

You Are What You Do --- How Service Shapes Business Model Trajectories in Collective Consumption Context

Abstract

Services, especially pure services that contain collective consumption contexts, need to consider in their business model design the co-creation of customers who are co-present in the service space. However, there is little understanding of such impacts on service business models. Our study applies a qualitative flexible pattern matching approach to investigate collective consumption in coworking-spaces. Our longitudinal findings show that business models are based on socio-emotional laden physical objects augmented by different servitization layers. These findings further lead to insights into trajectories of service business models. Trajectories evolve through customers who have recurring and manifested service experiences related to the category and the local spatial service context. Changes in these business models occur by nudging rather than meticulous planning.

Keywords: *Service Business Models, Service Ecosystems, Coworking-spaces, Flexible Pattern Matching Approach*

1. Introduction

Service business models attract increasing academic attention, given the importance of customer experience, customer engagement, and customer interaction in the customer-oriented market. Collective consumption contexts, where multiple consumers and service personnel collocated and closely interact, adds complexity in business model design because of the integration of consumers into the production process of services (Brodie et al., 2019; Vargo & Lusch, 2008). Prior theory in marketing and service research suggests two possible ways to address the business model design in collective consumption contexts.

The first concerns the high degree of interconnected value co-creation and proposition processes in collective consumption services. The service ecosystem perspective (Vargo & Lusch, 2011) argues about the systemic participation of different actors (e.g., customers, firms, or other stakeholders) and their co-creation in value processes (Wieland et al., 2017). Especially in collective consumption contexts, customers are part of the service environment or even part of the product (Kelleher et al., 2019). Thus, the value proposition and co-creation are systematically interconnected rather than sequentially separable as in manufacturing firms.

The second suggests that business models in collective consumption contexts depend on interconnected economic and socio-emotional value processes of multiple co-present and co-immersed actors. With a high level of collective consumption, different customers share and shape the service (Caru & Cova, 2015), influence each other (Vargo et al., 2008), and need to fit in the specific value context (Grönroos & Ravald, 2011). The context includes individual, relational, collective goals (Epp & Price, 2011), and the social system (Chandler & Vargo, 2011). This ‘vibe’ derived from a constellation of actors, physical environment, ambient, and fit of all, thus influencing value process and user experience in collective consumption contexts.

Our study is motivated by a void in the interaction between collocated customers and firms' business models and inspired by our discovery in coworking-spaces, where users co-immense in intense personal discussions, possibly joint teams, and interact with service providers. Thus, the purpose of our research is to analyze how the co-creation and co-presence of different customers in the service encounter that shapes collective consumption contexts influence the design and change of service business models.

We collected in-depth qualitative data from ten coworking-spaces at three time points. The research design and data analysis follow a qualitative flexible pattern matching approach. It allows

for developing propositions on the basis of existing theory and then exploring how the propositions are matched (or mismatched) by empirical insights to further develop theories (Sinkovics, 2018; Sinkovics et al., 2019).

Our findings show support to the two ways deducted from extant theories (cf. the second and third paragraphs). Besides, we also generate new insights that explain how tangibles, developmental service, and platformization bring social-emotional and economic meaning to space simultaneously. In addition, we find strong trajectories of service business models, potentially related to the aforementioned socio-emotional attachments and reinforcement that limit business model change. This study adds to value co-creation in service business models (Brodie et al., 2019; Visnjic et al., 2016), and introduce the idea of trajectories to service business model research.

2. Empirical setting of collective consumption: coworking-spaces

Our study aims to analyze the business model design and changes shaped by collective consumption, which is rich in systemic social, emotional, and economic value co-creation of co-present actors. Coworking-spaces describe such a service context (Bouncken et al., 2020; Waters-Lynch & Duff, 2019). Coworking-spaces offer office space and social space in which diverse actors, often from different institutional backgrounds, can work and socialize (Gerdenitsch et al., 2016). Physically, coworking-spaces differ from the regular formal office elements (e.g., cubicle, separated offices, rigid working hours) using open-plan spaces with more informal and shared areas (e.g., open-plan office, kitchen, and lounge). Besides, coworking-spaces offer different hospitality services (e.g., kitchen, cafeteria, restaurant, co-living), social and educational services. Providers commonly offer services related to socializing events, education services, e.g., workshops, mentoring, and consultancy (Spinuzzi, 2012). Thus, the coworking setting is well suited for analyzing the co-creation in collective consumption contexts of service business models.

3. Methodology

3.1 Flexible pattern matching and research design

Our research question requires unpacking the multilateral interaction between and among customers, service provision, and business models. Qualitative research is particularly powerful for gaining rich data, revealing multifaceted situations and causal mechanisms (Graebner et al., 2012). We adopt a flexible pattern matching approach that enables us “to link (and compare) a predicted pattern that is derived from theory, with observed patterns” (Sinkovics, 2018). The flexible pattern matching approach provides flexibility for iterative comparison of relevant theories with collected data through a tentative analytical framework (or initial template) (Sinkovics, 2018). Following the process of flexible pattern matching, we first develop propositions (cf. the expected patterns in Table 1). The investigation into coworking-spaces leads to extension (in depth) and expansion (in scope) in the initial template, as shown in Table 1.

TABLE 1: INITIAL TEMPLATE AND PATTERN MATCH

Underlying theoretical framework	Propositions (expected patterns)	Observed patterns
Servitization Service ecosystem perspective Value co-creation of customers Value process in service	Collective consumption services have a high degree of interconnected processes of value co- creation and value proposition, where value co-creation is the key to the business model.	Co-creation and co-immersion – leading continuance - Value proposition from a pre-set image; - Image derived from co-creation and co- immersion of users; - Socio-emotional value from co-presented users; - Continuance in the user group and service provision.

Collective consumption Co-creation in collective consumption context	Business models in collective consumption contexts depend on interconnected economic and socio-emotional value processes of several co- present and co-immersed actors.	Servitization-Layers - Tangible: socio-emotional cue to co- creation and co-immersion; - Development services: increasing co- creation and co-immersion; - Platformization: extending the scope of co-creation and co-immersion.
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3.2 Data collection and analysis

We employ multiple cases with longitudinal data to develop and validate observed patterns. Our data sources consist of interviews, observations, tracing of official websites, and other archival. The diverse data sources allow for convergent and divergent views that help generate a holistic picture (Aguinis & Solarino, 2019). The primary data source is 79 interviews with 46 individuals (including 33 follow-up interviews) collected from three rounds of field study between March 2018 and December 2019.

The initial field study in March 2018 was set out to collect data on coworking-spaces and their business models. The rapidly evolving coworking industry and the mega-city background in China provide more various coworking-spaces and collective contexts that fit the study's objective. We purposively selected ten cases representing an independent provider (brand) with a clear business model, and together reach a maximum variation. In March 2019, the coworking industry's fast development motivated the second round of data collection from the cases. The data from diverse sources presents high consistency with the previously developed patterns and shows that business models tend to be stable. Therefore, in November 2019, the research team conducted another follow-up study of all the selected cases to validate the newly emerged pattern.

We analyzed data with a constant comparison approach to glean predominant and characteristic patterns from data (Eisenhardt & Graebner, 2007). With the adoption of a flexible pattern matching approach, we used MAXQDA to facilitate the iterating between theory and data. We generated observed patterns from 1,469 pages of data and discerned (mis)matches with the initial template. Table 1 summarizes our initial template and the later refined data patterns.

4. Findings

4.1 Co-creation and co-immersion – leading continuance

We find strong matches with our propositions and insights extending our theorizing. Our findings largely support systematically interconnected processes of value co-creation and value proposition in collective consumption because of the co-creation and co-immersion of customers in the service space. As the Gazelle space states in their webpage: “*Grow together with other dream seekers*”. Value co-creation and the (co-)immersion of several actors build the core of service business models and bring a specific socio-emotional value that is more than a shared sense of community in coworking-spaces (Garrett et al., 2017). GU2, a serial entrepreneur, illustrates the socio-emotional value and trajectory, as GU2 has formed three entrepreneurial teams in Gazelle space and “returned to coworking-spaces” several times. He explained it at length: “*Here is the place for entrepreneurs! They can really understand your difficulties and share something helpful with you... While for an established company, I mean big ones, you need a facade to show the culture and financial capability of your company.*” [GU2]. From the socio-emotional trajectories, we find that a group of users with similar needs choose coworking-spaces in general and often the same specific space. The statement from the operator of G space further consolidates this finding: “*We further strengthen our image from the interaction with users. We set up this space to support start-ups. It is like the backbone.*” [GP1].

4.2 Servitization-Layers

Our findings also reveal the diverse offerings and services in coworking-spaces present different channels that lead to social interaction and the socio-emotional atmosphere.

4.2.1 Tangibles: socio-emotional cues to co-creation and co-immersion

Our findings indicate that tangibles in service spaces bring functionality and socio-emotional meaning. The physical spaces build the basis for users to enter physically and then work or socialize. A founder in Bemus space stated how the proposed value attracted him: *“Everything is shared, so you can use all of them without paying much.”* [BU1]. The spatial design of coworking-spaces commonly incorporates innovative or playful elements, which promote intrinsic motivation, induced inspiration, and spontaneous interaction. As the founder of an entrepreneurial project in Avel space explained: *“...everyone likes the skylight atrium and warm atmosphere here... I feel that working in this open space improves my work efficiency [they have a private office].”* [AU2]. Providers can harness the arrangement of interior and its socio-emotional meaning to signpost desired behavior and practices to users. The atmosphere further constructs an attractive environment for other potential customers to meet new people.

4.2.2 Developmental Services: increasing co-creation and co-immersion

Our findings indicate that services in the spaces have both functional and developmental value, increasing a higher co-creation and co-immersion of customers. Some coworking-spaces offer educational services, including workshops, coaching, training, consulting, and administrative assistance (Bouncken & Reuschl, 2018; Merkel, 2019). Hosting a series of formal seminars, a manager of Gazelle space elaborated how their well-designed sessions helped and connected users: *“We have a workshop every two weeks. Topics cover entrepreneurial training, laws, finance, up-to-date policy... We invited experts in each field, so every interested member can join”* [GP1]. Besides, the operator in Gazelle space serves as the shared administrative staff for all users, and this space set up a policy academy that helped entrepreneurs in searching appropriate financial support based on the latest policies. The spatial proximity in coworking spaces can further stimulate knowledge exchange between professionals with diverse backgrounds. A founder in Entre space explained: *“I was about to set up a team or a company for this project, but then I found many other issues related always confused me... later my friend recommended here to me as an entrepreneurial campus.”* [EU1].

4.2.3 Platformization: extending the scope of co-creation and co-immersion

Our findings indicate that servitization might include the facilitation of contacts to individuals outside the space. Users can tie in with other actors, select potential partners, and leverage complementary resources while being in the network node and engaging in its construction. Chinese media frequently report Entre space and Focus space as “hub of innovation”, who focus on platformization and integrate diverse resources based on their platforms. A manager of Entre space concluded the platformization: *“...what we are doing is an ecosystem with active actors. We just incorporate as many players, and they will do the rest themselves.”* [EP1]. The platformization further extends the co-creation and co-immersion within coworking-spaces to a broader sphere.

5. Theory development: trajectories in service business models

5.1 Business model trajectories

Previous research has focused on the changes and the planning template of a business model (Foss & Saebi, 2017; [ENREF 26](#)Ghezzi & Cavallo, 2020). In contrast, we find trajectories in service business models that origin in the co-creation and co-immersion of customers. In collective consumption contexts, even though the service system brings some tangibles and other

institutionalizations led by the providers, the mostly is led by customers' expectations and behavior. Customers have expectations formed through a category and in the service encounter. Customers experience socio-emotional cues, behave according to those cues, and mimic others in the space. The recursive stabilization shapes value co-creation and co-immersion that results in business model trajectories. We regard trajectories as paths taken that have their momentum, reinforcing its evolvement and restricting a departure of the involved actors from the path. In the following, we model the mechanisms on micro and meso levels.

5.2 Mechanisms of business model trajectories

5.2.1 Observations and the local community – features of a micro-level

The co-immersion of customers promotes mimetic isomorphism (DiMaggio & Powell, 1983), thus imitations of each other's behavior in a space. Co-presence delivers cues about meaning and behavior. Customers can become embedded in a trajectory of learning of the social unit, in a way that the learning trajectory of a newcomer is intimately connected to the perceived identification with the community and its practices and value systems (Campbell et al., 2009). Meaning becomes institutionalized. Thus, Immersion and observation fertilize imitation and manifest meaning, expectations, and behavior, while fostering institutionalization and trajectories of the business model (Thornton et al., 2015).

5.2.2 Category – feature on a meso level

In collective consumption contexts, the open spaces allow word-of-mouth communication among customers and their observations in several providers. Categories explain how members define them as an entity (Cloutier & Ravasi, 2019). Legitimacy in categories plays back on the business model of the provider because they inform how business should be carried out (cognitive legitimacy) and what norms, values, and morals prevail (normative legitimacy) (Bitektine et al., 2020). Organizations follow their own trajectory but tend to be reluctant to explore opportunities that violate categorical expectations (Cloutier & Ravasi, 2019). In addition, when providers can easily walk into other providers and mimic their service spaces, mimicry will be strong among firms and thus the need to adhere to the emerging logics for legitimatization (DiMaggio & Powell, 1983).

5.3 Enacting Change by Nudging

Collective consumption services are based upon user-dependent co-creation and co-immersion that shape trajectories of business models. Yet, how can providers change the business model? We suggest that providers can nudge consumers and thus influence their business models. Nudging is a concept based on behavioral economics insights that aim at changes in the environments, which then stimulate behaviors (French, 2011). Rather than a complex operation, nudges define simple interventions in a contextual architecture towards psychological effects. Nudges are powerful in collective consumption context because this context allows observation and social comparison. Customers might even unconsciously follow others' behavior in the space. For example, less partition in an open workspace might facilitate communication and exchange.

6. Conclusion

This study investigates the interaction between collocated customers and services business model in collective consumption context through coworking spaces. Following the process of flexible pattern matching, we supported the interconnected processes of value co-creation and value proposition, as well as interconnected economic and socio-emotional value processes in collective consumption business. Further, we find three layers that support these interconnections. We also suggest service business model trajectories as the stability resulted from the recurring interaction. We also suggest nudging as the way to stimulation changes in these business models.

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