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Innovation Process for the Collaborative Consumption

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Abstract

The sharing economy is growing at a significant rate. A large impact is due to the shift in consumption behaviour away from valuing ownership, which allows both peers and firms to create services that take advantage of idle capacity. Many theories are well known in describing the environment and the shift in consumption known as collaborative consumption, but very little is recognised on a firm's approach to innovation for this emerging market.

This thesis aims to investigate key characteristics of innovation suitable for the collaborative consumption, and then develop an explanatory framework of how a form should design its innovation approach. To reach this objective I used a deductive approach to theory and developed a hypothesis based on theory which I found to overlap and explain certain phenomena existing in the collaborative consumption. This hypothesis was then tested using qualitative methods by investigating the behaviour of two startups, EatAbout and TradeUp, and a product intensive company, Ikea. The cases were chosen based on inventiveness and differing scale of characteristics. In this explanatory study I compare the hypothesized theoretical framework with the actions of these three cases to achieve the innovation which they have proposed to the market.

I find that an innovation for the collaborative consumption needs to be disruptive in nature in order to meet the shifting consumption behaviour. An innovation needs to provide consumers with 'new meaning' of consuming it and it can be pushed onto the market by a process known as design driven. Additionally, the innovation process needs to involve a method of exploratory research with key collaborators in order to reach these characteristics. However, I also find that other forms such as exploiting the internal capabilities by broker knew knowledge and using creative techniques may result in innovative proposals for the collaborative consumption.

Chapter 1: Introduction

The collaborative consumption is a term coined by Botsman and Rogers (2011) to describe the shift in consumer behaviour, also commonly known on a broader scale as the sharing economy. Collaborative consumption implies a consuming behaviour where customers value the use of a product over the actual ownership of the product. It is also a consuming behaviour where both people and companies share idle resources with one another for the benefit of both parties involved in the exchange. Current literature on the subject of collaborative consumption spans many articles and authors from theorists to practitioners like Robin Chase, the founder of Zipcar. However, I often found the focus of this literature to be on what needs to be available in the market for a collaborative consumption offering from a company to be successful, and very little on what methods or processes a company should employ in order to innovate for such a shift in consumer behaviour.

I was therefore motivated to investigate the processes companies use to develop an innovation that could thrive in the space of collaborative consumption This often meant disrupting the traditional industries (Hawksworth 2015). Disruptive innovations do not necessarily attempt to bring better products or services to existing markets but rather they disrupt and redefine the trajectory of said markets by introducing products or services that typically offer other benefits such as simpler, more convenient, and less expensive products that appeal to a new or less-demanding customers (Christensen & Raynor 2003). Verganti (2014) also characterises potential users of disruptive innovation as those who possess unexpressed needs, and that the innovations proposed by companies which meet those needs have often been produced by exploratory methods and not user-centered approaches. Verganti (2014) developed a framework to attempt to explain the process companies use when successfully innovating radical new meaning of products and services. He defines 'new meaning' as the ability to generate a new purpose for customers to buy said products or services. In my research I have therefore coupled the definition of radical new meaning to those of innovation for the collaborative consumption, on the basis that services for the collaborative consumption provide new meanings, and ways in which consumers' shift in consumption behaviour can thrive.

The service proposals which companies make towards the collaborative consumption need to be designed is such a way that it allows consumers to consume collaboratively. This may mean a shift away from using users in a co-production approach to service and move further towards a co-creation approach where users have more control during their consumption period as well as a larger impact on further innovation of the service.

This research area motivated me to build a hypothesis and theoretical framework based largely on collaborative consumption business models, Verganti's (2014) theory of design-driven innovation, and co-creation as a service approach once the service has been proposed.

1.1 Problem Formulation and Research Question

Problem formulation:

Collaborative consumption is growing exponentially and may have the potential to outgrow traditional rental industries by 2025 (Hawksworth 2015). Nordea, a Danish bank, has estimated that the sharing economy has expanded threefold in the Danish market in just one year (Erichsen 2015). Mckinley also argues that by 2025 over 20% of the market's companies will have originated after the year 2000 (Webb, Host, 2016). There is thus an acceleration in an emerging market that incumbents can take advantage of, and this research can prove useful both to promising entrepreneurs as well as big firms who want to protect themselves against disruptive innovations aimed at the collaborative consumption. It is therefore in a firm's interest to achieve the process needed to innovate services catered for the collaborative consumption.The research question that I have formed is therefore:

Research question:

How should a company design its innovation strategy to create a proposal for the collaborative consumption?

Since my research begins with a general focus research question, I will use it as a base to which I will generate a more detailed research objective. Objectives are generally more acceptable to the research community as evidence of the researcher's clear sense of purpose and direction (Saunders et al. 2009). Saunders et al. (2009:35) contend that research objectives are likely to lead to greater specificity than research or investigative questions: "*Research objectives require more rigorous thinking, which derives from the use of more formal language.*"

My research objective is to develop a theoretical framework for service innovation aimed at the collaborative consumption, and determine the factors which lead to service innovation for the collaborative consumption. Based on theoretical knowledge and literature built in corresponding subjects I will build a theoretical framework as a type of 'best practice' approach, for a company to build capabilities to innovate for the collaborative consumption. This framework will then be tested with the analysis of three cases and revised if necessary.

The areas that I am interested in to complete the framework are how a firm's business model should be designed, how a firm should source for the innovation, how a firm's research process should be designed, and how a firm should design its approach to customers of the completed innovation. I will not have specific sub-research question, but will instead use the areas of interest above to guide my research and the developed theoretical framework to guide my analysis.

1.2 Delimitation

In order to answer the problem statement and complete my research objective, I limit my research and data collection to two startups, EatAbout and TradeUp, who propose innovative services for the collaborative consumption, and Ikea as an example of a product-intensive firm. My investigation is exclusively conducted on these three players and only their direct services to collaborative consumption. In conducting research on the two startups, I was able to delve into detail on their innovation process specifically for collaborative consumption from the beginning to present time. As these two start-ups' services are directed towards collaborative consumption, my focus is solely on the innovation processes within this field. The research conducted on Ikea is primarily focus on its overall methods and processes for collaborative consumption and how this could be adopted by similar product-intensive firms, and therefore I do not consider any of the other services or products that Ikea offers. I do not measure the current or future success of these companies and do not consider current or potential competitors.

Chapter 2: Methods

Throughout this project I use the term methods to refer to techniques and procedures used to obtain and analyse data. This includes qualitative techniques such as observations and interviews. In contrast the term methodology is used to refer to the theory of how such research should be and was undertaken and the philosophy adopted.

This project will attempt to bridge together different disciplines in order to gain new insights that could not possibly be obtained by these disciplines separately (Saunders et al. 2009:6). Also known as the the transdisciplinary nature of research, this method emphasises that the research *'cannot be reduced to any sum of parts framed in terms of contributions to associated disciplines*' (Tranfield & Starkey 1998:352).

The research done in this project and the concluding framework will also attempt to close the prevailing 'research-practice gap'. Rousseau (2006) has drawn attention to ways of closing what she terms the prevailing 'research-practice gap' – the failure of organisations and managers to base practices on best available evidence. She extols the virtues of 'evidence-based management', which derives principles from research evidence and translates them into practices that solve organisational problems. Rousseau's argument is that research findings do not appear to have transferred well to the workplace, instead of a scientific understanding of human behaviour and organisations, managers continue to rely largely on personal experience, to the exclusion of more systematic knowledge.

In order to attempt to close this gap this project will explore the ways in which various organisations do things differently or similarly. The purpose will be to discover and understand better the underlying processes in a wider context, thereby providing greater understanding for practitioners, and the project will aim to conclude with a transferable outcome: a framework that can be applied to any business looking to expand their potential in the sharing economy, whether a large organization or a startup.

The main type of research I will be conducting will be that of the basic research nature described by Easterby-Smith et al. 2008. The research will aim to expand knowledge of processes of business and management and result in universal principles relating to the process and its relationship to outcomes. However I also hope that the research will improve the understanding of particular business and management problem, and result in a solution with findings of practical relevance and value to managers in organizations. The reason for integrating this type of applied research approach along with the basic approach is that Shapiro et al. (2007:250) argues if managers and academics believe there is a problem in which management research is 'lost in translation', then proposed solutions might focus on changes in the

way research findings are disseminated. In addition, if the belief is that there is a knowledge production problem, so that any chance for impact on practice is 'lost before translation', then proposed solutions might focus on ways to foster more researcher-practitioner collaboration as research programs are developed and carried out (Shapiro et al. 2007:250).

2.1 Research Approach

The method of approach to research will be that of deduction. On the basis of what is known about the particular domains I will deduce a hypothesis that will then be subjected to empirical scrutiny. A hypothesis is a testable proposition about the relationship between two or more concepts or variables. These variables being the outcome (b) as a result of the decision made (a). The hypothesis will be expressed in operational terms, which propose a relationship between two specific concepts or variables. Followed by testing this operational hypothesis. Finally examining the specific outcome of the inquiry, which will either tend to confirm the theory or indicate the need for its modification in the light of the findings.

The research approach used is mostly that resembling an explanatory research. An explanatory study establishes causal relationships between variables, where the emphasis is on studying a situation or a problem in order to explain the relationships between variables. The situation or problem which I focus on is the processes required to innovate for the collaborative consumption, where the variables are the methods a company employs and the impact they have on innovation. I begin my theoretical research however with a nature of exploratory study to find, and clarify my understanding of the problem through a search in literature. Which is developed into a hypothesis, and consequently my research approach shifts to that of explanatory.

2.2 Data Collection

The data collection technique used can have a large influence on the outcome of the research (Saunders et al. 2009). Since my research includes elements of an explanatory and exploratory research, I have only used a qualitative approach to data, with the majority of my research being done by semi-structured interviews. Qualitative interviews are most suitable for an explanatory study in order for

the researcher to be able to infer causal relationships between variables (Saunders et al. 2009). A qualitative and semi-structured interview process aids me in understanding the reasons for the decisions that my research participants have taken, and to understand the reasons for their attitudes and opinions.

The individuals which I interviewed where the CEO and co-founder of EatAbout, Philip Kallberg, the CEO and co-founder of TradeUp, Oliver Sjostedt, and the Head of Expansion for Ikea Centres Europe, Peter Theilgaard. Interviewing the co-founders and CEO's provided me with valuable insight to the respective company's innovation journey, and extensive knowledge was gained about Ikea from interviewing an employee with over twenty years experience, in two separate offices in two different countries. Each interview was transcribed in order to make sure that knowledge was not lost or overlooked (Saunders et al. 2009).

I also used secondary sources to prepare myself for interviews, and to gather additional research after. In the context of qualitative data, it is possible that a secondary analysis will allow the researcher to mine data that was not examined by the primary investigation or that new interpretations may be possible (Bryman 2008: 561). One problem as Hammersley (1997) suggests is that reusing qualitative data may be hindered by the secondary analyst's lack of an insider's understanding of the social context within which the data was produced. Nonetheless, in spite of such practical difficulties, Saunder et al. (2009) argue that secondary analysis offers rich opportunities because the tendency for qualitative researchers to generate large and cumbersome sets of data means that much of the material remains under-explored.

2.3 Data Analysis Approach

This chapter explains the framework used to guide the analysis of data. There are often two popular methods used when taking a qualitative approach to research: analytic induction and grounded theory. This project will take the analytic induction approach to data analysis as it will allow me to test the hypothesis. Saunders et al. (2009) suggests that, if you have made use of existing theory to formulate your research question and objectives, you may also use the theoretical propositions that helped you do this as a means to devise a framework to help you to organise and direct your data analysis.

Analytic induction begins with a rough definition of a research question, proceeds to a hypothetical explanation of that problem, and then continues on to the examinations of cases. There are two limitations to analytic induction worth noting. First, the final explanations that analytic induction arrives at specify the conditions that are sufficient for the phenomenon occurring but rarely specify the

necessary conditions. Second, it does not provide useful guidelines as to how many cases need to be investigated before the absence of negative cases and the validity of the hypothetical explanation (whether reformulated or not) can be confirmed (Bryman 2008:540-41).

2.4 Limitations

Bryman (1988:81) debates the deductive approach to qualitative research, arguing that "*the prior specification of a theory tends to be disfavoured because of the possibility of introducing a premature closure on the issues to be investigated, as well as the possibility of the theoretical constructs departing excessively from the views of participants in a social setting.*" I therefore employ an inductive approach to analysis to combat this limitation, as Saunders et al. (2009) argues that such an approach can reveal themes that had not figured prominently in the deductive analysis (theoretical framework), and therefore a combination of the two approaches generate a more convincing answer to the research objective. Also by commencing my research from a theoretical perspective will provide me with the advantage of linking my research into existing body of knowledge in the subject area, and aid me in providing an initial analytical framework (Saunders et al. 2009).

Inevitably, my own beliefs and feelings will impact my research. Although I might feel that my research will be value neutral, it is unlikely that I will be able to stop my own beliefs and feelings influencing the research. My choice of what to research is also influenced by topics that interest me, and the way I collect and analyse data are limited to the skills that I have from limited interviewing experience. There also existed practical considerations such as access to data and the time and resources I had available also impacted the research process. As mentioned I was unable to track down specific departments in Ikea responsible and therefore took a broader approach to analysing Ikea by analysing its culture, methods and collaboration processes.

Chapter 3 Methodology

3.1 Research Philosophy

Research philosophy relates to the development of knowledge and the nature of that knowledge (Saunders et al. 2009:107). Its importance to research lies in its ability to establish a foundation for choosing specific strategies and methods to answer the research question. Therefore in order to find the most appropriate approach to innovation for the collaborative consumption I apply a pragmatist paradigm, where I view my research question above all and that different determinants of epistemology, and ontology may answer it best at different points (Saunders et al. 2009). Tashakkori and Teddlie (1998:30) argue that interest, and value are the most important aspects in choosing the method of approach to research. However, in case I am operating on a continuum, as Tashakkori and Teddlie (1998) argue, my approach leans predominantly towards an epistemological orientation of interpretivism and an ontological orientation of subjectivism.

3.2 Epistemology

Epistemology concerns what constitutes acceptable knowledge in a discipline (Saunders et al. 2009). Interpretivism is the contrasting epistemology to positivism, and holds a view that the subject matter of the social sciences, people and their institutions are fundamentally different from that of the natural sciences (Bryman 2008). As this thesis' research question requires that I take an empathetic stance to understand the subjective meaning of my interviewees, an interpretivist position is appropriate. Taking an interpretivist view enables me to understand differences between the social actors I interviewee and the reasons for their decisions. Additionally, as my thesis sees social actors and their roles as highly significant, as opposed to the study of objects, further emphasizes the fit for an interpretivist view. In my research process, I use characteristics of positivism as I am deducing a hypothesis. However, Saunders et al. (2009:114) supports that, although I do not have a positivist approach, it is "*perfectly possible to adopt some of the characteristics of positivism in your research, for example hypothesis testing, using data originally collected in in-depth interviews.*"

3.3 Ontology

Ontology is concerned with the nature of reality (Saunders et al. 2009). The central point of orientation is whether the social entities can and should be considered objective entities that have a reality external to social actors, or whether they can and should be considered social constructions built up from the perceptions and actions of social actors (Bryman 2008).

For the approach to the study of management I prefer to take the view that the objective aspects of management are less important than the way in which the managers themselves attach their own individual meanings to their jobs and the way they think those jobs should be performed. As such, this approach is more akin to the subjectivist view. Subjectivism, holds that social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence. Holding a subjectivist view enables me to understand and consider that social phenomena are created from the perceptions and consequent actions of the social actors I interview. As such, their interpretations and meanings shape the context in which I study and influences my understanding. I recognize that my subjects' perceptions are in a continuous process of revision through their social interactions and therefore changing the phenomena in which I am studing. By taking a subjectivist approach I recognize the importance of my subjects' reality and understanding their perception. As such, further highlighting the importance of applying an interpretivist approach (Saunders et al., 2009).

Chapter 4: Theory

4.1 Theoretical Approaches

Theory, defined by Gill and Johnson (2002, p.229), is *"a formulation regarding the cause and effect relationships between two or more variables, which may or may not have been tested*". Sutton and Staw (1995) argue that what is required to develop theory is an explanation of why predictors are likely to be strong predictors. A hypotheses can be part of a sound conceptual argument but they do not contain logical arguments about why empirical relationships are expected to occur (Saunders et al. 2009). Therefore this project attempts to follow the approach of Sutton and Staw's (1995:375) argument of good theory: *"Theory is about the connections between phenomena, a story about why events, structure and thoughts occur. Theory emphasises the nature of causal relationships, identifying what comes first as well as the timing of events. Strong theory, in our view, delves into underlying processes so as to understand the systematic reasons for a particular occurrence or nonoccurrence"*.

The definition demonstrates that 'theory' refers to situations where, if A is introduced, B will be the consequence. Saunders et al. (2009) note that the purpose of examining relationships between two or more variables is to explain and predict these relationships. Gill and Johnson (2002:33) neatly tie these purposes of theory to their definition: ". . . *it is also evident that if we have the expectation that by doing A, B will happen, then by manipulating the occurrence of A we can begin to predict and influence the occurrence of B. In other words, theory is clearly enmeshed in practice since explanation enables prediction which in turn enables control*."

The purpose of this theoretical chapter is to provide the reader with the foundation on which this research is built. It is also to provide an insight into relevant previous research and the trends that have emerged in the field. This literature will be used to identify theories and ideas that will develop into a theoretical framework, which will then be tested using the data collected.

I aim to demonstrate awareness of the current state of knowledge in the subject, its limitations and how my research fits in the wider context (Saunders et al. 2002). By investigating these theoretical approaches to service innovation an understanding of the fundamental considerations for creating innovation is achieved. As mentioned in the method chapter, this research paper will be bridging together various areas of research in an attempt to find the transdisciplinary research theory that influences innovation for the collaborative consumption.

A limitation to my theoretical framework was that of strongly basing an approach to the collaborative consumption on a theory built only recently, design-driven innovation by Verganti 2014, and therefore no existing theory exists which attempts to discredit or counter its arguments. Verganti's own theory suffers from limitations such as "*companies that are very successful at design-driven innovation are not really open to someone who wants to investigate their process, especially if he is a management scholar.*" (Verganti 2014:26).

4.2 Collaborative Consumption Business Models

4.2.1 Four Core Underlying Principles

Botsman and Rogers (2011) argue that in order for an innovation within Collaborative Consumption to be successful, four core underlying principles must be present: *critical mass, idling capacity, belief in the commons, and trust between strangers*. The first principle, critical mass, is a *"sociological term used to describe the existence of enough momentum in a system to make it become self-sustaining*" (Botsman & Rogers 2011:75). Critical mass is vital to any innovation success within collaborative consumption because it allows a wider array of choice in a peer-to-peer marketplace. "*For collaborative consumption to compete with conventional shopping, there must be enough choice that the consumer feels satisfied with what is available*" (Botsman & Rogers 2011:76). No universal formula can determine the right point of critical mass, but the principle is the same: the system will be successful if users are satisfied by the choice and the convenience available to them. If not, the system will probably be poorly utilized and short lived (Botsman & Rogers 2011).

Another reason why critical mass is an important principle is that a core group of loyal and frequent users will be attracted. Early and loyal users provide a key principle to an innovation and that is 'social proof'. Social proof essentially means that these offerings are something worth trying, it breaks down psychological barriers that some late adopters might have towards new behaviours (Botsman & Rogers 2011). As Botsman and Rogers (2011:82) explain:

> *"Social proofing exists for a reason. It is a primitive instinct and a cognitive shortcut that allows us to make decisions based on copying the actions or behaviours of others. Social proofing is crucial to collaborative consumption because most forms often require people to do something a little differently and to change old habits. In order for them to be convinced to make this change, most individuals need to see or experience a critical mass of consumers also making the switch."*

Critical mass and social proof is an evident principle in the success of platforms. A platform is two-sided network which brings together one or more groups in the exchange of products or services (Eisenmann et al. 2006). The two groups are attracted to each other - a phenomenon that economists call the network effect. With two-sided network effects, the platform's value to any given user largely depends on the number of users on the network's other side. Therefore the larger the critical mass and social proof for a network the more it will benefit each side (Eisenmann et al. 2006:94). As social proof grows stronger for one platform in competition with another, the other quickly loses its value as demand will diminish from either side of the network. The stronger platform can eventually gain the label as the 'dominant design' and can often hold an incredible monopoly on the market in which it operates.

The second of the four vital principles for collaborative consumption is the '*power of idling capacity*'. Idling capacity is everything which is currently not being used. This has a vast range of things including physical products such as cars and bikes, but could also be intangibles such as a person's skillset. Botsman and Rogers (2011:84) note;

> "*At the heart of Collaborative Consumption is the reckoning of how we can take this idling capacity and redistribute it elsewhere. Modern technology, including online social networks and GPS-enabled handheld devices, offers a multitude of ways to solve this problem. The ubiquity of cheap connectivity that surrounds us can maximize the productivity and usage of a product and mop up the surplus created by hyper-consumption without creating costs or inconveniences.*"

Companies and entrepreneurs can use the internet to allocate resources where necessary. With online platforms one can 'match make' the interests or demands of person A with the ability to deliver a good or service from person B, which is currently sitting idle. "*Technology is indeed one of the most influential factors that, in the long term, shapes the way we live. And actors who explore radical changes in technologies often also explore the implications of those changes for culture and life*" (Latour 1987 via Verganti 2014:142). When speaking of the internet Robin Chase, founder of Zipcar, explains how important communication technology is to the collaborative consumption: "*this was what the Internet was made for, an instant platform sharing excess capacity among many people*" (Matzler et al. 2015:75).

The third vital principle is the '*belief in the commons*'. Botsman and Rogers (2011) describe this phenomenon as the need of a system of belief in goods available to the public in order for the individual and the interest of the group to thrive. A process where one needs to give in order to receive, and where

one does not overuse or misuse something. As David Bollier writes in Viral Spiral (Botsman & Rogers 2011:90);

> *"The commons - a hazy concept to many - is a new paradigm for creating value and organizing a community of shared interests. Collaborative consumption is tied to how these principles are being applied to other parts of our lives, beyond media or content, by tapping into an innate quest to be part of a solution or even a movement of people with similar interests. The experience is appealing as much for the 'collaborative' as for the 'consumption'."*

The more people who participate in a system, the better the system works for everyone. A single phone is useless for example, however the more people who own one the better it is to each owner. There exists a network effect where the original action might be for selfish reasons, such as making money from listing your spare room on Airbnb, but a positive communal effect is also generated.

The fourth and final aspect that is key for Collaborative Consumption is '*trust between strangers*'. Ostrom argues that 'commoners' can self-govern shared resources if they are empowered with the right tools to coordinate projects or specific needs, and the right to monitor each other (Botsman & Rogers 2011:91). Most forms of peer-to-peer collaborative consumption require us to trust a stranger, whether it is renting space on Airbnb or buying second hand clothes on Ebay, there must exists some level of trust that what is advertised is in truth the actual condition of the offering. The role of companies therefore in collaborative consumption is to act as curators and ambassadors, creating platforms that facilitate self managed exchanges and contributions (Botsman & Rogers 2011:92). It is no longer necessary for the role of the middleman to police the trade, but to make the trade accessible to a wider audience and make sure that trust thrives.

So how do you manage trust? Or better yet how do you design for trust? When Joe Gebbia, the co-founder of AirBnb, faced an uphill battle to overturn the philosophy taught to us as kids that strangers are dangerous, he found that a well-designed reputation system is key for building trust (Gebbia 2016). While participating in a joint study with Stanford, where they looked at people's willingness to trust someone based on how similar they are in age, location and geography. The research showed, not surprisingly, we prefer people who are similar to us. The more different somebody is, the less we trust them, which Gebbia (2016) argues is a natural social bias. But once you add reputation into the mix, in this case, with reviews, Joe Gebbia discovered that if you've got less than three reviews, nothing changes, But if you've got more than 10 everything changes: High reputation beats high similarity. The right design

can help people overcome deeply rooted biases. Gebbia (2016) goes into further detail when explaining AirBnb's design method for trust;

> *"Now we also learned that building the right amount of trust takes the right amount of disclosure. This is what happens when a guest first messages a host. If you share too little, like, 'Yo,' acceptance rates go down. And if you share too much, like, 'I'm having issues with my mother,' acceptance rates also go down. But there's a zone that's just right, like, 'Love the artwork in your place. Coming for vacation with my family.' So how do we design for just the right amount of disclosure? We use the size of the box to suggest the right length, and we guide them with prompts to encourage sharing."*

4.2.2 Adapting to the Sharing Economy

With the knowledge of what is necessary to exist for a collaborative consumption innovation to be successful we can look at different methods of offerings. According to Matzler et al. (2015) there are six identifying traits or actions a company can do to adapt to the sharing economy, and take advantage of collaborative consumption. These six include: 1) *selling the use of a product rather than ownership*, 2) *supporting customers in their desire to resell goods*, 3) *exploiting unused resources and capacities*, 4) *providing repair and maintenance services*, 5) *using collaborative consumption to target new customers* and 6) *developing entirely new business models enabled by collaborative consumption*.

1) While many traditional business models aims at selling products, the more the better, in sharing economies there is a need to develop new sources of revenue as purchase is often omitted or decreased. One method for product intensive companies to achieve this is to rent, or lease out their products. This means the burden of ownership does not shift to the consumer but remains with the company, along with this burden come the responsibilities of maintenance and repair. The advantages by selling the use of the product rather than ownership are that the company will not need as many products to allow access for consumers. This type of trait is similar to Tukker's (2004) characteristics of a use-oriented service as part of product-service-systems (PSS), which enables companies to rent or lease out products.

2) Another strategy to cater for collaborative consumption is to support consumers' desire to resell products. That can include either allowing the customer to sell back their old products to the company or creating a service that connects consumers with one another. The redistribution initiative

supports a company's environmentally friendly image, and also gives customers an incentive to buy new products: by providing an easy option to sell their old products customers now have both more money and more space (Matzler et al 2015).

3) Taking advantage of unused resources and capacities is a great initial step towards a strategy for the sharing economy. There exists a tremendous amount of idle resources and excess capacity both within companies as well as from customers. This is an especially promising strategy when particular assets cannot be acquired by everyone due to the large cost of ownership (Matzler et al. 2015). It is also a strategy that caters well to the platform strategy, where the demands of A can be fulfilled with the supply potential of B.

4) Companies who possess the abilities to repair and offer maintenance should provide those services by renting that time and expertise to consumers. This strategy should also prove sustainable in the long run as Matzler et al. (2015:75) argues that "*many consumers prefer using an older, lower-cost product to purchasing a new one.*" Also the more people share a product the more that product is used, which increases the need for repair and maintenance services.

5) Generating new income streams is only one form of profiting from the sharing economy. Another approach is to provide support to peer-to-peer exchanges. This support can include platforms which allow peers to have easier access to one another, or for a product intensive company, one could also promote one's products and services to potential customers on the platform. As Matsler et al. (2015:75) note:

> *"Several companies have realized that they can benefit by supporting these swap parties. By sponsoring these events, they connect with their target audience and at the same time promote their products and services. The companies seek to integrate their own products and services in the sharing process, generating new customers in their target audience. As a positive side effect, the companies get to enrich their reputation by leveraging the green spirit of sharing, as opposed to buying."*

6) The five approaches to the sharing economy explained above show how companies can adapt their existing business models to the trend of collaborative consumption. However it is also possible for a company to develop a completely new business model instead of solely adapting, they way a startup would for example. One business model example, very much catered to the sharing economy, is to become a provider of assets, one where customers pay to access assets that they typically can't own or manage for themselves. In this business model customers become their own producers by renting or

leasing the necessary assets and allows them to become micro-entrepreneurs. This type of business model allows conventional corporations and asset owners to re-design their revenue streams and develop alternative business models that attract customers oriented toward collaborative consumption (Matzler et al. 2015).

4.3 Management of Innovation for The Collaborative Consumption

4.3.1 Types of Innovation for the Collaborative Consumption

Schilling (2012) describes two different classifications of innovation: product innovation and process innovation. A product innovation is the embodiment of outputs of an organization, which can be its goods or services. Where process innovations is innovation in the way an organization conducts its business, such as the techniques used in gathering research and in producing or marketing goods and services. "*Process innovations are often oriented toward improving the effectiveness or efficiency of production*" (Schilling 2012:50). Process innovations speed up the firm's ability to develop a new product or service innovations, as well as enable the firm to produce new products by employing new processes.

The main focus of this research is to explore how a company should design their process so that they can be in a better position to develop a product innovation - service innovation for the collaborative consumption. It is therefore necessary to understand the characteristics of both. Since the interest of collaborative consumption is not on buying and owning the next best material object but having easier access to idle resources, it can be assumed that the organization which innovates its processes in order to develop better service innovation stands to be at an advantage when innovating for the collaborative consumption. This assumption is made based on the description of the four core underlying principles for the collaborative consumption (Botsman & Rogers 2011), and the existence of new business models for it (Matzler et al. 2015), and the service designs for the collaborative consumption described by Tischer et al. (2002), and Tukker (2004).

Different types of product innovations appear on a continuum between radical or incremental innovation. The degree with which a product innovation leans on way or the other are made depending on the innovations novelty, and whether it is significantly different from what is currently available, either by design or function, or whether it only embodies a minor change from what previously existed or a major one. "*Since radical innovations often embody new knowledge, producers and customers will vary in their experience and familiarity with the innovation, and in their judgment of its usefulness or reliability.*" (Schilling 2012:51). Dewar and Dutton (1986) argue that a product can be a radical one or an incremental

one to different customers, since radical innovation embodies new knowledge customers will vary in their experience and familiarity to it, and their judgement of it. An innovation can also shift from the radical end of the continuum towards the incremental end as the knowledge base underlying the innovation becomes more common (Schilling 2012).

Product innovations also largely differ in the process used to bring them about. User-centered approaches are usually the process which results in incremental changes, enhancements to a product but no overall change of the product itself (Verganti 2014). While radical innovations are seen as the result of exploratory research done within, or in collaboration with others, where an entirely new product is proposed to customers (Verganti 2014).

An innovation is further differentiated if it is a competence enhancing or a competence destroying innovation (Schilling 2012). "*An innovation is considered to be competence enhancing from the perspective of a particular firm if it builds on the firm's existing knowledge base... An innovation is considered to be competence destroying from the perspective of a particular firm if the technology does not build on the firm's existing competencies or renders them obsolete.*" (Schilling 2012:52). A product service system (PSS) example of a competence destroying innovation is selling the use of a vehicle rather than owning it. Car2go, a car sharing platform created by Daimler AG, shares a certain amount of vehicles in a city between the subscribers to the platform (Matzler et al. 2015). It could be considered competence destroying as in essence it is an innovation which disrupts the opportunity of Daimler AG to sell cars in that region if people choose instead to use the service and therefore to the perspective of that firm the technology does not build on the firm's existing competencies but disrupts them. It does not necessarily destroy the invention, the car, but it could destroy the innovation, the ability of the car to generate revenue for the firm. The disruptive innovation, Car2Go, could still prove to be a major success and grow to create a new stream of revenue for the parent company Daimler AG, but the successful growth of a car sharing service innovation would still most likely have a negative effect on its ability to sell cars.

Patagonia is another example who developed competence destroying innovation for the sake of the collaborative consumption. Patagonia, an outdoor clothing and equipment manufacturer based in California, developed a service in collaboration with Ebay called the Common Threads Partnership. The service aimed to make it easy for anyone to buy and sell used Patagonia products (Matzler et al. 2015). Its benefits included a boost in product visibility, by having more Patagonia products in public circulation, both on the internet, and after they had changed from an undesirable good of a customer to a desirable one to another customer, more people were wearing them in public (Matzler et al. 2015). This innovation is competence enhancing to Ebay, but competence destroying to Patagonia, as their initial aim was to reduce

sales by discouraging customers from buying new products (Lowitt 2011). However Lowitt 2011 argues that in theory it could be possible for Patagonia to sell more new apparel as a result of this initiative. "*Two types of customers could be more inclined to buy new Patagonia apparel as a result of Patagonia's efforts: customers who make decisions based on sustainability considerations and customers who can now sell their used Patagonia apparel for cash to buy new apparel.*" (Lewitt 2011).

A product-intensive firm must therefore look to provide a competence destroying innovation when looking to attract collaborative consumption. The aim is to disrupt the market, and perhaps yourself, before a competitor does. A firm with a service dominant logic will also benefit from competence destroying innovation, but not by disrupting itself but by disrupting the market as AirBnb has done in the hospitality industry and Uber in the taxi industry .

The type of innovations created in achieving growth from the collaborative consumption can include both radical and incremental innovations depending on which logic the firm previously holds, but they also range on the scale between architectural and component innovations. Component innovation is when a change occurs to one or more components, but does not significantly affect the overall configuration of the system (Fleming and Sorenson 2002, Schilling 2012). "*Most products and processes are hierarchically nested systems, meaning that at any unit of analysis, the entity is a system of components, and each of those components is, in turn, a system of finer components, until we reach some point at which the components are elementary particles.*" (Schilling 2012:52).

An architectural innovation on the other hand entails a change to the overall design of the system or the way that components interact with each other. An innovation that is strictly architectural may reconfigure the way that components link together in the system, without changing the components themselves (Henderson and Clark 1990). "*Most architectural innovations, however, create changes in the system that reverberate throughout its design, requiring changes in the underlying components in addition to changes in the ways those components interact. Architectural innovations often have far-reaching and complex influences on industry competitors and technology users.*" (Schilling 2012:52). Component and architectural innovation shows us that an innovation may entail a change to individual components, to the overall architecture within which those components operate, or both. Since at the center of the collaborative consumption is the shift in consumer behaviour, it can be argued that innovations for this shift must be architectural, in that the service innovation for the collaborative consumption changes the design and the way consumers interact with a good. Such as the Car2go example where consumers are now sharing vehicles, parked anywhere in the city instead of owning one.

As firms' routines and capabilities become more and more wedded to the dominant architecture, they become less able to identify and respond to a major architectural innovation (Schilling 2012:64).

Architectural innovations are also considered more radical and more competence destroying than component innovations (Schilling 2012). It is therefore theorized that an architectural innovation is better suited to innovate for the collaborative consumption by meeting the shift in consumer behaviour.

The focus of the remaining part of the theoretical chapter is therefore: how should a company source for innovation given the type of innovation best suited for the collaborative consumption, and what type of collaboration and user involvement is necessary in the process of innovating for the collaborative consumption. Theory will show multiple approaches to innovation, however only some will gain traction when comparing them to the emerging market demand and trend of collaborative consumption.

4.3.2 Strategy for Forms of Innovation

There has often been seen as two forms of innovation: technology-push and market-pull (or science-push and demand-pull) (Schilling 2012). These two forms of innovation can be argued are the result of different processes. A user-centered approach to research is typically the process which leads to market-pull innovation and therefore given the term since it is the market which demands the innovation (Isoherranen & Kess, 2011). The method used for market-pull innovation is a method of exploitation, and a strategy of sustaining, while including a process of exploitation. On the other hand more exploratory methods of research can lead to an innovation which a firm proposes to the market and has therefore been pushed by technology (science). Technology push methods will typically result in a radical innovation, while market pull methods will result in an incremental change (Isoherranen & Kess, 2011).

However Verganti's (2014) argues that a third tier of innovation should be categorized alongside market-pull (incremental) and technology-push (radical innovation). An innovation he describes as having a radical new meaning to customers. Verganti (2014) argues that "*people use things for profound emotional, psychological, and sociocultural reasons as well as utilitarian ones*" (Verganti 2014:20), which builds even further on the view that people do not value the product, but its utility (Chesbrough 2011). Since people value the meaning of products or services, every innovation must have a meaning and therefore firms should be able to change or innovate for meanings as well as for physical objects. The definition given of 'radical new meaning' is that it "*conveys a completely new reason for customers to buy them*" (Verganti 2014:9)

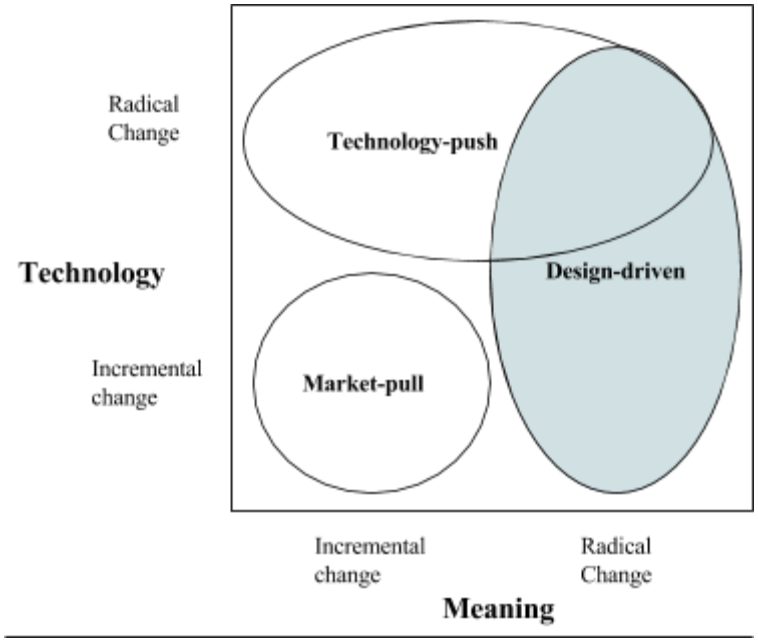
Verganti (2014) names this third tier as design-driven innovation, as design in its etymological term means to make meaning of things (Krippendorff 1989). These types of innovations are usually not expected by customers, but could eventually grow to desire them (Verganti 2014). A characteristic which

Verganti (2014) calles an unexpressed need, a customer need that is neither expressed to the company nor a need that the consumer self-acknowledges, but a need that can be provided for nevertheless. Verganti's (2014) theory suggests how a company can come to create and offer products or services of entirely new meaning to customers, a new meaning differentiated from those currently dominating the market.

Modern innovation has focused on two strategies: improving product performance enabled by breakthrough technologies, and improving product solutions enabled by better analysis of user needs (Verganti 2014). The first strategy is one of technology-push and the second is an incremental innovation designed by market-pull (Isoherranen & Kess 2011). Design-driven innovation is instead a radical innovation of meaning, and similar to radical innovation of technology it is a push strategy which ends in a proposal to the market instead of a market driven strategy as a result of a demand from the market. Companies that attempt to develop design-driven innovations take a step back from users in order to attain a broader perspective. Their aim is to explore how the context in which these users live is evolving, both in sociocultural terms (how the reason people buy things is changing) and in technical terms (how technologies, products, and services are shaping that context) (Verganti 2014). In general, these companies envision how the context of life around their product or service could change for the better.

Figure 1 below shows the relationships and outcomes between the variables of change to technology and meaning. A radical change in meaning can occur both with the aid of a radical change in technology, as well as an incremental change in technology.

Figure 1



Innovation catered for the collaborative consumption can be argued achieves a change in meaning as it allows consumers to use products differently. A PSS allows consumers to value the use of the product rather than owning it, re-selling services allow customer more freedom to expand space and finances and business models of idle capacity allow asset owners to become entrepreneurs. It could therefore be argued that innovation for the collaborative consumption requires design-driven capabilities to cater for the change in consumption behaviour. However Rothwell (1974) argues that different phases of innovation are likely to incorporate different levels of either science-push or demand-pull.

4.3.3 Sources of Innovation

Innovation is the practical implementation of an idea into a new device or process and can arise from a multitude of sources, such as a lone inventor, or users who design solutions for their own needs or innovation can come about from the research efforts of universities, governments, and firms (Schilling 2012). Schilling (2012) argues that many sources of innovation, both incremental, radical, component and architectural innovation, can be a result of personal and organizational creativity. Innovation begins with the generation of ideas, and creativity is termed as the ability to generate new and useful ideas (Schilling 2012). An individual's creative ability is a combination of his or her intellectual capabilities, knowledge, style of thinking, personality, motivation and the surrounding environment (Sternberg & Lubart 1999). A

vital personality trait for creativity is deemed as self-efficacy, tolerance for ambiguity, and willingness to take responsibility (Lubart 1994). Interest and motivation are also positive factors on an individual's creative potential: individuals are more likely to be creative if they work on things they are genuinely interested in and enjoy (Amabile 1983, Amabile 1996). Finally the environment of which the individual is present in also has an impact, as providing support and rewards for creative ideas will often further incentivise ideas or the willingness to attempt to build innovation (Schilling 2012).

An individual's impact on innovation from a knowledge perspective is somewhat less straightforward, Frensch and Sternberg (1989:157) however note that a broader perspective on potential innovation aids in the process:

> *"If an individual has too little knowledge of a field, he or she is unlikely to understand it well enough to contribute meaningfully to it. On the other hand, if an individual knows a field too well, that person can become trapped in the existing logic and paradigms, preventing him or her from coming up with solutions that require an alternative perspective. Thus, an individual with only a moderate degree of knowledge of a field might be able to produce more creative solutions than an individual with extensive knowledge of the field."*

Frensch and Sternberg's (1989) theory aids in describing the emergence of disruptive innovations in the collaborative consumption. Disruptive innovations are classified as such because they disrupt the original market landscape and often - when the challenge is to commercialize a simpler, more convenient product that is cheaper and appeals to a new or unattractive customer set - the entrants are likely to beat the incumbents (Christensen & Raynor 2003). Often the creation of a disruptive innovation arises due to the incumbent's strategy and focus on sustaining innovation. Since the new entrants were not present in the market previously it can be assumed that their knowledge of it was broader and less narrowly focused than those who were present, and the individual or organisation therefore benefited from Frensch and Sternberg's (1989) theory that having a broader perspective will provide a greater creative advantage for innovation.

The creativity of the organization is a function of creativity of the individuals within the organization and a variety of social processes and contextual factors that shape the way those individuals interact and behave (Woodman et al. 1993). Therefore an organization's overall level of creativity is not a simple aggregate of the individuals employed. The strategy for which an organization approaches the development of its employees creativity, such as its structures, routines, and incentives, could either prevent or magnify the individual's creativity. Examples involve creativity training programs. Such

programs encourage managers to develop verbal and nonverbal cues that signal to employees that their thinking and autonomy are respected. These cues can shape the culture of the firm and are often more effective than monetary rewards. Where monetary rewards can sometimes undermine creativity by encouraging employees to focus on extrinsic rather than intrinsic motivation (Woodman et al. 1993, Amabile 1983).

Verganti (2014) however, argues that it is not creativity that generates innovation in a new meaning, but exploratory research which garners these breakthrough innovations. As Verganti (2014:11) describes the difference in the processes of creativity and the ability to generate new meanings as:

> *"Creativity has little in common with research. creativity entails the fast generation of ideas (the more, the better); research requires relentless exploration of one vision (the deeper and more robust, the better). Creativity often values a neophyte perspective; research values knowledge and scholarship. Creativity builds variety and divergence; research challenges an existing paradigm with a specific vision around which to converge. Creativity is culturally neutral, as long as it helps solve problems, research on meanings is intrinsically visionary and built on the researcher's personal culture."*

Schilling (2012:26) also notes that firms who are successful innovators utilize a bundle of sources for information and generating ideas which can include "*in-house research and development, linkages to customers or other users of innovations, linkages to external network of firms such as competitors, complementors and suppliers, linkages to other external sources such as universities and government laboratories*".

Critics have often charged that firms are using external sources of technological innovation rather than investing in original research. But empirical evidence suggests that external sources of information are more likely to be complements to - rather than substitutes for - in-house research and development. Research by the Federation of British Industries indicated firms that had their own research and development were also the heaviest users of external collaboration networks. Presumably doing in-house R&D helps to build the firm's absorptive capacity, enabling it to better assimilate and utilize information obtained externally (Cohen & Levinthal 1990). Absorptive capacity refers to the firm's ability to understand and use new information acquired internally or externally.

Some are more likely than others to innovate given their availability of resources and the extent of their network as well as their incentives to actually do so. The network is probably the single most important factor for achieving innovation: "*networks of innovators that leverage knowledge and other*

resources from multiple sources are one of the most powerful agents of technological advance" (Smith-Doerr et al., 1999). Schilling (2012) thus notes that we can think of sources of innovation as the outcome of one or more components of the linkages in a complex system.

However Innovation is more than the generation of ideas, it is also the implementation of those ideas into a new service, product or process. It therefore requires combining the creative idea with internal resources and expertise which makes it possible to bring the idea into fruition. Verganti (2014) argues for the importance of personal or organisational culture in shaping the knowledge received into innovations for the collaborative consumption. Verganti argues that one's personal culture is important in business, but it is often overlooked in many management theories. Design-driven innovation framework argues that even if a company does not get close to users, even if it apparently does not look at the market, it can be much more insightful about what people *could* want (Verganti 2014). An executive's personal culture can aid in the vision of why people do things, about how values, norms, beliefs, and aspirations could evolve, and also about how they should evolve. "*It is a culture built from years of immersion in social explorations, experiments, and relationships in both private and corporate settings*" (Verganti 2014:9).

Verganti (2014:10) argues that personal culture is critical in the innovation process, specifically when designing new meanings for products and services, but that there often exists a gap between human culture and innovation: *"The innovation tools, analytical screening models, and codified processes that experts recommend are typically culturally-neutral or even cultural averse. When innovation is purely technical these methods may work well however, when a firm wants to radically innovate the meaning of products or services and propose new reasons why people could buy things, these culturally neutral methods fail miserably."*

Verganti argues that design-driven theory shows how one can direct one's personal culture - "*your treasure, and the treasure of colleagues both inside and outside your company*" - toward the creation of economic value (Verganti 2014:10). The design-driven theory does not question the essential value of user-centered design, styling or creativity, which Verganti (2014) argues are relevant for incremental innovation, but instead argues that people need different attitudes and skills when it comes to breakthrough innovations. Verganti (2014) adds that it is not the result of creativity which results in breakthrough innovation, but the result of rigorous research. The research will therefore focus further on collaboration as a source of innovation, and specifically the design discourse, which will be explained further in the following chapter.

4.4 Design-Driven Innovation

Verganti (2014) argues that the views of many in the business community, in relation to innovation from user-centered or user-driven approaches, is somewhat flawed because often users do not know what they want, or what type of innovation is possible since it is not currently available. It is to this respect, that Verganti (2014) argues that user-centered approaches will most likely result in incremental and component innovation. To create architectural innovation, and the design of new meanings in products and services, Verganti (2014) describes a management framework for the development of radical new meaning for innovations, however opposing theories and strategies to innovation may still carry weight. The most notable other innovation management strategies is that of open innovation, as well as the aforementioned user-centered approaches. Verganti argues that open innovation suffers from a solution selection issue and an attraction issue. Employing an open method to innovation will typically attract the least talented individuals, as the more talented interpreters would refrain from investing significant time and risk losing their idea among thousands of others (Verganti 2014). "*Large numbers of responses create adverse selection: the best interpreters avoid such competitions and try to develop direct personal relationships with the most advanced companie*s" (Verganti 2014:163).

Verganti (2014) also views user-centered approaches as more of a sustaining innovation strategy. A sustaining innovation targets demanding, high-end customers with better performance than what was previously available. Most often sustaining innovations are incremental year after year improvements, which entails making a better product that they can sell for higher profit margins to their best customers (Christensen & Raynor 2003). However innovation for the collaborative consumption is more likely to target a specific and un-attractive target which the traditional industry is currently not focused on. The type of customers who want simpler, more convenient, less expensive and easier access to the use of products.

Since this research paper is concerned with innovation management to a changing consumer behaviour trend known as collaborative consumption, it is henceforth theoretically assumed that more exploratory research is necessary in order to create and design services for such a new customer. In contrast to user-centered innovation, which does not question existing meanings but rather reinforces them (Verganti 2014). Following a change in consumer behaviour there often exists an unexpressed need, a need that consumers would want if it was made available to them, but that they are currently unable to describe themselves. Leonard-Barton (1995:128) provides the example of the 3M post-it notes, where the

product provided a much simpler method to keep notes than using paper clips and points out that most users of the post-it notes would not have been able to provide enough guidance for product specifications:

> *"In such cases, the two kinds of knowledge that, when combined, would result in a new product are held in separate domains by individuals who are unlikely to interact on their own. When developers immerse themselves in a user environment, the possibilities inherent in the user context drive product development."*

Leonard-Barton's (1995) use of the actor 'developers' is similar to Verganti's actor of 'interpreters'. There exists several agents (such as companies in other industries, suppliers of new technologies, researchers, designers, artists etc.) who make up the term of interpreters as used by Verganti (2014). Verganti (2014) offers the following example of a food company to describe the setting:

> *"Instead of closely looking with a magnifying lens at how a person cuts cheese, ask, 'What meanings could family members search for when they are home and are going to have dinner?' Other actors are investigating this same question: kitchen manufacturers, manufacturers of white goods, TV broadcasters, architects who design home interiors, food journalists, and food retailers. All are looking at the same people in the same life context: dinner with family, at home, at night. And all are conducting research on how those people could give meaning to things. They are, in other words, interpreters."* (Verganti 2014:29)

These 'interpreters' have two characteristics. First they share in the same interests as the company in question, and therefore the same questions and direction of research. Second they are also 'seducers', or they have seductive power, in that the technologies they develop, the products and services they design and the artwork they create will help shape sociocultural models and influence people's meanings, aspirations, and desires (Bijeker & Law 1994; Verganti 2014:136). The process of design-driven innovation thus entails creating a strong dialogue with these interpreters. Verganti names the process of design-driven innovation as the 'design discourse', and is staged into three activities: *listening*, *interpreting*, and *addressing*.

4.4.1 Listening

Verganti (2014:159) describes that the first task in developing the design discourse is to identify multiple interpreters, in order to achieve a variety of perspectives, "*heterogeneity is essential*" . A company should therefore base its dialogue with multiple interactions, and the first step to finding these interpreters is to define the '*life context*' that the innovation project is addressing. The second step is to find who are the interpreters that conduct research on how people could give meaning to that life context and who are likely to influence the emergence of it.

> "*Only a few interpreters have the ability to contribute effectively to design-driven innovation. For example, thousands of chefs may populate the design discourse, but only a few do advanced research on the meaning of food, and even fewer can envision new possibilities and constructively participate in the teamwork that innovation requires. Thus, when you ask yourself, "Which actors can help me envision how people could give meaning to things?" the problem is not that you will find no one. The problem is finding the right person among a multitude.*" (Verganti 2014:160)

The two identifying assets that key interpreters hold are knowledge and seductive power. Only a few can provide these two necessary assets for radical innovation of meaning (Verganti 2014). So how do you identify and attract such interpreters? The first step is to find forward-looking researchers. These researchers need to have the knowledge of people's unexpressed needs. Verganti (2014) provides the example of architects who do not listen to consumer demands, because most of their buildings outlive the tenants who live in them.

If these types of researchers are foreign to a company, or a direct link to them is hard to achieve, a company can use brokers or mediators to act as a bridge to create this link. Brokers, also referred to as bridges or gatekeepers, have the ability to transfer product languages and meanings from one research area to another. They have the ability to transfer languages and meanings across industries. Studies of technology management have shown that innovation often occurs recombining existing pieces of knowledge to result in a novel outcome (Schumpeter 1934, Henderson 1990, Kogut and Zander 1992). Mediators do not provide knowledge but instead provide access to other interpreters. Mediators create connections so that, if a company has not been able to build an extensive network with key interpreters can use mediators as a first step to participating in the design discourse (Verganti 2014).

4.4.2 Interpreting

The second step of the design discourse is to interpret the research findings acquired from the network of key interpreters. It follows five activities: *envision, share, connect, select, and embody*. The first activity of envision involves producing insights. If a company has been able to identify key interpreters who are immersed in the same subject field then these interpreters have been conducting their own research for months or years, and have developed their own interpretation. The second activity is to share these insights, with the aim of bringing together, comparing and discussing the results of previous activity and improve them through modification or further identification of new interpretations. The third activity entails building possible scenarios by finding connections between the proposals envisioned by the participants. Once several solid designs come to fruiting, it is then up to the company to select the most valuable. Verganti (2014) offers using a type of scorecard for this process, by weighing the value of utilitarian and cost, as well as the communication/language and sensation of the design. Were communication/language refers to the symbolic meaning and social motivation of the product, and sensation refers to the emotional meaning and intimate motivations that can lead people to buy it. The final activity is to embody, and give a final form to this new meaning, so that it can begin to be addressed to customers.

4.4.3 Addressing

After a company has defined a new vision for a product, they must effectively propose that vision and product to the market. People may be confused by a radical new proposal, but may convert and become passionate about it. "*Design-driven innovation implies a change in sociocultural paradigms: if it is successful, the market - and consumption culture - will not be the same.*" (Verganti 2014:208). Thus companies must proactively support investments aimed at facilitating the understanding and adoption of this new meaning. One method of doing so is to address interpreters, leverage them and use their seductive power to influence the market as some key interpreters can both give meaning to things as well as influence the context of people's lives. Verganti (2014) argues that traditional methods of advertising may not be enough as they provide little room for explanation.

Secondly companies can present through cultural prototypes. These can include books, exhibitions, cultural events, journal articles presentations at conferences, the firm's showrooms, and websites. "*A cultural prototype is a medium that embeds the results of a manufacturer's research. It*

codifies and diffuses the company's new interpretation and vision. It is cultural, because rather than being a specific product (which the company may not yet have conceived), it is an articulation of new meaning or language." (Verganti 2014:211).

4.4.4 The Collaborative Technique and The Design Discourse

According to Verganti (2014:150) creating design-driven innovations require two assets: "*Knowledge of how people could give meaning to things, and the seductive power to influence the emergence of a radical new meaning*". Companies are often not alone in their research direction, they are immersed in a collective research laboratory where these two assets are diffused and shared (Pisano and Verganti 2015). Whereas the core capability in user-centered design is getting as close as possible to users, the core capability in design-driven innovation is participating in the design discourse. More specifically the process involves the aforementioned three stages of *listening, interpreting and addressing*. Having the capabilities for these three actions allows a company to take advantage of the design discourse.

There are two focuses of this innovation strategy: external reach and internal capabilities. On the one hand the actions are aimed at securing privileged and distinctive access to external assets: knowledge and seductive power. By 'privileged and distinctive' Verganti (2014:151) means that "*your dialogue with the design discourse is better than that of your competitors. It is, in other words, a source of competitive advantage. It may therefore require you to create relationships with key interpreters before your competitors do, or in a more intense form, or in a unique overall configuration.*" The other focus is that these actions are also aimed at developing internal assets: *"Generating design-driven innovation does not simply imply sharing knowledge with the design discourse. It requires the internal ability to absorb external knowledge more effectively than competitors, to find unidentified combinations, to generate unique visions through internal experiments*." (Verganti 2014:151). This is why Verganti (2014) speaks of 'participating' in the design discourse, because it requires active participation and interpretation, and not simply observation, through which a firm will eventually develop its own proposal that is shaped by their personal culture.

According to Verganti (2014) there are three reasons why this process is significantly different from user-centered processes. Firstly the overall process focuses on deep and extraneous research rather than fast brainstorming and developing and sharing knowledge rather than pursuing extemporaneous creativity. Secondly the process is based primarily on participation more than observation. It entails

modifying dominant cultural paradigms and producing possible new meanings. And in terms of the collaborative consumption, it could for example mean developing simpler and possibly cheaper ways for customers to have access to idle and unused products. And thirdly, the process is based on the ability to build and sustain an external and internal network of relationships rather than a codified system of steps.

4.5 Co-Creation and Co-Production

Chathoth et al. (2013) argue that operating closely with customers is a strategic approach required in order to anticipate the changing expectations of consumers to services, and thereby offer unique service and product experiences. The two key approaches to collaborating with customers during a service exchange according to Chathoth et al. (2013) is co-production and co-creation. Co-production emphasises a firm-centric view of customer involvement during service production, and is informed by the traditional view of a 'goods-dominant logic' (Chathoth et al. 2013). Chathoth et al. (2013) defines co-production as an exchange of products and services between customers and firms which is built on a platform of simultaneous production and consumption. Ingrained in this definition is a focus on the company's value creation abilities, while customers only play a passive role in its production (Prahalad & Ramaswamy, 2004a,b).

Co-creation is a contrasting logic that is service dominant and is seen as fundamental to the study of value creation in service transactions (Chathoth et al. 2013). This logic was built on the premise that service forms the foundation of value creation through which customers are intensely engaged in every stage of the value creation process. At the heart of the service dominant logic lies co-creation, which is defined as the joint production of value for both customers and firms alike through an interactive process (Chathoth et al. 2013). Co-creation emphasises the joint effort and collaboration between the producer and the consumer in the activities that can create value. Reciprocity and mutuality are essential; firms and consumers play balanced and interdependent roles in service production and the creation of value (Vargo et al., 2008). The critical role in this process is to engage in a dialogue with, and learning from, the customers (Chathoth et al. 2013). However, such a reciprocal relationship is difficult to achieve, as it requires the integration of resources, interests and expectations of service providers and beneficiaries. A well designed platform provides the example of a good method to integrate interests from two parties, bring together resources, and the ability to provide a mutual beneficial relationship. The existing research

on value creation emphasises the need to adopt a service-dominant logic, so that innovative products and services can be offered that help to create memorable consumer experiences (Chathoth et al. 2013).

Payne et al. (2008) also refer to co-production as a goods-dominant logic and a firm-centric view of customer involvement, but argues that this might not be the appropriate approach to service innovation and makes five arguments for why something more is necessary: 1) customers have an emotional engagement through advertising of services and products 2) customers actually benefit from labour input in services 3) customers are a part of the context in which the supplier offers a service experience, and therefore may have a larger role to play 4) customers self-select and use the prescribed process of the supplier 5) suppliers and customers collaborate and act collectively to co-design products and services. With these limitations, co-creation will be explored deeper to find the connection to necessary customer approaches for the collaborative consumption.

Form the above discussion some properties of co-production and co-creation emerge. These two processes however are not always clearly distinct, and Chathoth et al. (2013) argue that they lie on a continuum where a company can easily or accidentally move from one to the other. This continuum can be explained in the following chapter by seven points: *value creation, customers' role, customer's participation and expectations, focus, innovation, communication, and willingness to participate.*

4.5.1 Co-Production and Co-Creation Continuum

Chathoth et al. (2013) suggest that there exists a continuum from co-production to co-creation where firms may stand anywhere on this continuum and move between the two ends, depending on the specific industry, the life-cycle of operations and the type of production - product or service. Chathoth et al. (2013) therefore argue against previous literature, that treat the approaches of co-production and co-creation as two absolute philosophies. Their research concludes that co-creation appears to be an antecedent of competitive advantage in today's world with changing consumer expectations and needs. "*Firms will thus benefit if they move toward the co-creation end of the continuum, which requires the adoption of an organisation-wide, service-dominant philosophy*" (Chathoth et al. 2013: 19). The adoption of a new service tradition means a radical change for an organisation, involving the management of dynamics both inside and outside the organisation, changes in culture and philosophy, and the adaptation of organisational factors (e.g., leadership mindset, organisational structure, culture, and communication processes) to changing circumstances (Rothenburg 2007).

The differences in co-production and co-creation will now be explained further within the seven points of value creation, customer role, customer's participation, focus, innovation, communication, and

willingness to communicate. With the further description of the seven points it will begin to be clearer why a co-creation approach would be the most effective service innovation approach for the collaborative consumption.

(1) *Value Creation*. In the co-production approach the customer participates in creating the core offering through shared inventiveness and co-design. In the co-creation process the value is created during the usage and consumption stage. Co-creation is about the process through which customers interact with the company and generate their own experience, which is the basis for value and the future of innovation" (Chathoth et al. 2013). Ter Borg (2003) even argues that the experience of co-creation itself can be a source of unique value for each individual.

(2) *Customers' role.* In co-production customer's roles are relatively passive, their role is casual and how they consume, or would be perceived to consume, a product or service will give information to the firm for the production process. However in co-creation customers are regarded more as active partners in the production process. This means customers have shifted from being simply receivers of services and products to being co-creators, they are now active rather than passive. From a supplier's point of view, the role that the customer plays in the process can be an important source of competitive advantage in terms of the customer's contribution as an operant resource.

(3) *Customers' participation.* In co-production the key actors are the firm's managers and employees, as the tangible output can be manufactured, standardised and inventoried without the involvement of the customer. However in co-creation customers play a more important role in both the creation and the provision of a service which increases in benefit and value to the customer (Chathoth et al. 2013). This customer role can be an important source of competitive advantage; the customer's contribution serves as an operant resource defined as people's knowledge, skills, expertise, capacity, and time (Chathoth et al. 2013).

(4) *Focus.* The focus of co-production is centered on the firm, which entails that the service process is mainly triggered by a company's own set of resources and competencies. In contrast co-creation is customer and experience centric, where companies no longer portray their customers as passive purchasers of their offerings, but as partners in allowing them to create their own personalized experiences (Chathoth et al. 2013). This makes the final product to the customer more valuable. Customers then integrate their own time, and resources into the service process to make it complete and match their demands.

(5) *Innovation*. In the co-production process firms are the innovators, whereas in the co-creation process customers and other stakeholders have more control over the product and its direction. The co-creation process allows them to 'play' with a company's offering and engage through their own

individual imagination and creativity and in ways that may not have been intended by the original supplier. Using customers as an avid resource in this way can help generate new ideas and knowledge in the value co-creation process (Chathoth et al 2013). Thier role as opinion leaders and trendsetters can contribute to the success of new products in terms of functional characteristics and market access (Chathoth et al. 2013). Innovation is a result of the process of collaboration and its contribution to the social and cultural capital of the community (Chathoth et al. 2013).

(6) *Communication*. Communication in the co-production process is less transparent, but it may depend on a company's collaboration strategies, whether a form of open innovation is employed or a tactic of closed collaboration. In either case the communication of the co-creation process is more transparent and applies constant and intensive dialogue with customers, operators, service and content providers and a variety of other parties. "*The service-dominant logic argues that value-creating resources are not only limited to a firm; customers, suppliers, government, community, and other stakeholders can also contribute to the creation of value, thus a more open communication is essential in the value creation process*" (Chathoth et al. 2013:15).

(7) *Willingness To Participate*. Co-creation however also faces challenges in that customers sometimes fail to optimise their co-creative role, despite efforts from companies to enhance them (Dellande et al. 2004). "*Customers' unwillingness to share information and content related to product-service and consumption or experiences can hinder the process of co-creation*" (Chathoth et al. 2013). Advanced technology, the Internet, and better customer education are some of the requirements for enhancing the co-creative role of customers. In these cases the availability of increased levels of communication through multimedia has had a large and positive influence on co-creation. "*The Internet is an ideal platform for soliciting users' participation in product innovation, people to obtain information, maintain connections, develop relationships and eventually make a final decision*" (Chathoth et al 2013).

Chapter 5: Theoretical Framework and Hypothesis

Based on the research question framed, I performed research on existing knowledge fields, of which I interpreted to be the most vital to a successful innovation proposal for the collaborative consumption. The research questions that led my theoretical sampling was:

Research question:

How should a company design its innovation strategy to create a proposal for the collaborative consumption?

Therefore, based on the observations made from studying existing literature and theory concerning subjects such as collaborative consumption business models, collaboration process management, and service approach to innovation, I have made the following theoretical hypothesis (outlined in figure 2).

Figure 2. Theoretical Hypothesis

Category	Hypothesis
1. Suitable types of innovation for the collaborative consumption	- Architectural Innovation - Disruptive Innovation - Radical Innovation of new meaning
2. Form of innovation	- Push strategy of Design-driven
3. Sources of innovation	- Network of key interpreters - Personal Culture
4. Process for innovation	- Design Discourse
5. Service approach to innovating	- Co-creation

1. Suitable types of innovation for the Collaborative Consumption

The types of innovations which have a more significant impact on the collaborative consumption are architectural innovations, disruptive innovations and radical innovations of new meaning. An innovation that is architectural in nature has the ability to affect the collaborative consumption as it may

allow consumer access to products in different, simpler, and cheaper ways that could also impact their overall method of participation in consuming that service. In the same sense disruptive innovations are those that are able to provide new meaning from the current dominant design and therefore impact the collaborative consumption since it is a changing trend in consumer behaviour and new entrants, whether from different markets or a startup, can propose architectural innovation proposals which they believe captures the potential demand of this trend. And finally innovations must cater for the way consumers are valuing products and experiences differently, from valuing the use of a product over ownership and from wanting to employ more labour during the consumption process of a service. Firms must be able to innovate for this new demand and that means radically innovating new meaning from the current status quo.

3. Forms of Innovation

The form of innovation which will facilitate in the types of innovation necessary for the collaborative consumption is the form of design-driven innovation. This form is an exploratory research process which gives the company greater ability to develop radical new meaning for services that can be used for the growing trend of collaborative consumption.

4. Sources of Innovation

Sources for these types of innovation will come from the ability to attract and manage a network of key interpreters. These 'interpreters' must possess the ability to interpret changes in consumer behaviour, actual demands of unexpressed needs, and be able to hold seductive power when addressing a new meaning or a new proposal to customers. In combination of having the capability of this strong network of key interpreters, firms must also take advantage of its personal culture, since that is the final factor that influences the interpreter's interpretations of the marketplace into an actual business proposal.

5. Process for Innovation

The process necessary for acquiring these sources of innovation involves participation in the design discourse, as well as having internal organizational capabilities that allows for both the absorption of external knowledge as well as the incentivising structures for internal research and creativity which will result in a form of intrapreneurship.

6. Service Approach to continue innovating

Lasty, in the process for innovation, once the service has been launched it is vital for both its success and for continuing further innovation that the service approach becomes a service-dominant approach of co-creation. A co-creation approach tackles the customers willingness to participate at a higher degree during the consumption process, and gives them co-control of the direction of the service and creation of new innovation.

Chapter 6: Analysis

6.1 Case Presentations: The Companies

6.1.1 EatAbout

EatAbout is a startup based in London co-founded by Philip Kallberg and Felix Braberg. Launched in 2015. EatAbout is a service proposal that operates as a two-sided platform, which allows customers to find and eat in the home of a chef. The chefs, also considered as hosts, apply to EatAbout for the opportunity to host dinners. EatAbout reviews the chef through different categories such as cuisine ability and service minded personality. Once accepted, Chefs are able to upload their profile on the site, describe their available meals, the set price for each meal and choose their available nights to host. EatAbout's motto for the hosts location is "*wherever the chef feels at home*" (Kallberg 2016), which typically entails the hosts own house or apartment. The hosts work schedule through EatAbout is completely flexible, they can edit their availability for every week. Hosts however do not necessarily have to be professional chefs or hired restaurant chefs to have the right credentials to become an EatAbout host. You can also simply be an avid lover of cooking, and EatAbout will decide whether your cooking product is up to its quality standard through the application process.

For guests it's a little simpler, you can browse the site for availability of chefs for the date, time and amount of people your are. Once you have chosen a host and a meal you want, a message is transferred to the host who then decides to accept or neglect. Once a host accepts you, payment is made in advance for the dinner. It is also possible to sign up to the site as a guest and create a profile. This gives the advantages of being reviewed of previous chefs who have hosted you so that the next chef may have an easier time accepting you into his or her home.

EatAbout's service is a different take on the restaurant industry. Kallberg (2016) argues that many restaurants today fail to catch the authenticity of both local and foreign food. Due to the rise of many chains the dining experience becomes more watered down, and loses personal touch with the experts creating your dishes. In these chains food items are bought in bulk which has the advantages of cost savings for the restaurants, but the limitations of food quality and taste for the customers. EatAbout therefor prizes the idea that you in direct contact with the chef, to be able to ask questions about the dishes they create, and to make the whole experience more personal for both parties.

"We're democratizing eating out and empowering chefs to host guests in their home, with the aim to make good food accessible to everyone. We tackle the disconnect between you and your chef, helping you eat fresher food and interact directly with your chefs in their home – the most immersive and comfortable setting of all to enjoy a private meal in." (EatAbout 2016)

Both founders were immersed in a cultural background that included rich diversity in food. Kallberg's grandfather had invented a pioneering egg based technology and built it into a business, while Braberg has previous experience working large galla kitchens and serving over 200 guests. Both founders are also avid travelers, and have lived in various places in the world. Through these travels food was often a large factor. In their experience the best meals that you have are always in a home environment, whether that is in your own home, with friends, or abroad being hosted by locals. They argue that what makes the difference is the experience becomes more homely, personal, and richer of culture. Kallberg (2016) argues that restaurants often are unable to capture an authentic feel:

"The way we see it, and we are finding a lot of other people as well see it, they (restaurants) often are not able to capture the authenticity that comes with certain cuisines and that in quite a big part is due to a lot of chains taking over. You never meet the actual person who is making your food, and that is the whole thesis behind EatAbout, that there is more authenticity and meeting the actual creator and the person who is preparing your food."

EatAbout therefore provides two value proposition depending on which side of the market you are one. Simply put, to a customer EatAbout offers a cheaper, more authentic and more personal experience when going out to eat. While to a chef who has idle resources to spare, EatAbout offers you an opportunity to put your skills and resources to use in your free time, and be paid for it.

6.1.2 TradeUp

TradeUp is a peer-to-peer bartering service founded in 2015 in Copenhagen by two swedish brothers Adam and Oliver Sjostedt. Sjostedt (2016a) explains the concept as:

"It is a mobile bartering application. So basically we are a second hand platform where people can trade with one another. Where we provide the ease of Tinder inspired user interface and making it a simple process as possible. So you upload an item, then you swipe just like Tinder and once you like an item from a user that also likes yours, you are matched and from there on you can just converse about meeting up and trading."

TradeUp is an innovative take on the second hand market, where Sjostedt believes the large players like Den Bla Avis and Ebay will be unable to compete on the process of using the application because their strategy is not to match mutual interests. They attempt to combine a unique browsing experience to the second hand market, which they hope will enhance socialness by matching mutual interests and attempting to make people meet offline.

TradeUp is also developing the process of trading services through their mobile application, which will work in a similar way. The approach to trading services would also be done by taking a supply before demand approach. Sjostedt provides the examples of "*TradeUp is not only for trading say a book for an LP record, but also for trading favours and services. Essentially you don't just offer the things you don't need anymore but also the time and expertise you can spare. Trade away services such as help with moving, proofreading, guitar lesson, tutoring, or whatever you would like to offer, and then enjoy your 'shopping' without having to get your wallet out*" (Sjostedt 2016b). Sjosted (2016a) explains the idea behind the supply before demand approach in TradeUp as:

"We (list) what they can do. We are never doing the 'I want' approach. We want people to just upload what (idle) they have. The benefits is that we ask people what would motivate you to upload something and then, they never say something like 'I saw something I want to trade for" its more like 'I realised I have something I need to get rid of'."

The idea and motivation for the concept began early for Sjostedt. He remembers an early lesson from his father: "*It's easy to get new things. What is difficult is to get rid of your old stuff"* (Sjostedt 2016b). Sjostedt saw two problems with overconsumption, and that was financing and clutter. Throwing things out or donating it to charity only solved the clutter issue. In order to solve the finance issue he began putting his old stuff up for sale to try to get the right price for it so as to afford the next thing on his mind. What followed was an annoying process of finding something he had to try and sell every time he found something he wanted to buy. He explains the period as: *"There was a sucky period between finding*

what I wanted, and getting rid of my old things. As a result I rarely bothered to get rid of my old stuff, and I felt a bit guilty every time I bought something new."

Oliver's solution was simpler than he had imagined. He began by cutting out the annoying process and time-lag of getting rid of his old things through bartering. "*Bartering means trading one thing for another, so it turns two transactions into one and solves both problems of shopping; financing and clutter*" (Sjostedt 2016b). This original idea was then built further when the co-founders discovered a social platform in the U.S that allows neighbors easier access to lending and sharing each others things, for example gardening tools or a babysitter. Sjostedt then explains the next development process as:

> *"We thought 'what was the best aspect of this platform', we thought it must be that people in the near vicinity of each other could share each other's stuff. So that is the basic premise of the idea, and then we looked at the second hand market and saw no one was doing bartering or trading, so we wanted to give that a try."*

The co-founders value a positive impact on both the environment and on society. They view overconsumption and waste products as a problem, so they wanted to build something that had "*a sustainable impact, and we wanted to make something social and we wanted to make something scalable.*" Finally it was the experience of bartering with friends that had the greatest impact on their service proposal: *"We thought it was a really fun process, it's a bit like giving a gift, you get that weird satisfaction of giving someone a gift and you also receive one. Instead of buying and selling which is a whole different mindset when you do those interactions."* (Sjostedt 2016a).

6.1.3 IKEA

Ikea is a multinational corporation which specialises in manufacturing cheap furniture which customers typically assemble at home. Ikea is often used as a best practise approach to many theoretical models such as innovative business models (Skarzynski & Gibson 2013), and have even earned their own theoretical term: 'Ikea effect' - the increase in valuation of self made products (Norton et al. 2011). This project will use Ikea as a case example of management techniques to create innovations for the collaborative consumption, and primarily focusing on their service Kop & Salj. For Ikea, a product intensive company, a shift to a service approach may seem like it could potential hurt the sales of new product sales (Matzler et al. 2015, Rothenberg 2008). However according to Matzler et al. (2015:73) their

service has created two benefits: "*first, the redistribution initiative supported the company's environmentally friendly ethos, enticing customers who are serious about environmental stewardship. What's more, providing such a marketplace — rather than cannibalizing new sales — allowed customers to create space in their homes for new Ikea items.*" Thus the case of Ikea shows that it is possible for product intensive companies to adapt to the collaborative consumption even though they do not offer products that are easily shared like cars or bikes, or where access to the use of the product is difficult without owning it. Ikea has often viewed services as a cost to the company rather than a profit center (Theilgaard 2016), for example they provide services to help assemble the furniture at the customer's home but at no real profit to the company. The business model has been to save cost for both the company and the consumer by having the customer provide the labour. However the trend of the collaborative consumption has given an opportunity for Ikea to generate a new stream of revenue through service.

The way the service functions is that you post your furniture for sale through the Ikea website, then it will appear both on the Kop & Salj page on Ikea and on Blocket. On the Ikea web page you will be able to see all the other ads for Ikea furniture from Blocket. If you are a member of the Ikea Family then your Ikea family member account number will provide you with free access to post and sell your furniture (Köp & sälj 2016). On the webpage there is a direct link to become a member of Ikea furniture, which is one of the advantages for Ikea in letting customers post for free is that they receive more signups.

6.2 Collaborative Consumption Business Models

6.2.1 Four Core Underlying Principles for the Collaborative Consumption

6.2.1.1 Critical Mass

The first of the four core underlying principles, which Botsman and Rogers (2011) argue must be present in order for an innovation within the collaborative consumption is: *critical mass.* A term used to describe enough momentum which allows it to become self-sustaining. The collaborative consumption is very much a matchmaking process, EatAbout matches chefs with customers, and customers with cheaper, local and more personal food, TradeUp matches one person's undesirables with another's, and thereby hope to create a desirable outcome by trading, and Ikea Kop & Salj matches one person's idle resources with demands of another. Therefore for these services to be able to compete with conventional

alternatives the consumers needs to feel satisfied with his/her options and what is available, and thereby needs to exists enough choice (Botsman & Rogers 2011).

EatAbout is affected by the critical mass problem in that they need to provide enough culinary options for the market to have enough variety of choice, or at least enough chefs available so that your search never comes up empty on the date you want to eat. TradeUp suffers from the critical mass problem however on two fronts: there must be enough people willing to give away an item, and at the same time acquire one. Traditionally a customer only looks at the second hand market in one perspective at a time, either the customer is looking to make money off a good that is no longer desired by putting it up for sale, or a customer is looking to buy a new item and perhaps looks at the second hand market first to save money in the process. But in TradeUp's situation, a customer both needs to have something they no longer want, and find something they desire. This therefore brings about the problem of having enough mass of people who post an item which customer A wants and enough people that want customer A's good so that an overlap can exist. IKEA Kop & Salj service suffers the critical mass problem where there needs to exist enough people who supply furniture with enough demand for that furniture on the platform to foster further supply.

EatAbout is attempting to increase this range of choice by appealing to local chefs to join their platform. By growing their field of chefs, they will also grow their field of choice and thereby provide more culinary and price options that can compete better with conventional restaurants when simply looking at those two variables. EatAbout's method of appealing to these chefs is to entice them to make a higher income than they do now, or at least to add another income stream. According to Kallberg (2016) most chefs in London earn on average 15,000 GBP a year. Another attractive proposition which EatAbout makes to chefs is that they can design their own working hours, as well as what type of food to prepare. This allows them to be more empowered in their decision making process, which according to Schilling (2012) could incentivize them further to be more creative, which EatAbout can profit from as a source of innovation.

TradeUp's approach to increasing critical mass is an attempt at uplifting the process of a second hand goods exchange. Often the process can be long, both to sell, as you have to measure the right price for what you are willing to give it away for, and also be low enough that will meet demand. By removing price, Sjostedt (2016a) argues that it may create an easier process for people to upload unwanted goods and search for desirables. Therefore by removing the exchange of money TradeUp believes it can attract more mass by removing barriers to uploading and create a more arbitrary search:

"*We are hoping to get more and more people to scroll more passively than you would have done on Den Blå Avis (or Ebay) where you are usually going to make a deliberate search, we hope to add more serendipitous discovery, where people without the price can upload things easier. The barrier to uploading is removed a little bit.*" (Sjostedt 2016a)

Ikea has an advantage in solving the critical mass problem of its Kop & Salj service since it is already an established company with a large market share of furniture sales, and a large loyal customer base. By having loyal and early adopters a company will be able to build 'social proof' to their concept (Botsman & Rogers). Social proof can break down psychological barriers that late adopters might have toward new behaviours (Botsman & Rogers 2011). This is one of the reasons Ikea provided an incentive for their loyalty program, Ikea Family, to join the platform for free. Ikea Family members is *"a frequent buyer club for customers coming to ikea. Its free to sign up and you get a number of advantages when you are a member like a discount on certain products and invitations to events."* (Theilgaard 2016) Since the service is free for Ikea Family members, and signing up for Ikea Family is also free, one could argue that Ikea was launching the platform without any financial benefit to the company (Matzler et al. 2015). But by using this loyalty program as the installed base on the platform it has been able to build a strong social proof for other customer categories.

EatAbout has taken advantage of the social proofing of a growing phenomenon known as 'supper clubs'. Kallberg (2016) explains a supper club as: "*A supper club is basically when you go to someones house and meet with a bunch of strangers which is fun sometimes but other times not so fun in that it depends in the people who are there, so in my experience it has been a hit or miss*." EatAbout were able to take this social proof of eating inside a stranger's house and frame it in a way they thought would be more attractive to more people: "*So there is a lot of interest in this (supper clubs), and this is one of the reasons we are going for private, so you go with a group of people you already know, so if it's a work team or a birthday celebration or just a meal with friends. It's always a group of people you are familiar with.*"

6.2.1.2 Taking Advantage of Idle Capacity

Botsman and Rogers (2011) second vital principle for the collaborative consumption is to take advantage of idle capacity. EatAbout's business proposal is to attract idle chefs, who have idle kitchens and ample space for guests to eat. With the use of their online platform, EatAbout connects guests looking

for a new dining experience to these idle chefs who are willing to offer their home as a dining location. EatAbout's business model is to match the customer, person A, with the ability to deliver a good or service from the chef, person B, which is currently sitting idle. TradUp's business model is a little more complex as described earlier. They attempt to match the demands of person A with the ability to supply by person B, but at the exact same time Person A must be able to supply the demand of person B. Even if TradeUp's model seems given the extra exchange, it is a direct example of Botsman and Rogers (2011) description of what is at the heart of collaborative consumption: " *The ubiquity of cheap connectivity that surrounds us can maximize the productivity and usage of a product and mop up the surplus created by hyper-consumption without creating costs or inconveniences."* Key words being the leftovers of hyper-consumption, and TradeUp's elimination of price will exchange cost and replace it with trade. Their next objective is to solve any inconveniences they may have which will be discussed later. Ikea's model for taking advantage of idling capacity is similar to that of Ebay, Craigslist, Den Bla Avis, and Blocket. Blocket is one of Sweden's largest second hand online marketplaces ("Om Blocket" n.d.), and Den Bla Avis holds a similar position in Denmark. Ikea's Kop & Salj service is a platform where Person A can supply an idle item, and hopefully attract the demand of Person B.

6.2.1.3 Belief in the Commons

Most of the companies strategies to provide a solution to 'belief in the commons' ties in closely with the problem of 'trust between strangers'. Belief in the commons is a system where there exists belief in goods available in order for the individual and the interest of the group to thrive. Some technical necessities include giving in order to receive, and not misusing something. Essentially it is about organising a community of shared interests, and often is affected by a network effect. TradeUp's is hopeful to take advantage of the sharing economy as Sjostedt (2016a) explains: "*We hope to tap into this sharing economy and by removing price make it a bit more neighborly, local and friendly. And to focus on the positive impacts it has and the simplicity and the social aspects of it*." Another strategy TradeUp will employ is to take advantage of niche markets and tight knit communities, where customers have more similarities with one another. TradeUp can then take advantage of higher trust factor within these communities of people who have more in common (Gebbia 2016).

6.2.1.4 Trust Between Strangers

The fourth and final key aspect that Botsman and Rogers (2011) argue for success to be achieved in the collaborative consumption is that there needs to exists trust between strangers. EatAbout's strategy to enhance trust follows a similar method in an attempt to solve the trust issue as theorized by Joe Gebbia, the founder of AirBnb, by allowing a form of two-way reviewing and making sure there are enough reviews. Kallberg (2016) describes their process as:

> *"I think trust is the most important ingredient. To some extent we are building a community and trust in any community is the cornerstone. We are adding a lot of reviews to the site, making it easy for users and hosts to review each other so that it is a two way process. So not only does the guest review the host but the host reviews the guest. We have also added videos of the host to make them more personable. Pictures are also a vital part so we have a large focus on having large high quality pictures of the host of their food and their space."*

TradeUp follows a similar method, and Sjostedt (2016a) actually mentioned basing it on the theory made by Gebbia: *"Something that was a bit inspiring was watching a Ted talk from AirBnb founder, he did designing for trust and then things like doing a simple rating system and comments. So we are just going to do a 5 star rating system to start and then we hope that will be enough."* In addition to a rating system TradeUp also employs a search radius when using the platform which the customer decides him/herself. The trading radius shows how far away one potential trading match can be based on for example the customers willingness to travel to make the trade (Sjostedt 2016a). By employing a trading system and making people meet physically to trade the items instead of say a postal system, Sjostedt believes his customers won't receive the same kind of negative experience he once had while using Den Bla Avis. Sjostedt's experienced a stalemate where the supplier would not sent him the good until he received the money and therefore Sjostedt suspected he wouldn't send the good anyways. After explaining his recent experience, Sjostedt then concluded that: *"So that is also a problem and why we did the radius. Because of course we can do where people can ship to each other but then we are faced with this whole trust problem."*

However by employing a business model where people meet online and then plan to meet offline brings new 'belief in the commons' and trust problems, such as commuting to an agreed destination. TradeUp hopes its values of being neighborly, local and friendly will eliminate this problem and instead

foster further socializing (Sjostedt 2016a), which has been a big key to AirBnb's success (Gebbia 2016). Another solution TradeUp will implement is to allow the trade of services, which could eliminate the need of a specific geographic location.

6.2.2 Business Models

EatAbout's service proposal follows Matzler et al.'s (2015) third example of a business plan for the collaborative consumption: exploiting unused resources and capacities. EatAbout has also integrated the sixth example by developing an entirely new business model enabled by collaborative consumption. EatAbout's exploitation of idle resources is taking advantage of idle chefs as described previously, but the way EatAbout has been able to create an entirely new business model is by allowing the chefs to become asset owners and entrepreneurs. The intangible assets they own is their skillset and expertise in the culinary field, the physical assets they own are tangible necessities of a restaurant: the kitchen and tools, and a dining table. Therefore the hosts own everything necessary for EatAbout to provide them with customers, which allows the chefs to make money, set their own schedule, network and showcase their talents, and experiment with dishes (EatAbout, 2016).

TradeUp approaches the collaborative consumption by providing three of Matzler et al.'s (2015) business models. First TradeUp supports customers in their desire to resell goods, but in a unique way which is to trade an undesirable good for a desirable one. Second TradeUp will exploit unused resources and capacities by also allowing customers to trade for services rendered. Either by trading a service for another or a service for a good. Thirdly TradeUp will also use the collaborative consumption to target new customers. TradeUp hopes its image will resonate to movements such as the '100 item movement', and other customers affected by the collaborative consumption. Sjostedt explains how they aim to take advantage on the trends and movements and explains it as:

> *"We are hoping to build on the goodwill of people, in local copenhagen and focus on these non-monetary people, and people that live a minimalistic lifestyle. There is for example a movement that is called the 100 item movement, it is about people who have decided only to own 100 things. And we think we can play into that, in that every time you get something new you get rid of something in our app because you trade it. So we hope to find people who care about the concept that one man's trash is another man's treasure."*

Ikea's proposal for the collaborative economy is to support customers in their desire to resell as well as using the collaborative consumption to target new customers. Kop & Salj is a service platform created in collaboration with Blocket, strategized to allow Ikea to have an active role in the second hand market (Ikea 2010). Ikea realized a lot of its furniture was being resold due to its original cheap price, the furniture was sometimes originally bought only to stay in the owners care for a short period (student or children outgrowing bed frames and desks) as well as easy disassembly, and reassembly of a furniture meant it could be sold easily. By creating a platform where customers could resell their Ikea furniture meant Ikea could profit by taking a percentage of the transaction. It also supported its environmentally friendly image as Theilgaard (2016) explains:

> *"Ikea is very keen on being environmentally strong, and environmentally friendly. So a lot of the energy side we use windmill or sunpower and we try to produce the furniture in a very environmentally friendly way and that goes hand in hand in securing that the furniture is reused and that people also now in Sweden have the opportunity to sell the old furniture via Ikea."*

It could also be argued that by providing an easy option to sell their old products, Ikea customers now have both more money and more space previously filled by the old furniture, which could result in a new and upgraded purchase from Ikea (Matzler et al. 2015). Theilgaard (2016) also argues that "*If it is not provided by Ikea it will be provided by somebody else. So the opportunity will still exist, and it is better that it is done in length of us. It can also give some positive relation to buying Ikea furniture at Ikea so you know when you have bought it and you want to change it, you can do it in an easy way*."

Of the three case examples used in this research, Ikea is the only product-intensive company. It is therefore also the only company that employs PSSs. Apart from Ikea's Kop & Salj service, which is not a PSS but a redistribution market (Botsman & Rogers 2011), Ikea also uses several intangible offerings alongside its products. Of the classifications of PSSs made by Tukker (2004) Ikea employs advice and consultancy as a product-oriented service, product renting as a use-oriented service and functional result as a result-oriented service (Theilgaard 2016). One of Ikea's business strategies is to provide furniture to the masses, which means providing it cheaply. One of the reasons why it is inexpensive is because Ikea transfers the costs of assembly onto the customer (Theilgaard 2016). For this strategy Ikea has created multiple advice and consultancy channels to help the customer journey be an easier and more pleasant experience. Ikea provides instructions to help the setup process for every product purchased. However prior to the purchase Ikea also provides advice and consultancy in different ways. One way is through their catalogue customers can receive advice on design. Ikea has also developed a mobile app, that by

using the phone's camera can show an augmented reality of virtual ikea furniture fitting in the space shown on your screen. Ikea also provides further planning tools such as the Ikea 3D Kitchen Planner, where you can draw and build a virtual kitchen, and then see it by switching from floor plan view to 3D view. The idea is to show how a product fits and what it looks like within the surrounding environment. Ikea's strategy and thinking behind it is explained as:

> "*The whole idea is that it should be as easy as possible for people to do the work themselves. So you get more and more applications that will help you to look at your home before you buy and plan the buying process to see how the sofa and kitchen will look in your apartment by looking at your mobile phone. And then further services and help is on the web site for assembly instructions."* (Theilgaard 2016)

However if the customer is not willing or able to assemble the product, then Ikea also provides services to help set up the furniture, at a cost for the customer. Where Ikea agrees with the client to deliver the finished result of an assembled furniture. Further intangibles that Ikea provides are the ability to rent a wagon to help transport the purchased furniture, or have Ikea altogether bring it to a destination.

There have been other service opportunities for the collaborative consumption that Ikea could have taken advantage of but chose not too. One example is of a woman in Malaysia, who in 2006, created a website based on her fandom of Ikea and started collecting examples of what people had done to modify Ikea furniture (Chase 2015). The community grew larger over time with individuals of mutual interest and people began exchanging ideas, designs, and learning from each other. The site had scaled to such an extent that the entrepreneur left her job and started accepting advertising to support her efforts. In 2014 Ikea chose to attempt to stop her progress and the growth of this community that was co-creating designs and customising their home furnitures, instead of collaborate with her. Apparently, *"for Ikea's management team, the problem of openness outweighed the opportunities of openness."* (Chase 2015:175). The question that this research is interested in is not if openness outweighs closed innovation, but how one can employ the correct methods and processes in order to achieve innovation for the collaborative consumption, which may begin in a closed form but, as hypothesised, the service itself must end in openness.

6.3 Management of Innovation for the Collaborative Consumption

6.3.1 Types of Innovation

Compared to the traditional restaurant industry EatAbout's product innovation differs in many aspects. Firstly it is a private dinner therefore the setting has changed significantly from a public restaurant to the private setting of the chef's home. In EatAbout's service there also exists a more personal connection with the creator of the meal, as well as an existing dialogue before and during the dinner. There is also a greater opportunity for participation from the customer, if they are willing, such as customizing the meal before arriving, or aiding in preparing something during (Kallberg 2016). EatAbout's product innovation therefore differs in design and function from what previously existed and could therefore be categorized as a radical product innovation in the dining industry (Schilling 2012). EatAbout's innovation could also be seen as a component destroying innovation to several other competitors, as Kallberg (2016) argues it can offer the chef a higher salary, more freedom and flexibility, which could inevitably result in some chefs choosing to freelance for EatAbout rather than work for a restaurant.

EatAbout's first and main product innovation is an architectural one, but its innovations since - its group payment innovation - is a competence enhancing and a component innovation. EatAbout's group payment is a service that allows each individual to pay for their part of the dinner, instead of one person cashing out for the group, or the other annoying process where one person pays for the dinner and then each person later calculates who owes what. This can be seen as component enhancing innovation because it builds on the firm's original technology (Schilling 2012) and only a change had occurred to one or more components with no significant effect to the overall configuration of the system (Fleming & Sorenson 2002).

TradeUp differs to the dominant industry technology like Ebay, Blocket and Den Bla Avis in that its design and method of consumption has shifted. First the function has shifted to the act of trading which means the consumer is no longer looking specifically to sell or buy on the app, but to complete the act of bartering. Second the method and design of which the app matches potential customers has shifted from a consumer search operation to a matchmaking design by 'liking' each others products. For most new users who use the service, there will exist new knowledge, whether they have never had a bartering experience before or seen the matching technology similarly used by the dating service Tinder. TradeUp's innovation can therefore be seen as a radical innovation in that there will exist new knowledge, and unfamiliarity

with the design (Schilling 2012). The use of the matchmaking technology can be seen as a competence enhancing innovation on the original technology, as it has now been reframed to fit into a different industry. However TradeUp's overall product innovation can be viewed as an architectural innovation as it has changed the way components fit within the process of second hand shopping. It has rendered the process of buying and selling obsolete in its service, as well as removed the method of payment altogether. Even though bartering services exists, as an online platform as well, most of them have been platform services which trade a similar item with another, for example a book for another book (Botsman and Rogers 2011).

Ikea's Kop & Salj service is similar to the example of Patagonia used in the theory chapter. By creating a service where customers can easier sell used goods, it could be argued that Ikea has developed a competence destroying innovation if potential customers choose to purchased from the peer-to-peer exchange instead of a new Ikea product. And in this example, unlike EatAbout and TradeUp, Ikea is potentially disrupting itself. The knowledge of the service is new to customers who did not expect Ikea to be in the market of peer-to-peer exchanges, it does however carry the benefit of potential increased usefulness and reliability (Schilling 2012) than if the peer-to-peer exchange occurred outside of Ikea's involvement. Kop & Salj can therefore be seen as a radical innovation from Ikea's perspective, as well as a competence destroying one, but to Blocket's perspective it is simply an incremental and competence enhancing innovation. The collaboration with Blocket resulted in a component innovation for Blocket, as they were able to facilitate in a change to their component by adding a more specific stream of Ikea furniture on their online second hand marketplace. But for Ikea the innovation was more architectural, because it created a change in the system of how and where customers can purchase Ikea furniture and therefore produced changes of how the components within and outside Ikea interacted (Schilling 2012).

The case examples of EatAbout, TradeUp and Ikea proves the theory that a company must provide an architectural and disruptive innovations in order to first cator for the collaborative consumption. However once the technology has been developed, the firm can continue to add incremental innovations through component and competence enhancing innovation as seen by EatAbout group payments example.

6.3.2 Strategy for Form of Innovation

Just as we saw with the type of innovation for each company, the form of innovation also depends on perspective. What is important therefore is to take the perspective of the company and the consumers it targets. EatAbout is targeting customers looking for new experiences, who also value saving

costs when eating out. One of EatAbout's strategies is to encourage customers to bring their own wine to dinner. This saves the customers an enormous amount of money when comparing to the wine prices at restaurants (EatAbout 2016). At the same time EatAbout also targets chefs to complete their service platform. These chefs have idle capacity, an adequate home to host in, and enough skill to serve good food. Brought together on one platform provides a new meaning for both customers and chefs, and could potentially have disruptive implications for the dining industry. For these reasons I argue that EatAbout has developed a radical change in new meaning, which was proposed to customers and not pulled by them.

TradeUp specifically targets the trend of collaborative consumption. It targets customers who both have a need to give something up and a desire to get something in return. TradeUp hopes to attract early adopters such as those who value non-monetary and minimalistic lifestyles (Sjostedt 2016a), as well as those in niche trends like the 100 item movement. Thereafter to attract customers who would otherwise only look to sell an item, and then in this case trade it for an upgrade instead, or those only looking to buy an item and then in this case realise they might as well give something up for it. TradeUp provides new knowledge and an unfamiliar approach to bartering which allows user to behave differently, in a simpler and cheaper fashion. Given the definition of a 'radical new meaning' by Verganti's (2014:9): 'conveying a completely new reason for customers to buy it', and with this focus on target audience, TradeUp will be able to provide a new meaning for bartering customers due to its simplicity and matchmaking design. For traditional second hand sellers and buyers, TradeUp will also provide a new meaning for selling or acquiring second hand items by trading it instead.

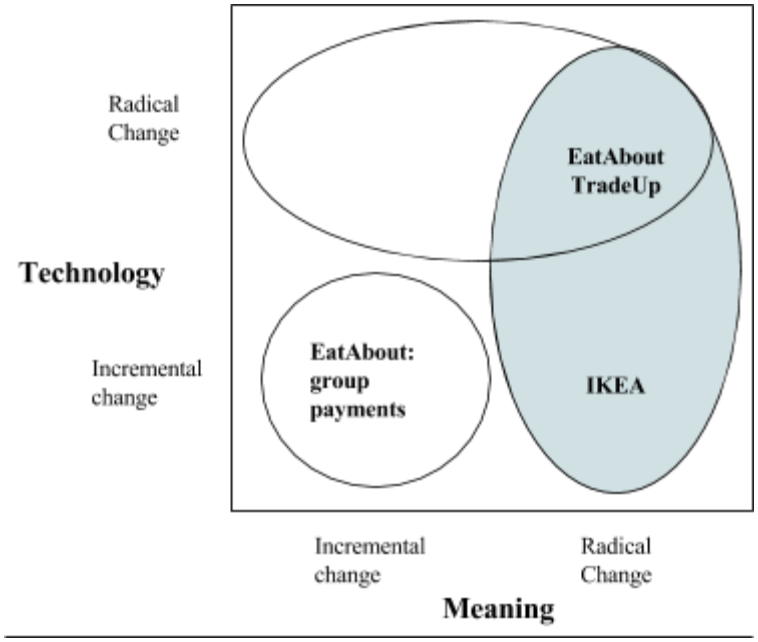
Ikea's customers have been selling their undesirable furniture through second hand channels such as Blocket before Ikea became affiliated with the exchange. By creating a collaboration with Blocket however, Ikea has in essence put their seal of approval and has increased familiarity and trust to the transaction. Ikea's innovation of Kop & Salj is therefore not a radical technological innovation to its customers but does posses certain measures of new meaning. By collaborating with Blocket Ikea is signalizing that it values the impact its furniture has on the environment. However from Ikea's point of view, the strategy to aid in the selling of second hand furniture is a radical one. Ikea's business model is built on the premise to expand growth by increasing sales of its furniture, and just like Patagonia, by aiding in the process of second hand selling it may hurt its sales growth of new products. Creating the Kop & Salj service innovation has therefore affected the meaning both to customers and to Ikea.

However EatAbout's group payments innovation is an example of Rothwell's (1974) argument that different phases of innovation are likely to incorporate different levels of either science-push or demand-pull. As Kallberg (2016) notes when speaking on the process behind group payments:

"It was based on speaking with customers. And I think the early days of any market place is quite difficult because you need to find liquidity in that you have this inventory of chefs and you need to find buyers for that inventory. So you as the middle man are the facilitator You want to make it as easy as possible for both sides to conduct a transaction and group payments was one of those."

In this innovation example EatAbout takes a more market-pull approach to create a more customer friendly way to pay for the exchange. Therefore, as shown in figure 3 below, their group payments innovation only proved incremental change to both meaning and technology as it is more of a component innovation that builds on the existing two variables. While the characteristics of the initial innovations of the three case companies all fall under the design driven approach to innovation.

Figure 3



6.3.3 Sources of Innovation

EatAbout benefited from a lone inventor (Schilling 2012), who thought of a better way to eat local food that also incorporated a higher sense of personal touch to the dining experience. Kallberg ("EatAbout Meet the Founders" 2016) mentions that his idea for the innovation materialised in the summer of 2015 when he went horseback riding in Mongolia and was hosted in the homes of local

nomads. However even prior to that experience both Kallberg and his co-founder Braberg had a rich background in food. Firstly the co-founders had interest and motivation for such a creation, which is one important aspect for innovation (Amabile 1983, Amabile 1996). As they describe:

> "*Our motivation is personal - we've been around the world and tried every type of food imaginable, and we feel that traditional restaurants so often fail to capture the air of authenticity that comes with trying new cuisines, particularly due to the rising presence of impersonal food chains.*" ("EatAbout Meet the Founders" 2016).

The interests of the co-founders are a combination of both food and technology. Both grew up internationally, and often traveled and tried cuisines from around the world (Kallberg 2016). Braberg spent many summers in Sweden fishing and cooking fresh seafood, "*skills he would master even further as a chef at theatre kitchens preparing gala dinners for over 200 people*" ("EatAbout Meet the Founders" 2016). And Kallberg also spent time working at Google, Spotify and Cloud 66. He admits knowledge gained at these experiences where another catalyst which helped create the platform technology of EatAbout.

Coming from outside the food industry, with recreational influence from both the food and tech industry, may have had a positive effect in being able to contribute meaningfully to it (Frensch and Sternberg 1989). Kallberg was not trapped in the existing logic and paradigm of either the food chain's business model, increase margins by cutting cost and incrementally innovation the food process (Upton and Morgalis 1996), or the high end industry, serve radical new dishes to high end customers at a premium price (Botsman and Rogers 2011). By having an alternative perspective and a moderate degree of knowledge in the field, Kallberg was able to produce a more creative solution while incumbents have been focusing on sustaining innovation. This solution also currently has all the factors of being a disruptive innovation: simpler, more convenient, less expensive and appeals to new or less-demanding customers (Christensen and Raynor 2003).

Kallberg also explains that part of the influence on his idea came from observing and immersing in the market, where one main influence was the growing phenomenon of supper clubs in London. However many ideas are often created but never materialised into innovations, so what is the catalysing factor which brings them into fruition? Kallberg (2016) mentions that it was the collaboration and interviewing process of over fifty chefs that made him realise the idea's potential, a process that will be explained further in the next chapter.

The influence on the founders of TradeUp were similar as EatAbout in that they were motivated and interested in the act of bartering, how it enriched their lives, and solved two of their problems of overconsumption: clutter and finances (Sjostedt 2015b). The process that Sjostedt explains as going through in generating the idea was a method of brainstorming, after having originally been influenced by a similar application in the U.S which brought neighbors together on a sharing platform. Sjostedt (2016a) explains the process as;

> "*We spent a lot of time brainstorming business ideas, we started actually looking at a collaborative consumption platform that we thought would be like 'neighbors'. And then we thought what was the best aspect of this platform. We thought it must be that people in the near vicinity of each other could share each other's stuff. So that is the basic premise of the idea, and then we looked at the second hand market (in Denmark) and we saw no one was doing bartering or trading. So we wanted to give that a try.*"

For large organisations the internal sourcing of innovation may prove different than that to a startup, where a more personal motivation and culture proves a large part of the influence (Kallberg 2016, Sjostedt 2016a). In order to take advantage of internal creativity however Ikea has put several measure into place. Firstly Ikea allows for more freedom of decision making within the organisation. A strategy which aids in developing a culture of intrapreneurship. Intrapreneurship is the degree to which a company is able to develop a sense of entrepreneurship within the organisation. Ikea also employs a fairly flat hierarchy within the organization (Theilgaard 2016). These are two strategies which Theilgaard (2016) argues are major reason for expansion success, and provides the expansion in the Russian market as an example:

> "*Young employees have always been allowed to make a lot of decisions themselves and the organization's structure is for the same reason kept very flat so that people can make decisions in all levels of the organisation. And I think that is one of the main reasons behind ikea's success, in that people have been allowed to take decisions and also make mistakes and that is why it has developed quickly. For instance we have a strong position in Russia today, and one of the reasons for that was that we had, at an early stage, sent some quite young people to russia and they were allowed to do substantial deals even if they were not that mature*."

The environment which Ikea employees work in is also catered to taking risks, and incentivizing employees to develop their ideas if they prove sustainable. Ikea has a number of key values and one is that: "*you are allowed to do mistakes as long as you are driven in the innovation process and try out new things. So the ikea culture gives a lot of freedom for people to be creative and come up with suggestions in any level of the organisation*" (Theilgaard 2016). Ikea strategizes to put these structures and incentives in place to magnify the creativity of its individual employees (Woodman et al. 1993). Ikea has also developed different responsibility centers for innovation in different departments so that the problem solving initiative is more efficient and less rigid (Theilgaard 2016). Examples of some of these centers is Inter Ikea, Ikea's future-living innovation lab Space10, Ikea Centres, and Ikea's advertising department (Theilgaard 2016). Theilgaard (2016) summarizes Ikeas shifting process in trying to innovate while growing:

> *"On of the ways they try to do it, because it is an issue especially when over the years the company has grown to become a substantial international company that tends to make it make rigid, but it has tried to answer that by setting up the franchise store inter ikea with a lab for developing new things. But has also tried within the Ikea Group to have a higher degree of freedom and entrepreneurship."*

Ikea has also developed a network with external sources such as freelance designers, consultants and startups to aid them in the innovation process (Theilgaard 2016). However Theilgaard (2016) highlights that Ikea typically looks within the organisation first to solve problems. "*We try to solve problems within the organization first because there are a lot of creative and empowered people within the organization and not so often do we use external consultants in the more traditional way but more try to liaise with new ideas coming from smaller companies*."

6.4 Managing Research for Innovation

6.4.1 EatAbout

In framing EatAbout's innovation proposal Kallberg went through the process of *listening* (Verganti 2014) by interviewing over fifty chefs on their thoughts, interpretations and inputs on the potential service offering. The chefs were picked from various backgrounds in order to get differing

perspectives and insights. These backgrounds included chefs in areas such as private chefs, who cooked for more wealthy customers and traveled to the customers homes to do so, as well as chefs who hosted their own supper clubs and some chefs came from more of a restaurant background (Kallberg 2016). EatAbout shared insights with these chefs during their dialogue, discussed the idea to see if they interpreted it as feasible, and tried to find connections from the idea to them individually. The chefs from the restaurant background were eager to help as Kallberg quickly found out that some only earn around 15,000 GBP a year, so presenting to them an idea of a service where they could works on a flexible schedule was very attractive.

However Kallberg admits that at the beginning he received mixed feedbacks on his idea. One problem that arose through the dialogue with these chefs were that space problems in london would be a major barrier. If these chefs that EatAbout were trying to recruit were only earning on average 15,000 GBP a year than very few of them lived either in an attractive or central location, or, and probablys the largest factor to overcome, few of them had the space available in their home to be able to host guest (Kallberg 2016). Some other chefs were more open to the idea and signed up right away, which helped the innovation receive momentum. Kallberg recalls the moment when things began to shift, and they were starting to attract the doubters: "*So one chef in particular, he said that he didn't think this would work in London, because of space requirements. But funnily enough just three months later he applied to host with EatAbout.*" (Kallberg 2016). The final activity to complete before beginning to *address* the innovation to consumers was to make the final selection on the type of meaning they wanted to transfer. Small factors like the option of bringing your own wine to dinner, not only saves customers cost of paying for drinks at retail price but can also send a feeling of more homeliness, and the thought of going to a friends house for a dinner party instead of out to a strangers' or to a restaurant, forces the customer to be more involved from the beginning.

For EatAbout the *selection* process of the design discourse then turned to selecting the correct chefs to host at EatAbout to grow the service image. Through this process EatAbout was also able to attract a key interpreter: a Masterchef finalist. The masterchef, Emma Spitzer, is available as a host on EatAbout and shares "*with you the menu that helped me reach the final of MasterChef UK*" ("EatAbout Masterchef Delight" 2016). In January 2016 EatAbout took advantage of having this key individual as part of their network when they invited and hosted food bloggers and journalists for an event at Emma Spitzer's house to address the service innovation. The event was designed as a cultural prototype (Verganti 2014) to boost EatAbout's awareness through mediums like food blogging, news sources and social media. EatAbout received acclaim from these cultural interpreters, naming their innovation , "*a Chef-ing great night in*" ("A Chef-ing" 2016), and "*the Airbnb of foodie dreams*" (Lela 2016). Prior to

this event EatAbout had also received some spotlight in the news including an article on the Daily Mail online and Prima, a food recipe and fashion magazine. Daily Mail had also used strong headlines like "*Is this the Airbnb of restaurants?*" (Garnar 2015), and Prima exclaiming EatAbout as "*The online dining service that could be the new airbnb of Restaurants*" (Griscti 2015). Emma Spitzer has also benefited from her collaboration with EatAbout as she "*uses EatAbout to get direct feedback from people eating her food, as she is making a new cookbook. So the recipes that will go into that book have been inspired and gotten feedback from people sitting right in her living room while she is making the food.*" (Kallberg 2016)

As a startup, their network was minimal in the beginning, which included people within the vicinity as well as those who they have come in contact with in the past: such as friends, neighbors, colleagues, and other startups. EatAbout took early advantage of the connection one of their founders had to a cloud service called Cloud 66, which was able to host their service. As Kallberg comments "*Using Cloud 66 is a no-brainer for us - it let's us focus on what we do best. As a small team, every minute of the day counts, so automating our server setup and upkeep is essential. On top of this, we also know we can scale everything at a moment's notice when the time comes*" (Hoffman 2015).

EatAbout was therefore able to take advantage of its network, and participate in discussions with interpreters (chefs) which helped them achieve a variety of perspectives. EatAbout was able to define its 'life context' early and therefore knew that chefs would be its *"most vital ingredient*" (Kallberg 2016). EatAbout was then able to attract a key interpreter at an early stage of its development: one who had both knowledge and seductive power (Verganti 2014). However Kallberg argues that the launch success of EatAbout has also been on a combination of grassroots marketing and co-producing while looking at users, and inviting them in at an early stage in the process, which will be analysed further in the next chapter.

6.4.2 TradeUp

TradeUp acknowledges that they didn't collaborate with anyone in any significant way to generate the idea behind their service. It was mostly a '*brainstorming process*' where the co-founders bounced ideas off each other, which started from interpretations of current services in the market (Sjostedt 2016a). Verganti argues that a brainstorming technique will not lead to any significant new knowledge as it is not an exploratory one, however the co-founders eventually acted as brokers, as each co-founder was able to bring new knowledge to the table: two management and business students and one tech expert (Sjostedt 2016). This is in line with various studies that innovation often occurs as a result of recombining

existing pieces of knowledge (Schumpeter 1934, Henderson 1990, Kogut & Zander 1992). And in line with Verganit's (2014) arguement that brokers have the ability to bring knowledge and technology across industries, the combination of founders were able to design a new method of bartering by matching a user-friendly interface seen in a dating app (Tinder) with a second hand market application.

However once the design had begun to take some shape they started looking outward for new knowledge. First they used a consultancy expert from Den Bla Avis to make a market analysis for such a product. And thereafter created a group with the purpose of having a dialogue with carefully selected participants to share their thoughts and interpretations on the idea (Sjostedt 2016a). This group was made up of friends, students and fellow startups as TradeUp had taken up office space in a startup incubator known as Copenhagen School of Entrepreneurship (an affiliate of Copenhagen Business School). This group grew to around 200 participants, where the objective soon shifted from opinions on the meaning of such an innovation to the developing, framing and designing of it. TradeUp also highlights that much of their innovation process has been focused on customer co-production and co-creation, as they have been interviewing potential customers and targeting a student dormitory for constant feedback in their production process, which will also be analysed further in the next chapter alongside EatAbout, and Ikea's approaches to service innovation.

6.4.3 Ikea

Ikea collaborated with Blocket, an online second hand service in Sweden, to help create its service Kop & Salj. Ikea saw a life context which it wanted to be a part of, and that was the recycling, and reusing of its own furniture. Ikea has so far only launched the service in Sweden, and during the designing phase of its innovation only looked at the swedish market which was a big factor in choosing its collaborator (Magnusson 2010). Blocket has a strong position in the swedish market of peer to peer second hand transactions, having operated in the industry for over 20 years, and "*delivers a secure solution for online shopping*" (Magnusson 2010). The companies had the mutual interest of creating an easier way for customers to buy and sell second hand furniture. Ikea constantly looks for methods of sustainability, and is environmentally conscious (Theilgaard 2016), they were therefore interested in prolonging its furniture, and saw the second hand market as a way to "*increase the chances that the furniture gets a second, or a third, fourth or fifth life*" (Magnusson 2010) . The CEO of Ikea Sweden, Peter Agnefjall, also adds that "*making use of resources has always been natural for us at Ikea. That we now provide a buy and sell platform is good for our customers and for the environment, and at the same time good for Ikea*" (Magnusson 2010). The interest for Blocket is to increase their network, and customer

awareness as CEO of Blocket, Martin Frey explains "*The second hand market is growing constantly and we hope that cooperation with Ikea gets even more swedes to see the benefits of buying and selling second hand*" (Magnusson 2010).

Buy defining the life context early - recycling furniture - Ikea was able to better define their key interpreter that had both knowledge of the industry and seductive power to influence the outcome of the innovation (Verganti 2014). The cooperation process for these companies was simple: they shared the same vision and insights, they connected on these mutual interests, and Ikea had selected Blocket based on its knowledge and influence in the field.

6.5 Service Approach

6.5.1 EatAbout

Much of EatAbout's service offering depends on the customer's experiences during the consumption process. Customers are able to choose their own chef, and customize their meal if something is missing from the chef's original offering (like a vegetarian dish, or chocolate for dessert), bring their own drinks - co-designed with regards to the chef's recommendation to the meal, lead the conversation with your dinner guests and perhaps also interact with the chef. The value-creation for the customer is therefore created during the usage and consumption stage, where the consumers interact with each other and with the chef immersed in the environment which EatAbout has provided them. The bases of value and future innovation therefore comes from this process (Prahalad & Ramaswamy 2004a,b). The customer's role in EatAbout's service offering can change from one experience to the other, but most likely they are not completely active and are more passive in that they are immersed in an environment they helped setup (customising the meal and bringing drinks), but they are passive in that they receive a good (a meal) that they did not have an active role in creating. Kallberg (2016) mentions that they are however attempting to increase their scope in this perspective: "*I am a chef at EatAbout myself. I have done a bunch of training to make sushi and sashimi in Japan. And so one of the things I have done is for guests, if they want to, can come into the kitchen and be more interactive and make the sushi rolls together.*"

The focus of EatAbout is also centered on the customer and their experience, as well as the experience of the hosts, where EatAbout views the hosts as partners in allowing customers to create their own experiences. "*Chefs are our most vital ingredient. All companies in the collaborative space work as*

a market place. Often times a two sided marketplace. So for example AirBnb is a two sided between people who want to book accommodation and people who have accommodation, in the same sense we are between chefs and guests. And so we will always need chefs to grow our business, and likewise we will always need guests to keep those chefs happy." (Kallberg 2016). This focus lets hosts create their own service, for example how their living room should be decorated and what type of food should be served. Kallberg (2016) argues that this two way focus, and freedom of customisation benefits both sides of the EatAbout marketplace: "*...now the playing field is completely open, in that you can essentially say you want some kind of chocolate for dessert and the chef can do that, and it is also quite cool for the chef in that it kind of allows them to be creative with what they are doing. So that is a big element because most of the times in restaurants the chef will be standing there making the same dish a hundred times a night, which becomes very repetitive and not creative at all. So that customizability is good for both sides."*

In the innovation process for EatAbout customers and chefs hold large control over the product and its direction. For example customer feedback to chefs will constantly affect their dishes. However EatAbout may still hold some control over the innovation during the consumption process. For example Kallberg (2016) mentioned that the group payments innovation was one they created by focusing on the customers to create a more pleasurable experience and to increase participation. They would "*...find groups of say 15 people and it just wasn't feasible for one person to put out hundreds of pounds on behalf of the group, so the thinking there was that why don't we allow each person to pay for their part, so that also benefits EatAbout quite a bit because we get more users, we get more reviews and we get people more involved with the whole process, rather than just show up at a dinner.*" EatAbout also tries to control, or at least make sure that the environment which the hosts offer is up to their standards by creating a form of guidelines on how to host: "*We also have something we call the host academy, which is a document of best practises for the host, so that they feel comfortable with what the best practises are as to how to host people for meals in their own home.*"

EatAbout holds a transparent communication with both customers and hosts, and at the same time they facilitate and encourage further dialogue between the customer and the host before and after being hosted. This method creates advantages of personalizing the experience to come (Chathoth 2013), and after providing the type of reviews each actor needs in order to increase trust for the next exchange (Gebbia 2016). Kallberg (2016) describes the whole process as: "*you can have a dialogue with a chef even before you make your booking. And we have seen quite a lot of that so that is not a concern. It is also the case where once you make the booking the host can either accept or decline, and at that point even if the host wants to clarify something with the guests then that is fully possible before accepting. And some*

of our upper scale chefs, who maybe are in the public light say the master chef, one of her concerns is knowing who she is bringing in to her house, and so we facilitate that as well."

By operating through a platform, it is simpler for EatAbout to take advantage of the internet and provide better customer education in order to enhance the co-creative role of customers (Chathoth et al. 2013). Kallberg (2016) also argues that "*when it comes to food everyone has different preferences. So we have had everything from one of the guests being lactose intolerant to the group of guests saying they prefer having chocolate for dessert."* When it comes to the subject of food most customers are not shy to express their preferences and this aids EatAbout by having an active and willing customer that co-creates. One thing EatAbout rolled out recently was to add alongside the menus on the chefs pages, which are not set in stone but more of an outline, what types of food chefs are able to prepare. "*So if a chef can do vegan food, but they may not necessarily have a vegan menu on the site. The guest can actually request something along those lines, and we would facilitate that interaction and also the transaction*" (Kallberg 2016).

6.5.2 TradeUp

TradeUp's platform creates an environment where each individual customer is solely responsible for their own value creation. Customers use the platform to interact with each other and generate their own experiences by matching with other users and trading goods, which is in line with the argument made by Ted Borg (2003) that even the experience of co-creation itself can be a source of unique value for each individual. This is therefore the base of the value for each customer and future innovation is fueled by their involvement in the application.

The customer's role is therefore extremely active in the completion of a transaction. The customer journey includes posting a picture of the good they want to trade, find a match by actively searching within the application, converse with the owner of that good and finally meet in person to trade the goods (the trading of services may not require to meet physically) (Sjostedt 2016a). Sjostedt (2016a) also argues that the user interface and having a 'matching' process increases their source of competitive advantage in terms of heightened customer participation and involvement and co-creation in comparison to its competitors.

TradeUp's focus is also primarily on the customer and not centered on the firm. It is not based on the company's own set of resources and competencies, but rather offers an environment where customers are the resources and competencies which make them partners in allowing them to create their own

personalized experiences by integrating their own time and resources into the process (Chathoth et al. 2013).

Innovation of this service is steered by the customers who provide feedback to TradeUp either knowingly or unknowingly. Throughout the development process TradeUp has constantly kept around 100 people using the beta version and have been interviewing their views on the application. Sjosted (2016) has described the co-creation process as:

> "*Right now we have over a hundred people using the app. So we are doing a beta testing, both with friends and family but also with people who live at a certain collegiate that we have been targeting here in Copenhagen. With the friends and family part we are doing co-creation research, while the other part we are more observing their behaviour. But then we are doing everything from asking them to report bugs, we are posting questions like do you think we need this, do we not? And then we are doing both feature and design polls, as well as I am reaching out individually to everyone based on their behaviour in the app, everyone that have matched but that have not traded yet, I ask them 'I can see you have matched why haven't you traded?' We are really trying to co-create as much as possible and just hearing what people like, what they are doing, what they need what did they miss.*"

This approach gives a lot of power of the innovation process into the hands of the customers, however TradeUp is still interpreting this feedback and choosing which features to edit along the way. The innovation for TradeUp is therefore a result of collaboration and contribution from customers to the firm.

TradeUp employs more of an open communication approach through this process as the dialogue is transparent, however once the final design is released it is unsure how continuous and transparent this dialogue will become. One less transparent form of communication, and one method which TradeUp also uses to enhance customer participation, is the use of 'collaborative filtering algorithms' as Sjostedt explains: "*for every time you swipe we have a competitive advantage of knowing that they like this, or they didn't like this item. So then we can build a basic recommendation system where if you like A, B and C other people who liked A, B and C also liked X and Y therefore you get to see X and Y next. So we hope to capture demand that way to figure out what they like and make that a different experience process*." This process can keep the customer engaged for longer periods at a time, as they may see items of interest constantly, and therefore keep them more engaged and willing to participate.

6.5.3 Ikea

Ikea's approach is similar to the two startup cases provided above, even though Ikea is primarily a product intensive company, they have been able to capture the co-creation approach to many aspects of their business and not solely the Kop & Salj service. Since this project has been concerned with service offering specific for the collaborative consumption the Kop & Salj service will be given primary attention however at some points it is difficult to separate the approach of the specific service from the general approach of the company.

Through the Kop & Salj service the value is created for the customer by the customer when they interact with the platform by posting their furniture for sale or buying one. The customers have no impact on the original design of the furniture since it is a second hand market and the original was created without the service in mind, however the customer has control over the aspect of selling their old furniture and at what price. The customer's' role in the process is therefore active, as they provide the labour of posting the furniture and provide the good since it is currently owned by them. The customer has therefore contributed fully to the exchange and from the firm's point of view this could be a source of competitive advantage as the customer provides their idle resources to the benefit of all parties involved (Chathoth et al. 2013, Matzler et al. 2015). Ikea thereby also has complete focus on the customer, as they are active partners who integrate their own time and resources. Ikea has been able to shift from a more co-production approach from the perspective of its other services offered like the service to help assemble furniture, and its in store food service (Theilgaard 2016) to a more co-creative approach of Kop & Salj. However from their product point of view, Ikea has often been able to create a co-creation approach with its customers (Theilgaard 2016) through strategies such as the customer assembling the furniture him/herself, and even the store is designed in such a way that advises the customer on interior design and furniture placement. Ikea even co-creates the shopping area environment with other retail companies and food and beverage companies when building new Ikea centres (Theilgaard 2016).

The 'role of opinion leaders and trendsetters' (Chathoth et al. 2013) was what spurned this innovation to begin with. Ikea saw a market that was operating without their involvement and decide to design a service for it. The idea for the innovation was therefore created by customers, where now Ikea developed a platform where these customers can continue to operate but with Ikea's involvement. Ikea have been able to foster this willingness to participate by creating it free for all Ikea family members, and since signup is free, ostensibly then one could see the service as being free (Matzler et al. 2015).

7. Discussion

In this discussion chapter I will directly discuss my hypothesis with the findings from the analysis.

7.1 Type of Innovation

The analysis proved that all three cases used in this research show a similarity on the type of innovation designed for the collaborative consumption. EatAbout's innovation is architectural, disruptive and carries a radical new meaning both for chefs and customers. TradeUp's innovation also has a radical new meaning as there exists both new knowledge by the recombination of existing knowledge and an unfamiliarity with the design. As well as an architectural type of innovation as it has changed the way components fit within the process of second hand shopping. Ikea also developed a disruptive innovation, in this case an innovation that disrupts itself. These findings prove the first part of my theoretical framework that a suitable type of innovation for collaborative consumption must be architectural, disruptive and carry a radical new meaning for customers. This is because customers of the collaborative consumption are looking for different ways to consume and behave in the marketplace, often in ways that are simpler and cheaper, and companies therefore need to create radical new meanings for customers to behave in this way.

7.2 Strategy and Form of Innovation

The strategy used to form the innovation, whether market push, technology push or design driven, also affects the outcome type. The strategy and motivation for innovation from the startups was mostly a push strategy, in that each company was looking to create new proposals for the collaborative consumption. The outcome form of the innovations from EatAbout and TradeUp were radical innovation of meaning, compared to the definition from Verganti (2014). However Ikea's form of innovation was more of an outcome of market-pull, where an existing market that sold second hand Ikea furniture previously existed and Ikea developed a service to bring the stream through its web base by cooperating with Blocket. I suggested in the analysis that this innovation brought a radical innovation of new meaning, but only to Ikea's perspective, as to many others it may only seem like an incremental change in meaning and an incremental change in technology and would therefore fall in line under a market-pull strategy.

EatAbout and TradeUp also used a more exploratory technology research to create new interfaces or platforms where Ikea used a form of cooperation with an existing technology. They therefore differed in the method to achieve technological change. This required EatAbout and TradeUp to employ a greater form of exploratory research to develop new technology or recombine existing ones in a different manner. The form of innovation for the collaborative consumption therefore does not necessarily have to be one of technological push, as hypothesised, but would greatly benefit if it push a 'new meaning' of how and why consumers can consume.

7.3 Sources of Innovation

The two startup cases proved a strong case for the importance of personal culture and motivation as a source of innovation. Since the collaborative consumption is an interpretation of human behaviour in a consumption environment and their shifting desires in the way they consume, EatAbout and TradeUp showed that it is important for a company to take a human thought process and approach to innovation as Verganti (2014) argues instead of a systemic one. The founders of these startups were motivated by what they wish existed in the marketplace for their own needs, Kallberg (2016) wanted a hightened personal experienced when eating out, and thought restaurants were losing their authenticity as well as having poor experiences at supper clubs, devised an innovation where customers could invite the guests they wanted to share the evening with in a more personal environment. Sjostedt (2016b) wanted an easier way to get rid of his undesirables when he wanted to buy something new and so developed an application that made bartering an easier and simpler process. The founder's personal culture, motivation and a broad perspective was the foundation of the innovation however, innovation is more than the generation of new ideas it is also the ability to implement them which requires resources and capabilities (Schilling 2012). For EatAbout, the ability to attract a network of chefs, and especially a key interpreter of the MasterChef finalist, and participate with them in a process similar to the design discourse as described by Verganti (2014) proved the deciding factor which helped implement the idea into an innovation. For TradeUp the process of brainstorming and collaborating with friends, family and students was the process used to achieve the final design for their innovation.

It becomes more difficult to compare the sources of innovation for Kop & Salj since I was unable to create a direct dialogue with the employees responsible for the innovation. However what is evident is the organisational culture of intrapreneurship which Ikea has built through their key values of giving employees freedom to explore and take risks and greater overall decision making with the use of a flat hierarchy (Theilgaard 2016). From the combination of the startup cases of EatAbout and TradeUp and the

product focused organisation of Ikea, certain assets are highlighted as sources of innovation for the collaborative consumption. The importance of personal culture when innovating is transparent in being able to generate ideas, or interpret those that are absorbed through collaboration processes. The use of brainstorming as a technique to value creation may have a greater effect on innovation than what was hypothesised and argued by Verganti (2014). As the process of brainstorming with others aided Sjostedt in framing an idea that catered to his needs to an idea that was more scalable (Sjostedt 2016a). Therefor my hypothesis lacks in framing the importance a creative process can have alongside an exploratory research process as theorized by Verganti (2014). The analysis however did prove the importance of developing a network that has the ability to interpret meanings and find unexpressed needs and have seductive power to address new proposals of innovations.

7.4 Managing Research for Innovation

The analysis of EatAbout's management of research for their innovation was in line with my theoretical framework, that a company will benefit in participating in the design discourse to frame the innovation and thereafter use a co-creation approach to service innovation to continue the service innovation process once it has been launched. TradeUp however employed a more customer centric approach to framing the innovation by having a beta testing phase of around 200 users to acquire feedback. The 'interpreters' that TradeUp leaned on were actually users, and therefore employed a more user-centered approach earlier in the process than EatAbout and what was originally hypothesised. Verganti (2014) argues that process of creativity, including techniques like brainstorming, will typically not lead to any radical forms of innovation, but the analysis of TradeUp proves that creativity methods are methods that can to enhance and bring out knowledge from the individuals involved. This argument is based on the finding that the three co-founders of TradeUp were able to combine their knowledge in different subjects through a process of creativity methods and with this combination of knowledge they were able to bring technologies across industries and recombine them in a way that created a radical new meaning to a bartering service. Which is also the definition of a broker made by Verganti (2014). The method used after framing the innovation between the three of them depends on one's interpretation of the roles 'family, friends and students' have. The process itself was very much in line with Verganti's (2014) theory of the design discourse, where the collaboration involved all three steps of listening, interpreting and addressing. The blurry line is if these 'interpreters' are adequate enough to have similar characteristics as those of Verganti's (2014) 'key interpreters'. I would however argue that TradeUp collaborated through the design discourse and used the actors that were available to them to play the parts

of key interpreters. Their 'seductive' power however might be lacking, unless a strong integration within the university collegiate, which TradeUp is currently testing, can integrate further into the university, and student culture in Copenhagen.

7.5 Service Approach

All three cases used in the analysis designed a platform type of service that relied on either peer-to-peer or chef-to-peer exchanges. Platform services are typically seen as the best approach to co-creation as it contains qualities of letting the provider give the majority of control to its the user's, as well as an easy access point to what is being offered (Chathoth et al. 2013; Lusch et al. 2007; Friesen 2001). "*This was what the Internet was made for, an instant platform sharing excess capacity among many people*" (Matzler et al. 2015). The analysis of the three cases used proved my hypothesis correct, that once the service is launched it should be designed with a service dominant logic and in such a way that allows for maximum co-creation. The platform design has proven to be an effective one. As the initial proposal to the customers may be a radical one, either by technological factors and/or factors of new meaning, the service will also benefit from continuous innovation from customers as a source who is customizing, adapting, and co-creation this proposal to suit their needs the best.

7.6 Final Discussion

The analysis shows that the process of two startups and one product intensive firm do not differ significantly if they are employing the correct processes and methods when strategizing for the collaborative consumption. When looking externally to gather knowledge both EatAbout and Ikea employed an elite circle approach to collaboration. EatAbout chose chefs from different backgrounds with different perspectives to provide them with insights, while Ikea chose the leading service provider of the online second hand market in Sweden. These interpreters provided the companies with merit for their ideas, which grew into innovations. TradeUp however involved customers much earlier in the process even though their form of innovation was also a push strategy. TradeUp chose those they thought could provide insight however the method of their interaction was more that of learning from users currently testing their beta version. The innovation was actually developed prior to conversing with these customers, and the process was used more as a refinement than actual development unlike the two previous cases. This shows a different approach than what I initially hypothesised would typically be the most suitable method for innovation for the collaborative consumption, as innovations would need to have radical implications to provide new ways of consuming to fit the changing consuming behaviour of the

sharing economy. However as mentioned, the user-centered approach of TradeUp was only begun once the main characteristics of the innovation was framed, therefor it was not an innovation created based on user demands, but an innovation created by three individuals and then incrementally enhanced by users critic. TradeUp therefore did not employ a user-centered approach, as neither did EatAbout nor Ikea, and as I hypothesised based on Verganti's (2014) arguments for the development of radical new meaning, but TradeUp also did not develop an external network of key interpreters and instead used their own knowledge to the fullest by combining knowledge.

Chapter 8 Conclusion

By creating a hypothesis and investigating three cases, each proposing a unique innovative service offering for the collaborative consumption I suggest how a company or startup can design its innovation strategy to create an innovation which holds favorable circumstances for the collaborative consumption. The most fitting types of innovations are those that hold characteristics of architectural, disruptive and radical new meanings, as I find respectively that innovations for the collaborative consumption need to cater to the shift in consumption behaviour, needs to disrupt the status quo of how one consumes, and needs to change the meaning of how and why one consumes. Therefore the strategy for creating such innovations I find to be most likely the outcome of a push strategy, and in particular could be the result of a design driven strategy. However it is also possible to create such innovations by other means, such as market-driven, but such innovations would most likely be business model adaptations instead of business models specifically design for the collaborative consumption. To source such innovation I find that a strong collaboration with interpreters with means of valuable knowledge or the ability to broker knowledge can have a significant impact on the innovation as can the existence and practice of one's personal culture, due to the humanistic qualities of both how we consume: we now value the use over the product and why we consume: the added value of socialness and input of labour.

The most adept process utilized to design an innovation proposal for the collaborative consumption is to participate in a similar process as the design discourse. I find that one can harness and take advantage of an unexpressed need by listening to its network of collaborators, interpreting insights of meanings associated to ideas and addresses the finalised change in meaning of an innovation to the market will be able to benefit by swaying customers with that unexpressed need. And finally, once the innovation has been proposed the service approach must be a co-creative one, as I find through the investigation of the cases that customers are able to aid in the innovation process as partners in the consumption process. This also increases the value of the service offering to each individual and thereby benefits all sides of the marketplace. These variables also aid to tackle the four underlying principles, which in turn aid the development of innovation for the collaborative consumption.

8.1 Theoretical Implications

The arguments which I make in the Discussion chapter have led me to imply that in the case of an inability to develop an external network of key interpreters, perhaps based on the cumbersome or small size of a startup, a company can instead attempt to broker different interpretations and knowledge from

those that can be made available, such as co-founders, friends and family or neighboring startups. This knowledge can be obtained from the sources involved by practising knowledge extracting technique including creativity methods. For example, my research offers that creativity techniques can be used as alternatives to collaborating with a base of key interpreters, as long as those involved in the process have the ability to bring different knowledge and perspectives than those also involved in the process. I therefore offer a contradicting contribution to Verganti's (2014) claim - and purpose that creative techniques can offer results towards a radical new meaning of a product or service.

My findings also support Chathoth et al.'s (2013) claim, in that a firm would benefit from a move towards the co-creation end of the service approach continuum. These are valuable findings in that they can provide a firm with a competitive advantage by best designing their strategies for the emerging market.

8.2 Managerial Implications

The implications of my research for managers and organisations is that to innovate for the collaborative consumption, a firm's strategy must be focused on push strategies during the generation phase. To do so, the most suitable method is to collaborate with a closed number of external interpreters. These interpreters can be brought into the fold during later development as shown in the case of EatAbout and their chefs, or can be used more for advice and insights as seen by TradeUp. My research suggests that an innovation will benefit from allowing customers to become partners and have more control in the direction of additional incremental innovation. As such, the key, is to open this process to customers, once the service is launched, and allow them to co-create its meaning, value and innovation development. This may requires companies to to build an infrastructure and management protocol to govern the co-creation process.

8.3 Further Research

As the focus of this thesis was on the processes necessary in order to innovate for the collaborative consumption the majority of my focus lay in the subjects of processes and methods an organisation can employ. My research only covered two of the six business model traits for collaborative consumption as defined by Matzler et al (2015) and Botsman and Rogers (2011): redistribution markets and peer-to-peer services. Thus further research can be conducted on what my findings implicate on a company developing a different form of business model. Finally further research can also be conducted

on the possibilities of market-driven approach to innovation can result in the radical new meaning of services, and new business models specifically designed for the collaborative consumption.

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