for legislation besides the already existing industry specific laws and regulation. Furthermore, the legislation in many places of the Sharing Economy is still uncertain, leading to grey areas in which activities are neither legal nor illegal, which could potentially lead to confusion about how situations are to be handled (Rinne, 2013). While some interviewees expressed a frustration with the lack of regulation and would certainly welcome the above mentioned goals, others felt it was not necessary to have more regulation, and in fact, an increase in regulation might have prevented them from starting their company in the first place. As the question of whether or not an increase in regulation could have helped the observed companies achieve success is purely hypothetical and the thoughts on the topic of regulation is as divided as the answers by the interviewees, it is not possible to say in how far a lack of regulation contributed to the failure of the companies.

5.2 Strategy

After having discussed what impact environmental factors could have had on the failure of Sharing Economy companies, the below segment examines how companies' strategy and strategic implementation could have contributed to the failure of the observed companies.

5.2.1 Strategic Vision

In the interview process two distinct strategic visions of the interviewees became apparent. One group of interviewees, was mostly motivated to create their platform in order to help people, improve society and reduce consumption, five interviewees had this idealistic vision. The second group of interviewees, also five, saw the Sharing Economy as a way of marketing and were primarily concerned with turning their platform into a profitable business. It is noteworthy that of these five "capitalists" three worked at the same company, so it might not be surprising that they shared the same strategic vision, and with it many of the same opinions. Even though these differences in the strategic visions were identified, most behaviours were not distinct between the two visions. Interviewees, regardless of their vision, regretted not focusing on a niche market, predominantly priced the provider, regretted a lack of marketing, as well as a lack of market research and both also saw high tech costs as an hurdle. Nevertheless, there were some areas which entrepreneurs with divergent strategic visions acted the two groups acted differently. Below each of those areas will be explained and the differences will be highlighted, as well as their influence as a cause of failure will be discussed.

As discussed more in detail below in chapter 5.2.3.5 a majority of companies were very involved with the providers of their platforms, from setting their profiles up manually and developing their services together, to sending out the provider's goods. The biggest difference between the two types of vision in this respect was the perception of this behaviour. Two of the interviewees with idealistic visions believed this to be an advantage and even an essential part of their platform. Those with more capitalistic visions all felt that while they needed to be so involved at the start, their ultimate goal was for the providers to interact independently with the consumers. While these different attitudes towards the involvement are noticeable, it is not clear how they influence the failures of the companies. No matter the attitude towards the involvement, all interviewees used large portions of their time on aiding providers.

A further area in which the attitudes of the two types of vision diverged largely is their perception of investors. While entrepreneurs with both types of visions could not secure investment, which is discussed more in detail below, they felt very differently about why this was the case. While interviewees with capitalistic visions believed funding to be their main obstacle and proof of concept was what prevented them from receiving funding, the one with idealistic visions had different opinions. Two interviewees even turned down possible investments opportunities due to them not fitting within their own plans. This can certainly be seen as one of the big differences between the two types of vision. Had the companies continued to operate and search for investors these attitudes might have affected investment outcomes. If those with a capitalistic vision were able to provide proof of concept they would possibly be willing to accept investors with very “commercial” goals for the platforms, whereas the ones with idealistic vision might refuse out of fear that their company’s integrity could be lost.

Even though there was no clear divide between how the two groups perceived their teams it is quite noteworthy to observe that in one company people with different visions were working together. In most companies only one founder was interviewed, so it is possible that further investigation would have revealed similar disparities in the other platforms. Another founder (Lejdet, Founder) pointed out that his partner was very oriented on making a profitable business, but he perceived this as an advantage, balancing out his more idealistic nature. However, it is reasonable to assume that in many cases a difference in vision could lead to conflicts within a founding team.

Another area of differences between the two visions lies in the attitudes towards users communicating outside of the platform to potentially avoid paying commissions to the platform itself. While interviewees with a capitalistic vision saw this as an impediment to success and as a major problem, the interviewees with idealistic visions were not as concerned. As the main goal was to reduce consumption and connect people they were not disturbed by users going around the platform. Both "Lejdet, Founder"and "PinguShare, Founder" thought that if users preferred to arrange directly with each other they should not be prevented from doing so. However, as no-one managed to find a solution to prevent outside communication this difference is irrelevant, no matter how the interviewees felt about outside communication, no company could prevent it.

Overall it seems that, while the strategic vision of the interviewees influenced their attitudes differently in specific areas, these differences did not necessarily affect how successful, or rather unsuccessful, the platforms were.

5.2.2 Finding a Niche

After being motivated to start their Sharing Economy platforms based on personal strategic vision, each entrepreneur needed to decide what kind of strategy they should follow in order to fulfill their vision. With two exceptions, none of the observed companies followed any of the three generic strategies as outlined by Porter (1980), these could be cost leadership, differentiation and focus. Both exceptions, Joli and PinguShare, followed a focus strategy, targeting narrow users groups, such as women interested in modern jewellery, and expats temporarily living in Denmark.

The remaining five companies did not follow a specific strategy. For many of the interviewees one of the main reasons they saw themselves for their failure was a lack of a narrow target group or niche. In retrospect most of the interviewees would recommend following a focus strategy. Since peer to peer platforms can easily be scaled and expanded there is a temptation to start a new platform on a very broad focus. Most of the interviewees felt this was a major mistake in their approach. Instead of focusing on one service or product area, or one specific location and later on growing more organically by adding more services and locations. A focus strategy would have allowed the platforms to more effectively serve their target market (Miller & Friesen, 1986). Having a more clearly defined target group would have facilitated clearer marketing strategies and given more opportunities for optimising the platform to user needs. For a majority of the observed companies this lack of a niche can certainly be seen as a large mistake and a cause of failure.

5.2.3 Operational Decisions

After having examined the environmental factors, as well as strategic considerations of the companies needed to make decisions on how to operate their platform.

Much of the theory and the assumptions around failure in the Sharing Economy, that were used to create the interview guide, were based on the assumption that all Sharing Economy platforms are MSPs. However, once the business models of the companies were closely examined some disparities among the actions of the companies and the definitions of a MSP became apparent, warranting a question whether all seven examined companies were indeed MSPs. Their belonging in the Sharing Economy is not being questioned, as all companies fit the definition of an “exchange platform for goods and services that connects idle resources with demand or offers access-over-ownership by enabling renting, lending, reselling or swapping.”

Following the definition of Hagiu and Wright, in order to be considered a MSP, a platform must fulfil the following two criteria: firstly, enable direct interactions between two (or more) distinct sides, and secondly each of those sides needs to be affiliated with the platform. Direct interaction meaning that key terms of the interactions taking place on the platform are still being controlled by the members of the sides, not by the platform. And affiliation with the platform meaning that both sides invest consciously into the platform, for example by filling out user profiles and taking action on the side to complete transactions (Hagiu & Wright, 2015).

While Joli Cph did have two sides that are involved in its business model it does not fulfil the two criteria for being a MSP. The jewellery designers (providers) sold their jewellery directly to the platform, consequently after having received the sales price they would no longer be involved in the transactions. Rental prices, the shipping of the pieces and marketing was all handled by Joli, not by the providers. This clearly shows that there was no direct interaction between the two sides. Joli Cph only had affiliation with the platform for one of the sides, as the providers did not have to invest any effort into the platform apart from selling their pieces. The users who wanted to rent or buy the jewellery (consumers) had to login and make a profile for themselves.

All other companies fulfilled the criteria of a MSP as defined by Hagiu and Wright. When following Rochet and Tirole's definition of a MSP, that the structure of the fees charged has the strongest influence on number of transactions, Joli Cph still does not qualify as a MSP (Rochet & Tirole, 2006). The providers were paid over time for their goods, and after the retail price had been paid off all profits would move over to the platform, so any future change in pricing of the consumers would not necessarily impact the providers willingness to participate and engage in the platform. Regarding other definitions of a MSP, such as Caillaud and Jullien, whose definition rests on the presence of network effects, however, all seven companies fit (Caillaud & Jullien, 2003). Since there is not much consensus in the literature on MSPs on clear defining features of a MSPs, as well as very little MSPs literature directly relating to the Sharing Economy (Codagnone & Martens, 2016), using MSPs research to identify causes of failure might not be a hundred percent suitable. However, as the research question of this thesis is "What are underlying causes of failure for Danish companies within the Sharing Economy?" it might not be necessary to follow the strictest definitions for MSPs, and the basic assumptions still hold true for the companies, such as the network effect and the lock-in effect. And the key factor that is most important for answering the research question is not whether or not the examined companies are true MSPs but rather whether they belong to the Sharing Economy.

5.2.3.1 Market Research

After the companies decided whether or not to operate as a MSP they needed to establish what features should be implemented on the platform, one possible path to identifying what features are necessary is through market research efforts.

Market research is any systematic effort in gathering information about a target market or customer, and it is a very important component of a business strategy especially in the early stages of starting a company (Imms & Ereaut, 2002). Identifying a logical starting point can be difficult, particularly for platform companies, since the complexity is much more challenging than a traditional supply chain company, which are often of a straightforward linear nature. Several of the interviewees referred to Airbnb as an inspiration for the design of their platforms, it is not uncommon for new entrepreneurs to imitate ones that are already on the market, so both the platform operators and the users are familiar with the newly implemented features. Though the imitation of other platforms can be problematic, as no markets are identical, which might lead to a failure of this strategy (Parker et al., 2016). As a start in the idea finding stage of a platform, the friction that the platform aims to address needs to be identified (Evans & Schmalensee, 2016), along with the core interaction (Parker et al., 2016). Furthermore, when creating a new platform both the provider and the consumer should be "explicitly described and understood" (Parker et al., 2016). Several of the interviewees pointed towards a lack of understanding for their consumers as a major flaw. The interviewees believed they did not know who their target audience was, or what their needs were. This made both the design and the marketing of the platform increasingly difficult. A possible solution for this problem would have been to conduct detailed market research before creating the platform. Additionally, since Sharing Economy platforms aim at disrupting sectors it can be advantageous to have done research in the sector, or even have worked in traditional businesses within that sector, as Stephany points out "if you want to shake up a sector, do some time in that sector. You'll be able to look someone in the eye when you tell them that it is broken." (Stephany, 2015). A majority of the companies did not conduct any market research or conducted insufficient market research, this is certainly a possible reason for the failure of the Sharing Economy companies.

5.2.3.2 Building a Strong Team

Another decision that needs to be made at the start of a company is who should be part of the founding team, especially considering how the composition of the team might influence the success of the company. In the companies with co-founders a majority reported that there were differing expectations and commitment levels within the company. In two cases there were even strong conflicts, for one company this lead to them buying out a partner, and in the second company these conflicts lead to the complete shutdown of the company. While there is no doubt that the interviewees were being truthful about their perception of events it is, however, important to note that at those companies only one person was interviewed each. It is completely possible that the other founders experienced the conflicts quite differently and would report different reasons for why the company had to close. Equally it is not easy to take statements about the expectations within the team without a grain of salt. As all interviewees were talking with a more educated view on the past, they might well have downplayed their initial ambitions. Talking about an unsuccessful business can be embarrassing, and admitting that at the outset the hope was to become extremely rich, might exacerbate that embarrassment. Because of these reasons it is hard to point to too high expectations and subsequent disappointment, or to the team compositions as direct causes of failure. However, it does seem fair to say that team composition did affect the spending on time investment of the companies. As most did not have a programmer in the team, they needed to hire externally in order to create their platforms, this high cost was a problem for many, as is discussed more in detail in the below segment.

5.2.3.3 Technology Cost

With most companies having to hire external programmers to build their websites a large amount of money was spent on the development on the site. This was a further point of regret for many of the interviewees, as several of them expressed that they should have rather used a simpler template for the website and executed a so called Minimum Viable product (MVP). The MVP is a concept from the technology start-up world which was pioneered by Eric Ries in his book "The Lean Startup", in which he explores how start-ups can use Lean thinking to achieve success (Ries, 2011). The MVP is a way for start-ups to validate their value and growth hypotheses, the assumptions that their solution can provide value, and the assumption that there is an ability to grow within the market (Moogk, 2012). The MVP should be "complete enough to demonstrate the value it brings to users" (Moogk, 2012). Many of the interviewees believed that through the use of an MVP they could have more quickly proven the viability of their companies and at the same time have saved a lot of money. While it is, of course, only speculation to say that some investors could have been attracted with an MVP, it does seem that the companies used too much of their own money on creating a fully fletched platform instead of focusing on proving that their platform can add value and reduce friction. Too high technology costs were certainly a big contributor to the failures of a majority of the observed companies.

5.2.3.4 Marketing Focus

Once the companies had developed their website, users needed to be attracted to the platform. By conducting different marketing activities the companies could present themselves to potential users. When the first Sharing Economy companies started in Denmark a large hype was created around the topic of the Sharing Economy, explained by the expert. The dictionary defines hype as: "promote or publicise (a product or idea) intensively, often exaggerating its benefits "an industry quick to hype its products"" (Oxford University Press, n.d.). Additionally, Stephany (2015) also mentioned the hype around the concept of the Sharing Economy by emphasizing that a lot of start-ups were founded and jumped on the wave of the hype, for three specific reasons. First of all, the companies in the Sharing Economy carry moral power as they are collaborative and often associated with the local community and acting in a sustainable way. Which especially makes the challenge of attracting potentially co-founders, partners and customers easier than for other start-ups.

Secondly, the hype around Sharing Economy benefited the companies by providing great amounts of positive PR, which made it easier for the early companies in Denmark to get attention and attract customers (Stephany, 2015). Especially Mineisyours and Joli Cph utilised the advantages of the hype and the positive perspective of the Sharing Economy by getting press releases published with relative ease and speed. Mineisyours managed to attract 50 thousand visitors from one session in the news, and Joli Cph got attention from a lot of highly known newspapers and investor communities in Denmark. Because of this hype around the Sharing Economy and the attention in the press some of the companies thought they did not need to focus on marketing, which was also pointed out by the expert, mentioning Mineisyours as an example.

Thirdly, the hype around the Sharing Economy and the fact that some MSP's are highly valued, could aid in raising finance (Stephany, 2015; Täuscher & Laudien, 2017). Two examples of very high valued Sharing Economy platforms are Airbnb that has raised $776 million and Uber that has raised $1.5 billion. Though it has not been the result for the interviewed companies to easily get investors on-board.

A majority of the companies decided to directly market their platform to the providers by cold calling or otherwise reaching out directly to the providers. Besides relying on hype and PR attention to reach consumers all the investigated platforms explained that they used social media marketing to promote their companies. Only one company said they used Google AdWords (an online advertising service), all others mostly used word of mouth to market their concept. Five out of the seven companies expressed that they did not reach enough people, which could potentially be due to a lack of marketing. Even though, Mineisyours did reach a lot of users, they did not manage to engage the users and make a profit from the platform.

Concerning the research question of what the underlying causes of failure for Danish companies within the Sharing Economy are, a lack of marketing and a pure reliance on hype might be a possible cause of failure.

5.2.3.5 Platform Involvement

As explained above a main marketing effort for the majority of the observed companies, was direct contact to the providers. Several interviewees attempted to convince providers to join their platform by offering to do most of the work for the providers. Following the definition of Hagiu and Wright mentioned above, direct interactions between the distinct sides and affiliation with the platform has to be there, in order to fulfil the characteristics of a MSP (Hagiu & Wright, 2015b). Of the companies investigated four of them did all the work for the providers, from creating the entire profile of the product or service, to interacting with the consumers, which led to an extreme high platform involvement. Four companies saw this as a strategy to solve the Chicken-or-Egg problem and attract more users which would strengthen the network effect, however, such a high level of involvement with providers does not correspond to the recommended operation of a MSP. As the providers did not need to fill out their own profiles or in one case even send out their products, there is potentially not a lot of affiliation for the providers. Switching to another platform that performs the same services is seen as an easy solution, because not much time was invested by the providers in setting up their profiles on the platform. The high level of platform involvement is likely not a single cause of failure, but the amount of time spend on the providers could have been used on marketing and product development instead. As such the high platform involvement of many of the observed companies is seen as a cause of failure.

5.2.3.6 Securing Investment

As pointed out above high tech costs and a lack of funding for marketing constituted major challenges for some of the Sharing Economy platforms. These issues are not specific to the Sharing Economy, funding is an obstacle when starting any new company. All interviewees struggled to receive any investment and some even felt that this lack of funding was the main reason why they could no longer keep their platform online. Even though many of the best known Sharing Economy companies such as Airbnb and Uber are highly valued, most investors were not convinced of the profitability of the observed companies. However, it is important to note here that while investment certainly is necessary to keep a company alive and to pay the founders and employees, many of the most successful Sharing Economy companies also did not receive investment within their early years, Airbnb for example was founded in 2007 and received venture funding in late 2010 (Stephany, 2015). As some of the interviewees also pointed out the Sharing Economy does not typically lead to instant financial success, and in some cases a lot of time is needed until the site has reached its critical mass. None of the companies survived longer than two years, and it is pure speculation to suggest that if they had managed to keep going with close to no money they might have eventually grown to become self-sufficient. However, even those Sharing Economy platforms that are still active in Denmark can mostly not be seen as financially successful, with 29 out of 38 platforms having a financial deficit in 2016 (Berlingske Business, 2017).

Concerning the research question of what the underlying causes of failure for Danish companies within the Sharing Economy are, an examination of the operational decisions by the observed platforms showed several possible causes of failure. Most of the observed companies did not follow any generic strategy, with a majority potentially having been best served by adopting a focus strategy and targeting a narrow market, either geographically, or in its user group. Furthermore, the companies often did not know what features should be implemented on their platforms as a direct result of a lack of market research before starting the platform. This often lead to increasingly high technology costs, as features were implemented that were not used. Additionally, most of the companies were highly involved in developing the services in cooperation with the providers on the platform, or in fact conducted much of the service for the providers. In contrast with the time spend on developing the providers through direct contact most platforms did not invest enough time or money into marketing efforts, in some cases because the lack of a specific target group complicated marketing unduly. All this culminated in an inability of the companies to secure investment for their platforms, as investors did not see enough traction on the platforms, or did not believe in the profitability of the business model.

5.2.4 Managing Network Effect

Apart from the environmental factors and the strategic considerations impacting the success of the Sharing Economy companies, the management of the network effect can potentially be a major factor in the failure of a platform.

All of the seven failed companies had two sides, one of which was the primary consumer side and the other was the provider side, no matter how involved the platform was. As such all the examined companies had a potential for large positive indirect network effects, the presence of many users on one side making the platform more attractive for the other side. For example, the more construction workers would sign up to bid on tasks for Petreas the more likely new consumers were to join, vice versa the more consumers were present the higher the value of the platform for construction workers. Equally the more people would be willing to lend out their goods on Lejdet, the more consumers would join in order to rent items. Most interviewees were aware of the need for strong indirect network effects within their respective platforms. However, many pointed out that they did not know which side of their platform they needed to attract first in order to receive more users, as both sides depended on each other, this problem is often referred to as the Chicken-or-Egg problem.

The managerial literature on MSPs has identified eight strategies of overcoming the challenges of the Chicken-or-Egg problem. To see how well the observed companies overcame the Chicken-or-Egg problem, the strategies that were actually implemented by the interviewed companies will be explained (Parker et al., 2016). Two companies used the piggyback strategy, using an existing platform to find potential users, or taking content from another platform to fill the new platform. "Petreas, Founder" followed this strategy by contacting service providers on existing specific platforms in order to aggregate all service on his platform, however instead of “staging” their presence on his platform and only contacting the providers once a service request was posted by would-be consumers, he contacted the providers to join the site, even in the absence of consumers. "Lejdet, Founder"followed this strategy with more success by “scraping” the websites of non-platform corporations that were offering rentals, such as the home improvement store Bauhaus. By displaying tools for rent from Bauhaus "Lejdet, Founder"managed to show potential consumers a longer list of available rental options, a good reason for them to join the sharing platform. Three companies used the seeding strategy, by adding value to the platform themselves companies can convince consumers to join the platform without needing to attract providers at the same time. "PinguShare, Founder" used this strategy to encourage member to actively participate in the donation and trading platform PinguShare. By “staging” the first few donations by using her own property she could initiate the first transactions on the platform and become more attractive to users. After being unsuccessful in attracting providers for the platform EnjoyLocally also switched to a seeding strategy, offering events on the platform without having signed-on the providers for those, this way consumers visiting the site felt there was some variety to events and would be more active. When a group of consumers requested one of the “staged” events, EnjoyLocally would contact service providers and arrange the event. After initially not being able to convince providers to join their platform, Joli switched to a seeding strategy by purchasing some jewellery directly and offering these on the platform for rent, giving consumers the appearance of willing providers. Once enough consumers had used the service providers saw the value and were eager to join, needing no further encouragement. PinguShare also implemented the micromarket strategy to some degree, by targeting a specific small community of users, expats living in Denmark, as there were existing groups for parts of this community it was easier for PinguShare to reach them, for example in Facebook Groups for international students.

The remaining strategies were not used by any of the observed companies. This evaluation of the eight strategies for overcoming the Chicken-or-Egg problem shows that most companies did not have an adequate strategy to deal with the challenge. Many of the companies used direct personal contact with providers to “sell” them the platform, however, not only is this approach not scalable, it is also not truly overcoming the Chicken-or-Egg problem, as many interviewees would manually set up the providers but the active participation of the providers was still extremely low. As such, a majority of the interviewees failed to identify the side of their platform that was seen as bringing the most value for the other side, or as simply not being able to overcome the problem of needing to attract both sides at the same time. As with most other factors of potential failure in this discussion it is difficult to prove a complete link, as a lack of marketing and other factors might have contributed to the trouble of attracting users as well. However, it is clear from the interviews that this was a major stumbling block for most companies and it can be seen as having contributed not substantially to their subsequent failure.

5.2.5 Pricing

While the companies were trying to overcome the Chicken-or-Egg problem and were eager to reach critical mass, a critical decision was that of how to price the platform. When deciding on the pricing structure of a MSP a majority of sharing platforms choose to charge the provider side and subsidize the consumer side (Angerer et al., 2018), the decision on who to subsidize should be based on several factors. The side with the higher sensitivity to changes in prices should be subsidized as well as the side that multihomes, as these are groups that easily abandon a platform if they perceive costs as too high (Armstrong, 2006; Parker et al., 2016). A majority of the observed companies chose to price the provider side, however, most did not explain why this decision was made, or if it was based on an in depth analysis of the price elasticity of demand for both sides of the platform. It seems that the platforms chose who to charge mainly based on convenience. As with most of the discussed decisions there is no clear cut "right" answer. While pricing certainly is an important decision for the development and success of a company it is impossible to say whether the observed companies chose wrongly. The only observation that can be made is that more care could have been place into investigating what pricing structure is the most advantageous. However, it seems that a wrong pricing structure is not an answer to the question of what the underlying causes of failure for Danish companies within the Sharing Economy are.

5.3 Creating Trust

Apart from having to manage the network effects present on their platforms, Sharing Economy companies also need to create trust in order for user to join the platform. The ability to create trust between strangers online is seen as both one of the major driving forces behind the emergence of the Sharing Economy (Botsman & Rogers, 2011) and as one of the biggest tasks the platforms need to achieve in order to be successful (Sundararajan, 2016).

5.3.1 Trust in the Idea

When people decide whether or not they want to take a trust leap and engage with something they are unfamiliar with, such as with using a Sharing Economy platform for the first time they must first climb the so-called trust stack that will make them comfortable with the unknown. The first step on the trust stack is trust in the idea. The more familiar people are with the exact concept of a new sharing platform, or even the more familiar they are with the Sharing Economy as a whole the more likely they are to participate. None of the interviewees talked at length about measures they had taken to increase people's trust in the idea of the Sharing Economy. This might, in part, be due to an oversight in the interview guide. While interviewees were asked explicitly about how they had created trust in the platform or between the users on their site, they were not asked about how they had promoted the idea of their platform.

Several interviewees, however, did talk about appearance in the written media or on television, which they saw as marketing measures. It is not unrealistic to assume that this appearance could contribute to people's trust in the idea, but as one interviewee pointed out they received around 4000 new users on their platform after such a television interview, but these did not directly translate to new transactions. This might have been due to a lack of trust. Viewers of the television programme were intrigued by the platform but did not yet feel comfortable enough to actually engage in the actions offered.

As the expert pointed out a lack of regulation around the Sharing Economy might have contributed to distrust towards the idea for some potential users. After the ride sharing platform Uber was banned from operating in Denmark many Danes were unsure whether other sharing platforms were legal or not, and as Botsman points out this can lead to insecurity and low trust (Botsman, 2017). The banning of Uber and its impact on attitudes of Danes towards the Sharing Economy is discussed more in detail above in the Chapter 5.1.1 Society.

5.3.2 Trust in the Platform

Following the establishment of trust in the idea behind the Sharing Economy's company, the second step to climbing the trust stack is the establishment of trust in the platform (Botsman, 2017). Several factors are at play when people make an evaluation on whether or not they can trust a new platform, some of the trust cues that are seen as effective are: having external reviews of the company, offering insurance, having a strong brand and having a large network. While these trust cues are all seen as good ways to make users trust a platform it is important to note that all of these, except for insurance and to some extend brand, heavily rely on existing users. Without any transactions there in nothing to review on an external review site, without transactions there is nothing to show the size of the network. So, even if all these trust cues had been a priority for the companies it would have been difficult to use them to their full potential at the immediate start of the platform. To see how much effort, the examined companies put into creating trust in their platforms the above mentioned trust cues will be compared with the actual actions taken.

A frequently recommended trust factor is having reviews about your companies by past customers. Either on your own website in the form of testimonials or externally on a well know trust site. In the case of offline businesses such as restaurants and hotels some examples are Yelp and TripAdvisor, in the case of online businesses a well-known example is Trustpilot. Two of the examined companies explained that they would encourage users to leave Trustpilot reviews, but both do not have many actual reviews on their Trustpilot profiles. Petreas currently has nine reviews and Helpfully has one review. A big obstacle here is of course that without no users there is nobody able to review the company, and new users might not trust the company as they cannot read past reviews. This is another example of the Chicken-or-Egg problem, without reviews companies cannot attract customers but without customers there can be no reviews. Furthermore, while reputation building through reviews is immensely popular it is not infallible, good reviews can be purchased and one's online reputation can be manipulated. In fact only 70% of online users do trust online reviews (Kumar et al., 2017), and not without reason a 2015 study showed that 16% of all Yelp reviews are not genuine (Luca & Zervas, 2015). A recent example of why this is the case was an "experiment" by journalist Oobah Butler, who managed to make his entirely fake restaurant “The Shed at Dulwich” the top rated restaurant in London on the popular rating site TripAdvisor (Butler, 2017). By hiring his friends and family to write positive reviews en masse and making the location “by appointment only” he could prevent any honest reviewers from revealing that the restaurant did not exists. While this is an amusing example it does highlight a real issue with online review systems.

Most of the companies did not have an insurance scheme implemented. Some companies had difficulty in keeping the contracts they agreed on with Danish insurance companies, and other could not find a suitable insurance coverage, however the majority of interviewees did not see insurance as an important part of their company. Some felt that it was unnecessary to offer insurance as customers would not need it. Only Joli highlighted how a major concern for users was the possibility that goods might get lost in the post, as a solution they offered insured tracked packages, in cooperation with the postal service. When considering taking part in a new type of business, such as hiring a service provider from a new platform or lending out goods people weigh the perceived risks with the benefits, often this risk is financial. People ask themselves “How much will it cost me to fix this?” when a platform can offer insurance this question becomes much easier to answer and consumers feel they can trust more in the platform as the main financial risk is no longer on themselves (Mazzella et al., 2016; Möhlmann, 2016; Sundararajan, 2016). This implication seems to have played a big part in most interviewees consideration at all.

Brands are seen as an effective tool to create trust between consumers and corporations, not only in the e-business field of MSPs or the Sharing Economy, but also in traditional corporations. A strong brand image can communicate the company’s values and its mission (Geissinger & Möhlmann, 2018). Besides their own websites most of the observed companies relied on social media marketing and PR to reach new potential users and communicate their brand. One interviewee even particularly pointed towards their brand a major source of trust towards the platform, citing the name Helpfully as a major asset. A possible way to create trust in the brand is by exposing as many people as possible to it, one way the platforms were doing this was through press coverage. By sending out press releases and doing interviews the entrepreneurs could communicate their brand values. Furthermore, all the interviewed with a idealistic vision believed transparency to be an important trust factor, this transparency can serve to strengthen the brand of the platform. With users being able to connect the brand to the people behind it, and to honest communication.

The existence of a large user base and a large network on the platform can lead to increased trust in the platform as it is seen as social proof for the platform (Botsman, 2017) as well as increasing the likelihood that the platform can fulfil its promises (Möhlmann, 2016). However just as with the above mentioned external reviews this trust factor suffers from the problem of correlation. Without users there is no large network and without a large network new users are less likely to join. None of the interviewees expressed that they communicated on their websites how many users had been signed in, and as the websites are no longer active it is not possible to verify this. It seems clear as most companies did not have enough users to operate they also might not have had enough users to effectively create trust through a large network. This trust factor was thus not at all utilised by the observed companies.

Overall looking at the four different available trust cues for increasing trust in a platform, they were underutilised by the companies. Two of the trust cues are nearly impossible to implement without an existing user base, however a strong brand and insurance coverage are possible cues that can be utilised at the start of a platform. Many companies struggled heavily to achieve their desired amount of users, and a lack of trust in the platform can certain be a possible reason for this.

5.3.3 Trust between users

The last step on the trust stack, that leads from the known to the unknown is trust in the individual. In the case of the Sharing Economy in particular it is the trust between the different users on the platform. The trust between users in particular needs to satisfy the trust dimension of authenticity, intentions and quality. Users need to be able to trust that the other user, be it provider or consumer, is who they say they are, harbours no ill will towards them, and delivers the quality that they require. To help facilitate this trust among users there are several different trust cues, and as mentioned previously these are cumulative, the more trust cues are used the more trust can be created.

Reviews are not only a good trust cue for trust in the platform but also for trust between users. By seeing what experiences others had with a particular provider, consumers can decide whether or not they want to trust him, even in the absence of any previous interaction. However just as with reviews about the platform itself reviews between users could be manipulated, furthermore many providers in the Sharing Economy perceive reviews as uneven and punitive, and as a way to assert control over workers (Carman & Tiffany, 2018; Cockayne, 2016). One way to mitigate some of the concerns about reviews is through so-called double blind or simultaneous reviews (Möhlmann, 2016). This means that both the user and provider on a platforms are asked to rate or review the other and both sets of feedback only get revealed simultaneously afterwards. This should reduce negative reviews being written in retaliation of a negative review or vice versa people feeling the need to write a positive review as a “thank you” for a good review even though the experience was in fact not positive. Simultaneous reviews can be implemented to make users on the platforms trust more in the reviews and subsequently in their peers on the platform (Möhlmann, 2016). Two companies implemented such simultaneous reviews, three companies implemented reviews that were directly published and two companies did not have a review system at all. As has been argued with the external platform reviews this trust cue is heavily dependent on existing users, even the companies that had available review systems pointed out that there were very few actual reviews written, as people either did not complete a lot of transactions or they did not feel inclined to write reviews.

Insurance can increase trust in the platform as discussed above and also increase trust between users, since financial risks are reduced and thus the trust dimension of intentions does not need to be as high. However, it is important to note that for users often the financial risk is not seen as the only risk in the Sharing Economy, since most interactions take place in person they also involve additional risks (Ert et al., 2016). When consumers were booking a cleaning service via Helpfully it would not be enough to reduce financial risk of accidentally broken items, but also risks of personal danger from letting a stranger into your house. As such insurance can only help to a certain degree in creating trust between peers. The implementation of insurance is discussed already in the previous section.

Even though it was pointed out above that financial risks are far from the only risks involved in the Sharing Economy they still play a crucial part in the reluctance of many in participating in the Sharing Economy (ter Huurne et al., 2017). One possibility to alleviate this financial risks is through the implementation of an escrow service, holding funds for a transaction until it has been recognised as completed by the consumer (Mazzella et al., 2016; Pavlou and Gefen, 2004; Möhlmann, 2016; Geissinger & Möhlmann, 2018). This way a provider can be sure that the consumer is in possession of sufficient funds to pay them, otherwise they would not be able to pay into the escrow account, and the consumer can rely on the provider to not disappear without having completed their service, as they would not be paid in that case.

A further trust cue is the validation of users through externally issued forms of certification, such as by requiring all users to upload their driving license or passport or asking users to sign in using the official Danish verification system NemID, more informally platforms could require users to provide a telephone number to which an activation code is sent, or by asking for connection with existing social network (Mazzella et al., 2016; Pavlou and Gefen, 2004; Sundararajan, 2016; Geissinger & Möhlmann, 2018). These measures can help users trust in the authenticity of each other. Knowing that should anything happen the platform can access relevant information from provided documents, can make new potential users feel safer and more willing to participate in the platform. Additionally, platforms can ask for verification of skills by requiring service providers to upload certification around their offered skill. Six interviewees mentioned that they had implemented some kind of validation. However, none explicitly stated that this was communicated prominently on their platform or saw it as a major source of trust. Lejdet, Founder, who had implemented NemID, felt it was a useless feature as only four users ever signed up for the platform with it. He did not talk about whether or not the mere existence of NemID might have increased the trust users were placing in their peers.

Asking users to provide personal information, such as a name, telephone number or a description helps other users to trust in the authenticity and the intentions of that users. This information leads to the users on a sharing platform not appearing as strangers who are completely anonymous (Mazzella & Sundararajan, 2016). Most of the companies required providers to add enough information to make their goods or services marketable to consumers. However very few mandated that consumers would do the same. Especially the service sharing site Petreas reported problems with the provider side not believing in the commitment of the consumers, and as a result behind unwilling to make a bid on posted tasks. Potentially requiring more personal information that adds to the basic task information could have increased the providers trust.

Social capital is seen by some as a key to trust in digitally-enabled networks, arguing that connecting social media accounts on platforms allows users to accumulate digital social capital and to carry it on to different platforms by allowing users to show the amount of social media contacts they have in common with one another (Geissinger & Möhlmann, 2018). Most of the observed companies had a functionality that would let users connect their Facebook accounts with the ir profile on the sharing platform. However only one of the companies actually managed to let users see their friendships and relationships to others on the site. Most other companies said that this functionality was not available. This might have been because their companies were started earlier, 2013 as opposed to 2016, of because of a lack of technological know how. Other possibilities to enhance user's social capital were not explored by any of the interviewees.

A final recognised trust cue is moderation by the platform owners, knowing that information that is transferred between users is verified or approved by the sharing platform itself can create greater trust between users (Mazzella & Sundararajan, 2016; Mazzella et al., 2016). One of the interviews companies had text filters that would remove inappropriate language on the site, additionally another of the companies would warn users that were not complying with platform policy of using real names and photos. Apart from this no other monitoring or moderating behaviour was reported by the interviewees and no one expressed any consideration of this potentially adding more trust between peers.

In the case of trust between users most platforms primarily relied on peer reviews to create a feeling of trust. While some expressed that trust was essential in the Sharing Economy, other did not seem as concerned about implementing trust cues. Apart from reviews other trust cues were only used sporadically by some of the sites, showing that just as with the trust in the idea and the trust in the platform the trust in peers could have been further developed and be focused on.

Overall looking at all the steps of the trust stack it becomes apparent that the Sharing Economy companies did not do as much as was possible to help new users trust in the unknown. With regards to the research question of what the underlying causes of failure for Danish companies within the Sharing Economy are, it is certainly arguable that a lack of trust cues and too low focus on increasing the familiarity with the Sharing Economy is a cause of failure for several of the observed companies.

5.4 Harnessing Lock-in effect

Once a sharing platform had managed to manage the network effect to its advantage and created enough trust to sign up many new user, it becomes vital to keep the users engaged with the platform and prevent them from abandoning the platform for another.

Locking users in to a platform through high switching costs is seen by some as a key necessity. However, in the Sharing Economy this can pose a substantial challenge, as the platform typically only connects user with each other. As platforms are very easy to copy for new entrants and replaceable for users, it is crucial for companies to implement some lock-in features. This is also found as one of the reasons why Sharing Economy platforms fail by Täuscher and Kietzmann, as the business models generally create low switching costs between the platforms, possibly resulting in losing their entire network of participants (Täuscher & Kietzmann, 2017). The findings regarding lock-in show that all of the seven failed Sharing Economy companies had difficulties in retaining users in their platform. Especially due to some of the companies still being at an early stage and struggling to get people to join and engage in the platform in the first place. "Petreas, Founder" mentioned that they didn't have enough construction workers on the site, as well as, the transaction frequency being low. Zott and Amit (2001) argue that secure payment, loyalty programs, insurance, personalisation and customisation, and community creation, are methods to increase the switching cost and thereby the lock-in effect. By comparing the findings of this thesis to existing literature both similarities and differences are identified.

5.4.1 Offering Personalisation

As stated in the literature, personalisation is an effective way of enhancing the lock-in effect as people have to invest their time and would need to do so all over again if they decided to switch to a new site. All of the companies had log-in pages for the provider side where the providers could present their service or product by adding personalised texts, pictures and videos. However, three of the companies did all the work for the providers, and were highly involved as mentioned above, which lead to low switching costs for the providers, since they would have no cost in going somewhere else and engaging in another platform. As far as the personalisation consumers is concerned, only two companies had managed to do this, as explained in details by the entrepreneurs, with a login page showing recommendations and personal messages. Without personalisation the switching cost is low for the consumers which might result in losing customers to other competitors.

5.4.2 Developing Loyalty

Another measure to increase lock-in effects can be through rewarding customers with different benefits or special bonuses with loyalty programs (Amit & Zott, 2001; Hagiu & Wright, 2015b). Except for one, none of the seven companies successfully managed to incorporate loyalty programs. Only PinguShare implemented a loyalty programme in which users would collect so called Karmapoints based on their participation on the platform. They did not get rewarded with bonuses by the platform, but rather the other users would be more likely to engage with user that had a high Karmapoints score. Joli attempted a point based system, but explained that it did not engage the users more and led to less profit for the company. And Mineisyours planned giving discounts to users renting goods for longer periods of time, but as they did not have any long term rentals before closing the platform this loyalty programme was never fully rolled out. Overall most of the interviewees did not see loyalty programmes are particularly important and many felt that since they companies were relatively short lived they did not have time to implement a reward system. Since there were no loyalty programs users did not need to worry about losing out on points by engaging with any other platform.

5.4.2 Building Community

Furthermore, Zott and Amit (2001) also mention that the lock-in effect increases by creating a virtual community that bonds the users to a certain platform. The importance of a community and social status of a platform is highlighted by Belk (2010), as one of the main reasons for people to engage in sharing in the first place, as sharing creates a feeling of belonging to something bigger than oneself, being a part of a community and the feeling of solidarity. None of the interviewed companies except for Pingushare had a community where people could connect. This is especially demonstrated by EnjoyLocally and Petreas as they were more focused on preventing outside communication which makes it difficult for a community to grow. Without a community tying users to a specific platform there are low switching costs as users do not have to worry about losing their community.

5.4.4 Preventing Outside Payment

In order to prevent user payment and communication outside the platform, a more secure payment handled by the platforms can be offered. EnjoyLocally and Petreas hid the direct contact information of the providers and secured the money until the event or the job was done, which led to lock-in of the consumers as they have to stay within the platform to either get the event or the task done. Though, a majority of the companies and the expert indicated that it is impossible to prevent outside communication, especially with repeated services and transaction. "Helpfully, Founder" explained that cleaning services were paid the first time through the site but any further payments were made outside of the platform, because it was easier for the users to directly pay each other instead of paying through the site which would also subtract the platform's fee. This directly leads to losses in profit for the platform. Furthermore measures to prevent outside communication such as hiding contact details could be perceived very negatively by consumers who wish to resist lock-in. As preventing outside communication and payment is extremely hard to achieve it is not surprising to few of the companies were successful.

Apart from the four above mentioned measures to increase lock-in, add-ons like insurance are also features that can keep users lock-in. Most companies did not have any insurance and often the competitors in the traditional industries have insurance, like the construction workers of Petreas, since they already have insurance and added insurance by Petreas would not necessarily aid in retaining the users.

Locking users in is a major challenge for any platform, but almost none of the observed companies implemented features to increase the lock-in effect. Measures to increase the lock in effect are personalisation, loyalty programmes, strong communities, the prevention of outside payment and security add-ons like insurance, but few of the companies implemented these measures successfully. The absence of lock-in mechanisms resulted in low switching costs and low user lock-in, a possible reason for failure of the observed companies. It is however worth noting that including these features might increase the complexity of a website, going against the recommendation of a minimal viable product, which should only enable the core interaction of the platform. In addition to this, in order to be able to lock users in the users need to be attracted first, which, as pointed out above, is another obstacle most companies faced.

5.5 Implications for Entrepreneurs

Considering all the discussed above, ten causes of failure are identified. Given these causes of failure certain implications for any entrepreneur wanting to start a new Sharing Economy platform are determined. In Figure 7, which is inspired by Täuscher and Kietzmann (2017), each of the causes of failure is listed along with managerial recommendations.

CAUSE OF FAILURE	IMPLICATION FOR ENTREPRENEURS
Danish society was not ready	Focus on communicating the ideals of the Sharing Economy.
Lack of niche	Start at a smaller location, such as one city, and with one specific activity, such as only one type of service.
No prior market research	Investigate the target audience and identify their core needs.
Too high tech cost	Make sure to have an internal partner that can program a minimum viable product.
Too high involvement	Stay aware of the main concept of the platform - connecting the two sides.
Too little marketing	Identify the target audience and invest in marketing - do not rely solely on word of mouth and the "HYPE" around Sharing Economy.
Could not ignite the platform	Define a clear strategy on how to overcome the Chicken-or-Egg problem.
Did not create enough Trust	Ensure all steps of the trust stack can be climbed - starting with trust in idea, then trust in platform and lastly trust between users.
Could not lock users in	Add more value to users and increase switching costs by offering loyalty programs, personalisation, insurance and a strong community.
Lack of investors	Be prepared to survive for a long time without any investment.

Figure 7 Causes of failure

From a macro perspective one cause of failure was the Danish society potentially not being ready to embrace the Sharing Economy. This has changed somewhat in the last years, after the observed companies had already failed, however, Denmark is still among the European countries with relatively low participation in the Sharing Economy (TNS Political & Social, 2016). For any entrepreneurs in the Sharing Economy this can mean that at the early stages of their company they should focus their communication efforts on bringing the Sharing Economy closer to the Danish society and making sure to educate potential users on the legality and the possible positive impact of sharing.

The second cause of failure is the lack of a market niche, or focus strategy, for the platforms. Since the observed companies hoped to reach the largest possible user base they did not put constrictions on the location or activities within their platform. One solution to this problem could be to start a new Sharing Economy platform only within a certain city and then later expand, or to primarily focus on one type of service and later spread to a broader platform.

The third cause of failure, having no prior market research, leads to companies implementing features that are not needed for their target market or to not being able to identify the target audience at all. A solution for this is to spend a considerable time on identifying the core needs of the target audience. This could for example be done by implementing a minimum viable product and learn from the way the users interact with it, what truly is needed. Market research could also help in identifying which marketing channels are the most effective.

The fourth cause of failure is having too high tech costs because of costly website development. While it is unavoidable that at some point a fully functioning website will need to be built, it is not recommended to start with building a highly complex platform. Instead entrepreneurs should ideally find an internal partner capable of implementing a minimum viable product, this way the platform's function could be demonstrated without having to spend heavily on an external programmer.

The fifth cause of failure is being too involved as a platform. This involvement with the provider side of the platform was often very time intensive and is not scalable. Instead entrepreneurs should stay aware of the core functionality of the platform and find ways through which providers can be engaged to independently setting up their profiles on the platform.

The sixth cause of failure is a lack of marketing. A reliance on word of mouth, the hype and media attention around the Sharing Economy, is not advised. Instead entrepreneurs should clearly identify their target audiences and invest time and money into marketing towards them.

The seventh cause of failure, the inability to ignite the platform through a strong network effect is hard to overcome. There is no sure way of overcoming the "Chicken-or-Egg" problem. But as the literature identifies several possible strategies, entrepreneurs should familiarize themselves with the potential strategies and attempt to implement at least one of them to ignite their platform and manage the network effects.

The eight cause of failure is the inability of the observed platforms to create enough trust. Even though, many possible trust cues were available on the platforms, most did not use more than two of the cues. Entrepreneurs starting a new Sharing Economy platform, should be aware of what possible trust cues they can implement and use these to enhance the trust towards their platform and between the users on their platform.

The ninth cause of failure is the inability of the platforms to lock-in users to the platform. Entrepreneurs should be aware of different possible measures that could increase switching costs for users and lock them in. These measure could be implementing a loyalty programme, offering an insurance scheme, or facilitating a strong community among users.

Lastly, the tenth cause of failure is the lack of investors willing to fund Sharing Economy companies. Investment is, of course, also a problem for most other startups, but Sharing Economy platforms in particular are difficult to present to investors, with low profits and infrequent transactions. While it is not a direct solution to securing investment, the recommendation for entrepreneurs is that, when starting their sharing platform, they should be aware of how long it can take to reach critical mass. They should be willing and able to potentially run for several years without any investment and very low profit from the platform.

6.0 CONCLUSION

In recent years a new phenomenon in online businesses has been observed. More and more platforms are emerging that focus on connecting people in order to trade, swap or sell their belongings to one another. A reduced interest in ownership and increase in environmental concern leads people down a path to what is called the Sharing Economy. In the early days this phenomenon was mainly observed in the United States of America, with some of the biggest names within the Sharing Economy being founded, like Airbnb, a home rental site, and Uber, a ride-sharing app. After some years the phenomenon also spread to Denmark, with the bigger American names coming to the market and Danish platforms being founded. With the popularity of the Sharing Economy growing and the biggest names being valued at extraordinary heights it is understandable that entrepreneurs look towards the actions of the most successful platforms and imitate these in the hopes of succeeding. However, most Sharing Economy platforms are not as profitable or highly funded as Airbnb and Uber, so learning from them is not necessarily a guide to success. Instead a better solution can be to look towards the actions of those who did not succeed and see what mistakes should be avoided.

The goal of this thesis is to do exactly that, by answering the question of "What are underlying causes of failure for Danish companies within the Sharing Economy?" By identifying these causes of failure this thesis attempts to inspire and give some guidance for new Sharing Economy platforms on which obstacles might lie ahead, and better prepare them for starting a new platform.

In order to answer this question, the thesis interviewed an expert on the Sharing Economy in Denmark, as well as 10 entrepreneurs who previously founded platforms that have failed. During the interview process two distinct strategic visions of the entrepreneurs emerged. With half of the interviewees having a idealistic vision of the benefits their platform could bring to society and the environment and the other half being more motivated by financial and entrepreneurial success. Despite this distinction, there is not a clear impact of the strategic vision on success to be found, as they both faced the same struggles and ultimately failed because of the same obstacles. These obstacles are identified and presented as ten causes of failure.

1. Negative attitudes and doubts about the legality of the Sharing Economy, resulted in many Danes not being willing to participate on platforms, which means that Denmark as a society potentially was not ready for the Sharing Economy.
2. As online platforms can reach potentially anyone, most companies did not focus on a small niche or target group leading to an absence of focus strategy by the platforms. Instead the platforms were aiming at targeting the whole country of Denmark with no particular interest group and too a wide product range.
3. Companies did not base their decisions on what features to include on the website on extensive research, instead relying on personal opinions. This lack of prior market

research contributed to unnecessary additions to the platforms and problems in identifying the target audience.

4. Most companies built a fully functioning platform with any features that could be needed in the future. Developing such a highly sophisticated website was extremely costly, especially for the companies employing an external developer.
5. Instead of being a mere "catalyst" between the providers and the consumers, the companies were very involved in the platform, from setting up the profiles of the providers to developing their services together. This too high involvement is not scalable as considerable time is needed for this level of involvement.
6. Instead of investing in marketing companies relied on word of mouth and a hype around the Sharing Economy to attract consumers to their platforms.
7. The platforms were unable to overcome the Chicken-or-Egg problem and subsequently failed to ignite, resulting from a lack of strategy on how to attract both user sides to the platform.
8. Even though the platforms attempted to create trust between users they implemented few trust cues. In addition to this, they also did not address the fundamental first step of needing trust in the idea of the Sharing Economy. Not investing time and effort in creating this trust lead to a reluctance of users to interact with the platform, which might have been contributing to failure of the companies.
9. Users who were attracted to the platforms, and had participated a first time were not being sufficiently locked-in through measures that would increase switching costs.
10. Finally, an inability to secure venture capital investment, which is very connected to the other causes of failure. It was often impossible to secure funding as the platforms could not attract users and ignite the platform, thus investors were doubtful about the viability of the business - which in turn exacerbated many of the already mentioned problems, such as lack of marketing and high tech costs.

Overall it is clear that there is not one single cause of failure and the ten causes of failure are closely related to one another. Entrepreneurs wanting to launch a new Sharing Economy platform should be aware of these ten causes of failure and consider what implications these might have on their decisions.

7.0 REFLECTIONS

The identified ten causes of failure in the Danish Sharing Economy of this thesis can be used as a starting point for further investigations. However, it is important to note that the research of this thesis was limited in several ways. Firstly, the observed companies all stopped operating while still being in the initial start-up phase, this was unavoidable because of the recency of the Sharing Economy in Denmark. More mature companies could have provided deeper insight into specific causes of failure that are more distinct from the initial struggles experienced by most start-ups. Secondly as time was limited only seven companies were examined, and in five of these only one of the partners was interviewed each. While this might give an in depth look at the perception and experiences of one individual it cannot be verified without interviewing the other partners of the company. Furthermore, since the companies had already stopped operating at the start of the paper, not much information could be gathered besides the interviews. With the websites of the companies no longer being online many statements about the functionality and engagement could not be verified independently.

Given these limitations further research should be done to solidify the findings and develop more concrete causes of failure for Sharing Economy platforms that have surpassed the initial start-up phase. Additionally to conclude the abductive approach of the thesis the ten causes of failure should be tested by future research. Investigating more mature companies that have surpassed the initial start-up phase could provide deeper insight into specific causes of failure that are more distinct from the initial struggles experienced by most start-ups. One possible approach could be to conduct a long term study of currently successful Sharing Economy platforms in Denmark and observing them so that more detailed findings can be presented should they eventually fail. Additionally, as several of the interviewees believed the Danish society to not be ready for the Sharing Economy and investigation into the attitudes of Danes towards the Sharing Economy could be conducted to confirm or refute this claim. Furthermore, extending the research to other nordic countries could allow for a wider selection of failed companies, which would allow for a test of the validity of the ten causes of failure.

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