

**BEST PRACTICES IN PEER-TO-PEER (P2P) PLATFORM
BUSINESS MODELS FOR START-UP COMPANY
“BABYHOPPERS”**



**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF MANAGEMENT
COLLEGE OF MANAGEMENT
MAHIDOL UNIVERSITY
2017**

COPYRIGHT OF MAHIDOL UNIVERSITY

Thematic paper
entitled
**BEST PRACTICES IN PEER-TO-PEER (P2P) PLATFORM
BUSINESS MODELS FOR START-UP COMPANY
“BABYHOPPERS”**

was submitted to the College of Management, Mahidol University
for the degree of Master of Management

on
June 28, 2017



.....
Miss Rachanis Poomsrisaard
Candidate

.....
Asst. Prof. Astrid Kainzbauer,
Ph.D.
Advisor

.....
Asst. Prof. Randall Shannon,
Ph.D.
Chairperson

.....
Duangporn Arbhasil,
Ph.D.
Dean
College of Management
Mahidol University

.....
Asst. Prof. Winai Wongsurawat,
Ph.D.
Committee member

ACKNOWLEDGEMENTS

Four months working as an intern in peer-to-peer company “BABYHOPPERS” was a great experience that I be able to learn many valuable things. I am grateful for Mrs. Karina Silva who assist and teach me many valuable knowledge during my time in the company. I also would like to thanks my colleague, Leá and Capucine, for being a good teammate.

I would not have completed this paper without the support of many people in different ways.

I would like to express my sincere thanks to my thematic advisor, Asst. Prof. Astrid Kainzbauer for all suggestions and encouragement during the would thematic paper process. I would also like to thanks Asst. Prof. Randall Shannon and Asst. Prof. Winai Wongsurawat for their suggestion and support to get all the last details done.

In addition, I would want to send a huge thanks to my family for their understanding and continuous support during my extended study time.

Rachanis Poomsrisaard

BEST PRACTICES IN PEER-TO-PEER (P2P) PLATFORM BUSINESS MODELS FOR START-UP COMPANY “BABYHOPPERS”

RACHANIS POOMSRI SAARD 5849146

M.M. (GENERAL MANAGEMENT)

THEMATIC PAPER ADVISORY COMMITTEE: ASST. PROF. ASTRID KAINZBAUER, Ph.D., ASST. PROF. RANDALL SHANNON, Ph.D., ASST. PROF. WINAI WONGSURAWAT, Ph.D.

ABSTRACT

The advancement of communication technology together with an unstable economic situation and social trend are reasons that make people reevaluate the relationship between possession and consumption. Collaborative consumption has become a market trend during the past few years. A growing number of an entrepreneur who recognizes a business opportunity in technology-enable peer-to-peer marketplace for asset rental and service providing.

The purpose of this paper is to explore definition and characteristics of the two-sided market and related elements of business aspect of platform management. After that, business model of successful peer-to-peer companies by using Osterwalder's e-business model as an analytical framework to uncover critical success factors. Osterwalder (2004)'s e-business ontology was chosen as a backbone of analysis due to its comprehensiveness of the model in addressing different elements of an e-business model; product innovation, customer relationship, infrastructure management, and financial aspect. Through multiple case studies, this paper aims to provide consulting service for start-up company "BABYHOPPERS" by suggesting best practice to grow and survive in this industry.

After discovering critical success factors of being a successful company in this industry, BABYHOPPERS are advised with new formulated business model to improve its operation, as well as long-term grow in the market. However, BABYHOPPERS's manager is encouraged to consider more on some practice that the company should improve for more efficient business operation.

KEY WORDS: Peer-to-Peer (P2P)/ Collaborative Consumption/ Sharing Economy/
E-Business Model/ Startup

47 pages

CONTENTS

	Page
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
LIST OF FIGURES	vii
CHAPTER I INTRODUCTION	1
1.1 Background	1
1.2 Research objectives	3
1.3 Research methodology	3
CHAPTER II LITERATURE REVIEW	5
2.1 Sharing Economy	5
2.2 Sub-Market of Collaborative Consumption	8
2.2.1 Redistribution markets	8
2.2.2 Product service system (PSS)	8
2.2.3 Collaborative lifestyles	8
2.3 E-Commerce Business Model	9
2.3.1 Product innovation	11
2.3.2 Infrastructure Management	12
2.3.3 Customer Relationship	12
2.3.4 Financial Aspect	13
CHAPTER III PEER-TO-PEER (P2P) PLATFORM BUSINESS ANALYSIS	15
3.1 Product Innovation	16
3.1.1 Target customer	16
3.1.2 Value proposition	17
3.1.3 Capabilities	17
3.2 Infrastructure Management	18
3.2.1 Activities Configuration	18
3.2.2 Partner network	19
3.2.3 Resource and asset	20

CONTENTS (cont.)

	Page
3.3 Customer Relationship	20
3.3.1 Information strategy	20
3.3.2 Distribution channel	21
3.3.3 Trust, safety, and loyalty	21
3.4 Financial aspect	23
3.5 Platform business analysis summary	23
3.5.1 Product innovation	23
3.5.2 Infrastructure Management	24
3.5.3 Customer relationship	25
3.5.4 Financial aspect	25
CHAPTER IV STRATEGY FOR BABYHOPPERS	26
4.1 Company Overview	26
4.2 BABYHOPPERS's e-business model analysis	27
4.2.1 Product innovation	27
4.2.2 Infrastructure management	29
4.2.3 Customer relationship	32
4.2.4 Financial aspects	33
4.3 Main competitors	34
CHAPTER V RECOMMENDATIONS	36
5.1 Recommended strategy for BABYHOPPERS	36
5.1.1 Develop partnership with relevant business	36
5.1.2 Optimize search engine and social media sharing	37
5.1.3 Credibility	37
5.1.4 Safety standard	39
5.1.5 Product pick up and return policy	39
5.2 Business model conclusion	39

CONTENTS (cont.)

	Page
CHAPTER VI CONCLUSION	42
6.1 Conclusion	42
6.2 Limitation of the study and suggestion for further research	43
REFERENCES	44
BIOGRAPHY	47



LIST OF FIGURES

Figure	Page
2.1 Different between two-sided platform and merchant	9
2.2 E-Business model framework	10
2.3 Relationship of factors in Osterwalder's e-business model framework	14
3.1 Basic information on case companies	16



CHAPTER I

INTRODUCTION

This paper explores peer-to-peer (P2P) platform business model to uncover the best practice for start-up company name "BABYHOPPERS". Theoretical frameworks and Industrial analysis will be applied as a guideline for company's owners and managers to make decisions on business launch and ongoing development. To achieve such goal, three subjects; sharing economy, sharing system, and e-commerce business model are studied through numbers of literature to truly understand characteristics of peer-to-peer platform market. Moreover, the paper utilizes frameworks together with an analysis of similar business case study to discover effective strategy and practice, as well as to address flaws in certain operation to suggest success factors and to avoid similar mistakes.

1.1 Background

The market has changed dramatically by an increasing of technological inventions. Technology advancement is game-changing in a way that it directly alters the way people live and interact with each other. Due to the evolution of the market, many companies take advantage by inventing new ways of doing business by introducing the concept of 'collaborative consumption' or 'sharing economy', or "peer-to-peer market". People hesitate to be part of collaborative consumption in the beginning as they have never experienced such type of business. However, in 2013, evidence had shown that there was \$14 billion cash flow in collaborative consumption industry, with the growth rate exceeding 25%. Sharing economy is estimated to grow from \$14 billion in 2013 to \$335 billion by 2025 (Yaraghi and Ravi, 2016).

The estimation base on an indication of the rapid growth of Uber and Airbnb, which implies consumers' changes in perception as they trust more on this type of business.

The success of collaborative consumption makes entrepreneurs realize an opportunity to develop a similar business model in their field of expertise. Many unimaginable products have developed the concept of sharing economy in various categories, for example automotive, consumer goods, hospitality, and entertainment. The United States can be considered the birthplace of collaborative consumption concept as it is the origin place of many successful peer-to-peer companies. Today, it no longer concentrates only in the United States but spreads throughout the world. Many companies prefer to start a business locally until they equip enough with essential elements to expand overseas. Expanding collaborative consumption company overseas is not as complicated as a traditional business because there are many factors to support an expansion. These companies require lesser funding comparing to traditional companies as it acts as an intermediary to match demand and supply, holds no inventory, and operate on an online platform. Therefore, there are many startup businesses in this concept, including BABYHOPPERS, whose business model is based on collaborative consumption.

Collaborative consumption is usually carried out on an online platform instead of physical location, where the platform act as an information gateway that enhances efficiency of an economy by connecting supply and demand. In other words, platform business serves as a marketplace for indirect network externalities. Therefore, a platform is necessary for a company that intends to operate upon collaborative consumption concept. Unfortunately, works of literature on platform management is insufficient, while most of the platform-related study focuses on identifying definition and explaining the characteristic of two-sided platform and platform competition rather than analyzing business management perspective of creating and managing platform.

Many authors have attempted to analyze and develop frameworks regarding digital platform for a peer-to-peer market, and develop a particular business model framework for platform business by conceptualizing business management perspective to digital product and service in order to find a relationship between them. However, with different variables possessed in each category of platform business, the framework that is universally accepted remains unrealized. Nevertheless, many studies highlight challenges that are related to successful development and platform business management that it refers to the decision on product positioning, technical architecture, value network, and financial decision. Most importantly, platform business managers must understand

the dynamic of information technology innovation and capable of finding a relationship between both business management perspective and information technology perspective.

1.2 Research objectives

1. To analyze distinct characteristics of peer-to-peer concept, as well as to study business model of peer-to-peer platform business.
2. To analyze peer-to-peer platform businesses e.g. Blablacar, Airbnb, Uber, Etsy, eBay by applying Osterwalder's framework in order to explore a suitable business model for BABYHOPPERS business.
3. To identify challenges and to recommend strategic guidelines for the long-term development of BABYHOPPERS.

The first objective is met by studying literature reviews on a definition of sharing economy and its drivers for a true understanding of its contributing factors to its emergence and unique characteristics that differentiate such concept from traditional business. Moreover, a business perspective of collaborative consumption is analyzed and explored using Osterwalder's E-business model framework.

The second objective is achieved by collecting secondary data from online sources and analyzed by using the adaptive framework developed from a literature review.

The third objective is accomplished by concluding positive and negative outcomes of peer-to-peer business cases, then formulate best practice in building and operating peer-to-peer platform business following Osterwalder's E-business framework, and further identify challenges and recommended solutions for long-term management of the company.

1.3 Research methodology

The business cases analysis chapter is conducted by analyzing successful peer-to-peer business companies. Companies are chosen base on their operational uniqueness in an industry from their pioneering stage until they become the industry leader. Business cases are analyzed under the framework of Osterwalder's e-Business

model. Also, it is to explore and gather important commonalities that can adapt to BABYHOPPERS strategy formulation.

On peer-to-peer business cases analysis part, the research uses secondary data, from multiple sources. Data are gathered from company's reports, consultant's reports, business articles, news, conferences, and published interviews with trustworthy publishers to ensure the validity of collected data. For BABYHOPPERS, its information of activities is gathered by the researcher's direct experience working with the company, and through an interview with the company's founder, customers, and partners.



CHAPTER II

LITERATURE REVIEW

This chapter is an overview of relevant interested areas among works of literature by gives an introduction on a definition of "sharing economy" and its characteristic, as well as accelerators of its success. Also, study on a business aspect of sharing economy and discover a suitable framework for peer-to-peer platform business. Furthermore, a theory is chosen and adapted to further use as a frame of business cases analysis.

2.1 Sharing Economy

Sharing economy also known as "shareconomy", collaborative consumption, peer company in which most academic refer to a hybrid model of peer-to-peer exchange. Such transactions are often facilitated via community-based online services (Hamari, 2016). Sharing economy concept has been studied by many researchers in the recent year. Also, researchers have their term of calling this idea, for example, Boston & Rogers (2012) use "collaborative consumption" or Lamberton & Rose (2012) use "consumer sharing system" or with what economist called "the coincidence of wants". The definition is given differently among researchers to formalize this emerging phenomenon.

According to Botsman & Rogers (2012), sharing economy is a "socio-economic" model based on the shared usage. In other words, social use is an essential element to encourage sharing economy. The idea of sharing economy is to enable individual to share goods with others who are not close circle such as family or relatives (Belk, 2014). Therefore, people started to create or join the community to discuss and exchange goods that all will benefit from such act. The needs lead to activities like swapping, renting, sharing instead of buying a new one. Sharing economy encourages an access to product and service, rather than ownership. Therefore, people will have temporary access to a product without holding any ownership over it. The area of an offering is widely cover everyday needs such as space, transportation, finance, product, service, and much more.

(See Collaborative Economy Honeycomb (Owyang, 2016)). The concept of exchanging is basically to utilize the unused resource or to maximize the use out of it.

Drivers of sharing economy

1. Technological driver

Evolution of technology especially communication technology has entirely changed marketplace as internet usage has dramatically increased until it is being called "digital era" (Denning, 2014). Therefore, business has to change accordingly to be able to capture its customer due to the change in consumer behavior. Due to an evolution of digital communication, sharing economy is enhanced by various technological drivers.

Firstly, social network such as Facebook, Twitter, Instagram, Youtube has nurtured sharing behavior. People are more familiar with sharing habit that sharing goes beyond a close circle of family and relatives, but unknown individuals who share similar interest until the act of sharing has become a common practice in social networks (Garbarino & Strahilevitz, 2004). Online users are willing to sacrifice personal privacy to connect and gain mutual trust with others.

Secondly, entering Internet 2.0 has changed the way of using the internet. The new digital age has enabled an online user to be content generator instead of being just a receiver of broadcast information. Therefore, it can be assumed that internet 2.0 allows a user to build a relationship in the form of peer-to-peer network. Additionally, the development of online stores such as iTunes, eBay, and Amazon encourages the online user habits of immaterial culture and online consumption (Botsman & Rogers, 2012). These exchanges start online for free or on a voluntary basis and then move to more professional operation between peer-to-peer networks (Lahti & Selosmaa, 2013).

Thirdly, improved digital infrastructure has facilitated searching and sharing process to be more efficient and convenient. New systems such as online payment, navigation system GPS, and mobile devices are critical tools contributing to the development of sharing economy (Botsman & Rogers, 2012).

2. Economic driver

Provider and user can benefit from sharing economy in a way that provider will utilize their possessing resource that probably rarely use and make money out of it by having collaborative online platform provide the mechanism to manage marketing-

related tasks. Therefore, this is considered as an additional income that supports their living. For example, according to Airbnb, an average American host renting space on Airbnb receives \$440 of profit or in some cases it goes up to \$1,900 per month. People are increasingly considering sharing economy as a new source of income and started to join the platform. Other reasons explaining the increasing use of sharing economy is the price.

The direct connection between provider and user enables sharing economy to set a competitive price. This direct connection eliminates the margin costs for the middle man or a supply chain markup (Denning, 2014). Apart from the economic incentive, platform operators are leading actors to encourage sharing economy. The primary role of operators and platform owners, in this structure, is to behave as facilitators or controllers to build trust between buyers and sellers as well as secure the transactions (Botsman & Rogers, 2012). The mediation activities notwithstanding, collaborative consumption customers have greater access to: an improved product at a lower price, simplified transaction processing and time and effort savings (Denning, 2014).

3. Social driver

According to Smolka & Hienerth (2014), sharing is a primary motive of a human being. The researcher explains that the idea of sharing did not recently happen but is rooted in our society for so long as they observe people sharing books in the library or sharing movie video in movie rental store, likewise sharing economy on an online platform developed from a similar basis of sharing. Researchers consider sharing as a voluntary motive to diffuse resources to the community (Botsman, 2014). Moreover, sharing economy provides a sustainable solution for customer environmental concern as well. In this new society, the product life cycle becomes shorter, and the amount of waste is on the increase (Botsman & Rogers, 2012). A customer's needs are changing over time, which makes firms intensely compete to win over customer by keeping innovating and continually launching a new product to market. Sharing economy became a choice of consumption that satisfies users because sometimes people just want to watch the movie, that they will watch only one time, not owning a movie CD.

2.2 Sub-Market of Collaborative Consumption

2.2.1 Redistribution markets

It is a system where a pre-owned or used product is redistributed to others via an online platform. Redistribution can happen with or without charging money. Therefore, it can be given away for free, or exchanged for something else.

2.2.2 Product service system (PSS)

PSS defines as a marketable set of goods and services that are capable of jointly fulfilling customers' needs in an economical and sustainable manner" (Reim, Parida & Ortqvist, 2014)

It emphasizes the effectiveness of reuse product and identifies that this PSS concept is invented to satisfy changed customers' need, as it provides a service through the reuse of goods. PSS focus on the utility of product rather than its physical structure.

The market is free and open for exchange of product and service to transfer state of idleness to productivity. Various reasons encourage people to rent instead of buy. Many times that product bought are underused, such as mechanic, or sometimes product bought can be used for a short period, such as baby equipment, or some products are required great entrance purchasing, such as solar system. Moreover, putting it on rent can also mitigate the one-time value of product bought as well. Another reason that people prefer renting rather than buying is the after-sale service that needed in some product, which can derive more cost regarding repair, insurance, maintenance, and upgrade.

2.2.3 Collaborative lifestyles

It is another sharing system that the concept emphasizes a sharing of both tangible and intangible products and services. On other words, anything from product and service to space and money can be shared in collaborative lifestyles system. It is this part of sharing economy that it is going to explore in this paper.

In conclusion, sharing economy is an idea of exchanging product and services that people have several incentives to involve in this idea such as economic, social, and technological. Sharing economy can be considered as a positive-sum as demand and

supply match at an optimum level where both parties satisfied. However, sharing economy is impossible if not facilitated by an intermediary especially an online platform. Many companies recognize an opportunity in this industry by creating a platform for such exchange. However, peer-to-peer platform business is now competing in a red ocean as numbers of platform provider are increased enormously. Therefore, a company needs to understand a nature of sharing economy then relate with business aspect to further formulate value added.

2.3 E-Commerce Business Model

Commerce refers to any exchange of product and service between individual, group, business entity this can be seen as one of an essential activity in doing every business, likewise e-commerce business. However, instead of exchange product and service in person, e-commerce conducts an online exchange through an electronic system. A business model of e-commerce is almost similar to traditional business model, but there is some characteristic that needs to consider different and use that as an advantage of operating such business.

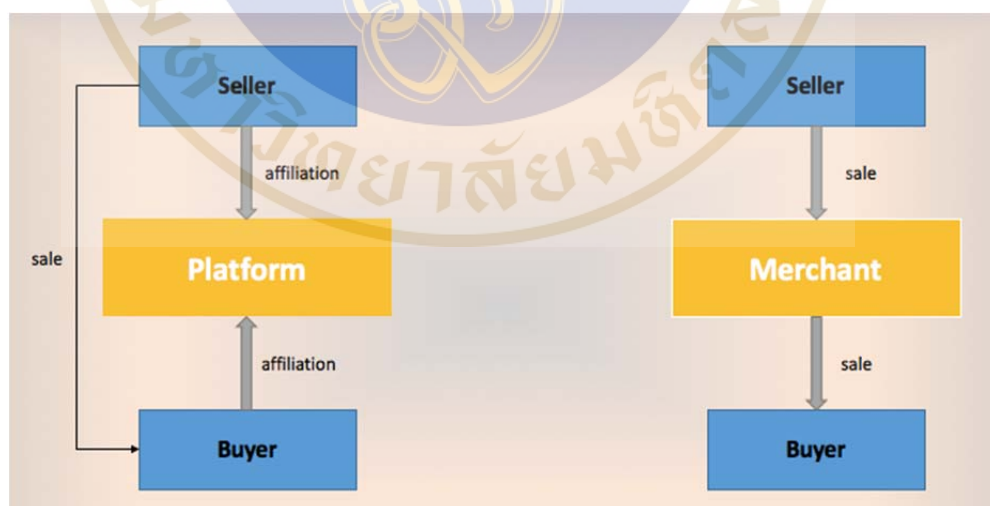


Figure 2.1 Different between two-sided platform and merchant

E-commerce business model ontology: The objective of this section is to review e-business model ontology proposed by Osterwalder (2004) to define the e-business model concept, by study through essential characteristic, and discover the relations between each character.

According to Osterwalder (2004), he highlights a fundamental element of E-business strategy that firms must consider when doing E-business strategy to operate its business in the internet era successfully. E-business model introduced by Osterwalder and Pigneur consists of four elements, which are product innovation, infrastructure management, customer relationship and financial aspects as shown in Figure 2.2.

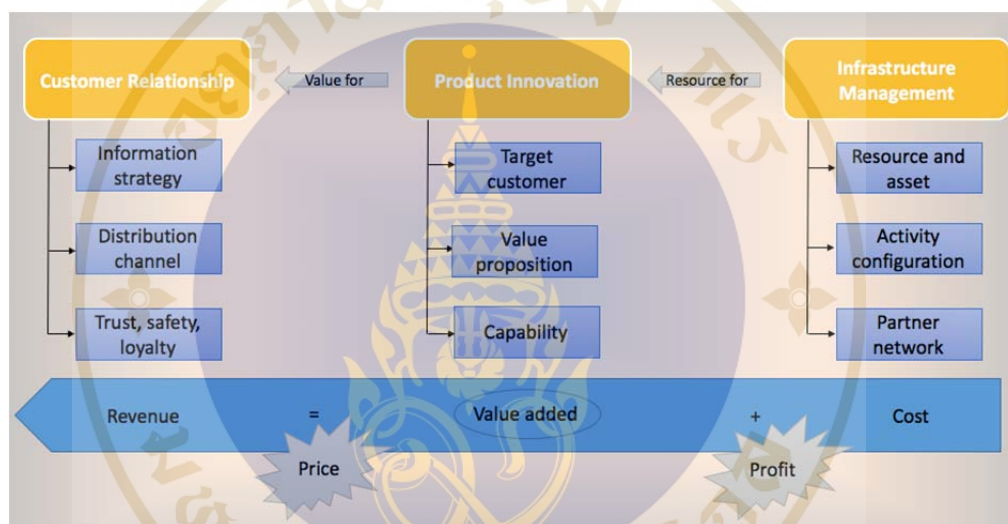


Figure 2.2 E-Business model framework

Source: Osterwalder (2004)

1. The products and services which a firm offers, representing a substantial value to the customers, and for which they are willing to pay.
2. The infrastructure and the network of partners that is necessary in order to create value and to maintain a good customer relationship.
3. The relationship capital the firm creates and maintains with the customers, in order to satisfy them and to generate sustainable revenues.
4. The financial aspects, which are transversal and can be found throughout the three former components, such as cost and revenue structures.

Four elements will further decompose and elaborate in details in following part of this chapter.

2.3.1 Product innovation

This element is mainly focused on a product-related aspect of capabilities as well as highlight customer-related aspect of target customer segment and value proposition, so the firm knows the business scope and strategically explore its competitive advantage to compete with others.

1. Target customer: The firm will have to choose customer segment to define market scope in which the firm does and does not compete. Difference between traditional trade and online trade is that online firm can target worldwide customer regardless of their geographical location as an online business can overcome operation time different. However, this is as much of an opportunity as also a threat because barriers to market entry are lower and competition increases (Porter, 2001).

2. Value proposition: It refers to emphasized value that the firm is considered to develop from its capability to offer to a targeted customer. A new way of business operation through online platform has given the firm various opportunity to create value. According to Osterwalder, he divides value proposition of e-business into three trajectories of differentiation from competitors. Firstly, innovation through new, complementary or customized offering. Information and communication technology allows the firm to easily manage customer unique order by the customer, himself, be able to place order according to his preference in immediate time and place. Therefore, firms can tailor every single customer's need even completely digitize their product through mass customization (Piller et al., 2000). Secondly, it is possible to provide a lower price than the competitor. E-business requires a lower amount of financial investment and lower operational cost compared to traditional business as it has a different operational infrastructure. Therefore, it can offer the product to customer at lower price. Thirdly, a premium customer service level and customer relationship excellence can be achieved.

3. Capabilities: The firm must be assured that it possesses an ability to deliver purposed value to customer. Several authors describe how value and competencies or capabilities are interconnected (Bagchi et al., 2000; Wallin, 2000). Capabilities can

be understood as repeatable patterns of action in the use of assets to create, produce, and/or offer products and services to a market (Wallin, 2000).

2.3.2 Infrastructure Management

Infrastructure management describes the value system configuration (Gordijn et al., 2000) that it is necessary to deliver the value proposition.

1. **Activity Configuration:** The firm needs to create value added to its product at a price that customer is willing to pay. The value is considered as an outcome of inside and outside activities and processes. To define the value creation process in a business model, the value chain framework (Porter et al., 1985) can be used to visualize overall activities. For E-Business framework, such activities are realized such as Supply Chain Management (SCM), Efficient Customer Response (ECR), or e-procurement. Most activities tend to be online that makes e-business different from traditional business.

2. **Partner Network:** Business activity is distributed among partners for the firm to mainly focus on its core competency. Literature defines this activity as "stable inter-organizational tie", the tie can be in many forms such as strategic alliance, joint venture, long-term buyer-supplier partnerships, and other ties (Gulati et al., 2000). The partnership allows firms to focus on its core competency and outsource non-core competency to expertise. In e-business, most of the online firm chose to outsource many traditional business practices, for example, outsource inventory management function to reduce inventory management cost.

3. **Resource and Asset:** Grant (Grant, 1995) distinguish resource into tangible and intangible. The tangible resource includes production plant, buildings, equipment, and so forth. Meanwhile, online businesses possess minor of tangible resource but rely more on intangible resources such as website design, patent, reputation, brand, and trade secret.

2.3.3 Customer Relationship

Information and communication technology enable the firm to better develop and maintain customer relations as follows;

1. **Information Strategy:** Data collecting, data mining, and business intelligence are essential technology enabling firms to gather customer information as well as buying

behavior. Therefore, a firm should analyze information to understand more about their customer and further develop business. Information strategy is necessary for serving personalized relationship with a customer. Customer profiles allow rule-based one-to-one personalization or collaborative filtering, which give the customer the feeling of having been taken seriously as an individual (Osterwalder, 2004).

2. **Distribution Channel:** The firm must decide the best channel to reach targeted customer. The purpose of a channel strategy is to make the right quantities of the right product or service available at the right place, at the right time to the right people. (Pitt, 1999). Direct selling on a firm's website could lead to increase in margin, however selling through third party internet mediator could be an opportunity to expand market also.

3. **Trust, safety, and loyalty:** Having trust and loyalty in e-business operation is important. There are a certain number of mechanisms to build trust in E-Business environments, for example, virtual communities (Hagel et al., 1997), performance history, mediation services or insurance in case of harm, third party verification and authorization, and a clear and explicit privacy policy (Friedman, 2000; Dimitrakos, 2001). Also, customer loyalty is evidence of customer satisfaction on a product that they will repurchase. The firm has to create positive relationship dynamics (Hamel, 2000). Emotional as well as transactional elements play a major role in the interaction between firm and customer.

2.3.4 Financial Aspect

1. **Revenue model:** The element that measures how the firm transfer value to a customer and in return become a source of income. The revenue model is diverse according to its business as they have different pricing model.

2. **Cost structure:** Element measure production cost of the firm from creating until it reached and delivered value to a customer. The price tag is set for all resources, activities, assets, partner network relationship, and exchange the cost of company money

3. **Profit model:** This element is simply the outcome of differences between revenue and cost. Profit is the best tangible result of e-business model ontology whereas product innovation and customer relationship maximize revenue while effective infrastructure management minimizes cost. Therefore, optimal profit can be reached.

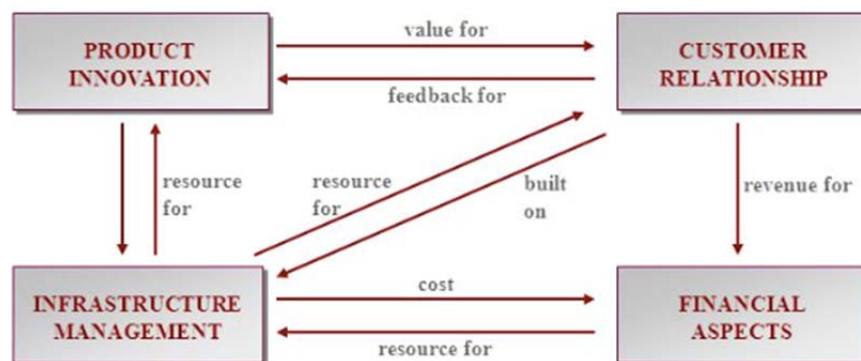


Figure 2.3 Relationship of factors in Osterwalder's e-business model framework

In conclusion, Osterwalder's e-business model framework consists of four essential elements; product innovation, infrastructure management, customer relationship, and financial aspect. These elements help company's manager in strategy-making by taking all relevant factors into consideration. Company could use this Osterwalder's e-business model as a guideline to differentiate itself from other players. In next chapter, cases business will be analyzed using Osterwalder's e-business framework as a guideline to understand their success factors.

CHAPTER III

PEER-TO-PEER (P2P) PLATFORM BUSINESS ANALYSIS

This chapter presents how Osterwalder's e-business model framework, as discussed in the previous chapter, can be adapted and implemented with existing peer-to-peer platform business. Successful peer-to-peer platform businesses such as Airbnb, Uber, Etsy, eBay, Blablacar are analyzed according to the framework. Summarize of decent strategy and bad strategy are made at the end of this chapter that it shall be used to analyze the business model for the company, BABYHOPPERS.

The Internet is a powerful marketplace that acts as a medium to match buyers and sellers. These days, many companies have tried to maximize the use of internet and created marketplace where products and services are offered on the digital platform. eBay is one of the pioneers in this peer-to-peer platform industry as they introduce online trading between an individual seller to an individual buyer through auction. After eBay's successful in 1995, it has enabled peer-to-peer platform business in several categories. According to "Collaborative Economy Honeycomb version 3.0, it divides peer-to-peer platform business into 16 categories. However, in this section, a researcher is going to study some of the company that globally success and widely known by analyzing them using Osterwalder's business model canvas.

Company	Operating field	Founded	Total equity funding
Ebay	E-commerce Selling platform	September 1, 1995	\$63 millions (fund raised)
Airbnb	Hospitality Accommodation rental platform	August 1, 2008	\$3.4 billions
Uber	Service Car sharing platform	March 1, 2009	\$8.81 billions
Etsy	E-commerce Craft selling platform	April 1, 2015	\$1.78 billions
Blablacar	Service Ride sharing platform	2006	\$333.48 millions

Figure 3.1 Basic information on case companies

3.1 Product Innovation

3.1.1 Target customer

Similar to the traditional company, peer-to-peer platform business also has to clarify its target customer. However, due to the special characteristic of online business, it enables the company to target wider group regardless of geographic concern. Targeted customer of peer-to-peer platform company always refers to two sides of customer, the seller and the buyer. On the seller side, for example, Airbnb encourage people who have spare rooms or spaces in their house to become a host and make extra income out of their possessed properties by temporarily renting space to other. These people are not a licensed professional landlord but ordinary people; regardless of their age, gender, or profession, but ordinary people who have place for temporarily renting. Another example is Uber, the company has targeted anybody who has driving license to join taxi service. Hence, to become a seller with these peer-to-peer platform companies is considerably easier with less application process that only takes hours or few days to register.

Peer-to-peer platform company usually will not limit its target buyer on age, gender, or profession but rather target wider range regardless of mentioned element. For example, Blablacar is available to anyone who wants to travel from one destination to another. On the other word, its target people who intend to travel regardless of their age,

gender, or nationality, which means all are allowed to use the service. Also, Trip Advisor allows anyone who shares same interest on a certain topic to share their idea freely.

3.1.2 Value proposition

According to Osterwalder, he divides potential value proposition that peer-to-peer platform business possesses over the traditional business, which is an ability to customize offers, ability to provide a lower price and premium customer service. Many peer-to-peer platform companies quickly recognize these unique value and adapt to its value in different style. Uber uses a concept of "on-demand" nature of transportation service by promise that you will be served whenever you need as Uber application on mobile enables real-time request of service, which makes them unique compared to national taxi service. Also, Uber has split its product line to serve different preference of customer, for example, UberX aims to offer cheaper fare compare to traditional taxi and UberBlack offer luxury ride that cost a little bit higher than a public taxi but not as expensive as luxury car service. Value generate from Airbnb are a lower rental price per night that the guest may also get a chance to socialize with the host on shared interesting issues. Meanwhile, both the host and the visitor have 24/7 call-center available when needed. At Airbnb, the host also receives value through various services that Airbnb offer such as free professional photographer service, rental schedule management, and a full package of payment process.

3.1.3 Capabilities

The peer-to-peer company deploys several techniques to utilize its resource. For example, Airbnb uses its capability in technology to "growth hacking" to grow its listing and number of booking by integrated its posting with Craigslist, popular advertisement marketplace, to accelerate traffic from existing platform. Meanwhile, Uber leverage its capability in technology to develop easy-to-use yet safe and accurate mobile application. Moreover, Uber possess an ability to overcome strict regulation of taxi industry and gain legal status of Uber taxi. Etsy, a platform for an individual to sell handicrafts and hand-made goods, use its ability in web design to make its website easy-to-use with beautiful and orderly organized web page. It is necessary that peer-to-peer platform

business must possess information technology expertise at a certain level to be able to create an effective platform.

3.2 Infrastructure Management

3.2.1 Activities Configuration

The main and most important activities for a company that wants to operate in peer-to-peer platform business is to focus on growing the seller side, which followed by naturally growing on the buyer side. Therefore, companies are going to, first of all, create an effective platform to attract the seller. Every business has their concept and style of creating platform according to their product and service offer. For example, on Airbnb, there are hundreds of listed space available for rent. However, Airbnb has a built-in search engine to crucially match preference of the visitors to the available host. The search engine has played critical role in facilitating the visitor by offer list of available space that suitable for their preference; location, number of people, number of night, room type, and facilities. Apart from reading set of information on a platform, many academics realize that people usually prefer to communicate with a real person instead of reading the information given online. Therefore, companies have adopted social connection between seller and buyer is enhanced on a platform. For example, Airbnb has on-platform communication that the host and the visitor can converse privately. Also, Uber has tried to concentrate all conversation between driver and passenger through Uber application, however, sometimes offline communication is faster and more convenient. Hence, Uber allows passenger and driver to contact each other directly through a phone call.

Money transaction is another main responsibility of peer-to-peer concept company. As there are many financial transaction service corporates in the market, an online transaction is much less complicated. However, it is a business responsibility to partner with major financial transaction service corporates (VISA, American Express, Mastercard, Paypal) to facilitate transaction activity. In a case of multinational platform company, the platform will facilitate different currency payment by automatically calculate chosen currency and finalize total amount in particular currency. Also, money collection

date is important. Some of the company like Etsy, eBay, and Snap Goods takes the money right away or couple days after the purchase activity has done. Meanwhile, the company like Airbnb takes the money within twenty-four hours after check-in rather than when reservation is made to avoid complication of return money when cancellation is made by the visitor or decline by the host.

Apart from an internal operation, peer-to-peer platform company requires consistency marketing activities. Many pieces of research have discovered that both offline and online marketing is equally effective method to reach a critical mass that company should not narrow-sighted by only select one method. Usually, peer-to-peer platform companies rather neglect offline marketing as it requires high budget and the outcome is still questionable. For Airbnb, it took advantage of having journalists, bloggers, business people who attended Democratic National Convention in 2008 in Denver by persuaded them to spread the word of their experience from using Airbnb product and service. Soon after, Airbnb got talked about by CNN since then the brand name become known nationwide. Likewise, Blablacar usually joins the local events to promote the brand awareness.

3.2.2 Partner network

A partnership is relevance for growing company by outsourcing some of the business function that company is less specialized to focus on its core-competency. Most of the large enterprises rely on its third partner on customer service, especially call center function. At the beginning of a business, Airbnb's owner did not see the importance of having call-center but assumed that only online respond is sufficient. However, as business grow and expand, they realize that people feel more comfortable speaking on the phone as it gives a real-time respond. Therefore, call center becomes relevant in serving customer. In this regard, almost all of peer-to-peer platform companies nowadays outsource call center customer service by intention to increase customer satisfaction.

Besides customer service, a technology-related element is necessary for platform business. Technology is changing so fast and require an enormous amount of money to invest in each project, which also time-consuming to be able to launch in the market. Thus, many companies have decided to partner rather than invent features

themselves. For example, Uber rely on Google to integrate its service with Google Map. Meanwhile, Etsy partnered with computer science companies to use their service of platform developer, data analysis, and e-commerce activities on the platform.

3.2.3 Resource and asset

Because peer-to-peer platform company is considered as an online business that does not possess any production assets like the traditional business, the company consider human as the most valuable asset that indicates company growth. Most of the top executives usually include top talent in computer science, marketing, industrial designer, finance, and much more that complimented to encourage business to grow so fast and more efficiently.

Lately, as the technological activity is stable and requires only a little development over time, the focus has shifted from technological activities to customer services. Jessica Semaan, Airbnb's international operations manager, stated that the customer service and experience function comprises of teams that solve four big customer related issues: resolving problems between hosts and visitors, dealing with payments and tax and government issues, host success management, and a team that ensures high quality in the marketplace, especially from a host' perspective.

3.3 Customer Relationship

3.3.1 Information strategy

Data is the source of business development that digital business has advantage over the traditional business in a way that customer does every activity online, thanks to an advance data collection technology that enables every activity to be traceable and collectible. For example, Airbnb is a data-driven company, which tries to store as much information as possible from customer platform engagement. The company has identified and gathered three main customer service activities offered to analyze information further and improve business; which is contact per transaction, frequently asked question, and cost per tickets (how much does it cost the company to solve a ticket). Besides basic information input from the visitor, the platform has listing quality section that review

rating, click-through, booking rate, a number of verification the host has done. Also, it has recorded on ease of booking, which displays speed and frequency of responding to the visitor in both responding to any inquiry, request, and even cancellation rate. Also, Etsy considers data analysis as a crucial role. Therefore, Etsy hires many data analysts to work through statistics to improve site engagement and improve some element on the web page. Etsy created "Etsy's taste test" to take user through a set of quiz before recommending a product they probably like.

3.3.2 Distribution channel

Peer-to-peer concept companies connect with customer via various channel to ensure its convenience use and make sure it can serve customer well. It usually operates through its main website portal (www.airbnb.com, www.ebay.com), on a mobile application, most major social network platforms (Facebook, Twitter, Instagram, Pinterest, Youtube), 24/7 customer service on online and on call. Peer-to-peer platform company also recognize a power of word-of-mouth; therefore, the company regularly launch ads campaign that not intended only to sell the product but communicate the community value. Airbnb's CMO, Jonathan Mildenhall, said, "as a community-driven company, we do not want to just talk about our product, but instead put our community front and center of any campaign (Libert, n.d.)

Also, Airbnb has involved in many projects of travel guide company like Lonely Planet and TripAdvisor to complement each other in delivering product value to a customer. Word-of-mouth seemed to be successful with 3millions pages indexed in Google ("4 Digital Marketing Strategies: An Airbnb Case Study", 2014)

Airbnb has selected its ads display to be entirely online for example banner advertising on Google, Youtube, and Facebook. Online advertising via major website enables Airbnb to reach international traffic and increase their listing.

3.3.3 Trust, safety, and loyalty

Money transaction requires trust, and it requires more than trust when doing online transaction. Trust can derive from up-front inspection, from reputation, and from external enforcement (Einav, 2016). The peer-to-peer market also relies on these three factors; however, it requires a higher degree of these factors since purchasing

does not happen in person but online. First of all, because buyer and seller are stranger to each other, user's profile picture, reference, contact number or email are highly required. Airbnb and Etsy allow the seller to create short self-description to introduce themselves to potential buyer. Jin & Kato (2007) raised a problem of "misrepresentation" by explaining that seller usually overstate the quality of product so that relatively made buyer to be skeptical, especially when there are few pictures posted by seller. Therefore, to generate trust, the company must set a regulation of joining the platform. For example, Amazon and Uber have quality standard to let only qualified people accede to the platform. At the same time, Airbnb offers the host to certified picture of their listing place with Airbnb, to ensure the accuracy of picture.

For safety issue, apart from accurate and reliable money transaction that company must provide, safety guarantee is highly preferred by both seller and buyer. Ebay provide "buyer guarantee" by offer return policy when product delivered is not the same as advertised. Airbnb also offers a "Host Guarantee" program, in which hosts can receive up to \$1million for damages created by guests. On the guest side, they are protected by Airbnb's Guest Refund Policy, in which guests can make a claim to request support and a refund in case the host cancels the reservation shortly before check-in time or fails to offer the space booked or the property is misrepresented or not as described.

Another mechanism used is "reputation and feedback mechanism". Uber uses customer review to rate the quality of driver and eliminate problematic driver. Instead of using only buyer (the visitor) review, Airbnb recognizes that it is not accurate enough as people might self-conceited, therefore two-side review mechanism is used on Airbnb platform to provide fairness to both sides of customer.

To maintain customer loyalty, Etsy builds a strong community where people are not accessing the platform for only trading but converse with each other. Moreover, the platform must continuously develop under customer behavior to be the easiest to use the platform.

3.4 Financial aspect

Pricing strategy must be carefully looked into because sometimes people have no idea how much to set the price of their goods. Therefore, it is another responsibility of the company to assist the seller. Ebay invented proxy bidding, and it was phenomenal. The auction is appealing because it allows the price to respond market condition. However, auction is not suitable for all peer-to-peer market. Airbnb, Etsy, and Amazon allow seller to adjust its price in a real-time manner, or some seller decided to install auto algorithms on their product.

Main revenue of peer-to-peer platform company is a service fee charged on the value of each transaction. For Airbnb, company's revenue is from platform and service fee charge to both sides; the host is charged 3 percent per listing and the visitor are charged 6 to 12 percent. Airbnb's commission percentage is considerably low because the company wants to encourage more user to join the platform. However, platform fee is not refundable after the transaction has been made to secure its revenue and easier for financial management. Airbnb uses on-site communication to ensure that both the host and the visitor make a transaction through the company.

The cost of a company divided into to two main activities. Firstly, a company spends money on maintaining and developing the platform such as keep developing new features. Secondly, money has been spending on customer support and marketing. Because Airbnb is customer centric, the company has many salespeople to implement effective customer support functions. Even though the name become known worldwide, Airbnb constantly allocates their money on marketing campaigns.

3.5 Platform business analysis summary

3.5.1 Product innovation

All selected case company tend not to limit its target customer to one specific group but target a wider range of user. Nevertheless, people who involve in this peer-to-peer industry are required sufficient knowledge of the internet and related technology such as online communication, mobile application, emailing, and online transaction. Nowadays, peer-to-peer platform companies recognize the fact that many people interested

in their product but found that it is hard to use due to their inexperience with technology. Therefore, to minimize technology difficulty, company generate platform that is user-friendly with least complication design as possible.

Peer-to-peer platform business divides its customer into two sides, seller side (or supply side) and buyer side. However, company tends to invest more on supply side by believing that buyer will naturally come after that they notice their preferred product on platform.

The value proposition of peer-to-peer platform business like Airbnb and Uber is to utilize idle resource or unused capacity to make customer live better than an "the experience group". Meanwhile, there is another type of peer-to-peer platform business such as Etsy and eBay that intended to match two or more parties that share common interest or passion, which is called "the passion group". Therefore, the company needs to understand its nature of business then determine value proposition and identify the main activities that will do to fulfill each value proposition.

3.5.2 Infrastructure Management

Most of the platform company start a business with smaller scale in their early day because most of them offer product and service that is very new to market. Therefore, to be safe, they usually start with certain geographical area then expand when market is ready and the company fully equipped with necessary function.

Most companies use website portal as its main channel of distribution while additionally use smartphone application version to facilitate transaction on-the-go. However, it is different on platform for on-demand service like Uber that every activity takes place on smartphone application. Moreover, all communication usually designs to held on platform especially email address and telephone number of both seller and buyer side to prevent a problem of bypassing the platform by privately contact word-of-mouth.

Transaction service is vital part that it should be made easy to use and safe to use. Therefore, the company should partner with existing transaction service provider like VISA, Mastercard, Paypal, Alipay, American Express.

3.5.3 Customer relationship

Data collection includes both website and application performance metric and user behavior on platform. Data from customer engagement is essential for business management as data can be used to analyze current situation of business and better understand its customer.

Trust and safety are the most important issue on platform that needs to seriously taken into consideration. The most activity that will derived customer's trust is transaction safeness. Another mechanism that increases customer's trust is a peer rating and both side review system. Both methods are considered as one of the most efficient methods to use for quality control and rule violation from each party. Moreover, 27/7 call-center is also necessary for platform business, which customer would feel comfortable when they know that someone always supports.

Word-of-mouth is the biggest customer adoption channel for platform business. Platform company should maintain this dynamic and try to accelerate it. Most companies create official account on leading social network such as Facebook, Twitter, and Instagram to continuously create brand engagement and promote its business at the same time. However, offline channel is another way to promote its business that it might be able to reach smaller audience at a time but it necessary to have brand visibility to customer and potential customer.

3.5.4 Financial aspect

Due to the nature of peer-to-peer platform business, revenue is from transaction fee which is a percentage charge on each transaction value. Most the decided to charge only on buyer side of customer, however, it is also possible to charge on both side same as Airbnb does. However, it is hard for company to earn a sum of money at a time because there are many variables to be concern as well as each transaction charge is not more than 10% in most platform company. Therefore, peer-to-peer platform business is relying on frequency of transaction, on other word company gain more when numbers of transaction are being made.

CHAPTER IV

STRATEGY FOR BABYHOPPERS

4.1 Company Overview

BABYHOPPERS is a brand new peer-to-peer market platform business. It is following the sharing economy model and is specialized in baby equipment rental. The company founded by a mother of two, Karina Silva, in 2017. Karina is base in Toulouse. She has many experiences in marketing and management; however, a full-time job does not suit her anymore since her first baby girl was born. After having a baby, she has experienced parent life that it is so hard to travel with baby equipment. Therefore, the idea of BABYHOPPERS was initiated.

The platform allows families with babies and toddlers to travel more, easier and lighter by renting all the baby equipment they need on-site. On the other hand, BABYHOPPERS allows families owning baby equipment to rent it when they do not need it, and so gain space at home and extra money. BABYHOPPERS act as an intermediary to match demand and supply but does not responsible for delivery of rented product for both parties. The final goal of the platform is to create a community of parents and families who like to travel. The idea of "sharing", both objects and experiences, is the main focus of BABYHOPPERS.

BABYHOPPERS is a brand new company that has recently launched in the market for less than six months. In this chapter, BABAYHOPPERS current strategy will be analyzed as well as adapt lessons learned from cases analysis in previous chapter to formulate effective strategy in the complete picture by using Osterwalder's E-business model to be a guideline for the company's long-term growth in the industry. At the end of this chapter, suggestion will be provided for BABYHOPPERS's manager to improve their operation further.

4.2 BABYHOPPERS's e-business model analysis

4.2.1 Product innovation

1. Target customer

BABYHOPPERS is considered as having two main targets: families traveling with kids (the user) as a demand side customer and families owning baby equipment who does not use them all the time (the owner) as a supply side customer.

Thus, while defining the strategy, this particularity has to be kept in mind not to forget any of the types of people targeted by the concept. Indeed, they are interdependent and, to be able to be efficient; the platform needs both: people who own items and offer them for rent and people who need to rent equipment. The area is a key element as well, as BABYHOPPERS hopes to cover numerous locations to become the only source of baby equipment rentals for families. The whole point is to be able to find the item they are looking for at the right price that available at the right time and the right place.

To start with, BABYHOPPERS was planning to specifically target three markets: France, Mexico and the United-States of America, as the company's founder is familiar with, to make sure the three targeted countries presented enough potential. Market research have conducted and it appears that even if France, Mexico and the USA presented some differences, they were both attractive markets to launch BABYHOPPERS. However, due to technical issues, BABYHOPPERS had to switch markets. Indeed, the platform used by BABYHOPPERS is limited and fixed on some aspects and especially the currency.

The administrator cannot choose more than one currency to appear on the platform. Hence, only one currency can be used for transactions regardless of where the customers are from. From the marketing researches and questions asked to personal network, it resulted that people did not feel comfortable not having the choice of currency. Thus, targeting the US and Mexico did not seem to be suitable, as they use US dollars and Mexican pesos. Customers would have meet difficulties in identifying the brand and could have felt uncomfortable to post items for rent or to pay in a currency which is not theirs.

As a result, BABYHOPPERS had to rethink the strategy until a decision is made to mainly focus on the French market, plus enlarge to European countries as they use a common currency.

Therefore, target customer of BABYHOPPERS is a parent who have children age from 0 to 6 years old who intended to travel. Nevertheless, the owner or supply side customer can be anyone who is living in France or nearby country in Europe and possess baby equipment that aims to lend out for a certain amount of money in exchange. For demand side customer, BABYHOPPERS especially target traveling parents who have difficulties of carrying baby equipment around when taking a vacation for certain period. According to the market research, targeted customer in France market is big enough for the company to grow and capture value.

2. Value proposition

The value proposition BABYHOPPERS brings to customer is twofold. On the owner side, BABYHOPPERS are convincing the owner to put their baby equipment on rental and make money from it instead of throw it away when particular equipment is no longer fit their children. BABYHOPPERS provides tools and simple procedure that the owner can easily list their baby equipment and get paid.

On the user side, apart from renting needed baby equipment at a cheaper price than buying, the user will be providing convenience not carrying many luggage when travel but pick up at agreed destination. Moreover, the user also can converse with the owner, which is usually local parents who know best about the city, to gain information about the city and how to travel with kids in that town.

Moreover, another value proposition of BABYHOPPERS is building traveling parent community. The community is to be a source of traveling with a baby that parents are allowed to share experience and discuss through the company's social media channels.

3. Capabilities

BABYHOPPERS delivered its value proposition to customers through a digital platform by having website platform as the main channel to connect the owner and the user. However, since the company is very brand new in the market, the first priority would be increasing brand awareness. Hence, due to a limited budget, the company adopts digital marketing method to spread the brand name. BABYHOPPERS has created engaging and influential travel-with-kid community, at the same time be

able to promote the platform and its service. BABYHOPPERS attempts to generate interesting content about traveling-with-kid on the leading social media such as Word Press Blog, Facebook, and Instagram. Also, use these social media as a place to discuss and exchange ideas.

Moreover, the company should launch a mobile application to offers capability of instant connection between the user and the owner as they have to contact each other when picking up rented equipment. Therefore, BABYHOPPERS recognized that it is inconvenient to communicate on the computer while on remote area. The messaging feature on application allows communication to happen in real-time.

4.2.2 Infrastructure management

1. Activities configuration

At the beginning of the business, BABYHOPPERS attempts to develop a platform as close to customer preference as possible. Therefore, the company should use interviewing method to understand customer's needs as well as identify special features on the platform to respond to these requirements. From the insight interview of a potential customer, especially parents, the company has realized that there are parents who do not good at using technology; hence the platform should be as simple as possible. On BABYHOPPERS's website, it has product category on the left side, so the user will always relate to that. Moreover, it uses simple to understand wording, sea and sand, snow time!, meal time!, sleeping time! For instance, to also create a relaxing atmosphere on the platform. Meanwhile, a search engine is on the top of the website page that people can directly search for a product they are looking for.

Another factor determine decision to rent is the photo of listing product. BABYHOPPERS ideally wants every listing to be a real picture taken on renting product not a picture from internet. However, people have different photography skill, which their listing might be ignored when picture is not clear. In this regard, BABYHOPPERS have tried to educate people on their photography skill by give an instruction to take a picture and provide sample picture too. However, BABYHOPPERS needs to improve on-site communication as people would have question regarding product intended to rent. Therefore, on-site communication should be developed for real-time communication between the owner and the user.

Apart from platform development, the main challenge of BABYHOPPERS is to raise brand awareness as the brand name is known to small group of people. BABYHOPPERS needs to create a marketing campaign to increase brand awareness, which mostly implements through online channel rather than offline channel. The company uses Wordpress, Facebook, Instagram, Twitter as its main channel of marketing communication. Blog on Wordpress is mainly used for "community-building" aspect of the business, which the company decided to create three categories hence three types of articles: activities, tips, and destinations. The goal is to create useful content and become kind of a reference regarding "travels with babies and toddlers." By creating that type of content, the company wants to convey a message of a friendly and very human brand that is close to its audience, which is also a way to build a brand image and attract new potential customers. On other social media platform, they are used to communicate community-building aspect by relating its content with BABYHOPPERS blog on WordPress. Moreover, it uses advertising features on Facebook to promote its product and service to wide range of targeted customers with much lesser cost compared to traditional method.

The transaction is considered the relevant part of peer-to-peer platform business as people can easily cancel a service if transaction part is complicated or untrusted. Therefore, the transaction on BABYHOPPERS's platform is facilitated on the platform; however, it is currently transacting through Paypal only. In this case, BABYHOPPERS has to be charged by Paypal for each transaction, which means it divides a profit that the company supposes to receive from its customer. However, Paypal does not support BABYHOPPERS business much as its require BABYHOPPERS customer to pay through Paypal business account only. Hence, to be more efficient, BABYHOPPERS needs to consider partnering with online payment processing company such as WooCommerce, Paymill, and Stripe. Payment processing company is a better choice than partner with payment service providers like VISA and MasterCard because it makes a robust process of payment that it prevents the needs of a customer holding a specific merchant account. On other words, all cards are accepted regardless of its type. Moreover, partnering with payment processing company would solve currency problem that occurs at the beginning of the business and obstruct the organic growth of the business. In this regard, it does

not only make transaction process convenient and fast but also creates trust throughout the process.

2. Partner network

On marketing aspect, BABYHOPPERS is partnering with Café-Poussettes, kid-friendly coffee shop, to target and attract a large number of potential customers. Café-Poussette is a quite recent concept of kid-friendly coffee shops where families can come and enjoy a moment altogether, playing and reading the books available and where parents can discuss with other parents, while their children are playing or their babies sleeping.

As Café-Poussettes have especially been created for parents and toddlers, they represent a source of customers for BABYHOPPERS. Café-Poussettes and, by extension, their clients, would be ambassadors of the concept and the brand of BABYHOPPERS. Thus, that will help us to promote the brand and connect with customers.

Another partner for BABYHOPPERS is existing social media influencers to raise brand awareness. Regarding Airbnb's growth hacking strategy on Craigslist, BABYHOPPERS employ similar practice but in less aggressive way. BABYHOPPERS connected with social media influencers, who is a parent living in Europe and currently have content on their page about traveling with kids. It will shorten time to market and be able to reach target customer faster.

For various part of noncore-competency operations, BABYHOPPERS should consider outsourcing to third-party companies. For example, for platform and blog development. GPS feature is another essential tool on the BABYHOPPERS platform. Therefore, BABYHOPPERS is advised to partner with Google Map, which is considered as the most accurate digital map and compatible with all electronic communication devices. In this regard, people can relate to specifying location on Google Map when decided to rent.

3. Resource and asset

BABYHOPPERS main resource is the technology platform, with well-defined processes and easy-to-use makes it more accessible to everybody regardless of technological proficiency. As BABYHOPPERS is a small company with a low budget, it cooperates with a university student who specializes in computer science, data science, and graphic design to create and develop the platform.

4.2.3 Customer relationship

1. Information strategy

Currently, the company does not collect any data, which is necessary for business development. Data must be analyzed to understand its customer behavior on-site that it can be used to improve the business; for example, preferred product, a popular type of product, on-site behavior, or even effectiveness of advertising. BABYHOPPERS is suggested to use business intelligent (BI) software solution to performs data analytic from registered user to understand more on user behavior and platform engagement. Also, to analyze potential customer from current user's information such as geographical location, which can be used to consider business expansion and marketing budget allocation in accordance.

2. Distribution channels

BABYHOPPERS employ a broad range of online medium to connect with customer. It created a social media official account that the company plan to revolving around three main platforms; WordPress, Facebook and Instagram and two others; Pinterest and Twitter. The company went for a consistent frequency of publication to appear very dynamic yet not annoy followers. To attract followers, the company formulate a strategy of content-wise. BABYHOPPERS chose to post fun, useful topics with recurrent themes and series. Apart from content generation on various social media channel, BABYHOPPERS also worked on Search Engine Optimization (SEO) by proposed a list of keywords for the website and the blog by intention to appear on the first page of Google search engine. Besides social media and SEO, newsletters have scheduled to send to registered customer and perspective customer via email. The company uses online source to promote and connect with a customer because it is cheaper and able to reach people internationally. However, BABYHOPPER aims that these social media channel would reach a wide range of potential customer that it will derive word-of-mouth phenomena. Word-of-mouth seems to be one of the most efficient methods to attract new customer and increase brand engagement.

3. Trust, safety, and loyalty

Similar to other peer-to-peer platform company, BABYHOPPERS have a review system that encourages people to leave comments and feedback for the product they rented. However, it does not review on a product only but review the owner of the

product. To ensure user's trust, BABYHOPPERS platform provides a section that the owner will briefly describe personal information, also describe product information especially dimension of the product is highly required. Clear information helps the user in choosing a product and does not hesitate to order from BABYHOPPERS.

Money transaction on the website still needs to improve as it is currently partner with Paypal, which Paypal require all transaction to be made under Paypal business account. In this regard, it is inconvenient that most of the customer does not even know Paypal. Therefore, due to the fact the company is small and have insufficient capability to partner with all major transaction service provider like VISA and MasterCard, BABYHOPPERS should partner with online payment processing company. These company usually charge a transaction fee at a similar rate with Paypal. Therefore, stable money transaction process will ensure transaction safety, which also ensures customer's trust.

4.2.4 Financial aspects

BABYHOPPERS revenue comes from the transaction on the platform. The company takes 5 percent fee from each transaction. However, currently, the company use PayPal as its main service provider for the transaction that PayPal will charge 2 percent of each transaction as their service fee. Therefore, BABYHOPPERS is having financial difficulties that they have a limited budget on marketing that is, in fact, one of the most significant operations of a new business. However, thanks to advance technology that facilitate various channel to promote business with lower price compared to traditional advertising such as TV commercial and billboard. BABYHOPPERS chose to advertise its business on Facebook and Google ads. Meanwhile, the company also practice offline marketing by co-operating with a community and offer a voucher. This type of advertising cost less money that BABYHOPPERS can afford.

However, platform design remains the most vital aspect of peer-to-peer platform business as it needs to be made attractive and trustworthy. Therefore, BABYHOPPERS is suggested to invest more on platform design especially on transaction part. Moreover, BABYHOOPERS would have stable growth in this industry if the company understand dynamic of its business by analyzing data collected from platform engagement.

4.3 Main competitors

To differentiate itself from other similar company, BABYHOPPERS is required to understand other brand's strength and weakness to determine own advantages over other. The following lists are companies that are considered competitor of BABYHOPPERS.

1. Maman Lou: The platform operates in France and gathers peer-to-peer sale and rental offers. Baby equipment, but also toys, books, clothes, and so on are proposed. They are also working with professionals, always with the system of "offers" that are posted on the platform. Professionals are offering several services, both for babies, mummies, and home, such as body painting, parental coaching, baby showers, and so forth.

2. Allovoisins: On this platform, everyone can offer or ask for all kind of equipment, including baby equipment. Customer chooses a location, and then neighbors will answer a request if they own what are looking for. Here, the community aspect is provided in the sense that users are willing to help. On the one hand, the persons who rent are contacting the persons looking for the equipment if they can match the demand. On the contrary, the persons looking for something can contact a neighbor if it seems that the equipment he is offering match his/her need.

3. Little Travels: On this platform, there are various types of equipment to rent, including baby equipment. The platform can be consulted in three different languages: French, German and English. Offers are available in various countries: Switzerland, Belgium, Brazil. However, the choice is very limited.

4. Place de la loc: The main advantages of this platform are that payment is made once the owner accepts the booking and insurance is included (20% commission for the platform – the insurance includes "Accidental material damages", but not theft).

5. Zilok: On this platform, the user can rent everything, in France, Netherlands, Belgium, England and the USA. It is both open to companies and individuals. Thus, it operates both in business to consumer and peer-to-peer. However, there is no "community aspect" at all. It could be considered as "leboncoin.fr" but dedicated to renting (and not sale).

6. **Bébé Partage:** The platform is devoted to baby equipment. Both the access to the platforms and rentals are free so that it could be compared to "Couchsurfing". It is only available in France. It seems that they were willing to emphasize a strong community aspect but they failed. Indeed, there are few messages on the forum, few subscribers and many areas with no offer at all. The "News" part is a good idea but is unfortunately not very attractive (both design and contents: there are many articles from other websites, and the customer has to connect on the other website to read everything, which is not very convenient and discredits the platform).

7. **Kangapp:** The platform is not user-friendly. Customer must register first to be able to access certain functionality, which is annoying. The customer may be wondering if the platform is safe.

In conclusion, even though there is various peer-to-peer platform that offers similar product and service as BABYHOPPERS, however, none of those exactly offers same product and service saying different target customer, different product offers, and some of it is no longer active on the platform. Therefore, BABYHOPPERS is considered one of the first player in offering baby equipment rental for traveling parents on a peer-to-peer platform.

CHAPTER V

RECOMMENDATIONS

5.1 Recommended strategy for BABYHOPPERS

After analyze and recommend an overall strategy for BABYHOPPERS, this section is going to recommend specific practice for BABYHOPPERS that it can be used to improve product and service.

Budget-wise marketing strategy: BABYHOPPERS does not have lots of budget for a marketing campaign; therefore, it has to think of a campaign that requires not much spending.

5.1.1 Develop partnership with relevant business

Create partnerships with the Café-Poussettes or kid-friendly cafe is the first campaign that BABYHOPPERS started. However, BABYHOPPERS have an attractive offer to each café in order to encourage them to promote BABYHOPPERS. For instance, on the one hand, BABYHOPPERS could provide a credit to spend on the platform to customers joining the platform because they heard about it in the Café-Poussette. On the contrary, BABYHOPPERS could offer to promote Café-Poussettes by write an article about them on the blog and share it on BABYHOPPERS's social medias. As most Café-Poussettes are small entrepreneurs, they are most likely to partner with BABYHOPPERS and get "free" advertisement.

Regarding the partnerships with Café-Poussettes, BABYHOPPERS are recommended to go directly meet the ones. As they are small to medium organizations, they are welcoming new ideas and are looking for some visibility at a low price. Thus, they will probably be interested in the idea of creating a partnership with BABYHOPPERS. Meeting them in person can also help creating a trusting relationship.

As mentioned above, to promote BABYHOPPERS' platform through Café-Poussettes, it would be great to have a promotional offer for customers joining the platform saying gives a 5euro credit to the people joining the platform because a Café-Poussettes

recommended it. They would have to ask for a code at the Café-Poussettes meeting and enter it while they register on the platform.

Apart from a partnership with Café-Poussettes, to raise interest and awareness, BABYHOPPERS would recommend to send a press release to baby and family related magazines and local media. Here, the objective would be to contribute building the brand image. To encourage these media to write and talk about BABYHOPPERS, by recommending to insist on the "start-up" aspect, the innovation the platform brings onto the market and the benefits users could get.

Moreover, partner with related peer-to-peer platforms is another option. For example, BABYHOPPERS might partner with Airbnb or Blablacar to appear on its website by offering baby equipment for those parent traveler who might need.

5.1.2 Optimize search engine and social media sharing

The online platform could gain an advantage on search engine traffic by generating company's SEO for a higher potential to be found by people who use a search engine like Google. BABYHOPPERS can also promote its business through social media to spread the word digitally as, according to many pieces of research, word-of-mouth seems to be a powerful tool that requires the least budget. The company should perform content development such as relevant articles, images, and video that would attract new visitors. Performing A/B testing on a Facebook page help to see what works best for the company. For instance, try to boost a post with a particular target and a budget for a duration of seven days. After only three days the post showed engagement that can be used to analyze further for next post boost.

5.1.3 Credibility

Trust is essential for a peer-to-peer market for generating and facilitating the transaction. There are many mechanisms used to ensure credibility includes review systems (Botsman & Rogers, 2012), profile identification (Krishnan, Smith, & Telang, 2003), third party as a controller (Guttentag, 2013), or reciprocation (Botsman & Rogers, 2012). However, these mechanism is more complicated than imagined.

Regarding review system, feedback from both buyer and seller is publicly open to all people. Therefore, this system is quite fair for both sides of users. Feedback

can be anything from a review of product and service to personal communication. High rate and positive feedbacks are useful in attracting more customer. However, many studies show that people review with bias. Regarding reliability issues, research has shown that 16% of reviews on Yelp.com, are fake (Malhotra & Van Alstyne, 2014). Provider and user have different perception on the product. Many times that provider reviews the product beyond its realistic quality. Hence, review section becomes a war zone between provider and user. Review system becomes worthless if they are not based on reality. Moreover, to encourage people to leave feedback, the company should send an email to express appreciation for using the service and encourage them to share experience by providing a direct URL link.

Profile identification is also another concern that sharing platform has to consider. The platform requires personal information to assess user's credibility such as a passport or ID number, phone number, and bank account number. With the intention to encourage people to join the platform, the company tends to simplify registration process as much as possible. Hence, it could be a problem when people register using fake information that it is beyond company's ability to trace accuracy of information. Nevertheless, the user allows to hold multiple profiles at the same time; therefore, this issue probably derived cheating or spamming act. Thus, a profile identification fails to generate trust when the company unable to manage and justify.

Another essential factor to generate credibility is reciprocation. The principle of reciprocation is that a user does something good for others in order to receive good things in return (Botsman & Rogers, 2012). However, what needs to be concern in this sharing system is quality and reliability of product. The control of peer-to-peer is unregulated, unlike the traditional business that all the goods have quality control throughout the process. Even though it is impossible for the peer-to-peer concept company to perform a quality check on every product listing, the company should act as an intermediary to hear any negative feedback from the user. In reality, a user who has negative experience would tend to call the company rather than people who have positive experience. Therefore, a company should have 24/7 call center to assist both sides of customer, especially to manage unsatisfied experience.

5.1.4 Safety standard

The company has to be concerned with a safety issue. The gap of responsibility in case of accident or problem remains questionable. Usually, peer-to-peer concept company will not be responsible for any accident or damage that may occur. However, some big company does implement safety insurance service to be its value added. For BABYHOPPERS, the company probably partner with an insurance company to offer insurance on the product that more than 100 euros. However, it should not abide by renting regulation but voluntarily choose by the user who intended to rent a product. Moreover, the company might want to consider deposit regulation to be a guarantee for the owner. For instance, a rent of more than 100 euros must be charge deposit of 5 percent.

5.1.5 Product pick up and return policy

BABYHOPPERS is not responsible for the delivery of product from the owner to the user and vice versa. However, the company needs to concern more on this issue as it is inconvenient for product pick up and return. However, delivery seems to require a huge investment that could not be possible in the near future. Therefore, providing an accurate location on Google Map appears to be suitable for this small business, which both the owner and the user will communicate themselves in the most appropriate place for pick up and return product. Another option for BABYHOPPERS provides choice of a suitable location like Amazon.com do. For example, the owner might require identifying a public venue that convenience for other to meet then the user will select a venue from the list such as an airport, a railway station, a department store, a park to receive product and return the product.

5.2 Business model conclusion

According to business cases analysis, many practices and recommendation can be extracted to benefit managers of BABYHOPPERS in formulating an own business plan. As strategy has been generated in the previous chapter, this chapter is going to conclude as well as suggest the best practice of peer-to-peer platform business.

In general, BABYHOPPERS's business idea is new and interesting to market. However, it requires more sophisticated business plan to grow further. At the beginning of the business, first of all, BABYHOPPERS should invest in product innovation and development, which is mainly "a platform". The company should perform deep market research to clarify market needs and underlining needs and wants of the targeted customer. Once needs and wants of both side customers are recognized, the company will be able to develop a platform with relevant technical features that be able to deliver the value proposition to the targeted customer. The manager should identify necessary technical features and include that into a platform from day one, for example, GPS features, internal communication system, review system, and efficient payment system.

Platform development is a fundamental practice of online business; nevertheless, there are also various activities that need to be employed throughout different phase of business. There is few critical practice that manager should take into consideration during an initial operation. Firstly, marketing campaign should focus more on supply-side customer or the owner rather than demand side customer or the user. Due to the nature of sharing economy, demand side customer will come naturally when there is supply. Therefore, attracting supply side customer is more important in an initial stage of business. Moreover, the company also requires to control the quality of product listing otherwise powerful word-of-mouth phenomena would damage a brand name. In this regard, the company should educate or train supply side customer with necessary tools to make their product listing efficient and more appealing to demand side customer.

Satisfaction of end customer is relevant for platform business and supply side customer. Hence, the company should keep improving a platform and its business to satisfy needs of customer as well as to perform better than competitors. To be able to improve business, the company should recognize a changing needs of customer by performing data collection and data analysis to understand user behaviors and modify platform's features accordingly. Moreover, the supply-side customer should be provided with easy-understanding statistic so that they can improve their listing to serve end customer better.

Another significant activity in operating platform business is building trust and safety. Platform trust and safety should be taken seriously in online business as people are suspicious of each other as they are a total stranger. Therefore, it is the company

responsibility to build trust between them. One way to provide safety is the platform should require both sides of customer to provide as much personal information as possible.

For financial aspect, new platform should be aware of the significant investment in developing and operating a platform, which mostly allocates in technology and marketing cost. Therefore, peer-to-peer platform relies on a number of listing and number of renting because its main revenue comes from percentage charge in each transaction fee.

From an analysis, BABYHOPPERS has potential to grow in this industry, but the company needs sophisticated business plan to equip managers with direction to perform an ongoing business operation.



CHAPTER VI

CONCLUSION

6.1 Conclusion

This paper aims at discovering best practice for startup peer-to-peer platform company, BABYHOPPERS. First of all, sharing economy concept are studied to truly understand its nature and distinctive characteristic that the company can exploit. However, sharing economy is a new phenomenon and research topic is scarce. Most of the research tends to explain on a characteristic of sharing economy phenomena with only a few literature address on business aspects, which is significant for business startup in this industry. Even though there are few business frameworks for sharing economy or peer-to-peer platform business, a researcher has figured out that e-business model canvas invented by Osterwalder, which was adjusted from a famous business model canvas invented in 2008, seems to be the most suitable framework. Therefore, Osterwalder's e-business model canvas is used as an analytical framework in this paper. The business model is a fundamental factor for the success of the business as it gives visual direction for managers to generate company's value through four elements; product innovation, infrastructure management, customer relationship, and financial aspect. Four elements are inter-related to each other that it is sufficient for the company to exploit its full potential.

Cases business are analyzed by using Osterwalder's e-business model as a framework to discover best practice for BABYHOPPERS. In this paper, best practices are discovered by investigating successful strategies and practices of incumbent peer-to-peer platform business. Research finding shows that growth, customer adoption, trust and safety are the main focus of all peer-to-peer platform businesses. These factors are supported and facilitated by technological advancement and effective data analysis method. Marketing is also important for early operation company. Word-of-mouth is a key customer adoption channel, which mostly derived from company's community development. Hence, community development is another practice that startup company should consider as it is used as a key to increase brand awareness, brand engagement, and retain customer as well.

Besides, peer-to-peer platform business should allocate resources in ensuring trust and safety for transactions carried out on the platform.

Every lesson learned from cases business have gathered to analyze and use to explore best practice. Moreover, four months working in BABYHOPPERS company gives a researcher a vision to be able to indicate problem and obstacle that needs to be improved. Hence, together with lessons learned from strategies and practices of cases business and current strategy of BABYHOPPERS derives a new business model for BABYHOPPERS.

6.2 Limitation of the study and suggestion for further research

As far as limitations are concerned, new business model formulated in this paper is best for an initial phase of business operation. There are many important practices, especially delivery of product and safety issue, that needs to be taking more attention. Managers are advised to consider more on solving a delivery issue as it is currently the biggest obstacle to business, which both the owner and the user rely on the company to have more accurate system. Safety issue also requires more precise written regulation to generate clear understanding as well as trust and safety in using the platform. Further research should also focus on best budget-wise marketing strategy as the company priority is to gain brand awareness. Moreover, the company seems lacking technology knowledge especially computer science, this paper has suggested many options to overcome this weakness.

Many suggestions have already mentioned in this paper; however, it is recommended for company's managers to keep monitoring implemented strategy, as a result, might not be as expected due to many variables evolve over time such as social trend, customer behavior, national regulations, competitors. Most of the peer-to-peer platform perform innovative and unique solutions to solve a common problem that sometimes it does not reveal similar outcome in a different type of business.

REFERENCES

- Bagchi, S., Tulske, B. (2000) e-business Models: Integrating Learning from Strategy Development Experiences and Empirical Research, *20th Annual International Conference of the Strategic Management Society*, Vancouver, October 15-18.
- Belk, R. (2014). You are what you can access: Sharing and collaborative consumption online. *Journal of Business Research*, 67(8), 1595–1600.
- Botsman, R. (2014). Sharing's not just for start-ups. *Harvard Business Review*, September, 2014.
- Botsman, R., & Rogers, R., (2011). What's Mine is Yours. *How Collaborative Consumption is Changing the Way we Live*.
- Denning, S. (2014). An economy of access is opening for business: five strategies for success. *Strategy & Leadership*, 42(4), 14–21.
- Dimtrakos, T. (2001) System Models, e-Risk and e-Trust, Towards the E-Society, *IFIP Conference on E- Commerce, E-Business and E-Government*, Dordrecht: Kluwer Academic Publishers Group.
- Einav, L., Farronato, C., & Levin, J. (2016) Peer-to-peer Markets. *The Annual Review of Economics*, September 20, 2016.
- Friedman, B., Kahn, P., Howe, D. (2000) Trust Online, *Comm. ACM*, 43 (12) pp. 34-40.
- Garbarino, E., & Strahilevitz, M. (2004). Gender differences in the perceived risk of buying online and the effects of receiving a site recommendation. *Journal of Business Research*, 57(7), 768–775.
- Gulati, R., Nohria, N., Zaheer, A. (2000). Strategic Networks, *Strategic Management Journal*, 21: pp. 203- 215.
- Guttentag, D. (2013). Airbnb: disruptive innovation and the rise of an informal tourism accommodation sector. *Current Issues in Tourism*, (September), 1–26.

- Hamel, J., Armstrong, A. (1997) *Net Gain - Expanding Markets through Virtual Communities*, Boston: Harvard Business School Press.
- Hamari, J., & Ukkonen, A. (2013). The Sharing Economy: Why People Participate in Collaborative Consumption. *SSRN Electronic Journal*, 1–19.
- Hamel, G. (2000), "Leading the evolution." Boston: Harvard Business School Press.
- Jin GZ, Kato A. 2007. Dividing online and offline: a case study. *Rev. Econ. Stud.* 74:981–1004
- Krishnan, R., Smith, M. D., & Telang, R. (2003). The economics of peer-to-peer networks.
- Lamberton, C. P., & Rose, R. L. (2012). When Is Ours Better Than Mine? A Framework for Understanding and Altering Participation in Commercial Sharing Systems. *Journal of Marketing*, 76(4), 109–125.
- Osterwalder, A. (2004), "The business model ontology – A proposition in a design science approach", Doctoral Dissertation, Universite de Lausanne.
- Osterwalder, A., & Pigneur Y. (2002), "An E-business Model Ontology for Modelling E-business", 15th Bled Electronic Commerce Conference, e-Reality: Constructing the Economy, July 17-19, 2002.
- Piller, F.T, Reichwald, R., Möslin, K. (2000). Information as a Critical Success Factor for Mass Customization or: why even a customized shoe not always fits, *ASAC-IFSAM 2000 Conference*, Montreal, July 8-11.
- Pitt, L., Berthon, P., Watson, R.T. (1999) Changing Channels: The Impact of the Internet on Distribution Strategy, *Business Horizons*, Volume 42, Issue 2, pp. 19-28
- Porter, M. (2001), "Strategy and the Internet", *Harvard Business Review*, 79 (3): pp.62-78.
- Porter, M., Millar, V. (1985) How Information Gives You Competitive Advantage. *Harvard Business Review*, 63 (4): pp. 149-160.
- Reim, W., Parida, V., & Örtqvist, D. (2014). Product–Service Systems (PSS) business models and tactics – a systematic literature review. *Journal of Cleaner Production*, 97(Special Volume: Why have 'Sustainable Product-Service Systems' not been widely implemented?), 61-75.

- Smolka, C., & Hienerth, C. (2014). The Best of Both Worlds: Conceptualizing Trade-offs between Openness and Closedness for Sharing Economy Models. *12th International Open and User Innovation Conference*.
- Wallin, J. (2000). *Operationalizing Competencies*. 5th Annual International Conference on Competence-Based Management, Helsinki, June 10-14.

