



CHALMERS
UNIVERSITY OF TECHNOLOGY

Service Innovation in Housing Companies

Interaction between digital services, coordination strategies, experiences & new business model ideas

Master's thesis in Design and Construction Project Management

ATHANASIA STAMATIOU
STYLIANI SISKOU

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ABSTRACT

The master thesis outlines the evolution of service design from its simple form, such as service quality and customers' satisfaction and experiences, to a more digitized form. The world is rapidly changing, with shared economy businesses conquering many aspects of everyday life and people's mindset around ownership swifiting, to the point where in the future home might not be a space anymore but rather a services package offered through a membership deal. Through the exploration of successful business models such as Airbnb and Uber that completely reformed the mentality of how services are delivered in a technology disruption era, and looking through trends like co-living and co-working, the authors identify patterns and strategies from these business models that could be translated in rental housing industry for future innovative solutions. This thesis aims to think out of the box and contribute to the development of services in housing companies by identifying new experiences and options, in such a way that they can be adapted by a housing company in the future.

Key words: Service design, Service innovation, Service management, Disruptive innovation, Digitization, Digitalization, Co-living, Co-working, Co-creation of services

Contents

| | |
|---|------------|
| ABSTRACT | I |
| ACKNOWLEDGEMENTS | VII |
| 1. Introduction | 1 |
| 1.1. Purpose | 2 |
| 1.2. Problem formulation and development of the Research Question | 2 |
| 1.3. Delimitation - Scope | 4 |
| 2. Method | 6 |
| 2.1. Research strategy..... | 6 |
| 2.2. Analogical reasoning | 7 |
| 2.3. Relation between theory and empirical data and the research settings | 7 |
| 2.4. Data collection description..... | 8 |
| 2.5. Validity and reliability of the information gained | 8 |
| 2.6. Ethics..... | 9 |
| 3. Theory | 10 |
| 3.1. Service Management..... | 10 |
| 3.1.1. Services and customer's experience | 10 |
| 3.1.2. Customer Satisfaction and service quality | 11 |
| 3.2. Service Design and Innovation | 11 |
| 3.2.1. Service design | 12 |
| 3.2.2. Service innovation process | 12 |
| 3.2.3. Service innovation readiness..... | 13 |
| 3.2.4. Unconscious barriers to service innovation adoption | 13 |
| 3.2.5. Diffusion of Innovation..... | 14 |
| 3.2.6. Innovation adaptation & performance | 14 |
| 3.3 Digitization and Digitalization | 15 |
| 4. Data collection | 18 |
| 4.1. Data collected from observation and participation..... | 18 |
| 4.2. Trends in housing industry services..... | 19 |
| 4.2.1. C.L.A. (Concept Living Advisory) Sweden AB..... | 21 |
| 4.2.2. Karlatornet Göteborg | 24 |
| 4.3. Service Innovation approaches..... | 24 |

| | |
|--|-----------|
| 4.3.1. Airbnb.com | 26 |
| 4.3.2. Uber..... | 30 |
| 4.3.3. Coworking spaces - unitedspaces.com | 31 |
| 5. Analysis and assessment | 35 |
| 5.1. <i>Service Management</i> | 35 |
| 5.2. <i>Service Design and Innovation</i> | 36 |
| 5.3. <i>Digitization and Digitalization</i> | 37 |
| 6. Conclusions and suggestions for the future | 40 |
| References | 42 |
| <i>Articles</i> | 42 |
| <i>Websites</i> | 46 |
| <i>Interview</i> | 49 |
| Appendix | 50 |

Figures

| | |
|---|----|
| Figure 3.1 : Chart inspired by Fleisch et al. (2015) | 15 |
| Figure 3.2: Traditional Business Model..... | 16 |
| Figure 3.3: Powershop Business Model..... | 17 |
| Figure 4.1: Rental Housing Business Model | 25 |
| Figure 4.2: Type A Business Model | 25 |
| Figure 4.3: Type B Business Model | 26 |
| Figure 4.4: Type C Business Model | 26 |
| Figure 4.5: Moving towards a new model inspired by Moriset (2013) | 32 |
| Figure 5.1: Translating the five layers of digitization to the cases of Airbnb and Uber, chart inspired by Fleisch et al. (2015)..... | 38 |

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Gothenburg, June 2018
Stamatiou A. & Siskou S.

1. Introduction

In the present day, more than one third of the Swedish population lives in rental housing and more than half of that live in municipality - owned rental houses managed by Swedish public housing companies. These are more than 300 companies existing virtually in all municipalities. The purpose of these companies is to steer the development of the region by providing secure and sustainable residential areas (SABO.com, 2018). They are also responsible for distributing rent-control apartments through a queue system, in which the person with the longest time in the queue is prioritized. After some time in the queue, someone will eventually get access to a house and a “first-hand” contract, that quite commonly lasts for a lifetime. The main idea behind this is that it provides everyone the opportunity of affordable housing options even if they can't buy their own (Bååth, 2017).

These companies, for the past few years, have been typically providing a variety of services like laundry rooms, heating, wifi etc. However, in order for a municipality-owned housing company like Familjebostäder, to ensure future well-being and competitiveness, new solutions/potential services should be investigated. Three possible solutions for future expansion are identified to this stage according to the representative from Familjebostäder. The first one is to develop the already existing services further and improve administration, translating to expanding databases and users' ability to assess information. Another way to go, is by providing smart housing services like facility management. Offering, for instance, the ability to control heating and lighting through the customer's phone. These two are the most common solutions adapted and invested in by companies. Finally, there is a third alternative, that revolves around developing entirely different services for the customers such as food ordering or car sharing.

That alternative could provide a strong competitive advantage for the company possibly leading to groundbreaking results. Potential research fields include what is already been done in the industry, interviews with customers that could provide their perspectives on what they would like to see in their future and looking for solutions on neighbouring industries that follow similar business models, such as renting different products or selling homes. After discussions with the company, an agreement was made that researching the industry could bring already tested solutions and alternatives that wouldn't give a clear cut advantage to them, while interviewing customers could bring up interesting ideas but their perspective is considered narrow, focused rather on the on the current situation and not future breakthrough ideas. Therefore, exploring examples of neighbouring industries was selected as a research field since it could give an alternative and fresh perspective to the housing industry.

The term neighbouring industries in this thesis is used to describe companies that follow a similar business models to a rental housing company, meaning that they have one common element in their model either in the form of the product (a home in this case) or the way they offer their product to their customers (rental). Their different way of doing business could urge

Familjebostäder to think out of the box and differentiate themselves from competition in order to be prepared for future challenges.

1.1. Purpose

The purpose of this thesis is to contribute to the development of services in housing companies by identifying new experiences and options, in such a way that they can be adapted by the company in the future. Additionally, the authors will make a quick overview of new business models following the current trends and successful paradigms. Although these solutions may not be something new for the neighboring industries, if adopted by a housing company, could lead to innovative services for the industry. In such a highly demanding and competitive market, looking through neighboring industries, Familjebostäder can be benefitted by developing their services and providing more innovative and sustainable solutions to their tenants.

1.2. Problem formulation and development of the Research Question

The financial crisis that struck Sweden in the early 90's led to a pause in the construction of new buildings which in turn resulted in a shortage of homes for rental (TheGuardian.com, 2015, Aug. 19). Moreover, the changes in the Swedish housing policy that followed the EU joining, altered the landscape in the industry, allowing housing companies to perform as typical businesses compared to their previous non-profit approach. Since construction costs in Sweden are considered to be quite high and rent-controlled apartments leave little room for profit, the number of investors in new buildings for rental homes has decreased significantly in the last few years (Holmqvist and Turner, 2014).

This caused huge problems in big cities like Stockholm, Gothenburg and Malmö, with Stockholm being considered by the Guinness Book of World Records as the city with the longest queue in the world to get a rent-control apartment (BBC.com, 2016, May 16). It is currently reported that it can take up to 20 or 30 years to get a first hand contract as half of the city is registered at the queue (TheGuardian.com, 2015, Aug. 19). Part of the responsibility for this situation is placed by many at the way the system is formulated which is accused of being "unsustainable". This stems from the fact that there is a disproportionate amount of houses built compared to the huge demand and a raise in the prices (TheLocal.se, 2018).

In order to deal with this situation, a few innovations have already emerged. For example, Snabba Hus, a removable type of housing for young people placed on properties either unused or under construction (SnabbaHus.nu, 2018). In the Swedish Union of Tenants (Hyresgästföreningen) it is mentioned that 8,600 young people between the age of 20 and 27

in Malmö and Lund are not able to leave their family homes because of the difficulty to get their own housing (TheLocal.se, 2018). Snabba Hus is designed based on the needs of young adults, with a reasonable rent and a standard quality that follows the environmental regulations. It is also advertised to have the same lifespan of a permanent structure, but a faster construction period and the ability to move from one property to another when needed with unused parking lots potentially hosting it as well (SnabbaHus.nu, 2018).

Another example is the Tech Farm, a series of co-living spaces for professionals developed in Stockholm. The Confederation of Swedish Enterprise (Svenskt Näringsliv) states that 61% of the Swedish companies face recruitment problems the past years, for which they blame the housing shortage for one third of the cases. Spotify went as far as to threaten the government that they will move their headquarters elsewhere unless changes in the policy are made. They even teamed up with other start-up employees in a protest outside the Swedish parliament (BBC.com, 2016, May 16). To tackle this, Tech Farm offers the possibility to entrepreneurs to live together under one roof in small private sleeping units combined with shared areas and digital services. Though its coliving framework, it aspires to *empower self-managed communities of global citizens to create safe harbours to live, work and grow* (TechFarm.life, 2018). Inspired by the sharing economy concept, Tech Farm claims that even by using 60% less space per citizen, a better life quality and well-being can be achieved. Ultimately, these innovations could result in creating a new trend in the housing industry disrupting the market.

Disruptive innovation is a popular trend in today's fast paced world. It is a concept originally depicted by Clayton Christensen, referring to the process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors (Christensen et al., 2015). Companies' race to anticipate their customer's needs can result in products and services that are disconnected to their actual wants, being too sophisticated, expensive and/or complicated. For the past few decades in order to make these products profitable companies used to raise their prices to high extends. Although that was a successful strategy, it also provided hesitantly the opportunity for "disruptive innovations" to emerge from the bottom of the market and challenge the already existing system. These innovations derive from the need to make the aforementioned products or services available to the vast majority, either by lowering their prices or their complexity.

The current rental housing market in Sweden does leave that space for disruption, with accessibility issues being credited as the biggest problem with the system. Big companies in the sector like Familjebostäder, recognize the situation, but they view it as a rather subtle problem according to their representative. The current Swedish law protects the market, making it extremely difficult to allow change. Loopholes however, or pressure for a new legislation by the unsatisfied population that struggles to find a place to live could potentially foster that change. After discussions with the company, it is understood that currently competition does not pose a threat but there is a fear of an unknown innovation that could emerge from the bottom and take them by complete surprise. The outdated use of IT in the

present state leaves a lot of room for innovation that could eventually lead to easy access in renting a home, potentially stealing a portion the company's customers.

As the representative of the company mentions, the current exploitation of space is highly problematic, resulting in a two dimensional problem that focuses on the insufficient use of both space and time. Moreover, the old-fashioned industry does not use their customers' value as much as they should, something that could motivate the customers with a personal drive to innovate, given that the balance between them and the industry is very unfair. As the system is unable to successfully juggle the larger amount of people that need a home, the lesser homes available and the long queues, change is bound to somehow happen. Understandably, as it is feared that the system will not hold for much longer, companies feel the need to explore new solutions and evolve in order to be part of this change and ensure their future existence.

Undoubtedly, there is not an urgent problem that could bear a threat to the company's existence. However, its old fashioned way of working, remoted accessibility and disconnection to the digital world are signs for change. After all, nearly all successful organisations need to develop gradually in order to keep up with today's fast paced world where technology advances rapidly, competitors rise quickly from the bottom of markets, environmental needs evolve and the economical and political landscape is radically changing (Tushman and O'Reilly III, 1996). Examples of neighboring industries, that have already dealt with similar issues (Uber VS Taxi companies, AirBnb VS Hotel industry) can help get a better understanding of the problem, and provide inspiration for innovative solutions.

Consequently, the Research Question (RQ) that will be addressed in this thesis concerns the future development of services in housing companies, by examining cases of service innovation, coordination strategies and experiences from neighboring industries. The term services is used to describe actions that an organisation performs in order to satisfy their customers. The thesis will analyse both types of services and ways they are provided to the customers (typically through some form of digital technologies like a digital platform or an app). As a result, the following RQ is set:

How can services in housing companies be developed based on the development of innovative services in other industries?

1.3. Delimitation - Scope

The scope of this study is limited to the neighboring industries to housing industry and not the clients nor the housing industry itself. As Familjebostäder is a housing company which strongly believes that innovation can come from an outside factor, they wanted to investigate neighboring industries as a more radical solution for innovation service design. For that reason, successful international business models (such as Airbnb and Uber) will be investigated but

only to explore the possible solutions they could contribute to the existing rental housing model in Sweden.

Moreover, the study is customer-oriented, focused on customer satisfaction rather than stakeholders, due to their significance for Familjebostäder. As Anderson et al. (1994) states, customer satisfaction influences directly the future profits of most organisations therefore swedish companies tend to place a large amount of importance on it, with Sweden being the first country to ever introduce the “*Customer Satisfaction Barometer (CSB), an index based on annual survey data from customers of about 100 leading companies in some 30 industries*”. The term customer in this study, is used to describe anyone who could potentially benefit from the services that Familjebostäder offers and bring revenues to the company, whether they also live in their apartments or not.

2. Method

On this chapter, the process that was used for analysing and studying the RQ is described. An explorative approach is chosen to create knowledge by exploring structured organisations and the way to achieve this is by gathering data and then applying analogical reasoning to explain it. As this paper's aim is to explore neighboring industries regarding the services they provide to their customers, how they deliver them and how they create and adopt innovative ideas to add value on their services, it was also critical to study papers and articles relevant to that sector. As neighboring industries, organizations such as car sharing, or hotel industry are considered, where it is interesting to investigate how innovations disruption can force companies to take radical actions.

The method used for this research is based on a combination of discussion with the management department of Familjebostäder and neighboring industries, observation and participation in regular meetings with Familjebostäder (conducted weekly and monthly), a project plan structured weekly and visual planning organized weekly and monthly by taking into consideration crucial milestones and deadlines.

This paper will also try to develop an analogy between housing and neighboring industries through study cases to present in a clearer way how service innovation can come from an outside factor and how ideas for service innovation are widely distributed around the value chain.

2.1. Research strategy

As mentioned earlier an explorative approach is chosen for the purpose of this paper, looking at qualitative data. By principal, qualitative research is an exploratory method and is widely used to provide a deeper understanding of different ideas and beliefs. According to DeFranzo (2011) this way of approach provides insights into the problem or helps to develop ideas. She also states that it is also a way to dive into the problem by presenting current tendencies (DeFranzo, 2011). Through this approach, the authors will explore the neighboring industries and interpret the data collected. To do so, the use of tools such as Chalmers library, Google Scholar and Google search engine was of great significance to withdraw information and collect the data used and help the authors to answer the research question. What is more, the focus of the research strategy was on exploration of neighboring industries and the use of case studies as examples (e.g. Uber VS Taxi companies, AirBnb VS Hotel industry etc.) through the method of analogical reasoning introduced earlier. Although case studies often cause confusion and disagreements whether they are appropriate as a method of data collection or not, they are broadly acceptable and used by many researchers as an in-depth explanation method because of they allow the exploration and understanding of complex issues (Zainal, 2007).

2.2. Analogical reasoning

Since there isn't an extensive research on service innovation for the housing market yet, knowledge and experiences from other industries need to be used for more thorough results, in the form of analogical reasoning. Analogy is an alternative way to draw conclusions. In contrast to deduction, induction and abduction, that lead to general conclusions, in an analogy, the conclusions are drawn from one specific to another. More precisely, through the analogy, information is being transferred from one specific (called the source) to another (called the target), that share similar abilities or are related to each other (Clement, 1994). Analogical reasoning has been very popular amongst philosophers, political scientists, theologians and lawyers. In the past few years it is considered to be the core of cognitive psychology.

Likewise, in today's world of design and innovation, design-by-analogy or analogical design is considered to be a quite strong tool for developing ideas (Linsey et al., 2007). Analogical design is described in Goel (1997) as the act that involves reminding and transfer of elements of a solution for one design problem to the solution for another design problem. In this case, digital services of one neighboring industry will be explored to see if they could possibly fit the rental housing industry.

2.3. Relation between theory and empirical data and the research settings

Limitations are an important part of the scope definition as they form the basis of the results in this thesis. Only neighboring industries were considered as relevant for the data collection and not existing business models in services and experiences within the housing industry nor surveys through Familjebostäder's clientele. Thus, the authors attempt to provide a more focused angle in innovative solution in services though the data collected. Due to this scope, the thesis will not attempt to provide generalised conclusions for all the areas of housing industry but only for the rental. Therefore, results may lack of important aspects such as the housing industry itself and the way service design and innovation is understood.

Although the terminology of "Neighboring industries" is defined and explained in other chapters, it is crucial to mention that it is not scientifically proven that these industries are directly related to housing industry, but their core of service management remains the same. Therefore, assumptions were made and concluded through personal reasoning and interpretation.

After all the data were collected, they were assessed to ensure that all the information given, were analysed in a critical way (see Chapter 5) and compared with the theories introduced in Chapter 3.

2.4. Data collection description

Like in every thesis, it is important to collect the data needed and are relevant to the subject analyzed. For this paper, the authors had different sources for collecting their data, which provided the analysis a more broaden perspective and made it more possible to draw conclusions.

The majority of the information collected were papers and articles for the theoretical support of the thesis, which were afterwards analysed in a critical way and observation and participation with regular meetings with the representative of Familjebostäder who provided the information needed regarding the company, their function model and their service design. To withdraw more solid conclusions, it was important to research on current trends in housing industry and to interview the founder and CEO of Concept Living Advisory AB Sweden, whose start up concept, is a representative example of today's trends in housing industry. Another good example worthy to mention is Karlatornet, which is currently on construction process and will provide to its residents hotel facilities and other services, which for the Swedish housing market is a service innovation due to the existing service design model provided by the city owned real estate companies and their traditional way of function. Last but not least, case studies are presented in order to give to the reader a better understanding of how analogical reasoning works and how it can be translated from the neighboring industries business model to rental housing industry in Sweden.

2.5. Validity and reliability of the information gained

According to Finch (1993) and also supported by Mason (2002), qualitative methods promote a high degree of trust among research subjects, which in turn gives to the authors a special responsibility to ensure that trust is not abused by renegeing on commitments, acting deceitfully, or producing explanations that may damage the interests of those subjects. To ensure the trustworthiness and validity of information gained, it is vital to present the data collected unaltered without the interpretation of the answers. The majority of the information collected from Familjebostäder for the services they provide to their customers, were a result from open discussion with company's representative and research through Familjebostäder's website, as well as regular meetings, to make sure that the data presented below are accurate. In addition, the papers and articles used as references, were selected due to their valid scientific sources and as recent as possible to ensure that their context is up to date and relevant to this exploration. Last but not least, the analogical reasoning used as a part of methodology, has proven to be a very reliable and accurate way of drawing conclusions (Bartha, 2013).

2.6. Ethics

It is very common in such a project work, ethical issues associated with the research strategy and data collection may occur. A qualitative approach should be handled with a moral way and not cause any harm to the parties involved. Most of the times this is easier said than done because of a spectrum of interests and opinions. Therefore, few factors need to be taken into consideration to prevent such issues which can provide an unbiased presentation of the information gained in theory and practice (Mason, 2002).

All the parties involved, were informed from the starting point that the purpose of this thesis is academic and it will be published. Thus, they were asked and they approved to communicate their names but the authors will keep anonymity for ethical issues. For this reason, from this point and after, they will be referred as representatives of the companies they work for. In every stage, they were given the right not to answer questions if they desired and they were also asked for their permission to be recorded (in the case of the interviewee).

It is also important to mention that the summary of the data collected from the parties involved (observation and participation to meetings, interview) were presented without changing interviewees words. Last, that data collected were chosen according to the topic and in alignment with the thesis' purpose.

3. Theory

On this chapter, the theories used for this thesis are presented. The purpose of the theories used here, is to explain the terms used and provide the reader a deeper understanding of this thesis. Therefore, with the use of theoretical background information, the reader can understand easier the structure of this paper and interpret the findings followed by the data collection process. This section will also help on the development of possible improvements or solutions for the future.

3.1. Service Management

Everyone has a notion of what service could be. As a service, it is understood an action or effort that an individual or an organization, public or private, offers to a potential customer to meet their expectations and needs or to carry out a request (BusinessDictionary.com, 2018). Although it is a complicated process because it is not just a physical thing someone can buy, it is difficult to evaluate. For that reason, customers describe as services with the terms of experiences, trust and/or feelings. Therefore, it is important for a company to know and evaluate what customers really want, in order to develop their service management policies and find which services add value to their customers (Grönroos, 1988a).

Although through the years service management has been developed and evolved in many ways and there is no clear definition of what service management is, the main concept remains the same; *Service management is to make the organizations function so that this utility or quality is achieved and the objectives of the parties involved (organization, customers, other parties, society etc.) are met* (Grönroos, 1990, p. 117). Grönroos who focused his work mostly on quality of services, gives also some more dimension. Service management is a) *To understand the utility customers receive by consuming or using the offerings of the organization and how services alone or together with physical goods or other kinds of tangibles contribute to this utility, that is, to understand how total quality is perceived in customer relationships, and how it changes over time; b) To understand how the organization (personnel, technology and physical resources, systems and customers) will be able to produce and deliver this utility or quality; and c) to understand how the organization should be developed and managed so that the intended utility or quality is achieved* (Grönroos, 1990, p. 117 and Grönroos, 1988b).

3.1.1. Services and customer's experience

By the term *service*, it is understood as the concept of *how* and *what* a service design could be, and creates a relationship between customer needs and an organization's goal (Goldstein et al., 2002). Customer's satisfaction and trust is directly connected by services provided by an

organization and the experiences gained by these services. “*An experience occurs when a customer has any sensation or acquires knowledge from some level of interaction with the elements of a context created by a service provider*”. The formulation of experience-centric services is described by the term *experience*. However, the experience of a service is something difficult to measure and control due to its different interpretation and interactions developed by the customers (Zomerdijk and Voss, 2010).

The quality of services and an organization’s management, play a crucial role on customers’ satisfaction and how they experience the services; customer satisfaction is the most important factor that can influence directly management policies (Hui and Zheng, 2010).

3.1.2. Customer Satisfaction and service quality

The concept of service quality gained more interest in the 1980s which gave to Grönroos a motivation for further research. His approach is what customers perceive as service quality, which is based on customers behaviors and their expectations on the services they get. He also notes that to some extent, service quality should be considered in the same sense by organizations as their customers do, so they can avoid wrong decision-making. An organization should take into consideration the two dimensions of quality if they want to achieve better communication channels with their customers; dimensions of *what* customers receive as a service (the result of a service as a technical aspect) and *how* they receive it, how they interact with the service and how they experience it (the functional aspect of quality) (Grönroos, 1988a).

Summing up, customers nowadays are well-informed about the market and the services they use, they expect to be of a high quality. The factor of high quality on services, is directly connected with their satisfaction as customers and their evaluation of an organization efficiency due to the services they deliver to them. Hence, customer satisfaction determines an organization’s competitive advantage in today’s market very often. “Prioritization of preferences and close evaluation of customer satisfaction have become essential to companies”. However, it is important to mention on that point, that customer satisfaction is also regulated by effective communication and management of expectations and not only by technical performance (Hui and Zheng, 2010).

3.2. Service Design and Innovation

Services has become the major driving force within the contemporary economy and this has raised debate on strategic issues such as service productivity, innovation and trade. The

question that arises in if we create innovation through services development and how Service design can contribute to the definition of innovation model and approach. The concept of service design was initially came into existence in the 90s due to the lack of autonomous design contrary to the current economic state in services and the constant need for something more. As innovation, it is considered “doing something new”. However, the measurement of service innovation is not always feasible as new models and methods should also be developed (Maffei et al., 2005).

3.2.1. Service design

Service design is called the process that can have an impact on innovation processes, in business market, technology development etc. Someone could claim that is a term both analytical and explorative due to its variety of dimensions. The main concept behind service design is the possibility to reframe a problem and change or find a solution to it at the same time (Holmlid, 2007).

3.2.2. Service innovation process

This section describes how services are innovated, which in practice is, the process of developing new services. To do so, two views are presented, where the service innovation process as structured and systematic comes into contradiction with the service innovation process as less formalized and emergent. The structured view describes service innovation process as a process where “service is treated as a kind of good with embedded value providing the customers with little or no part to play in value creation and service innovation”. On the other hand, the second view of the service innovation process comes as a more practical aspect due to its low level of complexity. This view refers to day-to-day problems and suggests the development of easy and fast problem solving such as “do-it-yourself” solutions.

Each one of these two views seem to miss something that can be found on the other one. Although the first view of the service innovation process is structured and systematic and is mostly managerial focused, it lacks on providing information on micro level of how service innovation occurs, while on the other hand, the second view of the less formalised one, managerial involvement is absent but provides a better understanding of service innovation appearance. Nevertheless, service innovation either by creating something new or developing something that already exists, develops and establishes services with value to a customer (Skálén et al., 2015).

One of the most popular trends in service innovation over the last few years is customer co-creation (Gustafsson et al., 2012). Co-creation is defined by Lusch et al. (2007) as the process

in which organisations team up with their customers in order to generate new and innovative products/services. This process can lead to value creation through interaction and communication between the organisation & its customers.

3.2.3. Service innovation readiness

The term of “readiness” appears when an organization is about to adopt an innovation and whether an organization is ready or not to integrate changes to its existing working model. Plenty of reasons can breed the conditions to the readiness for innovation; one example is more human or technology-focused, where innovation should be adopted, another one emphasises the importance of organizational management to the innovation readiness. By any means, it is hard to define a framework for innovation readiness since it depends on a major scale on the background and type of innovation (Yen et al., 2012).

Yen et al. (2012) also note that service innovation creates a competitive advantage to an organization and gives a strategic dominance to its function, while at the same time, an organization's operations can drive to major changes and create the environment for a smooth adoption of service innovation by using its knowledge and resources. “Ideas for service innovation are widely distributed around the value chain and make the exploitation of knowledge from various sources one core capability in the management of service innovation”. The term of value chain first introduced by Porter (1985) which is simply described as a set of activities that an organization can perform to add value to its customers and services.

3.2.4. Unconscious barriers to service innovation adoption

One of the major obstacle on service innovation adoption is resistance to innovation. Innovation resistance is the resistance offered by consumers to an innovation, either because it poses potential changes from a satisfactory status quo or because it conflicts with their belief structure (Ram and Sheth, 1989). However, resistance seems to be a normal response from a customer's point of view when it comes to innovation because of several barriers both functional and psychological (Martin et al., 2016).

Functional barriers are described as the most common reason to an innovation and usually refer to different practices and habits than the ones a customer already knows and is used to. When an innovation requires changes to someone's routine, it creates resistance and demands longer time for a customer to process these changes and accept them (Ram & Sheth, 1989).

On the other hand, the main cause of psychological resistance to an innovation is relies on cultural changes that may occur. When customers' traditions are altered by an innovation, very often creates confusion and resistance. *The greater the deviation, the greater the resistance* (Ram & Sheth, 1989).

3.2.5. Diffusion of Innovation

The concept of Diffusion explains how ideas are spread among groups of people. Diffusion is not only about the possibility of an innovation to be adopted by people, but it is also relevant to individuals' behavior and culture who are going to adopt it and how these characteristics can influence the decision-making process (Infante et al., 1997). Due to these factors, innovation is not a one-step action. It is very common that individuals need different time to start using a new idea and consequently they adopt innovation on a different time order. Thus, human interaction is the main trigger for the adoption of a new idea (Rogers and Shoemaker, 1971).

3.2.6. Innovation adaptation & performance

For organizations to have a competitive advantage towards the rest on a market, they need to improve their performance and develop new ideas so they can gain more ground. Therefore, due to technological and managerial changes, organizations need to adapt to these circumstances in reaction to that. In such a highly demanding market where customers constantly demand a better and higher quality of product and services, if an organization wants to achieve its goals, usually they change their strategy. This is when the adoption if innovation comes (Damanpour et al., 2009).

Assuming that an organization is a systems that can be adjusted, and innovation is the tool to assist the process to change and adapt and according to a study done by Damanpour et al. (2009), someone can conclude that: *(1) innovations in service organizations do not follow a technological imperative; (2) impact of innovation on organizational performance depends on co-adoption of different innovation types rather the adoption of a single type; and (3) combinative effects of innovation types on performance can best be examined over time, not at one point in time.* By the hypotheses that there are three types of innovation (service, technological process, and administrative process), adopting innovation of any of these types could likely lead to a better performance for the organization (Damanpour et al., 2009).

3.3 Digitization and Digitalization

The evolution of the Information Technology (IT) over the last 25 years has resulted in some rapid changes in various well established industries, upsetting the way they used to exist and perform. Conventional business models struggle to compete with new online ones, as IT is challenging the process of value creation (Lechner and Schmid, 2001). With the rise of the Internet in the late 90's - early 00's, the first swifts in business model patterns began to appear with companies attempting Digitization and Digitalization (Fleisch et al., 2015).

Digitization is the process of transforming analogue industries to digital ones, by adding new layers to the already existing product. According to Fleisch et al. (2015), five layers can be found in the process of digitizing analogue business models. The first layer refers to the *physical thing*, the product of the industry that creates the direct value to the buyer. The second layer refers to the *sensor/actuator* that is being added in order to create value in a local level by counting local data and activating local amenities. Next, the third layer, called *connectivity* is added, connecting the sensor to the Internet thus making it worldwide available. The fourth layer, *analytics* is where the information from the *sensor* is being processed and saved at a Cloud-like system. Finally, the *digital service*, the final layer is added, in a fitting framework (either an app or an online service) that allows it to be within reach internationally.

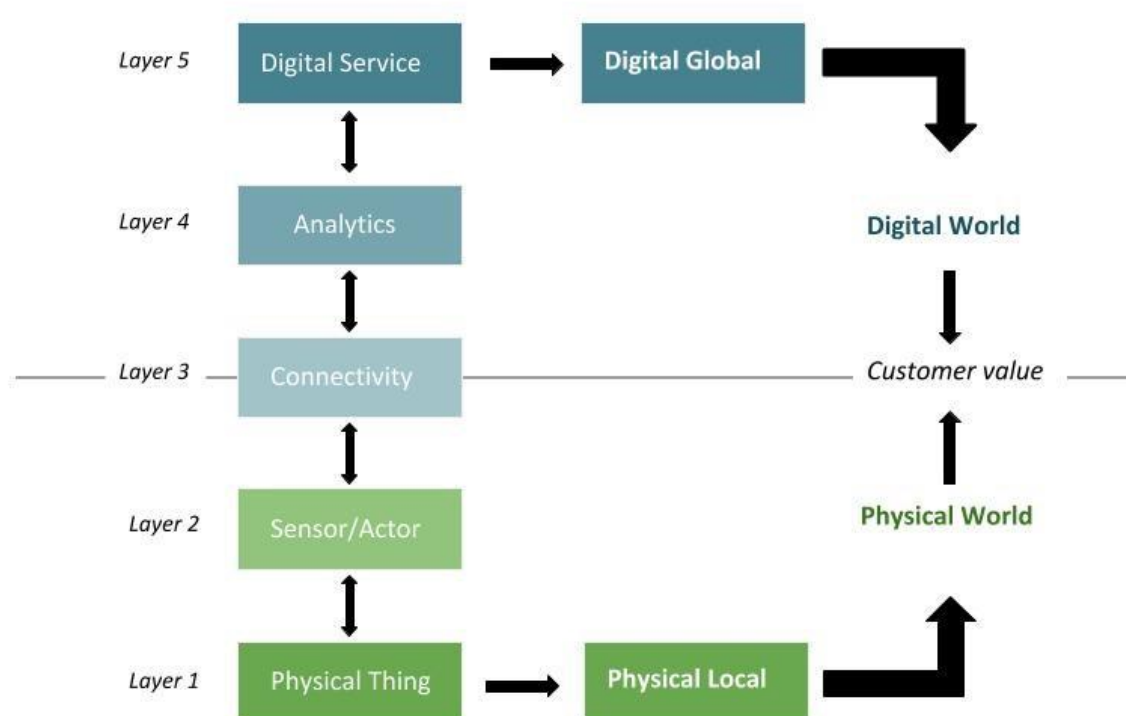


Figure 3.1 : Chart inspired by Fleisch et al. (2015)

On the other hand, digitalization is a process that transfers information from its physical form to a digital one, easily accessible to everyone through IT. A very well known new business

model that has emerged from this process is Google, drastically changing the way someone searches for information, saving time, space and resources (Storbacka et al., 2012).

Lechner and Schmid (2001) stretch that communication with the customers and deeper understanding of their needs plays an important part in designing successfully new business models in all industries. For that purpose, they propose the organisation of some sort of online community which fosters communication and sets up the level of digitalisation in the form of digital representation on the proposed platform. Examples of that can be found in the music industry, with companies such as MP3.com, Napster, Gnutella ascendants of Spotify. This view on digitalisation can shake the value-creation chain, by taking the customers into consideration and promoting them to active agents of change, co-creating value along with the producer and the intermediary. In a traditional business model, the producer produces the physical thing, the intermediary advertises it and negotiates with the customer, while the customer simply buys it.



Figure 3.2: Traditional Business Model

An example of disrupting the way traditional business is done, is Powershop, an online electricity retailer that operates in New Zealand, Australia and the United Kingdom. By signing up on their website, one is immediately a customer of Powershop, which means that power will be purchased for them automatically. However, they also have the option instead to log in and browse on their website frequently in order to find special offers and benefit from them (En.wikipedia.org, 2018).

In more details, an offer is being made from the producer that is affected by the amount of customers that are keen on buying. So as the number of potential buyers is increasing, the price is decreasing. Customers are welcome to talk to each other and convince them to buy as well in order to reduce the price (Lechner and Schmid, 2001). Through their account, customers are also offered data of their power usage that can help them get a better understanding on their energy consumption. All transactions are performed through their website or app and can be paid either by credit card, direct debit or online banking (En.wikipedia.org, 2018).

Powershop Business Model

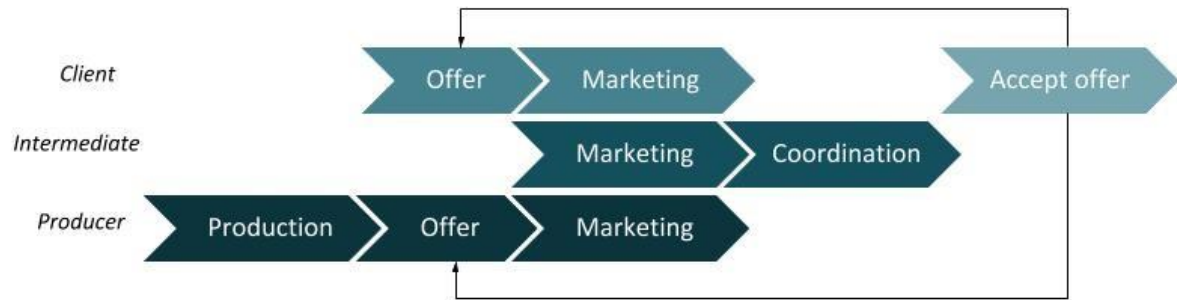


Figure 3.3: Powershop Business Model

4. Data collection

In this chapter, the different ways of collecting data are presented in sections, according to the multiple processes used to achieve that. It contains two different types of data, primary (interviews) and secondary in the form of literature review. It was decided to use these means as they can support the purpose of the thesis and its theoretical background and they can contribute to clearer results and conclusions easier to interpret by the reader.

4.1. Data collected from observation and participation

In order to gather information about the current situation in rental housing industry in Sweden, regularly meetings and open discussion were taken place with the representative of Familjebostäder. From an early stage, he expressed his concern about the slow pace the industry is moving towards other neighboring industries that can provide to their customers with more innovative and sustainable solutions and services.

As mentioned earlier, the housing market is extremely challenging due to Swedish legislation and city-owned companies which does not let enough room to the industry for more creative ideas and innovations so they can add value to the services they provide. So far, Familjebostäder applies a more conservative and traditional policy, a factor that makes him to believe that they need to do something radical and be ahead of the time. Taking into consideration examples of the neighboring industries, most of the times the solution is right in front of us and very often comes from the customers' side with a simple idea.

Up to date, Familjebostäder owns about 18500 rental apartments with almost 35000 residents and they are provided with the basic services such as WiFi connection, TV services, laundry rooms etc. He also noted that Familjebostäder, besides their website where the available apartments are listed only for the existing customers, it does not have yet an application for the residents to use a more digitized version of their services (e.g. booking laundry through the application).

From the conversation with him, it is understood that in Sweden it is time consuming to build new apartments due to legislation (average time could reach up to 15 years) and that makes him to believe that it is time for a change. Therefore, Familjebostäder tries to explore new ideas and living concepts that can help the company to evolve into a flexible and modern business model. He claims that the idea of a shared economy and living could be a very practical solution, since they can convert and develop their existing business model with a relatively low cost and time.

Characteristics examples are student apartments or housing for senior citizens, to mention but a few. In this type of housing, besides the personal space someone can rent (possibly with a

private bathroom and sometime with a kitchenette) for long-term, the residents can use all the available common spaces in the facilities. That could be a restaurant, a gym, entertainment rooms, laundry rooms etc. without extra cost. Another strong example is the business model of Airbnb where someone can rent a home for a short-term period and use all the amenities of the house for this period of time. It is very common to rent just a room and share all the common spaces in the house with other guests, such as kitchen, bathroom and living room.

The representative of the company also claims that this concept, whilst simple, could help the rental housing industry in Sweden where the queuing time to rent a “first hand” apartment is extremely high especially in big cities like Gothenburg. Translating the shared economy concept in city-owned rental housing and adopting it in Familjebostäder could open new horizons and expand them more. He also suggests that could be a start to something bigger and an innovative solution for their customers and their services.

His way of thinking suggest to explore the neighboring industries and create an analogy between them and the housing industry. The rental housing industry can be considered as a starting point for this exploration and the neighboring industries the reference point to compare with, regarding their innovative service design models.

This way, patterns and common characteristics can be identified between starting and reference point, in such a manner that these innovations could be used by Familjebostäder (and in housing industry in general) in the future.

4.2. Trends in housing industry services

According to Forbes (2017b, Dec. 12), after the housing market crash in 2008, the prices are steadily increasing in an average percentage of 5-6% every year, they are expected to be even higher by the end of 2018 and will continue rising. It is also evident and supported by many scholars that another important motive for more practical solutions is the shortage in housing capacity in plenty of countries. Rapid changes in socio-economic systems caused high rates of urbanization during 1950-1980 in developing countries which consequently found big cities unprepared to develop major constructions in short time (Okpala, 1992). As this drew the attention of big investing companies, the situation started to change around 1990s but rather slowly. Sweden is also facing this challenge where the national housing market is in shortage of rental housing. As mentioned earlier, to develop new constructions is extremely costly and time consuming which leaves the customers with no other choice but to rent. These facts led to the formulation of different trends in housing industry and service design, as businesses and customers were seeking for more affordable solutions regarding accommodation as buying a house seems to be the last resort.

As in every other industry, real estate has deeply affected by technology, as companies now use a digitized form to present themselves or by developing apps for their customers to

provide them with information about available properties. Technology and digitalizations of services play a dominant role, as companies need to keep up with this trend in order to survive in a such a competitive market (ModernDiplomacy.com, 2018, Jan. 4).

According to PwC (2018a) and Forbes (2017a, Oct. 18), property-tech (PropTech) companies are the future of real estate industry. Forbes (2017a, Oct. 18) states characteristically; *Ripe for disruption, the property market has long needed a shake-up, and an injection of investment and technology to drag it into the modern day.* The concept of PropTech refers to all kind of properties, where businesses use technological means to improve their performance and disrupt the present way of experiencing the services. Undoubtedly, residential industry seems to fit perfectly to this statement. A survey conducted by PwC (2018a) about Emerged Trends in Real Estate for the year 2018, also showed that disruptive technology-based entrants in real estate can add more value to the service design. Evidently the industry is still following a more traditional way of function and adopting new policies is not easy acceptable by everyone involved (TheGuardian.com, 2017, May 8).

As in real estate, so in housing industry as well, the service is the space offered. In that sense, whether the issue is about an apartment or a workplace, occupiers ask for more flexibility. Customers' expectations are very high and demanding, in such a sense that the way companies choose to respond to these expectations, can transform the service quality and customers' satisfaction (PwC, 2018b)

As technology evolves, services are taking a digitized form. This means in practice that service design has shaped in different form than in the past. Nowadays, products are more customised to conform customers' expectations, thus, it is increasing competitiveness within an industry. Nowadays, intelligent digital systems are part of the modern life that have the ability to communicate with each other with no or limited human intervention. This was enough to make people think that services should be enhanced by such means. Simple examples of digital services are IT services, softwares and telecommunication systems or even simpler; a remote control (Lerch and Gotsch, 2015).

But how is this relevant to housing industry? All these accomplishment in technology and the evolutionary way people use services, could not leave real estate and housing market unaffected. *Smart homes* and *smart cities* are very often the center of attention nowadays. Some others decide to call it *Smart Real Estate* to describe the whole framework as a trend in sustainable societies. Spatial, lifestyle and technological parameters are taken into consideration to explain future preferences in housing (Allameh et. al, 2012). The Smart Home Association in The Netherlands give the definition of Smart Home "*as the integration of technology and services through home environments for higher comfort and quality of living at home*" (Bierhoff et al., 2007). The services delivered to the users (the public) by smart computing (smart computing; new generation of hardware, software and networking that in a sustainable and efficient way, can create the circumstances for a smart city. [*Smart computing; A new generation of integrated hardware, software, and network technologies that provide IT systems with real-time awareness of the real world and advanced analytics to help people make more intelligent*

decisions about alternatives and actions that will optimize business processes and business balance sheet results (Washburn et al., p. 2, 2009)]. With the use of devices and remote controls, now someone can switch on and off e.g the lights and tv, remotely open the heater or adjust their working space (Allameh et. al, 2011).

Moving forward to the housing trends, cooperative living and hotel or serviced apartment are very popular as well. Although they are targeting different clientele, their core business is the same; someone can rent a room or an apartment for a short (or a long) period of time with some basic services including in the rent and common lounges and kitchens for everyone to use. Cooperative living aims to create a small community among the residents. These are quite often student accommodation or elderly homes, and in a more modern form shared apartments for business travelers etc (Dezeen.com, 2016). On the other hand, the the concept of serviced apartments may imitates the hotel business model but it is adopting as well a more “home” feature with a combination of hotel services. It is common for tenants to have cleaning services, laundry services, food delivery or room service (Scmp.com, 2017, Dec. 4). In the sections below, some characteristic examples of today’s trends in the swedish housing market are presented.

As service management is critical for a company’s performance and survival, adopting new technological characteristics and adapting to this trend is vital as well. What is more, undoubtedly, the digital era inspired plenty of companies working with service management to be more creative and innovative in the way they deliver services to the users (Rai and Sambamurthy, 2006).

The industry will change tremendously over the following years as investment opportunities and development are imminent for the near future. *Real estate organizations will need to adapt early to survive and prosper.* By 2020, technology innovation and sustainability will be the main motives for change and value chain which will hopefully will drive governments to adopt a different mindset (PwC, 2017). To get a better understanding on the current trends in housing industry services, the examples of Concept Living Advisory (C.L.A.) and Karlatornet are introduced as they look into housing differently.

4.2.1. C.L.A. (Concept Living Advisory) Sweden AB

Concept Living Advisory is one of the 55 startups in Chalmers Innovation, an organisation which funds research thesis in order to become businesses. The following data were gathered after interviewing the founder and CEO of the company (see appendix). According to him, the purpose of C.L.A. is “*to create the best senior houses for seniors*”. It is a five year long project, that is on its third year of running. Currently, C.L.A. acts as a consultancy offering advisory services to senior housing and real estate companies. The profits of these services are being invested to the UlricehamnsTerrassen project, which is the main core of the company’s action plan.

The motivation behind the project came from the lack of alternatives for elderly people in Sweden. As the founder of C.L.A. explains it, *“until 20 years ago there was only one solution for them, offered only by municipalities and it wasn’t the best so most people just stayed at home. People abroad have much more alternatives. Not all people are the same, therefore different solutions should exist”*. In addition, he mentions that there is a booming market that is expanding: *“right now there are about 1.1 million (elder) people in Sweden and it is estimated that 30% of the population will be seniors by 2030”*. As elders have the financial means to support themselves, UlricehamnsTerrassen goal is to convince them to move in order to release homes for those in need, travel more and spend more money in services.

UlricehamnsTerrassen is a project involving approximately 400 people, 100 of which will live in their premises and 300 people that live in the nearby area. The project aspires to provide a variety of services not only to the permanent residents of the building but also to the people that live in the neighbourhood, through an IT platform. This is an innovative idea that maximizes the potential earnings of the project, adding value to its business model, as it opens up to more possible customers. Even though the main target group of the project is seniors, the services are designed to appeal to everyone.

The founder of C.L.A. states that *“we don’t want to create gated but rather open communities. There will be different levels of access to them however. The ones who live there which will have 100% access to everything. They will pay housing and basic services (like phone and reception). Then, people living around, who could join when someone leaves as long as they become members, to which we will offer also discounts to services similar to the ones a hotel lobby would offer. Everyone is welcome to join when the reception is open, but after 5 p.m. it is only for residents and members. Partnerships with cafes, lecturers, restaurants and other businesses around are also explored”*. Flexibility in everyday errands is something that they aspire to offer by collaborating with local businesses so as to provide door-to-door delivery services to their members.

Moreover, the base floor in their buildings could be used as a common space, like a cafe or a restaurant for both residents and non-residents. This will invite more people to the building, fostering interaction, collaboration and more enjoyment of the neighbourhood in general. Also, it could help boost the local businesses by offering an IT platform/app to connect them with the members. As the founder of C.L.A. puts it *“IT is a tool that gives people access to offers because they can see it and decide. The question is how to create a platform that connects people who live in the neighbourhood and people offering those services”*.

In addition, they will provide a service package that revolves around socializing and meeting new people with the same interests. These services will be divided in three categories: planned activities such as wine tasting, trips, quizzes e.t.c., fun and joyful meal experiences such as fika, and health and training services that could help people live longer and better lives. All three types respond directly to problems that seniors are facing, such as loneliness and difficulty to meet new people, bad eating habits and lack of motivation to take better care of themselves.

This is considered above all an elderly optimization package, focusing on increasing life span, escalating abilities and leading to a better life quality in general.

UlricehamnsTerrassen is designed to become a benchmark for the elderly, a center of knowledge, where people could seek for advice and information. Nowadays, there is too little information about the elderly and C.L.A. identifies the need to *“understand what it means being an elder in Sweden and create tools with information to help you with the economics, law, health issues and disability equipment”*. Not only information, but also education and supply of the above will be provided through UlricehamnsTerrassen. Fulfilling these goals will mark the success of the project, which also aims to attract people to join their premises voluntarily not after a counselor’s suggestion as mostly commonly happens in senior housing.

C.L.A.’s future plans include branches in all the Nordic countries with the construction of 100 Concept Living (CL) houses for the elderly and potential expansion in the Mediterranean and the U.S. as well. Members of CL could use all of them as they will have access to guest apartments, motivating them to travel and explore other countries. They could choose one as their basis and then “float” between the different locations. Their app will enable easy and secure transactions amongst users. Hopefully, this will lead to the creation of a worldwide Concept Living community, redefining the meaning of home with the help of IT. In the words of C.L.A.’s founder: *“EU has a free flow of people and in the future maybe no borders will exist and that will make it easier as today the tax regulations and where to pay them are obstacles in doing this. It is all about redefining what a home means, it’s not anymore a space but a cyber reality.... It could make the world smaller and more interesting”*. Already, C.L.A. has collaborations with similar organisations in Poland and Germany.

Another aspect they are looking into for the future, is CL houses for specific nationalities within Sweden for example Finnish, Syrians, e.t.c. providing information, structures and services in their native language, specifically modified to cover their needs. Also, offering different price-based membership packages (such as premium and light/basic) in order to address different demands.

Finally, according to C.L.A.’s founder about the future of the housing sector in Sweden: *“People will be more flexible and easily convinced about ideas. The market will be balanced, there will be more competition and more rational choices will be made compared to now that there is only great demand. Also, the trend of adding more value to the housing environment will rise, it is not enough anymore. Customers want more. House owners see it as business. There is a swift in trends, products are now a complex package of software and hardware. There are examples from other industries such as cars and phones where the value comes from the software and the combination of them. Volvo, Jaguar e.t.c. offer the same product, it’s the different services that makes people buy their cars. This is coming to real estate. They start to combine services with housing. It is all about people wanting more”*.

4.2.2. Karlatornet Göteborg

Karlatornet is one of the biggest projects in the city of Gothenburg. It will be the first skyscraper in Gothenburg and the highest of the Nordic Region, which will be completed by 2021, as a part of the development of the northeast part of the city. With 245 meters long, 73 floors and 584 apartments, it aspires to be the new landmark of the city and its community (Karlatornet.com, 2018; Serneke.se, 2017).

The project of Karlatornet will be consisted of apartments and hotels with approximately 300 rooms. With their motto “Think hotel, but home”, all the residents of the apartments, will be able to use the hotel facilities as the hotel guests. Such services will be access to the gym, pool and spa, order room service directly to the apartment and the possibility to rent cleaning and laundry services as well. Residents will also have access to a direct lift to the restaurant at the top of the building with an amazing view, shared residents lounge, online food ordering and car pooling services to name but a few (Karlatornet.com, 2018; Serneke.se, 2017, SOM.com).

Although the apartments on Karlatornet are only for sale and they are not addressed to the rental housing industry, the concept of living could be related to the concept of hotel apartments (also called apart-hotels) and/or serviced accommodation where guest have the privilege to use hotel facilities and services with the possibility of long-term rent. All these terms of an extended staying and its trend usually describe a fully furnished apartment where the guest can have all the hotel-style services, such as housekeeping, 24 hour reception, gym and room service at a considerably lower rate than a hotel. These apartments usually are 25-60 square meters and very often can accommodate a whole family. In some cases the apartments have a fully equipped kitchen and other household appliances (MoneyControl.com, 2018).

4.3. Service Innovation approaches

Over the past decade, the rapid advances in the information and communication technologies as well as the increasing popularity of the sharing economy trend has lead to the radical transformation of various industries. On this chapter, case studies from such industries, “neighboring” to the rental housing market, are discussed. This case studies were selected because according to Varma et. al (2016), they have resulted in fundamental changes in the way people live their everyday lives, whether it has to do with lodging services (Airbnb), accessing transportation (Uber), or working (coworking spaces). Moreover, they have elements that the authors feel could be easily translated to a housing company.

As mentioned in the introduction, the term “neighbouring” is used to describe industries that follow similar business models. For the purpose of this thesis, as analogical development is used, the analogies will be based on business models, which are analysed based on two key concepts, the product that the business produces and the way they offer it to the customers.

These two key concepts (product & offer) will be used as reference points to compare the business models to the main source of the analogy which is the rental housing business model (Figure 4.1). The rental housing market business model can be described in that sense, as having an apartment as their product and rent for long-term as their offer to customers. In each case study, these concepts (product & offer) will be used as a link to help translate the data and explore potential routes for the source.



Figure 4.1: Rental Housing Business Model

More specifically, three types of “neighbouring” industries are presented. Type A, has the same product as a rental housing company, an apartment (or a place to live to be more general). However, they have a different offer, as it is short-term rent in this case. Airbnb’s business model belongs to this type. Type B has the same offer as rental housing company, which is long-term rent, but a different product. Coworking spaces are an example of this type as their product is an office, but their offer is the same (long-term rent). Finally, type C, has both a different product and offer, moving further apart from the housing company business model. In this case, Uber is examined as it is considered a stellar example of a digital innovation that managed to completely transform a regime.



Figure 4.2: Type A Business Model



Figure 4.3: Type B Business Model



Figure 4.4: Type C Business Model

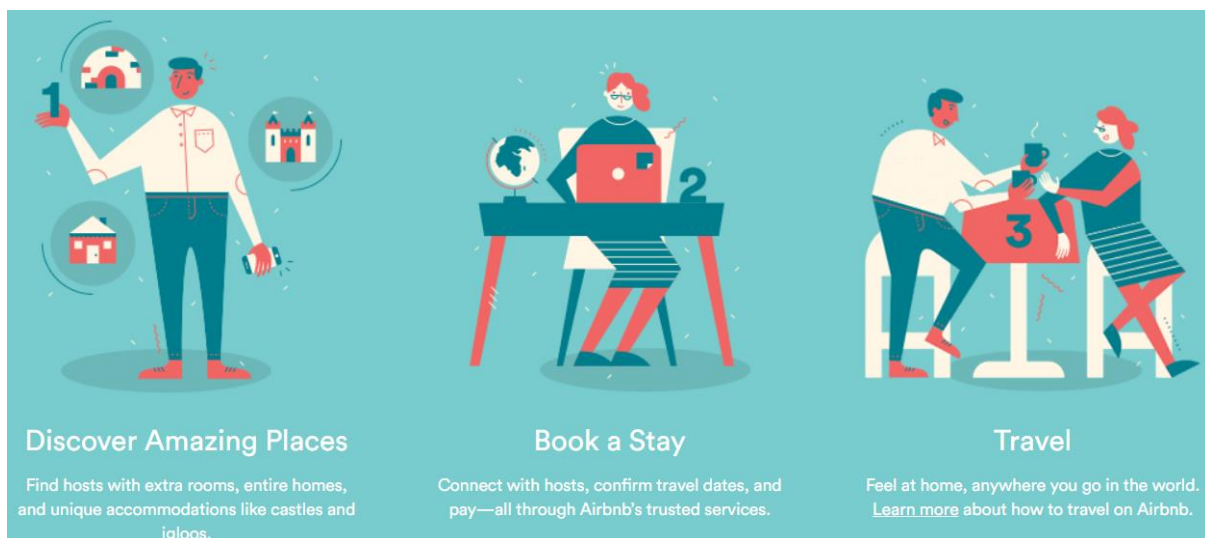
4.3.1. Airbnb.com

Over the last decades, sharing economy, also known as peer-to-peer economy or collaborative consumption has become very popular with Airbnb.com its most characteristic example in the hospitality industry as a more alternative choice for renting accommodation comparing to a hotel (Liu and Mattila, 2017). Carr (2014) strongly believes that Airbnb will “usurp the InterContinental Hotels Group and Hilton Worldwide as the world’s largest hotel chain—without owning a single hotel”.

Airbnb.com is an online community market where someone can book a short-term accommodation. This platform was founded in 2008 and offers different types of accommodation for all kinds of travelers; houses (entire house or just a room, tree houses, yurts, castles, luxury homes and even boats) (Airbnb.com, 2017). With over that 4,5 million listings all over the world and active in more than 191 countries, homes in 81.000 cities and 19 offices globally (Airbnb.com, 2017), makes Airbnb one of the most popular online platform of this kind and its guests exceeding 300 millions, as according to STR ‘s ranking for 2016 (Bisnow, 2017), the listings of Airbnb were even more than the top five chain hotels worldwide combined. The initial name was Airbed & Breakfast (Airbedandbreakfast.com) back in the fall of 2007 when during a weekend conference on San Francisco, all the hotels in the area were sold out and they hosted their first guests on air mattresses to make their rent money. Few

months later, on March of 2008, Airbed & Breakfast was officially launched (Airbnb.com, 2017).

Its philosophy is quite simple and very similar to a hotel booking; First, someone needs to create an account on the platform and register the required information to ensure transparency and safety for both host and guest as users. Then hosts list their property with photos, services and amenities they provide and guests can search for destination on their available dates and number of guests. They can request a reservation, ask questions about the property and when they get accepted, they book the desired property according to reviews, pay in advance and finally they travel. After the visit, host and guest can review each other and these comments are visible to future users. (Airbnb.com, 2017).



Source: Airbnb.com (2017) - How it works

The way Airbnb is structured, gives a feeling of home and coziness. According to their website in 2017, *the host is encouraged to “treat guests like friends or family,” “share favorite places with guests,” and “teach guests something local and unforgettable” because no one knows the place and the neighborhood better than the host. Airbnb also adds a flavor of uniqueness to the guest’s journey through a wide range of “atypical places to stay”.* At this point, it is interesting to mention that Airbnb through this platform earns money from both the host and guest through service fees (up to 20% for the guest and maximum of 3% for the host) (Zervas et al., 2017). Airbnb also urges hosts to set some house rules to guest before their visit and charge an extra fee for cleaning services after their visit so hosts can earn more net profit (Airbnb.com, 2017).

Of course through the years, Airbnb developed its product and services to be more attractive and easy-to use. In 2010 they launched the iPhone app (till then a user could book only online through their web page), which is inevitable on the era of technology, and introduced the Instant Book feature. Two years later, guest had the opportunity to create their Wish Lists of properties they liked. After the great impact of this online platform and and continues expansion in more places through the years, in 2015 it becomes the official accommodation provider of the

olympic games in Rio in 2016, which gave even more space for expansion on different activities. They added more conveniences and features to the existing renting product, but they also started organising trips where users now can book experiences (such as wine tasting, walking tours, safaris etc.) and book tables in restaurants to live as the locals do (Airbnb.com, 2017). Liu and Mattila (2015) highlight the importance of guests experience, because experience adds value to the service. Thus, experience plays an important role to customer's satisfaction and creates a feeling of uniqueness to the customer.

Besides Airbnb's regular way of working, they have developed some non-profit activities as well, as an attempt to build a more social profil. Ax example of that is back in November of 2012 when they had a partnership with New York City to offer free listings to people who lost their homes from Hurricane Sandy, a reason for the launching of the Disaster Relief tool. They have also organised the *Heading Home Campaign* in partnership with the city of San Francisco, to help homeless families in the city and provide them with a safe home. Airbnb have launched new Platforms that help evacuees and refugees find new homes through volunteer hosts. There will be no costs for hosts and guests and Airbnb will not collect any fees on the bookings (Airbnb.com, 2017).

On more characteristic example of its strategic thinking is Airbnb's partnerships with traditional Bed & Breakfast hotels (B&Bs) as well with Boutique hotels. With this partnership, these smaller businesses now have the choice to use Airbnb as a platform to list their accommodation too. Airbnb claims that with their support, small businesses can grow and approach even more customers by using their tools and knowledge. Furthermore, Airbnb recently announced their partnership with Concur Travel, a platform which provides with travel and expense management solutions to corporate travelers, where Airbnb's listings will be visible (Airbnb, 2017).

In the short term, the first reaction of the hotel industry, after Airbnb's introduction to the market, could be related to the price per room regarding their capacity. In the long term, Airbnb could force hotel industry to change in a more drastic way and follow a different investment strategy. Either way, both hotel industry and Airbnb's priority one is the customer and their satisfaction through a pleasant stay (Zervas et al., 2017). However, and according to Zervas et al. (2017), as Airbnb is becoming more and more popular to customers and is earning is one place on the hospitality industry, big hotel chains on the other hand, do not seem to have spare time to include Airbnb on their future plans for possible investment on a partnership.

Zervas et al. (2017) also notes the dimensions of the challenge hotel industry needs to face from P2P competitors. One dimensions describes that P2P platforms such as Airbnb, have almost zero marginal *cost* if someone consider the way these platforms work. Anyone can list their available accommodation on Airbnb any time and automatically Airbnb 's supply increases to meet demand at no time, while in the case of a hotel industry, supply usually means new constructions and/or investment on real estate, often extremely costly, in order to increase the number of available rooms. Another dimension mentioned is the *type* of the available accommodation. The traditional hotel industry usually offers rooms, sometime studios and

some bigger hotel chains offer suits. On the other hand, Airbnb and its atypical-places-to-stay concept, have managed to offer to its guest a wide range of possibilities, from a single room to a castle and a yurt. These fact alone, give a major advantage to Airbnb to expand to any kind of an existing type of building. This is counter to hotels, where in that case, local zoning requirements define the building or investing pace.

Given the enormous response of Airbnb, Christensen et al., (2015) suggest to approach this case though the “lens of disruptive innovation theory” which practically outlines that the need for better products and services urged companies for more alternative solutions comparing to their competitors. These solutions were mostly simpler, cheaper and easier to use and add value to the user. They also state that disruptive innovations in practice “underperform” when compared to the existing competitors’ business model (Christensen, 1997). Disruptive innovation is usually a risk that only small scale companies are willing to take because big companies are focused on bigger profits and safer solutions. This concept seems to apply directly to Airbnb’s business model which in a way underperforms comparing to the traditional hotel business in terms of clean services and/or typical room services (Guttentag, 2015). However, through the years Airbnb continuously improves it’s features for the guests, such as easier check-in, more useful household amenities (e.g. kitchen which is not usually provided in hotels) and more accommodation choices through Airbnb Plus which gives the possibility to the guest to stay in a more luxury home with more comforts and better amenities (Airbnb, 2017).

To summarize, when Airbnb was founded, it introduced a new type of a business model based on the modern technology and household amenities, and features that give the advantage to the guest to have a more “local” experience with a relatively low cost (Guttentag, 2013). Although within the years Airbnb has several competitors, it is the most dominant company of this kind and it represent the general emergence of internet-based companies that can offer more tourism accommodation to its users (Guttentag, 2013). It symbolizes an innovative solution that changed people’s state of mind about the traditional hospitality hotel business model and it is the top alternative choice for accommodation (Guttentag and Smith, 2017). It is clear that an innovation such as Airbnb’s platform can change the way hotel industry functions so far, but according to Varma et al. (2016) it is unlikely that Airbnb can pose an actual threat to the big hotel chains. Someone can understand that small hotels and big hotel chains have different opinions upon Airbnb’s impact on their businesses and for that reason they correspond in a different way to improve or develop their services offered. As it makes sense, smaller businesses need to be more active compared to the bigger hotels, due to a greater risk of loss in their business (Varma et al., 2016). However, now that B&Bs are allowed to be listed on Airbnb (2017), and according to MarketWatch.com (2015), Airbnb’s accommodation inventory will be increased up to 3.6-4.3 by 2020 which eventually could disrupt the traditional hotel industry (Kurtz, 2014). As P2P travel model has become so popular to travelers, and its constant development, some legislation measures may be taken in the future, in order to gain more power and taxations profits upon these companies, a factor that will affect Airbnb directly (Oskam and Boswijk, 2016).

4.3.2. Uber

As mentioned above in sections 4.3. and 4.3.1., the concept of sharing goods instead of owning is becoming quite popular over the last few years, with the first step being people starting to share bikes, cars, or even rides. This “sharing economy” trend is argued to be one of the ways to deal with urbanisation of the population and the increasing density of the present-day cities. The concept originally stemmed from the worldwide economic crisis of 2008, incorporating people’s increasing concern about environmental issues and the wide diffusion of IT applications (Cohen and Kietzmann, 2014). As the notion for sharing economy based business models is growing, the case of Uber, a company that offers ride sharing services, is viewed by many as precursor of the economy of the future (Smith, 2016).

Uber originated in San - Francisco in 2009, stemming from the people’s frustration with the taxi industry. It quickly rose to popularity and become a worldspread phenomena offering people an alternative way of commuting. The idea behind it is simple, an app for smartphones brings together drivers offering rides and passengers looking for them. Once they reach the final destination, the passengers pay a fee based on the miles of their ride with a credit card that gets registered on the company’s database. A percentage of this fee is kept by Uber, while the rest goes to the driver (Rogers, 2015).

Uber is often described as a ride sharing company, but it is more than that. Smith (2016) argues that Uber can be seen as a prototype for future business models that will forever change the form of economy while Cannon and Summers (2014) view it as more of a communication platform than a taxi substitute. Its innovation also lies in the way it charges customers based on their usage of their product compared to the typical charge per ownership or accumulation (Smith, 2016).

Uber’s business model success is credited to two factors as explained by Smith (2016). The first one is the personalisation of the services that it provides. Apart from being a personal service of drivers, Uber also serves this concept by transforming goods to services which makes them more valuable. For example, Uber gives the opportunity to a car owner to gain money out of out it, by using it to offer a service to others. In that sense, it is changing the way people view privately owned goods and their potential exploitation for profit. The second factor that makes Uber so successful is its easy accessibility. Users of the app have the ability to access it anytime, anywhere at the tap of their fingers. Uber is a great example of capitalizing on the latest technology and continuously evolving to offer its customers the quickest way possible to satisfy their needs.

Rogers (2015) pinpoints Uber’s success to another factor as well. Its ability to skillfully cut down on the transaction costs by bending the regulations that justified them. The problem with the taxis is that they aren’t always easily accessible and when they are (radiotaxis for example) that costs an extra fee. Uber managed to basically eliminate these costs by introducing an app that connects users to drivers for free, providing a more effective framework for both the

passengers and the drivers that no longer have to drive around relentlessly to find their next customer.

Moreover, Uber's innovative excellence compared to the run-of-the-mill taxi industry can be found within the services it offers its customers. A few of the service packages that Uber includes are UberBLACK, a black luxurious car, UberSUV, UberSELECT, a vehicle with leather interiors, UberX and UberXL, private rides for 4-6 passengers, UberKIDS, vehicles that have child safety seats, UberPETS, UberWAVE, vehicles that are wheelchair accessible and UberPOOL, carpooling services for a lesser price. The services that Uber provides are also varying from country to country, depending on the local culture. For example, UberBOAT, a water-taxi service is offered in Istanbul and Croatia during summer months, and UberMOTO, motorcycle transportation services are offered in Pakistan and Indonesia (En.wikipedia.org, 2018)

But Uber doesn't stop there. In 2014, they launched Uber Eats, a food delivery service package from a selection of restaurants and occasionally private chefs in 30 minutes with a small fee in return. Their future plans include UberAIR (Uber Elevate), a fleet of "flying cars" (vertical takeoff and landing aircrafts) which is expected to launch in 2020 in Dallas-Fort Worth, Dubai.

However, a few concerns have arisen lately regarding Uber's function. Rogers (2015) mentions safety, privacy and discrimination issues amongst them. Since anyone could become a driver for Uber, the safety of a ride is put into question by many. This could be dealt by stricter background checks on potential drivers even though that may not always suffice. Uber's policy to collect passengers' data such their names and credit card numbers is also considered a bit controversial as people are not always eager to share so many private information. Last but not least, since there is a rating system in place, with passengers grading their drivers, the fear of discrimination against minorities is expressed as well as the implication that drivers could reject passengers based on whether they want to be picked up or dropped off in poor neighbourhoods.

4.3.3. Coworking spaces - unitedspaces.com

Over the past few years, coworking has been a quite popular term associated with various business trends (Spinuzzi, 2012). Coworking.com describes the concept as a global community of professionals that share the same values of Collaboration, Openness, Community, Accessibility and Sustainability, that aims to breed better workplaces that will result in better ways of working through interacting and sharing with one another (Coworking.com, 2018). Coworking spaces are office-renting facilities used by a vast diversity of knowledge workers, typically freelancers, that not only provide their customers a desk and a wifi connection but also the opportunity to expand their professional and social network by working next to other professionals (Gandini, 2015). Coworking spaces are highly considered as "serendipity

accelerators”, fostering meetings and collaboration between creative professionals and entrepreneurs that seek to penetrate segregation (Moriset, 2013).

Coworking was officially established in 2005 in San Francisco, as an alternative way of working. It was conceived as the middle ground between the typical corporational way of working and freelancing, combining the community feeling of the first and the independence of the second (Gandini, 2015). Its popularity over the last decade is mainly credited to three reasons: the rise of the “creative” class (Florida, 2002), the digitization of the economy (Moriset and Malecki, 2009) and the global economic crisis (Gandini, 2015, Capdevila, 2015). The “creative” class is introduced by Florida, 2002 as a new class of professionals that consists of creative people from a broad variety of knowledge-intensive industries, such as scientists, engineers, designers, editors etc that participate in “creative problem-solving, drawing on complex bodies of knowledge to solve specific problems”.

Digitization of the economy has completely changed the way of working for these professions. Nowadays, they can do their job on their laptops and tablets, either by having access to a Wifi connection or by utilizing their mobile’s data (Moriset, 2013), meaning that they could basically work from anywhere. This gradually led to reviewing the modern way of working, moving towards a more mobile and nomadic model (Gandini, 2015). This model was also reinforced by the aftermath of the global economic crisis that created a lot of freelancers and a large amount of unexploited former corporate buildings that were eventually capitalized as low-rent shared offices (Capdevila, 2015).

Work organisation: Time & Space



Figure 4.5: Moving towards a new model inspired by Moriset (2013)

But why do people cowork? Spinuzzi (2012) after performing a 2-year study of coworking at nine coworking spaces in Austin, researched the motives of people that cowork. First of all, according to his research, coworking seemed to offer them a new alternative to either working from an office or from home and it was a rather cheap one. Moreover, it was viewed by many as a social hub, fostering interaction and collaboration between both people from similar backgrounds but also entirely different ones, mixing sharing knowledge and getting fresh perspectives. Finally, some people that participated in the study mentioned that they felt it was a good way of separating work/home life.

Capdevila (2015) looked into the criteria based on which coworkers chose a space. Location played an important part, as in distance from their residence and the wider district. Coworking spaces in fancy districts where renting an office is a quite expensive, are an attractive alternative. Physical space was also significant, with aspects such as distribution, size and other characteristics of the space, impacting the interactions between coworkers. For example, a lot of spaces include coffee shops or bars that could work as meeting points or relaxation spots. Last, material assets, such as tools and machinery, provide a competitive advantage to a space.

Coworking can offer a variety of benefits to the professionals who utilize it. Colleoni and Arvidsson (2014) report that the greater part of coworkers feel that their customer network as well as their business partnerships, have increased significantly through engaging in a coworking space that fosters interdependence between professionals. Moreover, more than half of them stated that their profit margin has grown after working from there. Spinuzzi (2012) also mentions socializing as a benefit. In his research, participants valued as well the ability to get feedback from diverse actors, the creation of trust between coworkers (either in the sense of trusting their personal belongings to them or sharing ideas) and learning opportunities through interacting with others within their field.

To get a better understanding of how coworking spaces actually work, the case of United Spaces will be briefly analyzed. United Spaces is a Swedish company that offers coworking spaces in Stockholm, Gothenburg and Malmö. All of their spaces are located near the centre of these cities, typically close to Central Stations and they include various businesses lounges and networking events. According to their website (UnitedSpaces.com, 2018), the main concept behind their business plan is that *“the more people trust each other and work together, the more their business will succeed”* and that is the driving force for their actions. They have approximately 1500 customers in these three cities -or members as they are most commonly referred to, that share the same mentality with them.

United Spaces offer three different types of membership. The first one is called Business Lounge, and it basically gives access to the members to an activity-based workspace 24 hours/day. The range of services of this package includes a wifi connection, a printer and unlimited free coffee or tea. Moreover, members could be benefited from a 30% discount on booking their meeting rooms, invitation to their various networking events and interaction with other members of their constantly growing community. The Flex Office membership is the next package, offering in addition to the latter an adjustable desk and an ergonomic chair, as well as a personal storage box. The range of services is also upgraded with the inclusion of a company address and mailbox and access to “silent zones”. The last and most inclusive membership is the Private Office package. In addition to all of the above, each member has the opportunity to rent a fully furnished private office and make special arrangements. Of course United Spaces also provide some extra services, available to all of the membership packages, such as daily breakfast, a bar for their members, fruit baskets, barista service, an outdoor

terrace, telephone rooms, car garage and bike storage, ice cream parlour, shoe-repair and dry cleaning services.

To summarise, the business model of a coworking space relies heavily on the attractiveness of their premises (both in terms of location and design), their range of services provided and their “extras” that could give them a great advantage. But there is also the hint of building up networks and professional relationships underlying through all the events, lounges, members’ bars. After all, that is the key to a successful coworking space, the creation of personal relationships between independent professionals.

Gandini (2015) suggests that coworking spaces act as a relational environment, giving the participants the space to *enact distributed organisational practices made of continuously negotiated relationships in a context where professional social interaction is simultaneously physical and digital*. In other words, they are used as a mean to establish and sustain network connections that could eventually lead to the creation of hubs fostering innovation, taking advantage of their members diverse skills, a possibility explored by Capdevila (2015).

There are a few concerns raised however, about the future of coworking. Moriset (2013) expresses doubt to the actual level of professional interaction achieved through them, since they are designed as “drop-in” offices where low interaction is usually the case. To deal with this, coworking spaces should not be just an office rental solution but instead they should be molded with the idea of coworking, aiming to the create a community of collaborators not simply exploit unused space. Capdevila (2015) reaches to the conclusion that the level of innovation produced in a coworking space is directly linked with the degree that the coworking philosophy is accumulated by analyzing different types of spaces.

Finally, there is a discussion going on about the future economical survival of such places. The Second Coworking Survey by Deskmag reported that more than half of them are not yet profitable (Foertsch, 2011), questioning the success of their business model as it was relying in many cases on the real estate property bubble.

5. Analysis and assessment

This chapter connects the theories used (Chapter 3) with the data collected (Chapter 4). Analysis and assessment of the data is critical in the process, because it is easier for the reader to understand how theories are applied into practice.

5.1. Service Management

As explained by Grönroos (1988) in order for companies to develop their service management policies and find which services add value to their customers. Value appears to be crucial in real estate industry and housing market, as according to PwC (2017) by 2020, value chain is the main motive along with technology innovation and sustainability for change which will hopefully drive governments to adopt a different mindset. Airbnb also takes into great consideration this factor, as guests experience adds value to the service (Liu and Mattila, 2015). The concept of service apartment, with the example of Karlatornet also applies to this with its services (e.g. cleaning services, laundry services, food delivery or room service) create to the guest a “home” feeling (Scmp.com, 2017).

To continue, Grönroos (1990, p. 117) describes *Service management as the means to make the organizations function so that this utility or quality is achieved and the objectives of the parties involved*. Both Airbnb and Uber are business models who identified what was lacking in the market at the time and identified what people needed. The digital era definitely helped this business models to grow as service management needs to be more creative in terms of how services are delivered to the users (Rai & Sambamurthy, 2006).

Goldstein et al. (2002) define what is a *service*. It is understood as the concept of *how* and *what* a service design could be, and creates a relationship between customer needs and an organization's goal. In housing industry, a service is the property offered (space) along with some supplementary services (common spaces, laundry rooms, food delivery etc.). The difference from the past is that companies now use a digitized form to present themselves or by developing apps for their customers to provide them with information about available properties. Technology and digitalizations of services play a dominant role, as companies need to keep up with this trend in order to survive in competitive markets (ModernDiplomacy.com, 2018).

Zomerdijk & Voss (2010) argues that customer's satisfaction and trust is directly connected by services provided by an organization and the experiences gained by these services. When Airbnb was founded, it introduced a new type of a business model had as a goal to provide to their guests a more “local” experience with a relatively low cost (Guttentag, 2013). As they offer the most popular alternative choice accommodation (Guttentag & Smith, 2017). They added more conveniences and features to the existing renting product, but they also started

organising trips where users now can book experiences (such as wine tasting, walking tours, safaris etc.) and book tables in restaurants to live as the locals do (Airbnb.com, 2017). Liu and Mattila (2015) highlight the importance of guests experience, because experience adds value to the service. Thus, experience plays an important role to customer's satisfaction and creates a feeling of uniqueness to the customer a factor also highlighted by Hui & Zheng (2010) who note that the quality of services and an organization's management, play a crucial role on customers' satisfaction and how they experience the services; customer satisfaction is the most important factor that can influence directly management policies.

Grönroos (1988) claims that service quality is based on customers behaviors and their expectations on the services they get considering what they receive as service and how they receive it. In housing industry, the service is the space offered. In that sense, whether the issue is about an apartment or a workplace, occupiers ask for more flexibility. Customers' expectations are very high and demanding, in such a sense that the way companies choose to respond to these expectations, can transform the service quality and customers' satisfaction (PwC, 2018a). The strategy of Airbnb and Uber to measure service quality is by rating their services and platforms by all their user. In the case of Airbnb users are hosts and guests, while in Uber's users are considered the drivers and passengers. Because of their premium services, Smart homes can also be entitled to high quality of services as according to the Smart Home Association in The Netherlands "*the integration of technology and services through home environments lead to higher comfort and quality of living at home*". Karlatornet is also a good example of high service quality as with their motto "Think hotel, but home", all the residents of the apartments, will be able to use the hotel facilities as the hotel guests. Such services will be access to the gym, pool and spa, order room service directly to the apartment and the possibility to rent cleaning and laundry services as well. Residents will also have access to a direct lift to the restaurant at the top of the building with an amazing view, shared residents lounge, online food ordering and car pooling services to name but a few (Karlatornet.com, 2018; Serneke.se, 2017, SOM.com).

5.2. Service Design and Innovation

As Holmlid (2007) suggests, service design typically revolves around reframing the problem and viewing it through a different angle that could result in groundbreaking, innovative solutions. C.L.A. puts this theory to practise by striving to produce an alternative way of living for seniors in Sweden. They aim to change the definition of a home by adding a wide variety of services to their product, combining software and hardware to offer extra value to their customers. For them, home is no longer considered just a space but an attractive package complete with services. Airbnb has already succeeded in this, completely changing the landscape of the hotel industry through their services, by offering new alternatives to travelers while also enabling its members to gain profit from renting out their properties. Similarly, the founders of Uber managed to offer an interesting alternative to everyday transportation by

adding on appealing services such as easy access through an app, driver ratings, luxury cars e.t.c.

In these cases, service design is more in line with the practical view on the innovation process, where easy and fast problem solving solutions are offered (Skålén et al., 2015). The motivation behind all three companies was customer oriented, stemming from everyday problems that people face. On the other hand, in the case of coworking spaces, service innovation can be mostly found on adding value to the already existing product, where customers have little to no contribution in innovation (Skålén et al., 2015). Coworking spaces began as a trend responding the worldwide economic crisis, exploiting unused spaces by combining them with an attractive service package to lure freelance professionals. Certainly, the fostering of a coworking community amongst their members that offers networking possibilities contributes to their value, but it can not be considered as the primary factor. Same way, Karlatornet aspires to attract potential buyers by adding hotel services to their apartments.

Yen et al. (2012) describes the competitive advantage these innovative services could give to a company and how this can contribute in shaping the entire industry. Uber is already considered a stellar example of how almost all business models could be transformed in the future, introducing the term “uber-all economy” (Smith, 2016), and is constantly expanding in other activities such as Uber Eats and UberAIR. C.L.A. could also potentially achieve this, with the creation of a Concept Living Houses network whose members could travel from one to another, hoping to trigger a major change in the real estate industry and the way people perceive the concept of home, moving from a space centered product to a service membership package. Of course, in order for this change to happen, not only people’s routine but also their mindset should gradually evolve which can result in resistance and longer acceptance time as Ram and Sheth (1989) describe.

In the same sense, moving towards more sharing economy - inspired business models such as Airbnb, Uber, Coworking spaces and Concept Living Houses, could be time consuming, since they involve substituting people’s normative mindset of ownership with sharing to take advantage of their product’s full potential. However, as it is suggested by Rogers (1971) human interaction is main trigger for innovation adoption, therefore all it could take is a few early adopters that could boost this trend and lead to a vast innovation diffusion of such business models.

5.3. Digitization and Digitalization

Digitization is typically considered the first step that a company has to take to enter the digital world. This can be observed by using the five layers of digitization that Fleisch et al. (2015)

described to explain how the digitization process offered a competitive advantage in the cases of Airbnb and Uber. The innovation behind the concepts of Airbnb and Uber is that they added new layers to already existing physical products, maximizing their value. In the example of Airbnb a property (the physical thing - first layer) is being connected to a platform (sensor/actor - second layer) online (connectivity - third layer), where information is being processed and saved (analytics - fourth layer) and the users can access it either through the Airbnb app or their website (digital service - fifth layer). Similarly, in Uber the driver and the car are connected to an online platform that is accessible via their app and website.

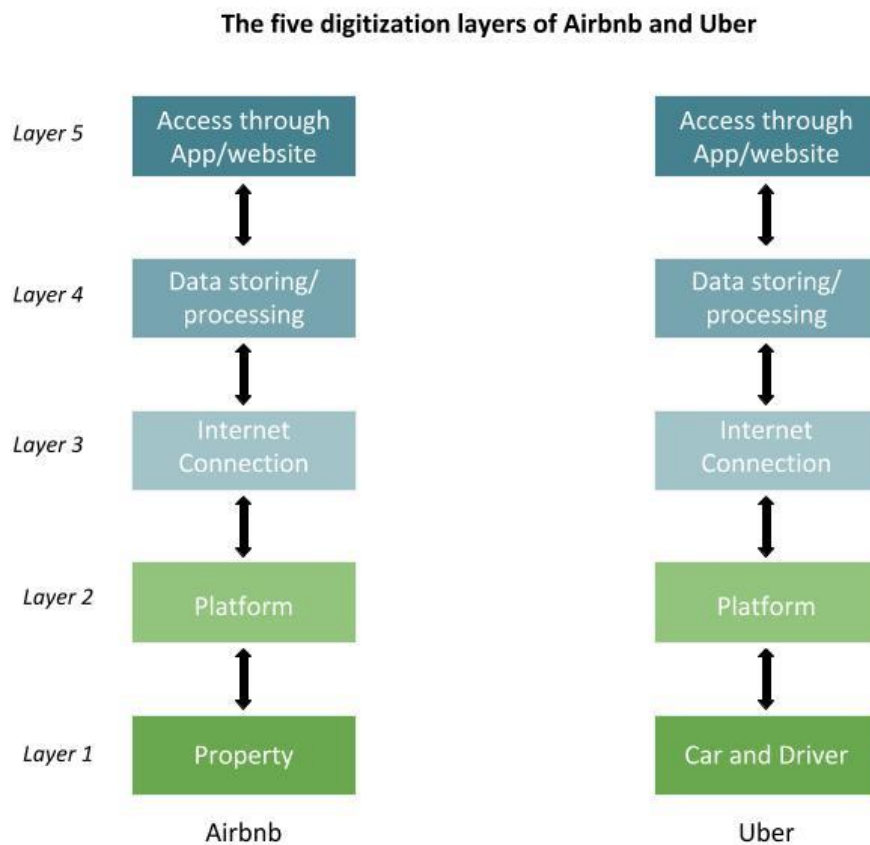


Figure 5.1: Translating the five layers of digitization to the cases of Airbnb and Uber, chart inspired by Fleisch et al. (2015)

Moreover, as Lechner and Schmid (2001) had predicted, both Airbnb and Uber have created online communities where their members can communicate, upgrading their level of digitalisation as well. By doing so, they eliminated the need of an intermediary, offering direct contact between the people that provide a service/product and those who are in need, making the whole process a lot easier and accessible for everyone.

On the other hand, it can be argued that some form of digitalisation can be found on the example of coworking spaces. According to Storbacka et al. (2012), the process of digitalisation

includes the conversion of physical to digital. Coworking spaces are no longer focused on the physical aspect (space) as a regular office renting agency would do, but instead they offer a membership packages. These membership packages alongside a place to work, they also provide a lot of extra services, such as office equipment, food, and networking events. At the same time, coworking is all about the creation of a worldwide community of creative professionals, fitting at some level the theories of Lechner and Schmid (2001).

6. Conclusions and suggestions for the future

As the aim of the study is to contribute to the development of services in housing companies but also to raising awareness about digitalisation and new business models, the following section includes recommendations for the future expansion of Familjebostäder's services. The world is rapidly changing, with shared economy businesses conquering many aspects of everyday life and people's mindset around ownership swifiting, to the point where in the future home might not be a space anymore but rather a services package. Therefore, it is crucial for Familjebostäder to rethink their product and try to evolve, in order to cope with future challenges.

In the past few years technology is an integral part of people's lives and inevitably in services as well. Smart technologies have gained grounds and almost replaced the once traditional way of functioning. Smart homes is the most typical examples of digitized services and trends in the housing market. As digital services are becoming more custom made and customers are more demanding than in the past and want more flexibility, now companies have to face the challenge to create more engaged relationships with their customers, a fact that reshapes the service design and modern society as we know it, as it also transforms people's lives (LiveWorkStudio.com, 2018). As housing services are evolving, the whole industry needs to expand outside of its traditional borders and to create partnerships with other business models if they want to be part of the competition, as it is believed that technology will disrupt the existing traditional function model (PwC, 2018b).

What is more, the factor of service quality is the most important when it comes to human behavior. Human behavior in terms of customers' satisfaction is vital for a company's survival in such a competitive market and can influence the company's policies and strategic choices. Besides the service quality itself, when talking about customers' satisfaction in housing, it gets more of a social impact as according to Zadkarim and Emari (2011) housing satisfaction is translated as life satisfaction. Now that organizations become more focused on customers' satisfaction, they are motivated to change their mindset and adopt more customer experience-based frameworks, which affect directly the decision making process (LiveWorkStudio.com, 2018).

To reflect, with the digitization of our times and the knowledge transfer from industry to industry, customer's experience is also transferred within industries. In that sense, someone could say that there are no more industry boundaries and an organization now has to face competitors probably from other industries as well, as disruption can affect all types of businesses. Now that services have been shaped in a new form (eg. telecommunication, online shopping), organizations need to reestablish their relationships with suppliers (LiveWorkStudio.com, 2018). Translating that to Familjebostäder, the environment for innovation is set but there is still room for further development. To suggest, the company can approach IT service suppliers to develop an application where the tenants can see the listings of Familjebostäder and/or book maintenance services or tools for their homes. Another

suggestion is to meet e.g. more supplier for laundry machines, who can also help them develop an application for digital booking of the service. Or they can invest on partnerships with grocery shops for online food order and home delivery.

To reflect something more, in regard to service design, services whether are digital or not should be added from the planning phase (e.g developing a construction for residential use) and not afterwards, if a company wants to achieve higher performance and customer's satisfaction. What is more, new business trends such as co-living and co-working could be the future of shared economy as space can be considered as a service and space is in high demand in many countries (especially in Sweden) because of space shortage. Co-living concept could also be adopted by Familjebostäder as the swedish market suffers from housing shortage.

But are disruptive innovations really disruptive? There is a lot of discussion whether a business model is disruptive or not. As mentioned earlier in the case study of Airbnb platform (see section 4.3.1), it is unlikely that Airbnb can pose an actual threat to the big hotel chains (Varma et al., 2016). On the other hand, plenty of companies fail to recognize or choose to ignore disruptive innovations. Companies should be more open to adopt new ideas and risk to invest on them. Whether we talk about creating new service experiences or developing the existing services, the primary goal should be customers' satisfaction and fulfilling their needs (Schmidt and Druehl, 2008).

As a research for the future, it would be of great interest to explore companies already working in housing industry and swedish city-owned companies to assess and analyse their strategy policies and plans regarding service design and digital services. Or even have a broader perspective by exploring real estate business model as a whole. What is more, as Airbnb, Uber and so many other successful business models, have proved that innovation comes from the users. So why not from the tenants? That would be also very interesting research for the future of services in housing industry, involving co-creation practices.

To sum up, technology is shaping the service design of today's market and housing industry is a part of this evolution without a question. However, rental housing industry in Sweden appears to function in a more conservative because companies are city-owned and are subjected to local restrictions and regulations. Regarding Familjebostäder, they can not act alone on this hard and challenging way to innovations as the swedish legislation and government put barriers to the industry. The whole rental housing industry in Sweden should cooperate with each other to overcome these barriers. What is more, engaging customers in the process, could be also beneficial, as it highlights customers' importance for the company. Last but not least, as a company, they could improve their business model by digitizing their services as mentioned above or exploring other alternatives on their supply chain management.

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Interview

Concept Living Advisory (CLA) - Chalmers Innovation Gothenburg, Sweden, Apr. 27, 2018

Appendix

Interview Questions | Petter Ahlström from Chalmers Innovation - Concept Living Advisory (CLA)

Gothenburg, Sweden
27 April 2018

1. Background information

Petter Ahlström: I did my phd thesis in Linköping University of Technology and my master at the Royal Institute of Technology in Stockholm. Currently, I am an entrepreneur at Senior Living Companies and I have worked at two international advisory companies (Real Estate related). Four years ago, I self - started my own business which I hope to make it into something bigger in the future. UlricehamnsTerassen is a house of seniors that offers not just next door services but also delivers services with the help of communication and information technologies. The way that these services are bought/offered could also be either analog or digital by a mobile digitalized system for seniors. Seniors that live in the house and seniors of the nearby area are organised (by UlricehamnsTerassen administration) and offered these service.

2. What does Chalmers Innovation do?

P.A.: The project stems from my thesis and Chalmers Innovation helps develop it and make it more attractive to people. Also, (it helps) on how to make a concrete plan to evolve from the idea stage to implementation.

a. What is your role?

P.A.: I am one of the 55 startups (in Chalmers Innovation). Chalmers Innovation is an environment for ideas to come true and become businesses. Hopefully, in 4 years we will also become a full company. It is more secure & dynamic environment than working alone in an office downtown.

b. Is it linked with innovation in housing industry in Sweden?

P.A.: The goal of the project is to create the best senior houses for seniors. I feel that this is interesting for Familjebostäder and people involved in Health Sector improvement for Seniors.

3. What does C.L.A. do?

P.A.: C.L.A. (Concept Living Advisory) is a five year project, we are currently on the third year in. So far, it offers advisory services both for Senior Housing and Real Estate Companies in general. The money from this activities are invested to the UlricehamnsTerrassen project. The project involves approximately 100 people that will live there and 300 people that live around the building who will be accommodated through an IT platform, meaning that (the services offered) are not just for the residents but also for everyone that lives in the closeby area. We aim to scale it up in order to make more money. We try to find out how to make it more interesting for people to sign up for it, by offering something even without needing to move to the building.

Familjebostäder could easily use the same strategy. One example could be to use the base floor as common space for both residents and non-residents. This will create more happy people, more collaboration, more enjoyment of the neighbourhood and if many people come it could lead to the opening of cafes, restaurants and other business whose owners will make more money. You can follow this at every neighbourhood if it has the density to create cafes, bars, pizzerias e.t.c. IT is a tool that gives people access to offers because they can see it and decide. The question is how to create a platform that connects people who live in the neighbourhood and people offering those services.

a. What is your role in CLA?

P.A.: Founder and CEO.

b. What motivated you to found the organization?

P.A.: The lack of alternatives for the elder people. Until 20 years ago there was only one solution for them, offered only by municipalities and it wasn't the best so most people just stayed at home. People abroad have much more alternatives. Not all people are the same, therefore different solutions should exist. Moreover, my own experiences from my grandparents that didn't have this ability (motivated me). There were alternatives but they were small. How could we help them grow? When I moved to Stockholm I realized that there is a booming market for that and it is expanding. Right now there are about 1.1 million (elder) people in Sweden and it is estimated that 30% of the population will be seniors by 2030. And they are very rich, the goal is also to motivate them to move from owned housing to rental in order to release homes, travel more and spend more money in services. After that, I did my phd and seven years later I am trying to make it my own business. So you could so that it was various incidents and personal interests (that motivated me).

4. Could you describe us briefly the concept behind Concept Living?

P.A.: It will provide services with all the software needed for daily life. Seniors have a lot of time. We will offer them a service package to help get out and meet other people and not just

seniors. We want to give everyone reasons to meet not just revolving around age but also interests. There are three things that everyone wants: activities (such as wine tasting, quizzes, bus travels e.t.c.), eating for fun and joy (a meal experience such as fika for example) which is a big problem for the elderly as they don't eat well and they could beat loneliness through this (as Swedes are considered to be very lonely people), and finally exercising (including health & training services) that people need motivation to do, so group exercises and physiotherapy could help in this, but also it could help people gain more and better (in quality) years.

a. What kind of services will Concept Living provide to its members?

P.A.: It will offer optimisation/elderly optimization packages, which will focus on increasing the years of life, optimize the abilities and lead people to a better quality of life. It will provide insights and tools how to make more of their life. The goal is to create a benchmark for the elderly as it is for parents in the form of a center where people could go for asking questions and advice. Nobody really know what elderly age is all about. Most people are also single when they are elderly and it is hard for them to make new friends. In time, we want to understand what it means being an elder in Sweden and create tools with information to help you with the economics, law, health issues and disability equipment. Also, educate them about it and give it to them if they want it. If we could create that type of organisation that would be a success. Then, people can come and voluntarily join the houses and pay. Now, they usually go to a counsellor and get one alternative which is boring. This is the market alternative and you can use it for whomever not just the elderly.

b. Could you explain us the different membership packages?

P.A.: We don't want to create gated but rather open communities. There will be different levels of access to them however. The ones who live there which will have 100% access to everything. They will pay housing and basic services (like phone and reception). Then, people living around, who could join when someone leaves as long as they become members, which will offer them also discounts to services similar to the ones a hotel lobby would offer. Everyone is welcome to join when the reception is open, but after 5 p.m. it is only for residents and members. Partnerships with cafes, lecturers, restaurants and other businesses around are also explored. People, especially older people, need flexibility which could be offered through more density and services such as cafes, pharmacies e.t.c.close to them. Ulricehamns Terassen is in the city center so they will have access to that and they could boost the local businesses, with which we could negotiate door-to-door delivery since their profits will be increased.

5. How can CLA be linked to today's business model trends?

a. Digitalization - digitization

P.A.: Seniors want to catch up with the technology. In CL, for example, they could use their phones like wallets and always be able to check their accounts. The members will have an app that they could pay through.

The goal is to create 100 Concept Living Houses in all Nordic countries (and maybe US or Mediterranean in the future). Members could use all of them and travel and they can have access to maybe guest apartments. Through the app it will be easy to pay and secure. It will connect them with services and combine services and value. It will also help people travel and do education and stuff. It could potentially create a community all over the world and redefine living and home through IT. You can have a base and then you can move around CL houses instead of having a home. EU has a free flow of people and in the future maybe no borders will exist and that will make it easier as today the tax regulations and where to pay them are obstacles in doing this. It is all about redefining what a home means, not anymore a space but a cyber reality.

6. What are your future plans and projects?

P.A.: In the end of September, a sister organisation in America will begin and that will make floating around possible when CL starts. It could make the world smaller and more interesting. Already, there are collaborations with Poland and Germany, and maybe in the future with Spain, Italy and Greece. Also, in the future there will be houses not just for Swedes but for immigrants that could provide info in their native language. Maybe we could also focus in ethnicity senior groups such as Finnish, Syrians, e.t.c. and create structures and services that are modified to make them feel like home.

a. Are you considering expanding to other social groups (disabled people, university students, single parents etc.)?

P.A.: As the goal is to create the best product but also educate the users in how to use it, it is a friendly, attractive package even for younger people. Service management it's what this is. It is all about access. CL is perfect for youngsters since they have the same demands and needs in some way (as the elderly), they live alone in student housing. Biggest difference is the money. It is easier for a group that has the money. It can be put to all groups that have a common interest as long as they have the money.

b. Are you considering adding more services/ membership packages?

P.A.: We have role models from the US, so maybe there will be different packages depending on money like a premium offer or classic/light because people are different therefore they have different needs. This is not a very Swedish perspective, so it will be challenging to balance Swedish ideas with it.

7. How would you describe the current situation in housing industry in Sweden (focus in rental housing)?

a. What kind of problems do you identify?

P.A.: Building costs is the biggest problem, but I can't understand why. It is very expensive for people to buy and rent a home. Also, building regulations take a lot of time. It takes too long to get a permission and the new legislation is making it too hard for people with no money to buy a house. There are still low rent, but it is difficult for developers to build homes to buy. There are lots of projects, but there is need for one million more flats to be build and not half of them will be build in time. It takes to long to get a permission and people prefer to build apartments for buy since it makes twice the profit but people don't have the money to buy them anymore. Big crisis in the developers sector as there are unbalanced market conditions.

b. What are the challenges in innovating for the industry?

P.A.: There is a strange culture. Nobody wants to innovate because of of transparency, costs and time. There is no innovation patent in real estate. There is no initiative. It is a weird market that hasn't found out how to innovate. Most innovations are about lean construction and BIM (industrialized construction methods). There is need for more, especially to look into competitors from abroad and find out how they do it cheaper.

8. What kind of changes do you foresee in the rental housing industry in the near future?

P.A.: People will be more flexible and easily convinced about ideas. The market will be balanced, there will be more competition and more rational choices will be made compared to now that there is only great demand. Also, the trend of adding more value to the housing environment will rise, it is not enough anymore. Customers want more. House owners see it as business. There is a swift in trends, products are now a complex package of software and hardware. There are examples from other industries such as cars and phones where the value comes from the software and the combination of them. Volvo, Jaguar e.t.c. offer the same product, it's the different services that makes people buy their cars. This is coming to real estate. They start to combine services with housing. It is all about people wanting more.