

**An Analysis of the UK and US SME Platform Markets using Business Model
Theory:
The Business Model as Activity-System**

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Abstract

The University of Manchester

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Doctor of Philosophy

An Analysis of UK and US SME Platform Markets using Business Model Theory: The Business Model as Activity-System

Consumer use of popular Web 2.0 and social media platforms such as Facebook and Twitter is well documented. However, the use of such technologies by Small and Medium sized Enterprises (SMEs) has received relatively little attention. In this thesis the focus is on SME platforms. These are websites designed specifically for SMEs to gain information, network with each other and in some cases conduct sales through an electronic marketplace. The competitive landscape for these platforms is mapped out using business model theory. In total, 144 platforms in the US and the UK were identified. Using a mixed method approach of online panel data, cluster analysis and website content analysis, 32 were analysed in detail. A taxonomy is then proposed based on value proposition, Web 2.0 sophistication and revenue model maturity that defines five distinct strategic groups; *information laggards*, *basic networking*, *advanced networking*, *advanced networking mature* and *social media markets*. There is extensive interest in SME platforms that offer relevant content and networking opportunities to small businesses. Over the last decade business model literature has identified different approaches, but few studies have provided the empirical evidence to test these. This thesis applies Zott and Amit's activity-system design framework by using a synthesis of online panel data and case studies of the leading SME platforms in the UK (and one example from the US). A theoretical framework is proposed that explains the interplay between the business strategy, value proposition, end-user and Web 2.0 sophistication. Unlike most business model research that focuses on the firm level, this study presents a synthesis of the market level and the firm level, which brings insights in business model innovation and strategic group transition.

Key words: Strategic Group, SME, Business Model, Cluster Analysis, Activity-System, Web 2.0 Technology

Declaration

I, Maria Manuela Gutierrez Leefmans, declare that no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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“Too much light often blinds gentlemen of this sort. They cannot see the forest for the trees.”

Christoph Martin Wieland

CHAPTER 1. INTRODUCTION

This chapter introduces the concept of ‘SME platforms’ and justifies why this thesis chooses these platforms as the unit of analysis. It presents data on small companies and social media from the UK and US in order to provide the reader with a contextual understanding. This section explains the rationale behind studying platforms under a business model framework, which also leads to the research questions of this thesis. Finally, the chapter explains the thesis structure, research design, the epistemological position and the expected outcomes.

1.1 SME Platforms

The consumer use of social media for communication, information access and networking has grown quickly over the past decade. According to the digital marketing agency ComScore (2013a) the monthly reach (that is, the percentage of people that visit a website and represent an audience) of social networking worldwide is 80% (ComScore 2013a). Facebook has also attracted interest from business organisations to communicate and promote products and services directly to individual customers. Likewise, similar websites or platforms have been adopted by organisations for internal collaboration with the possibility to expand to third parties (for example, Yammer).

However, a third type of social media platform, those specifically designed for Small and Medium sized Enterprises (SMEs)¹ – here termed SME platforms – has received almost no attention among researchers. These are platforms where SMEs meet to gain access to information, identify strategic partners or detect new market opportunities. The phenomenon of SME platforms is therefore a new area of research. This thesis defines SME platforms as *the use of Web 2.0 technologies and social media to support and enable SMEs in the formation, development and management of commercial and social relationships with each other, with their economic partners and with their customers for the purposes of information sharing, networking and generating sales.*

¹ This research assumes that users interested in SME platforms are SME owners, SME employees or potential entrepreneurs because of the nature of the content.

Social media platforms such as 'Smarta.com' and 'Ukbusinessforums.co.uk' are an important source of information for SMEs in areas such as legislation, sources of funding, finance and marketing. These are also platforms that combine a variety of social media applications within a single platform. They provide networking opportunities with other SMEs that are important for developing and sharing ideas, entering into partnerships and creating new sales opportunities.

Due to the relatively recent emergence of SME platforms there is currently an unknown quantity and variety of them. The thesis therefore begins by analysing the SME platform market by its size and structure. The analysis in chapter 5 emphasises that there is a large number of failing platforms and this creates the need to understand what the leading platforms are doing differently. Therefore, the second part of the thesis studies the business models of leading SME Platforms at a firm level to understand why they are successful.

1.2 Purpose and Motivation

The study of social media has been a very active field in the last decade, but most of the literature is concerned with its use by large companies (for example, the use of Facebook for communication purposes) rather than small businesses, which are a more recent phenomenon. As a result of the increasing use of Web 2.0 technology in the last few years, websites offering advice for businesses on the use of social media and other business related issues have emerged but remained unstudied. These platforms are small companies themselves and use Web 2.0 technology as part of their offering. Therefore, they constitute an interesting unit of analysis.

The purpose of this study is to compare the SME platform market in the UK and US, both developed countries with a high use of internet and a large number of SMEs. By categorising the platforms into strategic groups, it is possible to detect patterns of behaviours that SME platforms are following. Once categorised, this research uses case studies of the leading SME platforms from different strategic groups to analyse their business models. The objective of this is to find out the mechanisms through which successful SME platforms operate and attempt to abstract a generic business model for this industry.

The business model frameworks proposed have a strong focus on Web 2.0 technology as SME platforms are another type of social media platform. This a relatively new (Zott et al. 2011) business model and my intention is to contribute to business model research that still lacks structured and rigorous research in this new area (in particular, theory-building work and empirical research beyond single-case studies) (Demil et al. 2015). Therefore, the use of Online Panel Data (OPD) to perform a market analysis (that is, at a large scale) based on business models is innovative. This thesis also contributes to the literature by recognising the relevance of the user for the business model and promoting the importance of OPD analysis and interpretation for business research.

Finally, a special issue of the Long Range Planning journal encouraged more research on business models. However, the literature review carried out for this thesis illustrates that only a relatively small number of studies are published in top ranked ABS journals. Hence, there is an opportunity to bring insights into the mainstream that advance business model theory and test the proposals of previous researchers for example, the activity-system view.

1.3 SMEs and Web 2.0 Technology

In Europe, micro, small and medium-sized enterprises (SMEs) are defined as enterprises that employ fewer than 250 persons and that have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million (EuropeanCommision 2015). In the US, a small business is defined by industry, ownership structure, revenue and number of employees, which is typically under 500 employees (SBA 2015). Despite these differences in the definition of SMEs, small companies share similar challenges and have the same needs. They face intense competition due to the generation of new markets and greater customer expectations and must deal with complex funding, marketing and legal issues (Blackwell et al. 2006).

In the UK there are approximately 5.2 million SMEs (BIS 2014) and they form an important sector of the economy, because of their role in encouraging economic growth and innovation. In the US there are approximately 28 million SMEs (SBA 2014), which makes it the world's largest community of SMEs. In the US, SMEs represent 99.7% of employer firms (SBA 2014) and in the UK, SMEs represent 99%

of total businesses (BIS 2014). SMEs are therefore crucial for the successful functioning and growth of both economies. The use of e-commerce is a strategically important opportunity for SMEs and the wider economy. However, a recent report from Lloyds claims that small businesses have not fully adopted the internet and still have to develop digital skills (Rodriguez-Sola 2014),

The benefits of online presence are evident. SMEs with a strong web presence grew more than twice as quickly as those with minimal or no presence, their share of total revenues earned from exports was more than twice that reported by others and they created more than twice the number of jobs and eased a new type of entrepreneurship (Bughin and Mayika 2012).

Web 2.0 technology adoption in the last decade is widespread. 40% of enterprises now use social networking tools and blogs (Bughin and Mayika 2012) and 72% of enterprises already deploy at least one social media tool (Bughin and Mayika 2012). The main use of social media is for customer interaction in sales, marketing and support channels (Deloitte 2012) and 90% of companies using social media technologies report them as being of benefit to their business (Bughin et al., 2011). Benefits from the use of social technologies in companies surveyed include; scanning the external environment, finding new ideas, managing projects, developing strategic plans; allocating resources; matching employees to tasks; assessing employee performance and determining compensation.

The use of social tools and technologies by companies in general is highest for social networking sites, blogs and video sharing. The technologies used include RSS feeds, podcasts, wikis, micro-blogging, tagging and rating (Bughin and Mayika 2012). This research is based on large companies, which creates a gap in the literature and the need to research how SMEs are using web 2.0 technologies.

There is a greater need for information integration in start-ups because SMEs lack the financial resources and business resilience of large enterprises (Blackwell et al. 2006). The volume of information exchanged is increasing (Amrous et al. 2014), which means a considerable amount of information and knowledge is shared through social networks. SMEs also face intense competition due to the generation of new markets and greater customer expectations (Blackwell et al. 2006). However, their use of social media is arguably less well developed than in consumer markets.

SME platforms can help small companies and entrepreneurs to find resources, identify suppliers and increase their sales with a combination of good value propositions and the use of Web 2.0 technology. In other words, they can help them to survive and grow. The study of these platforms represents an opportunity to contribute to the literature on social media platforms specifically designed for SMEs.

SME platforms can remove many of the competitive advantages of larger companies and provide opportunities for smaller enterprises (Kaur et al. 2012), offering cost-effective ways for SMEs to explore new markets, improve communications and identify suppliers. However, SME platforms are not mature and this is reflected in the large number of competitors and their diversity. This makes the research problem interesting and one that requires novel analytical and methodological approaches.

There is evidence (based on panel data), which shows that SME platforms are widely used and surprisingly there are no published studies on them. LinkedIn is an example of professional platforms that small companies are beginning to use. While it may have similar functionalities to SME platforms, it does not offer the specialised content and relevant products and services which SME platforms do. Manta is an example of an American platform with data on more than 87 million firms (Lockett and Brown 2006). On this platform registered companies can showcase products and services and share information on events. Thus, it can be defined as an online small business service directory and search engine that provides users with networking information. However, Manta lacks the relevant content for small companies that SME platforms offer, although the website has recently incorporated blogs and more interactivity.

1.4 Why Business Model Theory?

The purpose of business models is to show how the pieces of a business fit together and help us to understand the logic behind an organisation (Magretta 2002). Business models are ideal for understanding the shaping of technology, an example being the work of Baden-Fuller and Haefliger (2013) who relate technology to business model innovation. Overall, there is a lack of empirical studies that show the mechanisms through which some business models operate (Demil et al. 2015) and insights that connect technologies to the willingness-to-pay of ultimate customers (Gambardella and McGahan 2010).

Recent studies on business models call for more emphasis on the customer (Demil et al. 2015), (Osterwalder et al. 2015) as previously there has been much more focus on the internal organisation with the Entrepreneurship, Organisational Studies and Strategy disciplines dominating the study of business models. Business models may transcend the focal firm (Zott and Amit 2010) and extend to the user as an actor. Indeed, the business model framework proposed in this research emphasises on the user. Also, many new business models rely on network effects because the more users there are, the more interaction and user generated content there is (UGC). Thus, the value to platform members increases and this is why the user is now central to companies that incorporate Web 2.0 technology. Their business model relies on the number and scale of users as a means to generate revenue and SME platforms are a good example of this model.

Business models can be studied through different lenses. Business models are systems (Petrovic et al. 2001); (Afuah and Tucci 2000) and the ‘activity-system’ view, in particular, has been widely proposed in the literature, including the work of Seddon et al. (2004), Zott and Amit (2010), Itami and Nishino (2010), Casadesus-Masanell and Ricart (2010) and Demil et al. (2015). This view sees the business model as a set of activities that work together as a mechanism to generate revenue. This approach is suitable for studying changes in the business model over short periods of time (McGrath 2010). Due to their technological nature, SME platforms operate in a fast moving environment, which makes the activity-system approach highly suitable for their study.

At a market level, the analysis of business models is important in order to have an overview of the different offerings and the competition between SME platforms. This competitive view of platforms has been highlighted in literature (see the work of Jacobides and Billinger (2006)) and strategic group theory is a useful way to categorise platforms. Strategic group studies date back to the late 1970s and early 1980s, and they have been used to study industry structures. Findings show conflicting results in terms of performance between and within groups (chapter 4 provides examples). Later studies confirm that it continues to offer a valuable way to classify firms by their strategy and provide a robust theoretical taxonomy as a means to make sense of and map industry dynamics over time (Leask 2007). This thesis focuses on business model dimensions to form strategic groups and provide an

overview of the similarities in ways of operating among platforms and proposes that there is a common business model.

1.5 Research Questions

The specific research questions for this research are:

1. How can Business Model theory and Strategic Groups be used to map out the competitive landscape of SME Platforms?

SME Platforms are at the growth stage of development in comparison to the major social media consumer applications, as such, there is diversity and intensive market competition between SME platforms. In order to analyse this competitive context, this thesis uses business model as the theoretical framework to map out the landscape of the SME platform market and categorise these platforms. The business model concept is a relatively recent theoretical paradigm, which is now used to study organisations (DaSilva and Trkman 2014) and describe how the pieces of a business fit together (Magretta 2002).

Previous categorisations of platforms have been based on a single Web 2.0 application (see the work of Qu et al). However, SME platforms incorporate a variety of Web 2.0 applications and the Web 2.0 sophistication element of the framework is of particular interest to this thesis. Strategic group theory is useful for grouping platforms according to similarities and differences in their business models. Using strategic groups, this thesis provides an overview of the leading platforms in both the UK and US market and allows the development of a taxonomy of SME platforms.

1.1 How do the UK and US SME Platform markets compare to each other?

This thesis compares the UK and US SME platform market. The US and the UK are highly advanced countries in terms of technology infrastructure where Internet access is 87.4% in the US and 91.6% in the UK (WorldBank 2014). Although there are major players in both markets, the US is a more mature market because of the entrepreneurial history that characterises the country. The share of active SME platforms, the market penetration among the SME population and the growth in recent years of SME platforms provide an overview of the differences between both markets. The Online Panel Data (OPD) is used for this analysis and takes into

account national visitors to the SME platforms. It also allows insights into the likely future evolution of the SME platforms and provides a useful international comparison.

2. How can the Business Model concept be operationalised in the context of SME Platforms?

Results from the online panel data analysis show that 41% of these platforms have very little success in the UK (less than 1% of unique visitors) and that 34% of them are not used at all (ComScore 2011-2014). Only 25% of the platforms had higher rates of usage during the last three years and a similar pattern is observed in the US market. As such, it is appropriate to explore how those successful platforms operate and which business models they use. The analysis focuses on three constructs – value proposition, Web 2.0 sophistication and business strategy – within the business model framework as well as interrelationships to understand how SME platforms operate and what makes them more successful at attracting visitors. This research uses case studies to understand the business models of the leading SME platforms from different strategic groups. Most literature on business models still lacks structured and rigorous research; in particular, theory-building work and empirical research beyond single-case studies (Demil et al. 2015). This research, therefore, contributes through its use of multiple case studies.

2.1 What does the SME Platform Business Model look like under an Activity-System view?

The business model is defined as a flow of well-coordinated activities to create and capture value. The activity-system is a method of looking at business models based on the content (activities), structure (links and sequences) and governance (actors) (Zott and Amit 2010). This view sees the business model as a set of activities that work together as a mechanism to generate revenue. Business models are especially useful for understanding the shaping of technology. An example is the work of Baden-Fuller and Haefliger (2013) who relate technology to business model innovation. Nevertheless, there is a lack of empirical studies that show the mechanisms through which some of these business models operate (Gambardella and McGahan 2010). The activity-system approach is suitable to study changes in the business model *and to study short periods of time* (McGrath 2010). Therefore, it is

well suited to study technology despite the fact that the few existing studies using this view are based on industry examples and large organisations.

1.6 Thesis Structure

Chapter 2 provides the most recent literature on social media and Web 2.0 technology in order to introduce the concept of social media platforms. User generated content is an important part of Web 2.0 technology and has been vital for communication, not only between users, but also between companies. Therefore, the literature on social media platforms is presented based on distinctions developed by Rayport and Jaworski (2002) between consumer to consumer (C2C), consumer to business (C2B), business to consumer (B2C), business to business (B2B), Enterprise 2.0 (that is, platforms within organisations) and platforms for professionals. This review highlights that there is a gap in the literature on platforms for SMEs.

The literature on the SME usage of social media is presented in order to emphasise the value that small companies give to Web 2.0 technology and thus, highlight the value proposition that SME platforms can offer. This leads to a literature review on business models. As part of the e-commerce revolution, the study of digital business models became popular. This review shows the evolution of business model literature from a focus on its definition, to the study of its components and elements, to different classifications and typologies. The chapter stresses the limitations of current classifications. An important part of the review is the view of business models at different levels.

Inevitably linked to the study of business models is how they change and develop and the literature review includes recent work on business model innovation. Examples of the application of the business model concept are more recent and in the last decade business model literature has introduced different approaches. Nevertheless, few studies provide the empirical evidence of testing or building onto these. This research applies Zott and Amit's 'activity-system' design framework, therefore this approach is presented at the end of this chapter.

Chapter 3 presents the research framework and the literature that supports it. It shows my rationale for building the framework as well as the interrelationships between the framework constructs. It also explains how the business model of SME platforms operates using Web 2.0 technology, which is an important construct.

Derived from this, a scale of Web 2.0 sophistication is developed to ensure a uniform classification of the SME platforms, the subjects of this study, which is presented in chapter 4. Some of the framework elements are not fully studied until the second part of this research (that is, case studies). The first part of this research is concerned with mapping out the landscape of SME platforms where revenue models are an important element to distinguish among platforms and provide an overview of the market.

Chapter 4 explains the data collection and the methodology followed in this research. It begins by presenting the philosophical underpinnings that justify the selection of the research methods, namely Online Panel Data (OPD), website analysis, strategic groups and case studies. The following chapter presents the empirical analysis of the thesis, that is, the analysis and interpretation of the OPD to map out the landscape of SME platforms in both the US and UK markets. It presents the cluster analysis that leads to the strategic groups and taxonomy of SME platforms. The chapter ends by presenting data on growth and thus, the anticipated evolution of both markets.

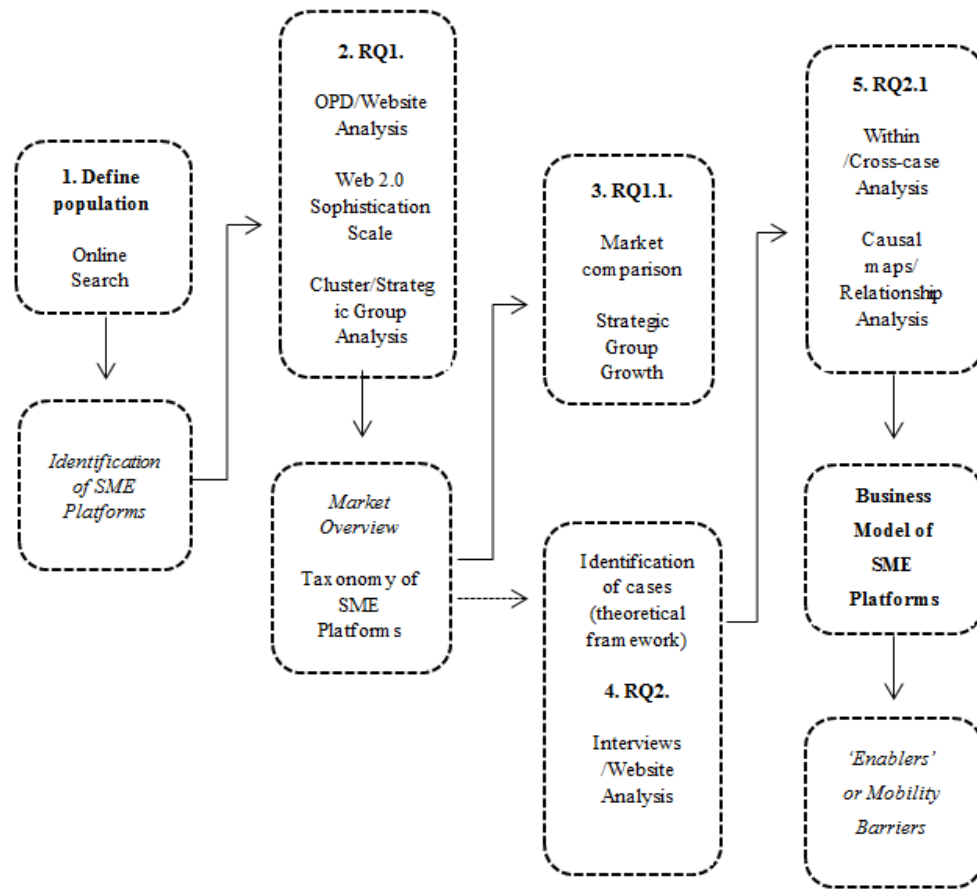
Chapter 6 presents the five case studies based on the theoretical framework developed in chapter 3 (that is, the business model dynamics framework in Figure 3.3), and the discussion around their business models. The case analysis is presented in chapter 7. This is based on a within-case and cross-case analysis that proposes a generic business model for SME platforms. An analysis based on the activity-system view and the constructs' relationships helps to arrive at conclusions on the business model dynamics.

Chapter 8 discusses the findings and the theoretical framework proposed and suggests how the market level and the firm level of analysis of the business model are useful to understand the mechanisms for strategic group transition. The last chapter (number 9) includes the theoretical and methodological contributions and the managerial implications of this study. It also presents some of the limitations of this study and lines for further research.

1.7 Research Design

In order to answer the research questions, the data collection and analysis followed the sequence presented in Figure 1.

Figure 1.1 Research Design



1. *Define Population.* The first step in this research is the identification of 144 SME Platforms from both the UK and US through an exhaustive online search based on different value propositions.
2. *RQ1.* To answer research question 1, online panel data (OPD) and website content analysis are used. The analysis and interpretation of OPD informs on the platform size (that is, market share) and provides insights into the stage of evolution of each market. The website content analysis (based on the business model framework) informs on the characteristics of the leading SME platforms and is the base for the cluster analysis. This way, strategic groups are formed and therefore a ‘market overview’ of both markets is possible. An important dimension for the cluster/strategic group analysis is Web 2.0 sophistication. Consequently, a scale of Web 2.0 sophistication is

developed to classify platforms. A taxonomy of SME Platforms is the product of the strategic group analysis.

3. *RQ1.1.* In order to compare both markets this thesis uses OPD to calculate the market penetration of SME platforms in each market. This is done by using unique visitor data from national visitors only. Also, OPD of 34 months is used to show the growth of the each strategic group in both markets.
4. *RQ2.* To answer research question 2, five platforms are selected using theoretical sampling to write case studies. The dotted arrow in Figure 1.1 represents an influence of the strategic group results on the case identification (that is, no cases are selected for the information, networking and sales value proposition) and this is explained in more detail in chapter 4. The case studies include input from in-depth interviews with company managers, website content analysis of the platform changes using Way Back Machine software and secondary data provided by the companies.
5. *RQ2.1.* In order to apply the activity-system approach, a within-case analysis is conducted using causal maps to represent graphically each case business model as an activity-system. This is followed by algebraic tables that summarize the construct relationships within the system and identify ‘enablers’ or facilitators of such relationships. A cross-case analysis identifies common patterns among the models and a comparative analysis of the construct relationships makes possible to propose a generic business model of SME Platforms. The same analysis informs on the ‘enablers’ for an SME platform to move from one strategic group to another and therefore suggests mobility barriers.

1.8 Epistemological Position

This research uses a mixed methodology that combines quantitative and qualitative methods to study SME Platforms. It is a valid methodology within critical realism as it accepts that there are different types of objects of knowledge - physical, social, and conceptual -, which have different ontological and epistemological characteristics and therefore require a range of different research methods and methodologies to access them (Mingers et al. 2013).

From this philosophical perspective, comes a concern for the study of the mechanisms and structures. De Búrca et al. (2006) refers to ‘generative mechanisms’ as structures that give rise to certain causal powers and tendencies. Hence, the relevance of looking at the market structure, as it can inform on the trends of the SME platform market. A case study brings out the mechanisms through which a business model operates. In particular, the activity-system business model looks into the structure (that is, links and sequences of activities) of the business model that helps to suggest causal powers of certain activities. This is in line with the view of critical realism on causality as it is seen as an intrinsic process within a system where instead of statistical predictability there is semi-regularity or identification of tendencies in a particular context (Archer et al. 2013). The use of multiple case studies helps to identify commonalities and tendencies among businesses strategies and thus, certain patterns that SME platforms follow.

Chapter 4 elaborates more on this view based on previous critical realist research on information systems.

1.9 Expected Contributions to Knowledge

One of the first contributions of this research is to provide an example of the analysis and interpretation of online panel data (OPD), which can be replicated in other studies. ComScore and other business intelligence companies are very reliable for studying large companies (WallStreetJournal 2014). However, there is a challenge when studying small websites. Smaller websites may not be tracked by companies like ComScore and thus, it is difficult to get data about them and to do research.

The scale of research that OPD facilitates is another important contribution to studies on business models, which are usually of a smaller scale. This research provides an example of an analysis of a relatively large number of platforms. It is common to find research that focuses on a single platform (See the work of Qu et al. (2013)). An important contribution of my research is to use a novel methodology based on OPD, combined with strategic group theory, to analyse and evaluate the business model performance of a relatively large number of competitors.

Therefore, this research provides original empirical research into SME platforms at the market level unit of analysis. The market level analysis of large numbers of competitors is an innovative way of evaluating social media platforms that gives

academics and managers an overview of a new and quickly changing set of competitors. Jacobides et al. (2006) study platform industry architectures and stress the importance of market analysis for competitive studies, thus making it an important part of business models studies.

This study develops the concept of 'revenue model maturity'. Businesses usually begin with an advertising revenue model however as they start growing they incorporate different revenue models (Hagiu and Wright 2011), which help to differentiate platforms at different stages of development. Another important contribution is the development of a Web 2.0 sophistication scale to categorise platforms.

This thesis is of direct applicability to managers as it reveals a competitive landscape of SME platforms and suggests different trends in the market by identifying strategic groups. It contributes to strategic group theory and through a synergy with the business model study at the firm level provides insights into the mechanisms for strategic group transition.

Case studies on the other hand provide a more in-depth view of the business. While there has been an emergence of online business models, the use of Web 2.0 technology as a construct within business models frameworks until now has been limited. A contribution of this study to literature is a multiple-case study research that applies the activity-system approach, with a further contribution being the use of causal maps to represent the business model as an activity-system.

The business model framework centred on the user provides an alternative to current business models that have considered the customer as an additional element. It shows the mechanisms through which business models operate and uses multiple-case studies to validate the constructs proposed, unlike most business model research, which is usually based on single case studies (Demil et al. 2015).

Finally, by studying the business model and its mechanisms, insights into its evolution emerge which mean this thesis can also contribute to the nascent business model innovation literature, such as Johnson (2010); Cavalcante et al. (2011) and Ferreira et al. (2013).

CHAPTER 2. LITERATURE REVIEW

This chapter presents the literature reviewed for this research. It begins with literature on social media platforms and the different types and classifications that have emerged. I explain my logic as to why it is useful to categorise them based on the usage context. The second part of the chapter presents the research on business models covering definitions, elements, classifications and the most recent applications found in the literature. A special section explains the activity-system view of business models and why this approach is suitable for my study. Key points are included to summarise the main findings of my review.

2.1 Social Media Platforms

Social Media is defined as a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and allow the creation and exchange of user generated content (Kaplan and Haenlein 2010). Social media applications take the form of Internet fora, blogs, microblogs (e.g Twitter), wikis, social networks, podcasts, photograph or picture sharing, videos, ratings or reviews, tagging and social bookmarking. A summary of the different definitions of social media and Web 2.0 technology is presented in Table 2.1.

Table 2.1. Social Media and Web 2.0 Definitions

Author	Definition
Kaplan and Haenlein (2010)	Social Media is a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and allow the creation and exchange of user generated content.
Constantinides and Fountain (2008)	Web 2.0 is a collection of open-source, interactive and user-controlled online applications expanding the experiences, knowledge and market power of the users as participants in business and social processes. Web 2.0 applications support the creation of informal user networks facilitating the flow of ideas and knowledge by allowing the efficient generation, dissemination, sharing and editing or refining of informational content.
Bughin (2008)	Web 2.0 technologies, systems of collective intelligence which may involve collaborative publishing or common databases for sharing

	knowledge.
Barbry (2007)	Web 2.0 aims at creating a truly interactive web based on a variety of technologies (for example,for example, RSS, wiki).
Anderson (2007)	A group of technologies that facilitate a more socially connected web where everyone is able to add to and edit information, underlined by the key ideas of individual production and user-generated content, harnessing the power of the crowd, data on an epic scale, architecture of participation, network effects and openness.
Lin (2007)	Web 2.0 technologies provide rich and lightweight online tools that let users contribute new data, which they can aggregate to harness a community's collective intelligence. Web 2.0 thus represents a paradigm shift in how people use the web. While most users were once limited to passively viewing web sites created by a small number of providers with mark-up and programming skills, now nearly everyone can actively contribute content online.
Hoegg et al. (2006)	Web 2.0 is defined as the philosophy of mutually maximising collective intelligence and added value for each participant by formalised and dynamic information sharing and creation.

Most definitions refer to the user generated content (UGC) and interactivity of the Web 2.0 technology, information and knowledge sharing (that is, collective intelligence), network effects and openness. The change that Web 2.0 brought to users is based on the transition from consumer to 'prosumer' (Kazman and Chen 2009). That is, users who produce and on the willingness to participate and find solutions for the community (Tapscott and Williams 2008). Activities seem to be moving to the 'doing and producing' ones as part of a group, where we post comments, ask questions, receive feedback, get involved in projects, assess and review, and take leadership roles (Kozinets et al. 2008). Digital platforms that use social media facilitate such activities and thus make information and networking more accessible. Examples in the literature include studies of an online community approach as with the work of Stockdale et al. (2012) and on the marketplace as a model for networking as with the work of Ndou and Sadguy (2010).

The literature on different social platforms presented in this review is based on the distinctions developed by Rayport and Jaworski (2002) between consumer to consumer (C2C), consumer to business (C2B), business to consumer (B2C) and business to business (B2B) e-commerce.

2.1.1 C2C Social Media Platforms

Social media platforms can be defined as web-based technologies used to create highly interactive platforms via which individuals and communities share, co-create, discuss, and modify user-generated content (Kietzmann et al. 2011). A further definitional construct is to consider the application ‘context’, especially whether it is for individual consumers or to support business processes within an organisation.

Literature on the use of major applications such as Facebook, Twitter and YouTube is extensive. The focus of these studies has been on consumer platforms with Web 2.0 technology, that is, social networks, micro-blog, auction sites, etc. Uses vary from gaining feedback (Pace 2008), social relationships (Joinson 2008); (Ellison et al. 2007) and participation (Burgess and Green 2009); (Rui and Whinston 2012). Hence, the study of social media in a consumer to consumer (C2C) context for communication is well documented. A commonly used classification of Web 2.0 platforms is that of Vickery and Wunsch-Vincent (2007). See Table 2.2.

Table 2.2. Classification of Web 2.0 Platforms

Platform	Description
Blog	Type of webpage, displaying date-stamped entries in reverse chronological order and which is regularly updated. The displayed content consists of text, images, audio and video. Blogs serve the purpose of delivering and sharing information. Blog hosting servers remove the technical burden of maintaining a hosting account and a software application. Blogs work by sharing other user-generated content such as referring to other blogs, music or discuss user-created videos.
Wikis and similar text-based collaboration formats	Wikis are websites allowing its users to collectively add, remove and edit text based content. The content can be changed instantly by the users on the web. Furthermore the content can be formatted with a simple tagging language. The initial author of an article allows other users to collectively edit the content. Consequently, the vast number of readers and editors decrease mistakes within the wiki. Furthermore there are several sites providing wiki hosting enabling users and communities to create their own wiki for various purposes.

Group-based aggregation and social bookmarking	A group-based collection and rating of specific links to content such as articles and media. The links are tagged, rated and usually commented on by the users. This model builds on the web users and their opinions and knowledge.
Podcasting	Podcasting revolves around audio content and its publishing, subscription, syndication as well as push technology. The information provider chooses which files are offered in a feed and the subscriber can subsequently choose among the various available feed channels. The software is known as an aggregator or podcast receiver.
Social Networking Sites (SNS)	SNS enable its users to connect to friends and colleagues, in order to send mails or instant messages, blog, meet new people and to post personal profiles displaying information about themselves. Profiles include content such as photos, videos, images, audio, and blogs. SNS sites can be dedicated to a specific topic, sharing of knowledge or purchases of products and services.
Virtual world content	Users subscribe to virtual world content that is created in the context of a 3D digital environment. Virtual environments provide their users with a scripting language and integrated development environment, enabling them to create their own content in the form of building new objects. The users are often permitted to keep the associated intellectual property rights to their created content.

Source: Vickery and Wunsch-Vincent (2007)

Kaplan and Haenlein (2010) categorise the social use of Web 2.0 technology, for example, consumer platforms, as shown in Table 2.3.

Table 2.3. Classification of Social Media

		Social presence/ Media presence		
		Low	Medium	High
Self-presentation/ Self-disclosure	High	Blogs	Social networking sites (e.g. Facebook, Twitter)	Virtual social worlds (e.g. Second Life)
	Low	Collaborative projects (e.g. Wikipedia)	Content communities (e.g. You Tube, Flickr)	Virtual game worlds (e.g. World of Warcraft)

Source: Kaplan and Haenlein (2010)

This classification is based on the degree of social and media presence each tool allows, and on the degree of self-disclosure it requires and the type of self-presentation it allows. Blogs are low in terms of social presence and media richness because they are mostly text-based and we can argue that the level of interactivity is limited (that is, comments allow only a simple exchange). Social networking sites have higher levels of social presence and media richness as they enable the sharing of text, pictures, videos, and other forms of media and there is more self-disclosure. This classification however is only for the social use of Web 2.0 technology.

2.1.2 B2C (Business to Consumer) Social Media Platforms

Most attention in the marketing and information systems literature has naturally focused on the consumer use of Web 2.0, especially on how companies can exploit the commercial potential of platforms such as Facebook, YouTube and Twitter. Hence, the study of consumer platforms within a business to consumer (B2C) context is also vast. Researchers have looked into the use of major social media platforms and how it relates to customer service (Bernoff and Schadler 2010), reputation management (Houser and Wooders 2006) and brand management (Barwise and Meehan 2010) among other marketing approaches.

Management literature has also extensively addressed social media. Kane et al. (2009) study community relations in a Web 2.0 environment arguing that; rapid organisation is facilitated, the creation and synthesis of knowledge is improved, relationships are promoted and robust filtering of information is enabled. Piskorski (2011) separates social impact (that of relationships) from strategic impact finding that social impact is key for business due to how people improve relations or build new ones. However, although there are many areas of an organisation where social media can add value, companies have mainly used it for customer interaction in the sales, marketing and support channels (Deloitte 2012). It has therefore been extensively studied from the consumer point of view, in addition, most studies from a B2C perspective have focused on the major social media consumer platforms (that is, Facebook, Twitter, etc.).

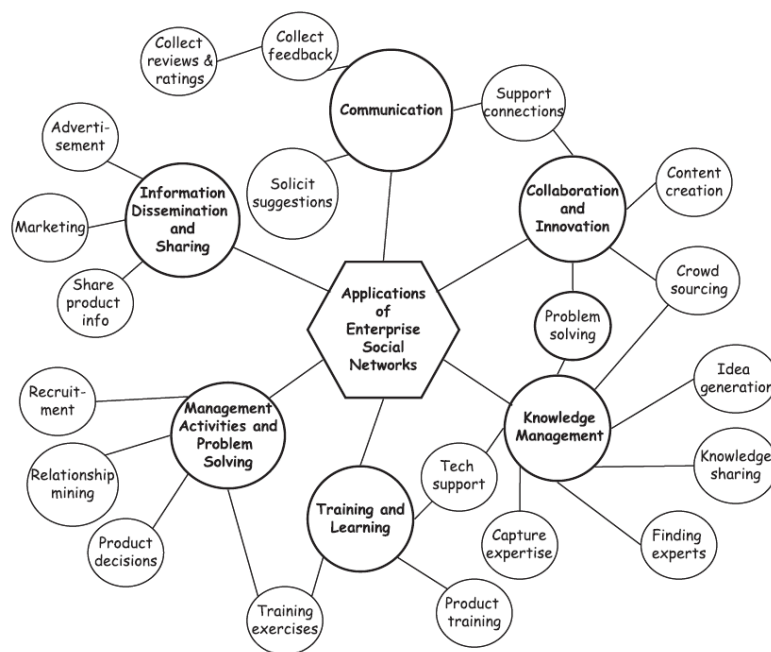
2.1.3 Enterprise 2.0

Companies can share and exchange information and ideas in a way that was not possible before Web 2.0. Kaplan and Haenlein (2010) and Laudon and Traver (2013) offer a categorisation of Web 2.0 that takes into account the business use of such

technology to support the functioning of an enterprise that has been termed 'Enterprise 2.0'. This research stream has looked into the use of social media for enterprise internal collaboration. McAfee (2009) introduced the term Enterprise 2.0 to refer to the use of social media platforms within organisations. Cook (2008), uses the term to encompass the different social media applications and their use within organisations, his classification of social media being based on formality and interaction, that is, on how formal the organisational structure of the company is and whether its organisational culture favours group interaction or rewards individual effort. Categorisation of social technologies is done in a matrix according to levels of communication, cooperation, collaboration and connection.

A similar but more specific framework is provided by Turban et al. (2011) who study the adoption of enterprise social networking (ESN) under six generic categories of applications (see Figure 2.1) namely; information dissemination, communication, collaboration and innovation, knowledge management, management activities and problem solving and training and learning. They estimate the potential of social technologies (for example, blog, forum) for each category.

Figure 2.1. Generic Categories of ESN applications



Source: Turban et al. (2011)

Enterprise 2.0 systems, in common with earlier Enterprise Resource Planning (ERP) systems, are now starting to extend into the supply chain. The use of open organisational social media platforms has also been addressed in the literature (See the work of Demetriou and Kawalek (2010)). This community structure originates from technical discussion fora and knowledge repository systems, and is concerned with solving user problems, generating professional and technical content, and facilitating interaction in the external organisational domain. These authors find that organisational social media platforms enable the development of rich technical content, personalised experience and thought leadership, creating in this way an environment for problem solving, professional development and expert recognition.

Typically, the term Enterprise 2.0 has been used to describe the use of Web 2.0 and social media within large organisations, although there have been some recent studies on the use of Web 2.0 to support internal business processes within small companies, such as the work of Meske and Stieglitz (2013). These authors use a survey taken in Germany to see the internal use of social media in SMEs including blogs, wikis, internal social networks, RSS, social bookmarking, microblogs and podcasts.

2.1.4. B2B (Business to Business) Social Media Platforms

The initial focus of B2B e-commerce was on large companies, as these were the first who could afford to adopt the technical and implementation expertise required. Soon after, smaller suppliers got involved in e-commerce activities as a reaction to the demands of their larger customers. The dot-com revolution between 1997 and 2000 generated a new set of Internet companies focused on doing transactions with one another. As part of the B2B e-commerce development, electronic marketplaces emerged in a wide range of sectors. These markets have the functions of matching buyers and sellers; facilitating the exchange of information, goods, services and payments associated with market transactions; and providing an institutional infrastructure, such as a legal and regulatory frameworks, which enable the efficient functioning of the market (Bakos 1998). Hence, literature naturally focused on transactions and efficiency rather than information sharing.

As Web 2.0 technology appeared, the study of social media platforms for businesses became more important than the transactional nature of platforms. Yet, the social media literature on the B2B context is less than the one related to the B2C context, the research focus has remained on major social media platforms within a marketing context. Examples of the B2B context are the study of the use of Facebook and Twitter among B2B salespeople (Schultz et al. 2012) and social media marketing in a B2B context (Leek and Christodoulides 2011).

Web 2.0 technology also brought attention to the study of professional communities. A virtual community is defined as a group of people who may or may not meet one another face to face, and who exchange words and ideas through the mediation of computer bulletin boards and networks (Rheingold 1994). A professionally-oriented virtual community is one geared toward professionals to discuss subjects from a professional perspective. Professionals participate in this type of community in order to contact and exchange information with people outside their own team or organisation, who require similar information to carry out their duties (Markus and Christiaanse 2003). Studies in this area have been mainly concerned with the use of LinkedIn (See the work of Bonsón et al. (2012) and Hempel (2013)).

2.1.5 Social Media Platforms and SMEs

In addition to the above categorisations of social media platforms, there is another category, namely the emergence of social media platforms that are specifically designed and targeted at SME users. Previous work on the use of social media platforms by small companies has tended to focus on the study of a single platform. An example is the work of (Qu et al. 2013) who create a typology of online retailers social activities to give advice and see how it improves SME performance.

Studies on social media and SMEs initially focused on the use of technology for marketing as this activity facilitated and enabled by new technology emerged as the new way of doing business, affording firms the opportunity to create more intimate relationships with stakeholders (Brodie et al. 2008). Later on we see studies concerned with interaction among SMEs using Web 2.0 applications. These studies stress information sharing and collaboration as part of their models (See the work of Michaelides et al. (2010) and Kim et al. (2011)). Kim et al. (2011) present a typology classifying user space into interaction spaces, which is also focused on the

major social media platforms (for example, Facebook, Twitter, YouTube). They study the fifty best SMEs to work for in America in 2009 and their use of Web 2.0 technology. This study focuses on the internal and external use of Web 2.0 for social networking, information sharing and collaboration and is based on a survey. Barnes et al. (2012) use case studies of UK-based small companies to study the benefits from the use of Web 2.0 in small business collaborations and characterise them as lifestyle benefits, internal operational efficiency, enhanced capability, external communications and enhanced service offerings. The authors generate a typology of business networkers based on control and cooperation. This study looks into the use of different Web 2.0 tools to compare their use for networking versus offline networking.

The relevance of social technologies for the internationalisation of SMEs has also been pointed out in literature. Most have focused on virtual supported marketplaces (VSMs), that is, platforms for internationalising both new and existing businesses (Katz et al. 2003). Those platforms were initially conceived as exchanges, where transactions and sales took place. However, more opportunities arise as Web 2.0-enabled firms are increasingly likely to collaborate with international partners in co-creation and opportunity exploitation as they seek to strategically build networks to augment their knowledge and capability base (Bell and Loane 2010). Lockett and Brown (2006) focus on the study of platforms as intermediaries for the SME internationalisation process looking into different platforms for SMEs from a dynamic capability perspective.

Literature that starts relating social media to business models is more recent. Jones et al. (2013) use eight case studies and action research to develop a framework on social media adoption by SMEs. Implications derived from the study relate to customer orientation in the companies under study and the extent to which owner/managers are seduced by the capability of new technology without thinking through the way in which such new technology might add value to customers. Jones et al. (2013) focus on the use of major social media platforms such as Facebook, etc. Harris et al. (2012) study the changing role of networking in SMEs. Their results identified three distinct categories of networking behaviour in terms of attitude towards scalability and geographic reach. The authors show that effective online networkers tend to be good face-to-face networkers as well and they propose a

taxonomy of networking based on size, business model and attitudes of the owner to their use of online and offline networking. This study is based on a survey and focuses on major social media platforms as well. However, research on specialised social media platforms that use a combination of Web 2.0 applications is scarce.

Overall research on the use of social media platforms by SMEs is relatively recent. Some of the findings indicate that over a quarter of SMEs in the UK are currently using social networking sites to achieve brand objectives (Michaelidou et al. 2011), only 31% of American SMEs used social media in 2011 (Chui et al. 2012), 24% of SMEs in the US use social media in a structured way and a further 20% use it in an informal way (Mielach 2012). Hence, there is still potential for SMEs to exploit social media platforms and for academic research on this subject. Given the speed of its development, technology adoption practice has outpaced the development of current academic research (Kietzmann et al. 2011). This thesis intends to contribute to the development of literature on social media through the study of a variety of social media platforms specifically designed for SMEs. A summary of the social media research in different organisational contexts is presented in Table 2.4.

Table 2.4. Web 2.0 and Social Media Research

Individual and Organisational Context	Archetype	Social and business use	Web 2.0 technology	Literature
Consumer Platforms				
C2C	Facebook/ Renren/ Orkut Qzone Twitter E-bay YouTube	Networking Communication Feedback Knowledge creation Social relationships Participation	Social network Micro-blog Auction site Media sharing	Papaioannou et al. 2013; Qu et al., 2013; Rui and Whinston, 2012; Löbner et al. 2011; ; Asur and Huberman, 2010; Joinson, 2008; Pace, 2008; Ellison, Steinfield and Lampe 2007
B2C	Facebook Twitter YouTube	Marketing Customer support Employee empowerment Public Relations Reputation management Influence Interaction	Social network Micro-blog Media sharing	Tsai and Men, 2012; Fischer and Reuber, 2011; Hanna, Rohm and Crittenden 2011; Barwise and Meehan, 2010; Bernoff and Schadler, 2010; Houser and Wooders, 2006
Enterprise 2.0				
Internal to the organisation	SAP ESN Yammer	Communication Knowledge sharing Collaboration Content creation Problem solving E-learning	Social network Forum Blogs Wikis	Meske and Stieglitz, 2013; Riemer and Asin, 2013; Demetriou and Kawalek, 2010
Platforms for professionals	LinkedIn	Information sharing Recruitment Customer relationship Training Publishing	Social network	Shedd, 2013; Hempel, 2013; Bonsón and Bednárová, 2013; Chiang et al., 2013; Weinstein, 2010; Skeels and Grundin, 2009; Papacharissi, 2009;
SME Platforms				
B2B	Nibusinessinfo Smarta BTTradespace	Information Networking Sales	Blogs Rating Media sharing Forum	Giudici, 2013; Harris et al. 2012; Barnes et al. 2012 Research in this area is very limited.

Key points from the literature on social media can be summarised as:

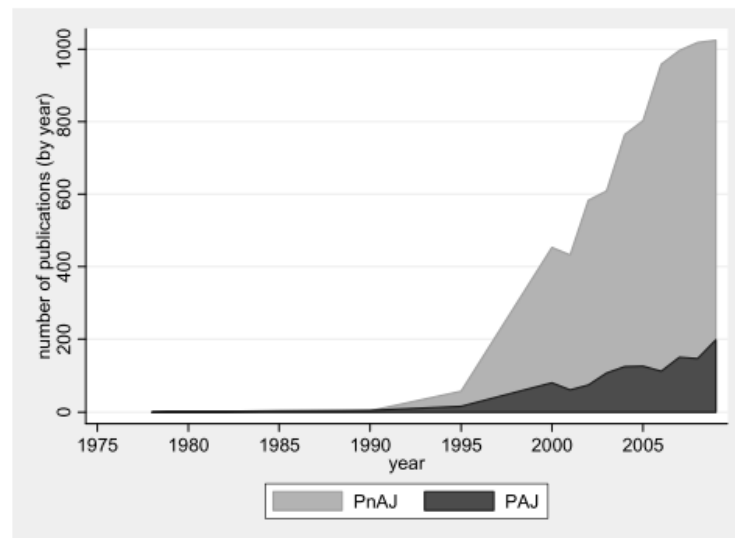
- There is a vast amount of literature on the use of social media in a C2C, B2C and professional context
- Literature on social media / Web 2.0 focuses on major platforms such as Facebook, Twitter and YouTube
- Empirical studies on social media / Web 2.0 have focused on single platforms
- Literature on social media usage by SMEs is recent (last five years) and focused mainly on the use of Web 2.0 technologies for marketing and collaboration

- The study of social media platforms specifically designed for SMEs has been overlooked in literature
- Technology adoption practice has outpaced the development of current academic research

2.2 Business Models

Academic literature on business models is relatively recent. The range of research on business models up to 2010 is shown in Figure 2.2.

Figure 2.2. Published Business Model Articles in the Business/Management Field



This area graph shows trends in the number of business model articles. The label PnAJ identifies those articles Published in non-Academic Journals. The label PAJ identifies articles Published in Academic Journals.

Source: Business Source Complete EBSCOhost Database. Period: January 1975–December 2009.

Source: Zott et al. (2010)

The publication of articles on business models begins in 1980 with a growing trend from the 1990s. However, we can see that most of the literature was published in non-academic journals, with the academic study of business models being more recent. Derived from this, there is still a variety of definitions around the business model concept and a variety of frameworks are found in literature. This makes the

study of business models challenging but at the same time opens an opportunity to contribute with theoretical frameworks and to test existing ones.

From a methodological point of view, there are still opportunities to explore different approaches as, despite the number of research papers devoted to exploring business models over the last two decades, structured and rigorous research on the topic (in particular, theory-building work and empirical research beyond single-case studies) is relatively rare (Demil et al. 2015).

2.2.1 The Business Model Concept

Zott et al. (2010) carried out a literature review and concluded that despite the attention the business model concept has attracted in the literature, scholars do not agree on what a business model is. This was already the case five years before as Osterwalder and Pigneur (2005) found that literature is not consistent in the use of the business model concept and there is no commonly accepted definition. The business model hence, is considered a theoretically underdeveloped concept, which may raise doubts about its usefulness for empirical research and theory building (Zott et al. 2010). While this view may respond to the early stage of business model literature, it stresses the need for more research on business models that can show the value of the business model concept.

Business models have received much attention in the strategic management literature since the year 2000 and value creation has been central to their definition (See the work of (Amit and Zott 2001); (Afuah and Tucci 2000); (Chesbrough and Rosenbloom 2002); (Osterwalder and Pigneur 2002). Osterwalder and Pigneur (2010) define the business model as the rationale of how an organisation creates, delivers, and captures value. While value creation represents what is offered to customers, value capture is concerned with how an organisation captures part of that value and translates it into profit. For Teece (2010) the essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit. The process of value creation and capturing involves different stakeholders as a business model is a crucial source of value creation for the firm and its suppliers, partners, and customers (Amit and Zott 2001).

Table 2.5 summarises some of the definitions of business models.

Table 2.5. Business Model Definitions

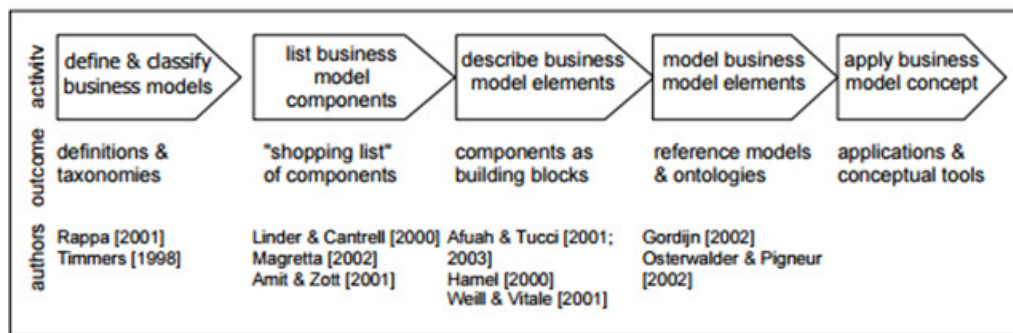
Author	Definition
Timmers (1998)	An architecture for the product, service, and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; and descriptions of sources of revenues.
Jutla, Bodorik, Wang (1999)	The business model determines processes and transactions. (that is, business process – retail [external, internal], procurement, transaction – buy, payment, registration, etc.)
Hamel (2000)	A business concept that has been put into practice.
Tapscott et al. (2000)	Concerns the invention of new value propositions that transform the rules of competition and mobilize people and resources to unprecedented levels of performance.
Weill & Vitale (2001)	A description of the roles and relationships among a firm's consumers, customers, allies, and suppliers that identifies the major flows of product, information, and money, and the major benefits to participants.
Afuah and Tucci (2001)	The method by which a firm builds and uses its resources to offer its customers better value than its competitors and to make money doing so. A business model can be conceptualized as a system that is made up of components, linkages, and associated dynamics.
(Amit and Zott 2001)	A description of the content, structure, and governance of transactions designed to create value through the exploration of business opportunities.
Petrovic et al. (2001)	A description of the logic of a “business system” for creating value that lies behind the actual processes.
Chesbrough and Rosenbloom (2002)	A description of how your company intends to create value in the marketplace. The description includes the unique combination of products, services, image, and distribution that the company carries forward. It also includes the underlying organization of people, and the operational infrastructure.
Applegate (2001)	A description of a complex business that enables study of its structure, the relationships among structural elements, and how it will respond to the real world.
Magretta (2002)	A story that explains how an enterprise works.
Osterwalder and Pigneur (2002)	A description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams.
Turban et al.(2002); Rappa (2002)	A method of doing business by which a company generates revenue to sustain itself. The business model spells out how a company makes money by specifying where it is positioned in the value chain.
Lam and	A method, concept, framework, or architecture, by which companies can

Harrison-Walker (2003)	use the Internet or the Web to carry out their strategies of capturing dominant market positions, establishing viable market niches, adding value for their stakeholders, or sustaining themselves over time.
Seddon & Lewis (2003)	An abstract representation of some aspects of a firm's strategy; it outlines the essential details one needs to know to understand how a firm can successfully deliver value to its customers.

We see that the business model is considered a method, architecture, an abstract representation or concept, a story, a business system. Thus, there is a variety of definitions in literature that respond to different points of view. That is, to a focus either on resources, strategy, relationships, innovation or transactions. It also reflects how the Strategy, Innovation and Entrepreneurship disciplines have dominated the study of business models.

There has been an evolution in the literature on the business model concept and this is well captured by Osterwalder et al. (2005) in Figure 2.3.

Figure 2.3 Business Models: Origins, Present, and Future of the Concept



Source: A. Osterwalder, Y. Pigneur, and C.L. Tucci (2005)

According to their research there has been a transition in literature from defining the business model to studying its components and elements and to finally applying the concept. An addition to this literature path is the study of business model change and innovation, which emerged only in the last decade. Section 2.2.4 of my literature review provides a summary of the main authors that focus on innovation. The outcome of this recent trend in literature is the mechanism through which the business model evolves. My research contributes to this literature path with a proposal on business model elements (that is, research framework) that stresses the

use of Web 2.0 technology. It proposes a model that can be used as reference to study digital platforms and provides insights into business model innovation.

2.2.2 Business Model Types

As a result of that evolution, some authors have been concerned with the creation of typologies of business models. The information economy and rise of e-commerce generated a number of different business models for electronic markets, which were initially identified by Timmers (1998). He categorises models according to degrees of integration and innovation as presented in Table 2.6.

Table 2.6 Business Model Typology

Business model	Description
e-Shops	The Web marketing and promotion of a company or a shop and increasingly includes the possibility to order and pay.
e-Procurement	Describes electronic tendering and procurement of goods and services.
e-Malls	Consists of a collection of e-shops, usually enhanced by a common umbrella, for example a well-known brand.
e-Auctions	The electronic implementation of the bidding mechanism also known from traditional auctions.
Virtual communities	This model brings together virtual communities that contribute value in a basic environment provided by the virtual community operator. Membership fees and advertising generate revenues. It can also be found as an add-on to other marketing operations for customer feedback or loyalty building.
Collaboration platforms	Companies of this group provide a set of tools and information environment for collaboration between enterprises.
Third-party marketplaces	A model that is sustainable when a company wishes to leave the web marketing to a 3rd party (possibly as an add-on to their other channels). Third-party marketplaces offer a user interface to the supplier's product catalogue.
Value chain integrators	Represents the companies that focus on integrating multiple steps of the value chain, with the potential to exploit the information flow between these steps as further added value.

Value chain service providers	Stands for companies that specialize in a specific function for the value chain, such as electronic payment or logistics.
Information brokerage	Embraces a whole range of new information services that are emerging to add value to the huge amounts of data available on the open networks or coming from integrated business operations.
Trust and other third parties	Stands for trust services, such as certification authorities and electronic notaries and other trusted third parties.

Source: Timmers (1998)

This is one of the earliest typologies of business models and responds to business models observed in the marketplace. As we can tell by the descriptions e-commerce typologies started to emphasise the relevance of technology for business models. Another example is Zheng (2006) who introduces a taxonomy of business models using value generation and network cooperation as dimensions obtaining four types of models; communicator, transaction facilitator, value chain coordinator and collaboration-enabler. Therefore, through time we see that business model classifications move from a transaction-based view to a view more focused on collaboration. More recently, Timmers (2013) highlights the importance of different stakeholder perspectives for business models as value lies in responding to the customer needs. Hence, he recognises that not only integration but empowerment are important dimensions when defining business models.

This stream of literature has also considered business models as ‘role models’, that is, examples to be imitated, such as the razor-blade model where an item is sold at a low price or provided for free and the profit is made through sales of a complementary good (for example, inkjet printers). However these authors conclude that business models are neither recipes, scale models (short representations of businesses in the real world) or role models, but very often act as all of these at the same time (Baden-Fuller and Morgan 2010).

Literature on digital business model types refers to models in the web and the way they generate revenue. Rappa (2010) for example categorises business models as shown in Table 2.7.

Table 2.7. Business Models on the Web

Type of Model	Description
Brokerage Model	Brokers are market-makers: they bring buyers and sellers together and facilitate transactions. Brokers play a frequent role in business-to-business (B2B), business-to-consumer (B2C), or consumer-to-consumer (C2C) markets. Usually a broker charges a fee or commission for each transaction it enables. The formula for fees can vary.
Advertising Model	The web advertising model is an extension of the traditional media broadcast model. The broadcaster, in this case, a web site, provides content (usually, but not necessarily, for free) and services (like email, IM, blogs) mixed with advertising messages in the form of banner ads. The banner ads may be the major or sole source of revenue for the broadcaster. The broadcaster may be a content creator or a distributor of content created elsewhere. The advertising model works best when the volume of viewer traffic is large or highly specialized.
Infomediary Model	Data about consumers and their consumption habits are valuable, especially when that information is carefully analysed and used to target marketing campaigns. Independently collected data about producers and their products are useful to consumers when considering a purchase. Some firms function as infomediaries (information intermediaries) assisting buyers and/or sellers understand a given market.
Merchant Model	Wholesalers and retailers of goods and services. Sales may be made based on list prices or through auction.
Manufacturer (Direct) Model	The manufacturer or "direct model", it is predicated on the power of the web to allow a manufacturer (that is., a company that creates a product or service) to reach buyers directly and thereby compress the distribution channel. The manufacturer model can be based on efficiency, improved customer service, and a better understanding of customer preferences.
Affiliate Model	In contrast to the generalized portal, which seeks to drive a high volume of traffic to one site, the affiliate model provides purchase opportunities wherever people may be surfing. It does this by offering financial incentives (in the form of a percentage of revenue) to affiliated partner sites. The affiliates provide purchase-point click-through to the merchant. It is a pay-for-performance model -- if an affiliate does not generate sales, it represents no cost to the merchant. The affiliate model is inherently well-suited to the web, which explains its popularity. Variations include banner exchange, pay-per-click, and revenue sharing programs.
Community Model	The viability of the community model is based on user loyalty. Users have a high investment in both time and emotion. Revenue can be based on the sale of ancillary products and services or voluntary contributions; or revenue may be tied to contextual advertising and subscriptions for premium services. The Internet is inherently suited to community business models and today this is one of the more fertile areas of development, as

	seen in rise of social networking.
Subscription Model	Users are charged a periodic -- daily, monthly or annual -- fee to subscribe to a service. It is not uncommon for sites to combine free content with "premium" (that is,, subscriber- or member-only) content. Subscription fees are incurred irrespective of actual usage rates. Subscription and advertising models are frequently combined.
Utility Model	The utility or "on-demand" model is based on metering usage, or a "pay as you go" approach. Unlike subscriber services, metered services are based on actual usage rates. Traditionally, metering has been used for essential services (for example,, electricity water, long-distance telephone services). Internet service providers (ISPs) in some parts of the world operate as utilities, charging customers for connection minutes, as opposed to the subscriber model common in the U.S.

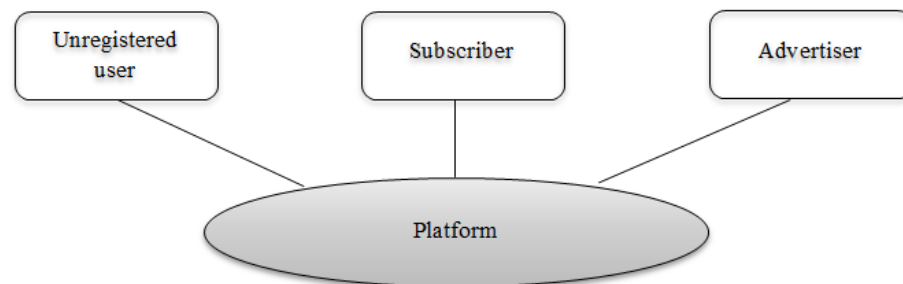
Source: Rappa (2010)

The advertising model is one of the most common and with the advent of Web 2.0 technology the community model is also common. Rappa's categorisation of Internet business models is however a high level classification and does not study in depth how the business models operate. These are business models that focus on a single model (for example, advertising or affiliate). However, it is rare that a successful company would use only one model. Each Web 2.0 platform operates in a certain way and this classification assumes different and separate platforms. However, as technology became more accessible, some platforms have incorporated a variety of social media and Web 2.0 features. Hence, they represent a particular business model.

Osterwalder and Pigneur (2010) make a similar classification, namely; unbundling (having different types of businesses into separate entities), long tail (selling a small amount of each niche product), freemium (offering a free trial and start paying later), open (open innovation with collaboration with partners outside of the firm) and multi-sided platforms. The multi-sided platform model is particularly interesting as it creates value by bringing different customer groups together and facilitating interactions between them. These type of platforms have been extensively studied from an economic point of view and researchers have been concerned with transaction costs and pricing strategies ((Bakos 1991); (Bailey and Bakos 1997); (Evans 2003); Hagiu and Wright (2011)) and good examples are seen in the game industry, for example the work of Rochet and Tirole (2003). These are hybrid business models because they incorporate two value delivery systems, one for the

user and one for the customer who pays (Baden-Fuller and Haefliger 2013). Figure 2.4 shows the users commonly found in the media business.

Figure 2.4. Users in Multi-Sided Platform



The users (registered or not to a newsletter) do not pay, however they expect to obtain some value from the platform. Advertisers on the other hand are the paying customer, thus the platform also needs to generate value for them. Evans (2003) studies multi-sided platforms and how they devise entry strategies to get multiple sides of the market on board. He analyses pricing, product, and other competitive strategies to keep multiple customer groups on a common platform that internalises externalities (that is, network effects) across members of these groups. Although this model is studied from an economic point of view it emphasises the task of value creation for different users. More recent literature stresses the need to show value creation for all parties within the platform (Baden-Fuller and Haefliger 2013).

One way to succeed with multi-sided platforms is to obtain a critical mass of users on one side of the market by giving them the service for free. Thus, the advertising and sponsorship revenue models are very common when a company is starting (Evans et al. 2006). After entry has been successfully effected, the rationale for the initial subsidy vanishes, and one would expect to see a corresponding shift in pricing policy (Evans et al. 2006). However, as users get more used to obtaining products for free, the creation of revenue streams is often perplexing (Teece 2010). To sustain the original business model companies need to be creative and use other strategies. This generates the possibility of identifying other models as companies may employ various business models for specific market segments (Teece 2010).

2.2.3 Business Model Elements

Another stream of research has been concerned with studying the business model elements. Early studies on business models suggested that the value creation potential of e-businesses was based on four interdependent dimensions, namely: efficiency, complementarities, lock-in, and novelty (Amit and Zott 2001). Such dimensions were the result of testing with 190 entrepreneurs and have been part of the authors' research program for more than a decade and were confirmed in their recent work (See Amit and Zott (2012)).

Another well-known framework is that of Osterwalder et al. (2005) who propose four pillars by which business models can be defined; product, customer interface, infrastructure management and financial aspects of the business. Such pillars are composed of nine elements, referred to as building blocks. These are consolidated in Osterwalder and Pigneur (2010) business model handbook as; customer segments, channels, customer relationships, value propositions, key partners, key resources, revenue streams and cost structure. These authors bring a more explicit and clearly structured model which is useful for practitioners as it clearly defines elements and provides with a tool (the canvas) to analyse businesses. It is, however, based on a resource-based approach as the canvas encourages the user to identify all the elements the company counts with.

A variety of elements are found in business model frameworks. Table 2.8 summarises some of the different business model components.

Table 2.8. Main Components of Business Models

Author	Key components of the business model
Linder and Cantrell (2000)	Pricing model, revenue model, channel model, commerce process model, Internet-enabled commerce relationship, organizational form and value proposition.
Hamel (2000)	Customer interface, core strategy, strategic resources, and value network linked together by three 'bridge' components: customer benefits, configuration, and company boundaries.
Rayport and Jaworski (2001)	Value cluster, market offering, resource system and financial model.
Alt and Zimmermann	Mission, structure, processes, revenues, technology and legal

(2001)	issues.
Afuah and Tucci (2001)	Customer value, scope, pricing, revenue source, connected Activities, implementation, capabilities and sustainability.
Amit and Zott (2001)	Business model content (exchanged goods or information and the resources required to facilitate the exchange); business model structure (the parties involved in transactions and how they are linked); and business model governance (the control of the flows of goods, information, and resource, and the legal association form).
Laudon and Traver (2002)	Value proposition, revenue model, market opportunity, competitive environment, competitive advantage, market strategy, organizational development, and management team.
Hedman, Kalling (2003)	Customers, competitors, offering, activities and organization, resources, supply of factor and production inputs, longitudinal process, cognitive and cultural constraints.
Pateli and Giaglis (2004)	Mission (strategic objectives), target market (scope and market segment), value proposition (product/service offering), resources (capabilities, assets), key activities (intra- and inter-organizational processes), cost and revenue model (cost and revenue streams, pricing policy) and value chain/net (alliances and partnerships).
Morris, Schindehutte, Allen (2005)	Value proposition, customer, internal processes and competencies, external positioning, economic model and factors related to personal/investor.
Johnson, Christensen, Kagermann (2008)	Profit formula, key resources, key processes.
Wirtz, Schilke, Ullrich (2010)	Sourcing domain, value generation and value offering, distribution of products and services, generation and obtained of revenue.
Casadesus-Masanell, Ricart (2011)	Policy, asset and governance choices.

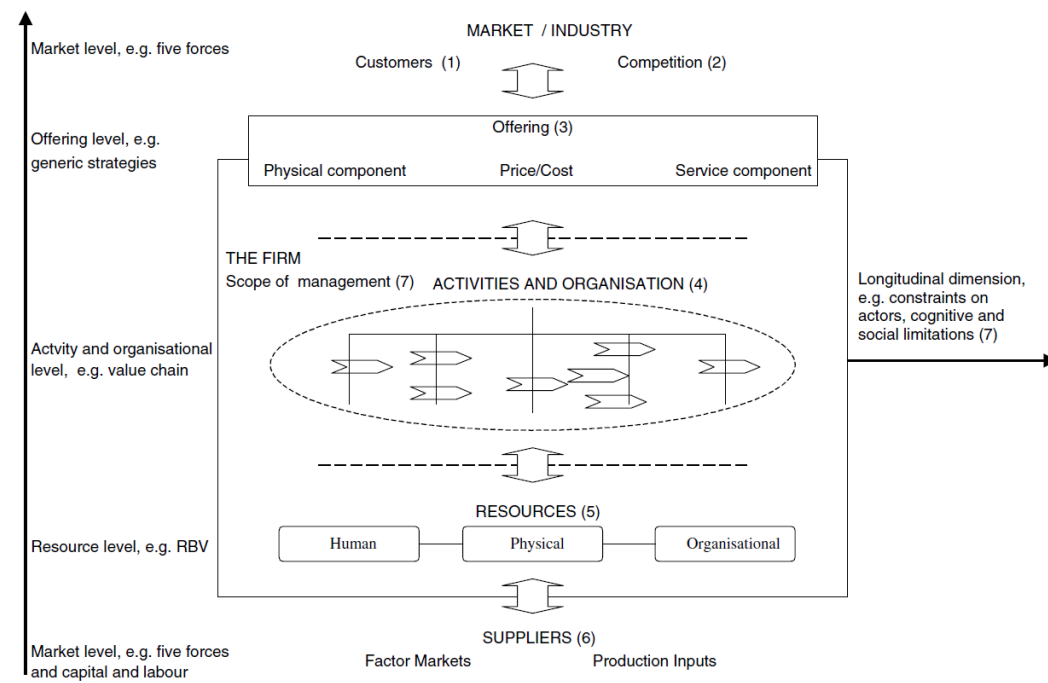
Some elements are common to different frameworks. Pateli and Giaglis (2004) analyse literature and find that business model frameworks share the following elements: mission (strategic objectives), target market (scope and market segment), value proposition (product/service offering), resources (capabilities, assets), key activities (intra- and inter-organisational processes), cost and revenue model (cost and revenue streams, pricing policy) and value chain/net (alliances and partnerships).

The value proposition construct is essential to the business model as it defines the purpose of the business (that is, the offering). Revenue models are also pivotal to the business as they show how the value is captured and helps the firm to survive. From the literature reviewed, partnerships have also proved to be key to business models, in particular, for small businesses, the development of partners and networks is useful as resources are usually limited. Therefore, these three elements will be used as part of the research framework that is introduced in chapter 3. All of these elements interrelate hence, the dynamics of the business model and its operationalisation are also reflected in the theoretical framework. Responding to the design of this research, there are different levels in which the business model concept is useful. The following section elaborates on related literature.

2.2.4 The Business Model at Different Levels

Hedman and Kalling (2003a) see the business model at different levels and different elements within each level (see Figure 2.5). There is a market level, a resource level, an activity and organisational level and an offering level.

Figure 2.5. Business Model Levels



Source: Hedman and Kalling (2003)

Hedman and Kalling (2003a) represent the different levels of the business model that feed each other. Although this view is complex as it includes many aspects, it is interesting as it refers to competition at the market level and stresses the relevance of the customer where both elements (that is, customers and competition) feed the offering. The competition element is very relevant in order to study industries. Studies on platform industry architectures (Jacobides and Billinger 2006) stress the importance of market analysis where competition is an important part of the business model framework (Jacobides and Billinger 2006), (Demil and Lecocq 2010) as was pointed out in chapter 1.

Following Hedman and Kalling's model we see that the offering (or value proposition) is the link between the customer and the competitors as it responds to the customer's needs and at the same time tries to differentiate from others. Therefore, the value proposition construct is important at the market level study of the business model. At the other end of their model are the resources as the link to suppliers. This is relevant to this research as the first part, which aims to provide an overview of the SME platform landscape, focuses on the market level. That is, which business models are used by platforms within the same market? How are they alike and how do they differ? And what is this telling us about trends in the market?. The model of Hedman and Kalling (2003a) also differentiates the resource level from the 'activities and organisational' level. The second part of my research looks at the model at the firm level. That is, which activities make the business model operate. The value chain is part of this level of analysis. Hence, partnerships are incorporated into the theoretical framework that is presented in chapter 3.

2.2.5 Business Model Innovation

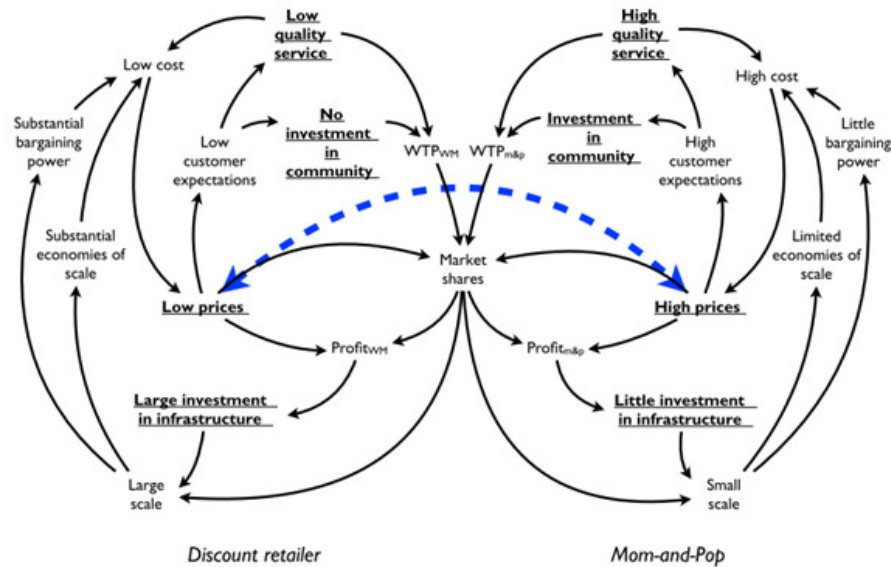
Business models can also be used as recipes for managers when innovating and experimenting with business models in their organization, and to motivate and communicate strategic and organizational change (Baden-Fuller and Morgan 2010). Business models then evolve over time (Morris et al. 2005); (Sosna et al. 2010); (Teece 2010) as successful companies increasingly do not just add value, they reinvent it (Normann and Ramirez 1993). Hence, the business model can be considered as a tool to address change and focus on innovation, either in the organisation, or in the business model itself (Demil and Lecocq 2010).

Business model innovation has been a constant subject of study in the last five years. It is defined as a fine tuning process involving voluntary and emergent changes in and between permanently linked core components where the study of the inter-relationships between different elements is vital to understand the mechanisms of change (Hedman and Kalling 2003a), (Demil and Lecocq 2010) .

Others see the business model as a set of relations and feedback loops between variables and their consequences, and recommend strategic management aims to develop these so as to create virtuous circles in its business model (Casadesus-Masanell and Ricart 2010). These authors differentiate between business model, strategy and tactics. Tactics are plans of action or choices that are enabled by the business model while the strategy, in their view, is considered more as a plan of which business model to adopt. Hence, a business model is a realised strategy. The importance of tactical choices is that they are relatively easy to change unlike a strategy. This is similar to the idea that within one business model firms can make unique choices to gain competitive advantage (Morris et al. 2005); (Teece 2010).

Another contribution from Casadesus-Masanell and Ricart (2010) is the interaction between business models. In their study they exemplify how the business model of a company interacts with one from another company. This is defined as ‘strategic interaction’, where the strategy of a competing company can affect the strategy of another one, which has important implications for competition. Figure 2.6 shows the business model interaction of two companies based on price.

Figure 2.6. Interaction Between Business Models

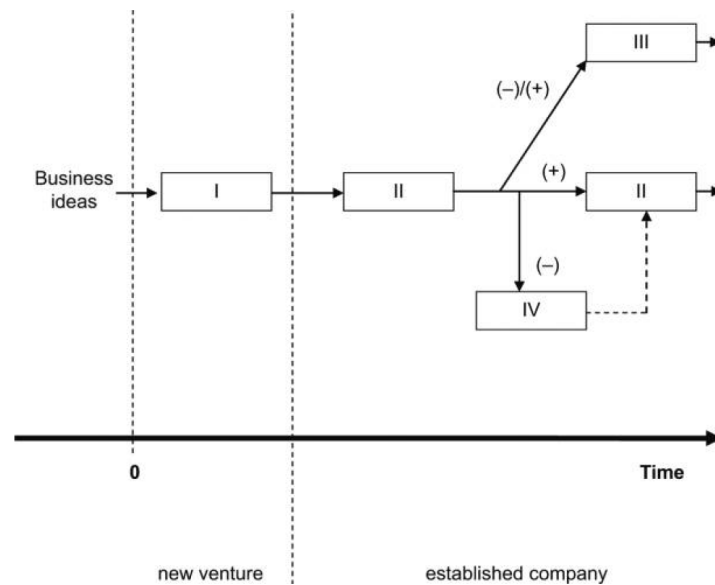


Source: Casadesus-Masanell and Ricart (2010)

Business model change is also seen as a strategy in search of a better position in the market. That is, a provisional business model must be evaluated against the current state of the business ecosystem, and against how it might evolve to be a source of competitive advantage (Demil and Lecocq 2010). This is in line with the idea that a change of business models can be useful as a response to a competitor's attack (Eisenmann 2006).

Calvacante et al. (2011) propose a typology by using a process-based conceptualization to distinguish different types of business model change, namely: business model creation, extension, revision and termination. Figure 2.7 shows the different stages of business model change.

Figure 2.7. Business Model Change

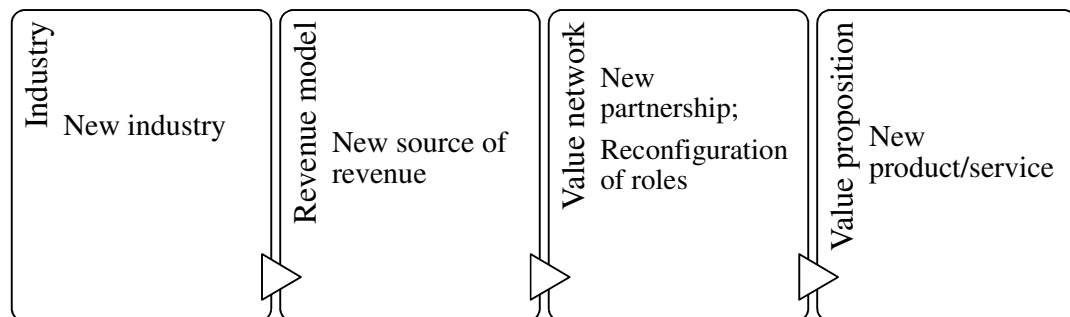


Source: Calvacante et al. (2011)

New ventures go through the initial stage and over time they go through other processes. The revision of the business model can be due to different factors and mechanisms such as: new commercial opportunities requiring new ways of doing business; the company's business model is not effective anymore: its products and/or services do not fit customers' needs and produce suboptimal results or the firm's business model faces the threat of obsolescence (Sosna et al. 2010); the company's competitors are developing new processes that threaten to capture its share of market; and new entrant companies that have introduced completely new ways of meeting existing demands (Cavalcante et al. 2011). Other authors consider that both across and within firms various different business models can be pursued simultaneously through a process of learning, experimentation and adaptation (Demil and Lecocq, 2010; Sosna et al., 2010; Teece, 2010). This literature is useful as it provides insights into activities that firms perform in order to change, such as the creation of new products or services or new ways of doing things. It also shows the value of a competitive context, that is, what are similar firms doing? Hence, the study of business models at a competitive level is important for business model change and innovation.

Giesen et al. (2007) make an important distinction in business model innovation. They differentiate between industry model innovation, as when moving into new industries, redefining existing industries or creating entirely new ones by identifying and leveraging unique assets; revenue model innovation by innovating how we generate revenue through offering re-configuration (product/services/value mix) and pricing models; and enterprise model innovation, which involves changing the value chain position through the value network with employees, suppliers and customers in addition to capability/assets configuration. As small companies try to survive, revenue model and enterprise model innovation are vital. Companies can reconfigure their offers and value chain position more easily than redefining an industry. Examples of these are found in literature such as the reconfiguration of the value chain that allowed IKEA to generate a business model that reduced costs as customer took on tasks traditionally done by manufacturers (Normann and Ramirez 1993). Using Giesen's ideas we can summarise business model innovation as represented in Figure 2.8.

Figure 2.8. Business Model Innovation



Source: Adapted from Giesen et al. (2007)

The value network is an element also pointed out by Hamel (2000). Bohnsack et al. (2014) recently use it to study the case of electric vehicles and find that business model innovation shows a series of incremental changes that introduce service-based components to the product, which were initially developed by entrepreneurial firms. They explain how entrepreneurial firms are more likely to use radical business models. However, they find that over time there seems to be some convergence in the business models of incumbents and entrepreneurs in the direction of delivering

economy multi-purpose vehicles. Therefore, the study of business models can uncover processes that shape the development of a future dominant business model.

Most authors coincide with the idea that business model evolution is a substantial change in the structure of the costs and/or revenues of a business from using a new kind of resource, developing a new source of revenues, reengineering an organisational process or externalising a value chain activity (Demil and Lecocq 2010). Hence, new partnerships also become essential for the process of change. Yunus et al. (2010) refer to new value propositions, value constellations and profit equations that derive from challenging conventional thinking such as finding complementary partners, undertaking continuous experimentation or when a firm adopts a novel approach to commercialising its underlying assets.

Gambardella and McGahan (2010) make an important contribution to business model innovation literature. They suggest that a reconceptualisation of the character and content of customer willingness-to-pay may be imminent and consider that breaking through the bottlenecks that limit the application of general technologies requires insights that connect them to the willingness-to-pay of ultimate customers. They also see the prevalence of networks such as eBay's supplier rating system, Facebook and YouTube as customer assessments that may be developing into a noteworthy social movement and the endogenisation of such mechanisms may be a central element of business-model innovation. Their study confirms that the most successful business strategies for innovation have involved outsourcing or the deconstructing of essential services. This is related to the idea of reconfiguration of roles brought by Giesen et al. (2007).

Sanchez and Ricart (2010) refer to factors influencing business model innovation in low income markets by distinguishing between isolated and interactive business models. This study uses case studies of large companies and relates them to success and failure. The authors refer to the difference between own resources versus an eco-system. This view can be related to the older exploration and exploitation concepts of strategy and it emphasises the value network brought by previous research.

Finally, most of the literature on business model innovation has used a resource or dynamic capability approach and usually looked into large organisations. The work of Bock et al. (2012) is an example that stresses the relevance of both structural changes and flexible capabilities during renewal and reorganisation as well as implications for organisational adaptation to environmental change. It is found that structure and culture affect strategic flexibility when firms engage in business model innovation. See the example of Sanchez and Ricart (2010) who look at business models of companies such as Nike, Unilever and Philips or Loic et al. (2010) who study Lego and Build a Bear. Hence, there is still opportunity to bring more insights into business model dynamics from different points of view and to focus on smaller organisations.

The key points in the literature can be summarised as:

- Initial e-commerce business models evolved from a transaction to a collaboration focus
- The common goal of business models is value creation and/or capturing
- Literature on business models can be divided into: concepts, taxonomies, elements, application and evolution/innovation
- Academic literature on business models in 2010-2011 is mainly contained in a single special issue. Later examples are focused on business model innovation or evolution
- Business models classifications focus on a single model (for example, advertising). However, it is rare that a successful company would use only one model
- Business model evolution literature overlaps with business model innovation and it focuses either on the process of change or on the new model itself
- The search for other business models responds to the need to attend specific market segments (Teece 2010)
- Business models are dynamic. They are a set of relations and feedback loops between variables and their consequences (Casadesus-Masanell and Ricart 2010)

- There is a lack of structured and rigorous research (in particular, theory-building work and empirical research beyond single-case studies) (Demil et al. 2015)
- There are fewer empirical studies that test the variety of business model frameworks in literature
- Research that provides empirical examples of business model competition is usually of a small scale (that is, few case studies)
- Studies on business models usually study it at the firm level. Research at the market level is scarce and has focused on the major technology applications (for example Google, etc.).
- The relevance of the customer is still overlooked by academic literature (Ehret et al. 2013)
- Research on business model innovation has mainly focused on either a resource or capability approach
- The study of business models at a market and a firm level complement each other
- The study of business models at a competitive level is important for business model change and innovation

2.2.6 The Business Model as Activity-System

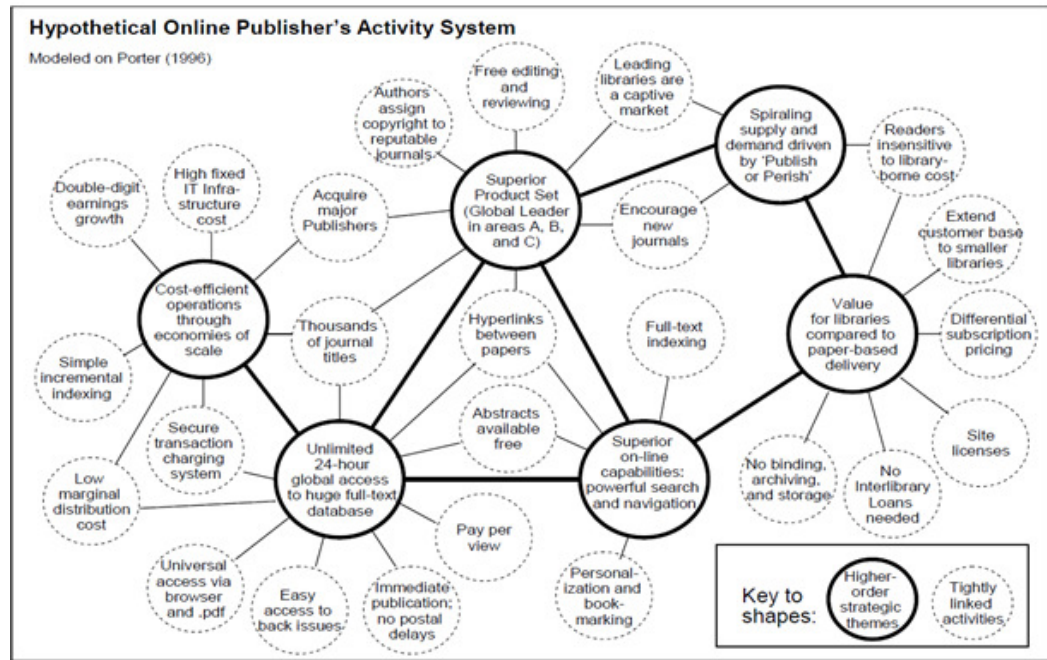
Depending on the focus to study business models (for example, resources, capabilities, etc.) there are different ways to approach them. Early in business model literature we find that ‘key activities’ are recognised as an element of the business model, examples are the work of Afuah and Tucci (2000); Pateli and Giaglis (2004); Osterwalder and Pigneur (2010). Demil and Lecocq (2010) define the business model as the articulation between different areas of a firm’s activity designed to produce a proposition of value to customers. Afuah and Tucci (2000), Petrovic et al. (2001) and Baden-Fuller and Haefliger (2013) make an important contribution by defining the business model as a system or ‘value system’. The way to create and capture that value however is well explained by Zott and Amit (2007) who refer to a system-level design of the business model. They define the business model as a set of activities, processes or functionalities, which encourages the firm in systemic and holistic thinking. Thus, the business model can be defined as a flow of well-coordinated activities to create and capture value.

In later work, Zott and Amit (2010) define the business model as a ‘system’ of interdependent activities that may transcend the focal firm and spans its boundaries but will remain firm-centric to enable the focal firm not only to create value with its partners, but also to appropriate a share of the value created itself. This view then recognises the relevance of spanning boundaries, for example to the user or customer.

Zott and Amit (2010) argue that focusing on activities allows us to concentrate on the focal firm that must decide on its business model design, for example, how to link a new activity into its current business model, and who should govern that activity. The activity-system approach is also based on the fact that this perspective encourages the firm in systemic and holistic thinking when designing its business model, instead of concentrating on isolated, individual choices (such as ‘make or buy’ decisions about particular products).

The original idea of an activity system comes from Porter and Siggelkow (2000). Porter (2002) refers to an ‘activity system map’, which shows how a company’s strategic position is contained in a set of tailored activities designed to deliver it. In this map, a number of higher-order strategic themes can be identified for companies with a clear strategic position and these can be implemented through clusters of tightly linked activities. An example of the activity system map of an online publisher is depicted in Figure 2.9.

Figure 2.9 An example of Porter's Activity System Map



Source: Porter (2006)

Porter (2002) argues that strategy involves defining a company's long-term position in the marketplace, making the hard trade-offs about what the company will and will not do to provide value to customers, and forging hard-to-replicate fit among parts of the 'activity system' the firm constructs to deliver value to customers, all with a view to making a superior return on investment. Seddon et al. (2004) argue that this vision of strategy is in essence what the business model is.

Morris et al. (2005) criticise the activity system map view arguing that the business model is not an activity set and that, unfortunately, the mapping referred to by Porter and Siggelkow (2001) occurs after the fact. The business model instead represents a framework for doing this constructing in the early stages of a venture and for conducting predictive, what-if scenario analysis. These authors emphasise how organisations configure activities in unique ways, with advantage deriving from how activities fit with and reinforce one another. Therefore, activity systems can be mapped so as to capture the evolution of organisations along discernible developmental paths. Their study also recognises the role of activities as business models encourage the entrepreneur to (a) conceptualise the venture as an interrelated set of strategic choices; (b) seek complementary relationships among elements

through unique combinations; (c) ensure consistency between elements of strategy, architecture, economics, growth, and exit intentions and (d) to develop ‘activity sets’ around a logical framework (Morris et al. 2005).

For some authors, the properties of the business model at the system level could be significant for value capture. These properties could include visibility, complexity, or compatibility with competitors’ business models, which together give a business model ‘robustness,’ that is, high legitimacy and simultaneous protection from imitation by competitors (Snihur and Zott 2014). Therefore, the activity-system approach is one that can provide strength to the business model.

Zott and Amit (2010) emphasise the system view as an interest on an overview of the business operation and not on optimisation of detailed aspects of it. Considering the need to prevent and envisage the model in advance the authors suggest an activity system design. The activity-system works under four design themes:

1. *Novelty* - the adoption of new activities (content), and/or new ways of linking the activities (structure), and/or new ways of governing the activities (governance).
2. *Lock-in* - can be manifested as switching costs, or as network externalities that derive from the structure, content and/or governance of the activity system. More details on network effects are included in chapter 3.
3. *Complementarities* - are present whenever bundling activities within a system provides more value than running activities separately.
4. *Efficiency* - how firms use their activity system design to aim at achieving greater efficiency through reducing transaction costs.

The concept of transaction costs is one that arises out of the necessity of coordinating activities. Among these are coordination costs, the direct costs of integrating decisions between economic activities, that is, search and bargaining costs. However, the use of digital platforms has facilitated the reduction of coordination costs and this has been extensively documented in the literature. (See the work of Bakos (1991); Bailey and Bakos (1997)). Networking facilitated by platforms can lower transactions costs as businesses reduce the cost of searching for suppliers.

Zott and Amit (2010) call for more research investigating the ‘black box’ of business model activities. This has also been suggested by authors who look into capabilities and hence, consider that there are opportunities to employ an activity-based view on what is needed to achieve business model change (Achtenhagen et al. 2013). According to Achtenhagen et al. (2013), the strategising actions, capabilities and activities allow companies to adapt their business models to changes in market demands and a competitive environment, while at the same time leveraging and building their internal organisations. The authors refer to the usefulness of dynamically managing and changing the business model more incrementally over time as an alternative (or complement) to the more dramatic business model changes.

Despite wide acceptance of the activity system view, research that uses this approach to study business models is still scarce. Literature on business models as activity-systems is summarized in Table 2.9.

Table 2.9. Research on Business Models as Activity-Systems

Author	Research question	Key findings	Industry focus	Methodology
Seddon et al. (2004)	Meaning of business model and strategy	Business models are more inward looking than strategy, focusing more on the activity-system side of how a firm creates economic value, whereas strategy is more outward looking, focusing more on competitive positioning.	Publisher, School supplies	Study of literature to define differences. Use of examples from literature
Zott and Amit (2010)	Give managers, entrepreneurs and researchers a ‘language,’ concrete tools and a tight framework for business model design;	Parameters that activity systems design: Elements - content, structure and governance – that describe the architecture of an activity system; and Themes - novelty,	Outsourcing, Technology, Lending	Study of literature and industry examples to develop tools and framework

	Emphasize the importance of system-level design	lock-in, complementarities and efficiency – that describe the sources of the activity system's value creation.		
Casesdesus-Masanell and Ricart (2010)	Separate and relate the concepts of strategy, business model and tactics	In simple competitive situations there is a one-to-one mapping between strategy and business model; The concepts of strategy and business model differ when there are important contingencies on which a well-designed strategy must be based.	Newspaper, Education, Airline, Discount retailer, Mobile network operator	Study of literature and industry examples to develop framework and 2 case studies
Itami and Nishino (2010)	How the role of the business system (or activity set) as a firm's learning system is central to success.	The profit model earns revenues for the short term, the business system learns information for the longer term.	Technology, Car	Industry examples to develop framework
Gambardella and McGahan (2010)	Business model innovation of general-purpose technologies as a novel alternative to applied, specialized, commercially mature technologies.	The innovation of this business model will have unpredictable, but inevitable, consequences for industry structure and organizational capabilities, as well as for the content and context for the upstream science.	Universities, Biotech, Nanotechnology	Industry examples

The papers shown in the table above are important because they recognise the value of activities for the business model and come to a consensus that the activity system view is a valuable way to study business models. However, most of these studies are based on industry examples and usually look at large organisations. Thus, there is a wide opportunity to bring more empirical studies and strengthen the activity-system perspective. The work of Casadesus-Masanell and Ricart (2010) is strong in this respect as they use two case studies and diagrams to emphasise the virtuous circles in the business models.

For Itami and Nishino (2010) the business model is seen as being composed of two elements: a business system and a profit model. They argue that while the latter often gains the higher profile, the former is arguably the real ‘meat’ of a firm’s business model. These authors also see the business model as the locus where a firm can learn about its operations and the behaviours of its suppliers and customers.

The activity-system approach is the most suitable to study digital platforms as technology is a high volatile industry where changes in the platform are expected to affect the business model and vice versa. The limitations of other approaches - such as the resource based or the dynamic capabilities view – is that competitive advantage is created by difficult-to-copy resources which are often built up over long periods of time thus, this long term view does not give management much latitude for action (McGrath 2010).

The key points in the activity-system related literature can be summarised as:

- Despite the acceptance of the activity-system view, research that uses this approach to study business models is still scarce
- The limitations of other approaches - such as the resource based or the dynamic capabilities view - is that competitive advantage is created by difficult-to-copy resources which are often built up over long periods of time (McGrath 2010)
- The activity-system approach is the most suitable to study digital platforms as technology is a high volatile industry
- The focus on activities allows companies to adapt their business models to changes in market demands and a competitive environment, while at the

same time leveraging and building their internal organisations (Achtenhagen et al. 2013)

- The business model is a 'system' of interdependent activities that may transcend the focal firm and span its boundaries (Zott and Amit 2010)
- The business model at the system level can be significant for value capture due to properties like visibility, complexity, or compatibility with competitors' business models, which together give it 'robustness,' that is, high legitimacy and simultaneous protection from imitation by competitors (Snihur and Zott 2014)
- The activity-system approach is based on the fact that this perspective encourages the firm in systemic and holistic thinking when designing its business model, instead of concentrating on isolated, individual choices (Zott and Amit 2010)

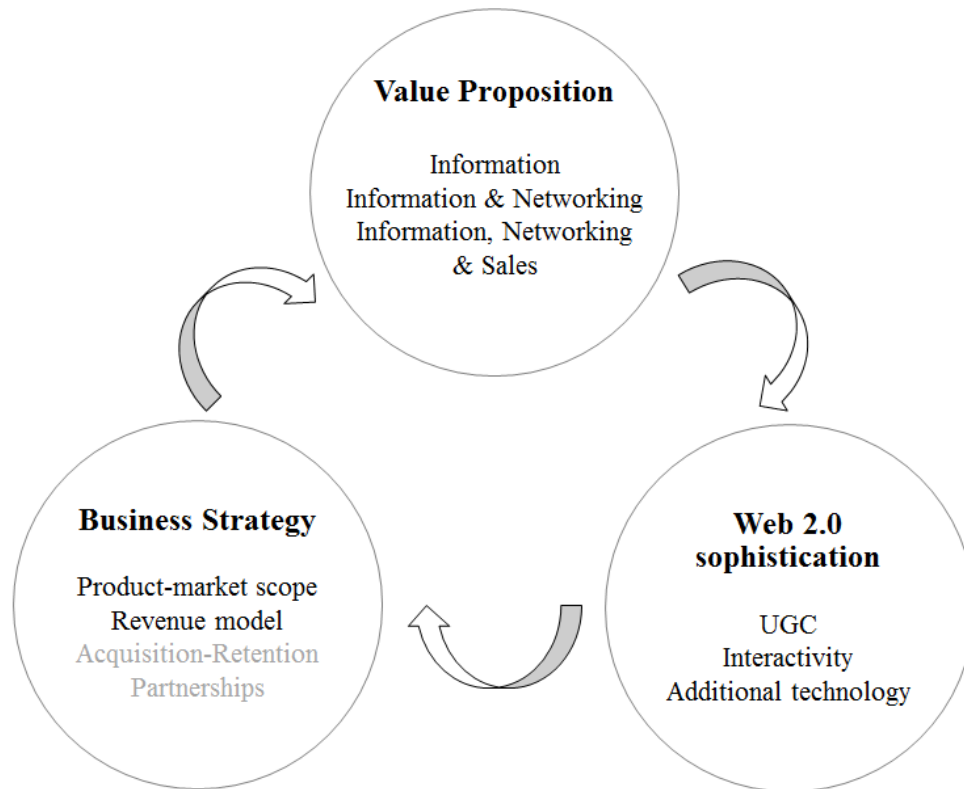
The literature review presented different views and approaches to study business models. Based on the different elements suggested by previous research, the following chapter presents the research framework proposed for this thesis.

CHAPTER 3. RESEARCH FRAMEWORK

This chapter presents the theoretical framework basis of my research. Based on literature that supports the framework elements, I explain my thinking on why this is a suitable framework to study SME Platforms. It also introduces the logic around the interrelationships between the different framework constructs.

The research framework for this research is illustrated in Figure 3.1. It is based on three different constructs; Value proposition, Web 2.0 sophistication and Business strategy.

Figure 3.1. Business Model Framework



This framework emphasises Web 2.0 technology as an important construct for the study of SME Platforms. The use of these three constructs intends to contribute to business model theory by applying the business model concept within a social media

context and at a market level in the first part of this thesis (that is, the strategic grouping of SME Platforms). In the second part of this research the focus is on the case studies, hence the elements of user acquisition and retention and partnerships become an active part of the framework. This responds to the need to identify other factors that differentiate platforms that are not vital to explore in detail for the landscape mapping of the markets.

3.1 Value Proposition

From a customer perspective, the most important element of the business model is the value proposition. That is, what is the purpose of the website for its users? The value proposition has also been defined as a product or service (Horowitz 1996); (Dubosson-Torbay et al. 2002) or a value offering (for example, (Gordijn and Akkermans 2001b); (Afuah and Tucci 2000) within the business model literature. Based on research from Kim et al. (2011); Harris et al. (2012); Michaelidou et al. (2011) and Wirtz et al. (2010), there are three main business uses of social media in the context of SMEs. These are: (1) information repositories and databases, (2) information sharing between SMEs and networking opportunities to share ideas and potentially create new knowledge and (3) sales systems such as electronic markets and trading systems.

The three offers of information, networking and sales are not new. Since the emergence of e-commerce, the search for information, the interaction between users and the possibility to do transactions have been the main aims of using online platforms and this is reflected, for example, in the electronic markets literature. (See the work of Malone et al. (1987); Bailey and Bakos (1997); Sarkar et al. (1998); Timmers (1998); Kaplan and Sawhney (2000); Qizhi and Kauffman (2002) that refer to interconnections in the marketplace). As e-commerce evolved we see the importance of collaboration and network arrangements emerge in this literature. An example is the work of Markus and Christiaanse (2003). As technology developed, the need of information, networking and sales generation was covered by the study of social media features for diverse purposes. Table 3.1 summarises different Web 2.0 technologies and their main purpose according to McAfee (2009) and Cook (2008).

Table 3.1. Social Media Communication and Purpose

Feature	Activity	Purpose
Blog	Authoring	Information production / Networking
Forum	Collaboration	Information / Networking
Q&A board	Advice	Information / Networking
RSS feeds	Syndication	Information aggregation
Tagging	Classification	Information search
Social network	Interaction	Networking
Instant messaging	Customer service	Information / Sales

Source: Adapted from McAfee, 2009 and Cook, 2008

The use of different technologies, particularly for small companies, has been studied in literature finding that knowledge transfer and collaboration are among the benefits of using Web 2.0 technology. Table 3.2 summarises some of the literature on Web 2.0 technology and SMEs that makes reference to the different value propositions.

The focus on ‘sales’ as the purpose of using Web 2.0 technology in the above literature refers to the marketing uses of technology to promote sales. There is however, the possibility of being attracted to a digital platform due to the networking and to a marketplace that facilitates the actual sale or transaction.

The value proposition is therefore an important construct for the grouping of platforms into information, networking and sales focused social media platforms. In practice, most websites originate as information websites and then develop and mature in terms of their use of technology. Basic networking and discussion forums create the basis for more sophisticated use of Web 2.0 and social media, and then social e-commerce (Curty and Zhang 2011); (Stephen and Toubia 2010) is added to the functionality of the website.

Table 3.2. Use of Web 2.0 technologies by SMEs

Author	Information	Networking	Sales
(Nunes 2006)	Information sharing		
(Blinn et al. 2009)	Internal communications and information/knowledge sharing	External communications with customers, suppliers and partners	Marketing to prospective customers
(Michaelides et al. 2010)	Knowledge transfer	Collaboration, innovation	
(Sigala and Marinidis 2010)		Share collective business intelligence	
(Bell and Loane 2010)		Internationalisation	Branding
(Kim et al. 2011)	Information sharing	Social networking, Collaboration	
(Michaelidou et al. 2011)	Information distribution and feedback collection		Promoting sales and attract new customers
(Barnes et al. 2012); (Hinchcliffe 2010)	Enhance capabilities due to connection with source of knowledge	Collaboration; More effective external communications;	Customized service offerings
(Harris et al. 2012)		Networking, collaboration	Marketing
(Meske and Stieglitz 2013)	Improve knowledge management	Collaboration among employees	
(Hamburg and Hall 2013)	Education and training	Connection, problem solving	
(Yan Xin et al. 2014)			Branding

According to Normann (2001), in order to develop offerings according to new rules of the game, (that is, involving new technologies), new constellations of activities and actors are required. Therefore, technology leads to more options in configuring the value proposition and to design what Normann (2001) defines as a 'value-creating system'.

3.2. Web 2.0 Sophistication

The use of technology is an important construct for the study of business models. Examples of studies that use the technology construct include the study of e-business models such as the work of Pateli and Giaglis (2004). More recently, Mason and Spring (2011) study of changes in the recorded music market using a framework that includes technology as an element of the infrastructure dimension. As technology evolved, Web 2.0 emphasised the interactivity and introduced the user-generated content concept.

Section 2.1 identified that most definitions of Web 2.0 technology and social media refer to the user generated content (UGC) (Kaplan and Haenlein (2010), Anderson and Anderson (2002)), as well as interactivity (Barbry (2007), Lin et al. (2012) and Constantinides and Fountain (2008)), and also information and knowledge sharing (that is., collective intelligence) (Bughin and Mayika (2012), Hoegg et al. (2006) and Constantinides and Fountain (2008)) and network effects.

The reason to focus the Web 2.0 sophistication scale on the first two is that they are objective. That is, it is possible to see whether a website has user generated content and if there are interactive features. This is different in the case of information and knowledge sharing, as a different type of analysis would be required in order to assess whether knowledge is being created through that information exchange and it is therefore not of interest for this study. Likewise, network effects are not part of the scale although they play a very important role in the business model dynamics. The reason to exclude them from the Web 2.0 sophistication scale is that the purpose of this study is not to measure the effects, but only to use this concept as a mechanism that makes the business model work.

An example of a business model study that takes into account the capabilities of Web 2.0 is the work of Chen (2009). In his work, collective intelligence, network effects, user generated content, and the possibility of self-improving systems facilitate the

study of the web information services industry. Hence, the particular value derived from Web 2.0 technology has been related to user generated content as Web 2.0 users have become the key content creators, evaluators, and disseminators (Hung et al. 2011). Literature on innovation has focused on how with the use of Web 2.0 technology users can easily acquire, modify, create, and disseminate ideas through social networks, and thus are considered to be in a good position to be facilitators of new products or services (Nambisan 2002) and therefore, has emphasised how firms can tap into customer knowledge through an ongoing dialogue.

An important aspect of Web 2.0 technology is network effects. Debates on the creation of value from technology (Carr 2003); (DeJarnett et al. 2004) focus on IT investment and returns and on the value derived from platforms such as ERP systems (Quaadgras et al. 2014). However, in a network economy value is derived from plentitude, just as a fax machine's value increases as fax machines become ubiquitous (Smith et al. 2012). This effect is known as network effects or network externalities. Such effects are said to exist when the benefit a consumer derives from owning a product, increases when the number of other consumers of the product increases (Shapiro and Varian 1999a); (den Hartigh and Langerak 2002). Direct network effects are generated through a direct effect of the number of purchasers on the value of a product. Indirect network effects appear when the number of buyers of a good stimulates production of complementary goods that enhance the value of the product (Shapiro and Varian 1999b).

Interactivity refers to the presence of clickable images, modifiable content (Ha and James 1998), (Coyle and Thorson 2001) mainly for marketing purposes. There are however other interactive tools such as polls, web chats and other specific business tools (for example, tax calculation or vacation planner) that are commonly used by businesses. Literature on this is much less than that which explores the value of user generated content. By adding the interactivity element and the use of additional technology (mainly Web 1.0 technology), the objective is to present a more complete construct of technology that allows a measurement and later on classification of platforms and that informs on the overall sophistication of the SME Platform.

Web 1.0 technology refers the first generation of Internet technology where there was no interactivity in the communication. Hence, the additional technology refers to search, database and matching technology within the website. The presence of the website in major social media applications (such as Facebook or Twitter) is also considered part of the additional technology as although it is Web 2.0 technology, it is external to the platform. Mobile responsive design is also part of the additional technology. Mobile devices in the UK are more engaging than desktops accounting for 56% of all time spent on the Internet (ComScore 2015) as the need to deliver faster, be more agile and respond to signals from customers as soon as possible is most pressing for SMEs (Marmaridis and Unhelkar 2005).

The Web 2.0 features taken under consideration for this study respond mainly to the classification from Vickery and Wunsch-Vincent (2007), which was introduced in chapter 2 and are summarized in Table 2.2. Their work is highly cited and is part of research conducted by the OECD which makes it a reliable source of information on the use of Web 2.0 technologies. The methodology chapter explains in more detail how these are measured.

The role of technology in strategy has been an important subject of study. Internet technology provides better opportunities for companies to establish distinctive strategic positioning than did previous generations of information technology (Porter 2001). In Porter's view, integrating Internet initiatives enhances a company's ability to develop unique products, proprietary content, distinctive processes, and strong personal service, which creates value for competitive advantage. New technology has also been considered to make possible more for small players to intrude even the most innovative prime movers (Normann 2001). Web 2.0 technology in particular, is relatively easy to acquire and use hence small players can be successful if they have an adequate strategy. Since technology cannot replace strategy, it is essential that companies take strategy into consideration in order to achieve sustainable competitive advantage (Jelassi and Enders 2005). Outstanding technology is not sufficient for the success of Internet business (Turban et al. 2003).

3.3 Business Strategy

Strategy can be seen as a sequence of decisions in some area that exhibit a consistency over time (Mintzberg 1978). It has also been defined as the business

mission and basis for differentiation (Hamel 2000); performing different activities from rivals or performing similar activities in different ways (Porter 2002); Hence, a competitive strategy is what explains how a company does better than its rivals (Magretta 2002). In an e-business context there are some crucial aspects for strategy formulation. According to Jelassi and Enders (2005) strategy is concerned with the long-term direction of the firm; the overall plan for deploying the resources a firm possesses; the willingness to make trade-offs, and to choose between different directions and different ways of deploying resources; achieving unique positioning vis-à-vis competitors and to achieve sustainable competitive advantage over rivals, thereby ensuring lasting profitability.

Strategy has been differentiated from the business model concept as the business model is seen more as an abstract representation of some aspects of the firm's strategy (Seddon et al. 2004) or as a method, concept framework, or architecture, by which companies carry out their strategies. For some authors strategy, business processes, and technology are inter-linked components where the business model is a blueprint of strategy (Pateli and Giaglis 2004). An example is the work of Hedman and Kalling (2003a) which integrate strategy, IT management and industrial organization. The main differentiation with business models however stresses competition. Amit and Zott (2001) and Amit (2003) differentiate between the focus, value logic and performance measures as shown in Table 3.3.

Table 3.3. Business Strategy vs. Business Model

	Business Strategy	Business Model
Main questions addressed	<p>How to position a firm against rivals?</p> <ul style="list-style-type: none"> • What businesses to be in, that is, <i>what products or services to offer</i>? • What <i>customer segments to target</i>? • What resources and capabilities (for example, <i>technologies</i>) to use? • When to enter the market and how to enter it? • How to compete, that is, what kind of product market positioning approach to 	<p>How to do business?</p> <ul style="list-style-type: none"> • Who are the parties that can be brought together to exploit a business opportunity, and how can they be linked to the focal firm to enable transactions? • What information or goods are exchanged among the parties, and what resources and capabilities are needed to enable the exchanges? • How are the transactions between

	adopt (cost leadership and/or differentiation)?	the parties controlled, and what are the incentives for the parties?
Focus	Internally/externally oriented: focus on firm's activities and actions in light of competition	Externally oriented: focus on firm's transactions with others
Value logic	Value appropriation logic: creating and preserving a competitive advantage, capturing more value than rivals	Value creation logic: enhancing total value created (that is, value created for all business model participants) by exploiting business opportunities
Performance measure(s)	Value captured by firm (for example, measured by RoA, market value of firm or equity)	Total value created

Source: Zott and Amit (2003)

This research, however, considers the business strategy as a construct part of the business model framework. This is due to the fact that Zott and Amit (2003), in Table 3.3, differentiate elements such as products or services to offer, customer segments (or product-market scope) and resources such as technology are elements that have been considered part of the business model as explained in chapter 2. Hence, it is reasonable to encompass these elements that have a strategic dimension (that is, they can differentiate one platform from another) under a single construct. The sub-elements of this construct are product-market scope, revenue models, acquisition and retention and partnerships.

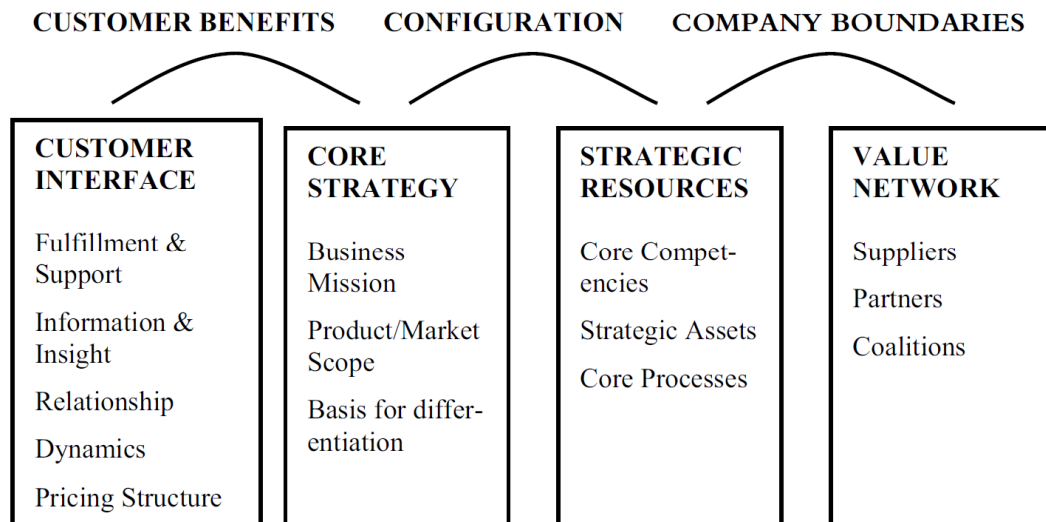
3.3.1 Product-Market Scope

The product-market scope is part of the core strategy as defined by Hamel (2000). It combines not only the product but the sector and geography the product is aimed for. Products which are outside the conventional definition of the leaders' product-market domains can help others launch an expanding strategy (Hamel and Prahalad 1989). Hence, the product-market scope differentiates one product from the rest. Most business model frameworks refer to a customer segment such as the work of Osterwalder and Pigneur (2010) or to customers in general as is presented in frameworks suggested by Weill and Vitale (2001); Afuah and Tucci (2000); Seddon et al. (2004); Hedman and Kalling (2003b). Pateli and Giaglis (2004) conclude that

most researchers seem to agree on the element ‘target market’, which includes the scope and market segment.

Hamel (2000) refers to the product-market scope as part of the core strategy (see Figure 3.2). This framework is also useful as it builds on four pillars that comprise some of the most common elements found in literature.

Figure 3.2. Hamel’s Business Model



Source: Hamel (2000)

The customer benefits link the company’s core strategy to the customers’ needs; that is, the benefits the company has decided to offer its customers. The configuration describes the bridge between competencies, assets, and processes and the company’s core strategy. Therefore, we can see a direct link between the value proposition and the core strategy.

The framework proposed differentiates between a broad and a focused product-market scope. A broad product-market scope refers to platforms that are addressed to any type of SME. This is a common approach as small companies and entrepreneurs share many interests regardless the sector they are working on. This is visible in the similar content offered, for example, legal, growth, marketing or finance. A focused product-market scope on the other side refers to platforms whose content is addressed to companies in a certain sector (for example, tech start-ups).

3.3.2 Revenue Models

Revenue models have been part of business model literature from the start (See the work of Timmers (1998) and Osterwalder and Pigneur (2002)). They describe how the firm will earn revenue, generate profits and produce a superior return on invested capital (Laudon and Traver 2013). There are five different e-commerce revenue models according to Laudon and Traver (2013), namely; advertising, subscription, sales, transaction fee and affiliate. Within the advertising revenue model are included companies that get sponsorship by other organisations (for example, banks) for certain activities as they get advertised in return and gain exposure. The subscription revenue model is one in which users pay for a service by acquiring a membership. A sales revenue model involves the sale of a product or service. For this research, the sales revenue model includes also the revenue generated by facilitating transactions - known as transaction fee. The affiliate revenue model is the one where companies generate revenue for each referral to another company.

Chaffey et al. (2009) refer to similar revenue models; advertising, sales of syndicated content, subscription or rental of services, direct product or service sales and commission based sales. The relevance of content as a source of revenue is highlighted in this definition. For example, RSS feeds are part of a paid membership. There are other revenue models such as freemium models where the user adopts the product before becoming an actual user. In this model a basic service is offered for free and there is a charge for a premium service with advanced features to paying members. Additional revenue models have emerged where money is made by selling customer data and this is known as infomediary (Rappa 2010). Service providers usually offer services such as internet access free of charge, but instead they ask for the customer registration information in order to generate a database so that customer interests and behaviour can be monitored. The manufacturer (direct) model is an interesting one where not only purchases take place but also licensing and leasing are other forms within this model where customers purchase the right to use the product.

The initial classification of SME platforms in this research is based on the five revenue models by Laudon and Traver (2013) as these are the ones most commonly

observed in e-businesses. As the case studies are developed in this thesis some other models emerge.

3.3.3 Acquisition-Retention

Acquisition and retention strategies are not independent processes (Thomas 2001). According to Thomas (2001), the development of customer-focused strategies based only on an analysis of existing customers imposes the assumption that the customer acquisition process does not influence the customer retention process. Indeed, there are strategies that work in parallel. For example, a Facebook campaign may be directed to acquire new customers however it keeps reinforcing the brand, which influences existing customers.

Customer acquisition and retention strategies may include e-services that firms utilize to develop relationships with customers, provide customised communication and thereby increase their likelihood of continuing the relationship with the firm (Rust and Lemon 2001). Some have been concerned with the amount of resources necessary to dedicate to both acquisition and retention (Reinartz et al. 2005); the impact of customer relationship management systems on customer acquisition and retention (Becker et al. 2009); or how brand equity influences customer acquisition and retention (Stahl et al. 2012) to mention just a few.

Within the business model literature researchers have referred to ‘customer relationships’ such as Osterwalder and Pigneur (2010). These relationships can increase the number of customers through customer acquisition, keeping customers through customer retention or moving customers from one of the value propositions to another through customer transformation. This last activity is an interesting contribution by Osterwalder and Pigneur (2010) as business models evolve and new value propositions are generated. Other authors refer to customer acquisition and retention in a more general way. Moingeon and Lehmann-Ortega (2010) refer to key processes as wider constructs, where operational activities facilitate an increase on sales.

This research is focused on an ‘activity-system’ view, and therefore refers to the user acquisition and retention strategies as activities to be performed and not to a relationship, which can be difficult to define and considered as subjective. For digital platforms activities include giving vouchers, e-mail marketing and organizing

awards for existing customers. Customer acquisition strategies vary from free trials, events and the use of social media like Facebook and Twitter. In these platforms, attracting users who may or not become customers is equally important due to the network effects explained in section 3.1.2.

3.3.4 Partnerships

Vital to a firm's survival are the partnerships or networks created. Business model frameworks refer to a network of partners (Osterwalder and Pigneur 2002) or to alliances and partnerships as part of a value chain or net (Pateli and Giaglis 2004); (Turban et al. 2002). Moingeon and Lehmann-Ortega (2010) refer to a 'value architecture', which describes how the value proposition is delivered to the client and which activities and resources that are used in order to fulfil it, that is, partners and suppliers within the value chain.

Other authors have referred to 'value networks'. Shafer et al. (2005) view the business model as a representation of the underlining core logic and strategic choices for creating and capturing value within a value network. For Dubosson-Torbay et al. (2002) the business model is an architecture of a firm and its network of partners for creating, marketing and delivering value and relationship capital to one or several segments of customers in order to generate profitable and sustainable revenue streams. Osterwalder and Pigneur (2010) define strategic partners as the key partners in a value network. Partnerships are founded in order to create alliances, optimise the business model or to reduce risks.

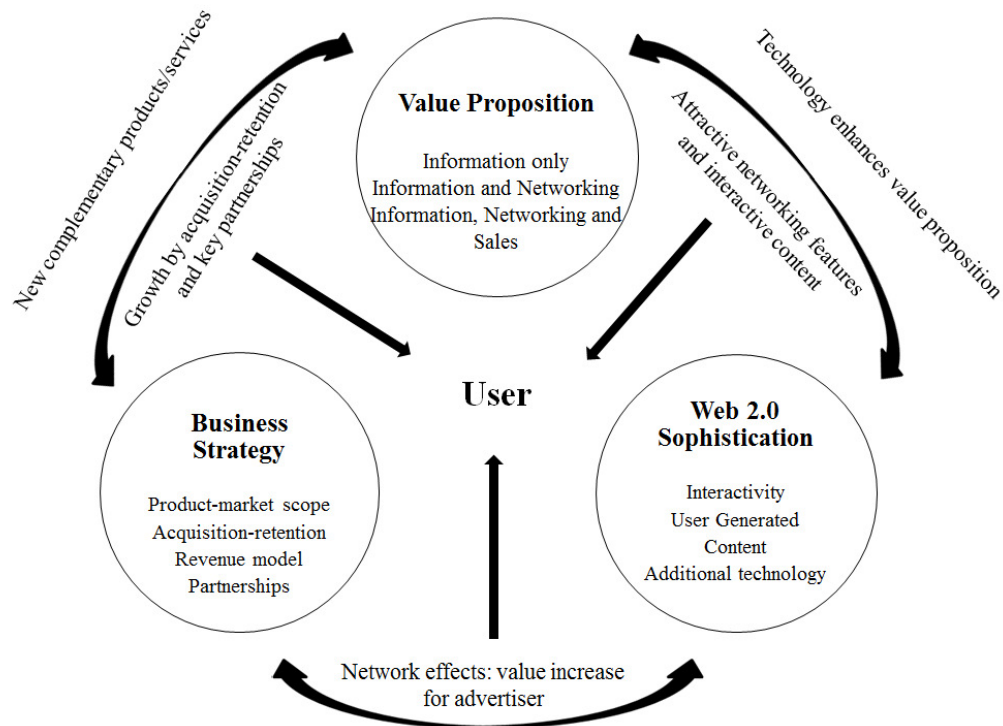
Partnerships are then an important part of a company's strategy and research has emphasised their role in business model change as changing the value chain position through the value network with employees, suppliers, customers in addition to capability/assets configuration can lead to enterprise model innovation (Giesen et al. 2007). A platform may find that through existing or new partnerships new value propositions can be developed and new sources of revenue can be generated. The framework used to explain the business model dynamics depicted in Figure 3.3 shows this.

3.4 Business Model Dynamics

The business model framework at the firm level of analysis is based on the same constructs as Figure 3.1. Due to the detail that this level of analysis provides into the

mechanisms of how the business model works, it suggests certain activities that explain the dynamics of the model and has the *user* as the centre (see figure 3.3. below).

Figure 3.3. Business Model Dynamics Framework



There are clear relationships and inter-dependencies between value proposition, degree of Web 2.0 sophistication and business strategy. For example, as a platform using an advertising revenue model starts to increase its number of visitors it attracts more and better customers hence generating more revenue. Investments are then possible into offering better content to retain customers and possibly into more technology. Web 2.0 technology within the website such as a forum will generate network effects that will allow to create a new source of revenue for the platform at some point.

The interrelations among the elements have the user in common as the objective is to increase the user base. Thus, the consequences of those interrelated activities have a direct effect for the business growth in terms of users. There are also indirect effects

as more users are attracted to the platform as more complementary products become available (Shapiro and Varian 1999b). The periphery shows the new activities the firm engages in as a result of that growth, which again aim to increase the user base. For example, a strong user base and a sophisticated platform in terms of technology will be attractive for partners (for example, large companies) who want to be exposed and advertised in it, thus generating revenue for the platform.

The value proposition element clearly seeks to cover SMEs' needs and Web 2.0 technology helps with this task. The business strategy takes elements from other frameworks however highlighting the user acquisition and retention strategies that are not a common element in business models. Most frameworks refer to the customer relationship or commerce relationship. However the actual strategies to attract and retain customers and not the relationship are interesting from an activity-system perspective as it is the activity that will lead to a consequence.

3.5 A User-centric Business Model

The main difference of the proposed framework with previous work is the focus on the user. Most literature refers to the customer and this is understandable as previous frameworks were based on traditional models that used Web 1.0 technology and had a transactional nature. However, Web 2.0 technology brings the opportunity of new business models that develop around the user – without the need of a commercial relationship. In a Web 2.0 context, people with an interest in any topic for example can easily join a network and help one another. Under this view Internet products and services are more about knowledge and networks (Normann 2001) where the user is central.

Osterwalder et al. (2015) most recent work brings more attention to the customer as part of the business model where the value proposition needs to match the actual needs of the customer. That is, the product cannot be isolated from the user. It must match and extend its capabilities, intentions, context and processes (Normann 2001). Osterwalder et al. (2015) book however has been criticized as it is seen more practitioner oriented (that is, providing practical tools) and looking to help companies more than establishing an academic stance of why the customer matters (Rathi and Given 2011). The authors do however an important contribution emphasizing the value creation for customers highlighting the need to test and to

have evidence of customers' needs. The relevance of this is related to the continuous reinvention of the company that follows an evolving value proposition.

The lack of business model frameworks that consider the user or customer as an element may respond to the economic paradigm that has dominated the study of business models. This is to be expected as the strategy and entrepreneurship fields have been more involved in the study of business model and thus, the search for a profit has been the centre of most studies. However, from a marketing and innovation perspective there are fewer studies on business models (Ehret et al. 2013) that recognise the relevance of the customer itself. This can appear as a surprise as it is well known that companies track user behaviour in order to get more insights into the customer behaviour, what customers want, how they want it, and how the enterprise can organize to best meet those needs, get paid for doing so, and make a profit. However, without a well-developed business model, innovators could fail to either deliver or to capture value from their innovations. This is particularly true of Internet companies, where the creation of revenue streams is often most perplexing because of customer expectations that basic services should be free (Teece 2010).

Early in literature, the relevance of the consumer was recognised. According to Magretta (2002) having an insight into the motivations of different characters in the business is what makes a business model work. As companies link their assumptions about how people would behave to estimations of profit and loss, it makes possible to model businesses before they are launched. According to Magretta (2002) the reason why models fail is because they are built on faulty assumptions about consumer behaviour. This has important implications for performance measurement.

The research framework proposed is one where all elements interact around the user. The difference with models that refer to the customer as one of its elements is the centrality of the user. The user is also different from the customer as without buying a product or service, the user that visits a platform is already valuable to the firm. The way this works is related to mechanisms such as network effects and other dynamics.

Table 3.4. Research Framework Elements

Construct	Definition	Literature
Value Proposition	<p>Purpose of the SME Platform in terms of how SMEs will use the system. Users search:</p> <ul style="list-style-type: none"> • <i>Information</i> repositories and databases (Wirtz et al. 2010) • <i>Networking</i> opportunities to share ideas and potentially create new knowledge (Julien, 2001; Inkpen and Tsang , 2005; Kim et al. 2011; Harris et al. 2012) • <i>Sales</i>: electronic markets and trading systems (Bakos 1991) 	<p>Defined as product or service (Dubosson-Torbay et al. 2002); value offering (Gordijn and Akkermans 2001b); (Afuah and Tucci 2000) value proposition (Osterwalder et al. 2015) or knowledge and networks (Normann 2001).</p>
Web 2.0 Sophistication	<p>Level of advanced or complex use of Web 2.0 technology in the website. It refers to:</p> <ul style="list-style-type: none"> • <i>Interactivity</i>: presence of clickable images, modifiable content, presence of interactive tools (for example, polls, web chats), presence of web 2.0 technologies (blog, forum, social bookmarks, media sharing, social networking and ratings); web 2.0 intensity (number of web 2.0 features); presence in major social media applications and mobile responsive design. • <i>User generated content</i>: presence of UGC (content made publicly available through Internet created outside of professional practices) and UGC intensity (low, moderate or high based on comments in blog/forum). • <i>Additional technology</i>: search technology, database technology, matching technology, mobile responsive design, use of social media (for example, Facebook, Twitter) 	<p>(Ha and James 1998); (Barnes et al. 2012); (Harris et al. 2012); (Meske and Stieglitz 2013); (Reyneke et al. 2011); (Michaelidou et al. 2011)</p> <p>(Vickery and Wunsch-Vincent 2007)</p>

Business Strategy	<p>Defined as the business mission and basis for differentiation (Hammel, 1999). It means performing different activities from rivals' or performing similar activities in different ways (Porter 1996). It includes:</p> <ul style="list-style-type: none"> • <i>Product-market scope:</i> Focused: addressed to a specific industry or Broad: directed to any SME. • <i>Revenue models:</i> advertising/sponsorship, subscription, sales, transaction fee and affiliate. • <i>User acquisition and retention:</i> activities to develop and increase relationships with customers and provide customized communication. • <i>Partnerships:</i> 	<p>(Hamel and Prahalad 1989) (Rumelt and Teece 1994); (Miles et al. 1978);</p> <p>Defined as target market ((Pateli and Giaglis 2004) or customer segment (Osterwalder and Pigneur 2002)</p> <p>(Laudon and Traver 2013); (Timmers 1998); (Rappa 2000); (Osterwalder and Pigneur 2002)</p> <p>(Rust and Lemon 2001). Usually referred instead to 'relationship' in (Weill and Vitale 2001); (Applegate 2001); (Osterwalder and Pigneur 2002); (Linder and Cantrell 2001)</p> <p>Defined as alliances as part of a value chain or net ((Pateli and Giaglis 2004); ((Turban et al. 2002); or a 'value architecture' (that is, partners and suppliers within the value chain and value network) ((Moingeon and Lehmann-Ortega 2010);((Shafer et al. 2005); ((Dubosson-Torbay et al. 2002). (Osterwalder and Pigneur 2010).</p>
User	<p>To whom the value proposition is directed to. It is the consumer of the product or service.</p>	<p>Usually referred as 'customer' (Weill and Vitale 2001); (Afuah and Tucci 2000); (Osterwalder and Pigneur 2002); (Hedman and Kalling 2003a) or 'consumer' (Morris et al. 2005); (Chesbrough and Rosenbloom 2002); (Teece 2010)</p>

CHAPTER 4. METHODOLOGY

This chapter presents the philosophical underpinnings of my research. The different methodologies used within a mixed methods approach are explained in detail. It introduces Online Panel Data (OPD) and the way it is used for this research. The use of cluster analysis and strategic groups is explained together with insights into strategic group theory. A scale of Web 2.0 sophistication is introduced using examples in order to understand its logic. The case study selection and analysis, used in the second part of this study, is explained and the data collection methods used are presented.

4.1 Philosophical Underpinnings

This research follows a critical realist approach. Critical realism defends a strongly realist ontology that there is an existing, causally efficacious world independent of our knowledge (De Búrca et al. 2006); (Mingers et al. 2013). That is, critical realists assume that there is a real world out there and the fundamental aim of this philosophy is explanation, and it answers to the question “what caused those events to happen?” (Easton 2010). Thus, under a critical realist approach the aim is to know why certain decisions lead to certain outcomes.

Critical realism also accepts the existence of different types of objects of knowledge -physical, social, and conceptual-, which have different ontological and epistemological characteristics, therefore they require a range of different research methods and methodologies to access them (Mingers et al. 2013). This philosophy then supports the use of mixed methods. Van de Ven (2007) explains this support emphasising that for critical realism there are no predefined or predetermined methodologies or criteria that provide privileged views of reality. And we can add that the use of multiple perspectives bring richness to research. This research uses a mixed methods methodology. Mixed methods focus on collecting, analysing, and mixing both quantitative and qualitative data considering that both approaches in combination provide a better understanding of research problems. This methodology is considered to be ‘practical’ in the sense that the researcher is free to use all methods possible to address a research problem and because individuals tend to solve problems using both numbers and words, combining inductive and deductive

thinking (Creswell 2013). This study combines the use of online panel data and case studies to answer the research questions.

The case studies are designed to explain how the business models of SME Platforms work. Responding to the question posed by Mingers in his analysis of critical realism for the IS discipline: How can we assure ourselves that event regularities are based on necessary connections rather than simply coincidence? His answer is that there must be enduring entities, physical, social or conceptual - observable or not, that have powers or tendencies to act in particular ways (Mingers et al. 2013). This suggests a continual operation and interaction mechanism that generates the flux of events. Therefore, the objective of the research framework presented in the previous chapter is to try to explain the mechanisms through which the business model operates – connections that act in particular ways. This is related to Bhaskar's "generative mechanisms" when he refers to structures that give rise to certain causal powers and tendencies. Mingers also brings a second question: How do we know that such hypothetical mechanisms actually do exist rather than being merely interesting ideas? His answer is that we can never know for certain, since critical realism accepts that knowledge is always fallible and out of our control. This means that we should aim to eliminate alternative explanations by testing in some way for their potential effects (Mingers et al. 2013). The use of multiple case studies for my research aims to eliminate those competing explanations. That is, if a similar pattern is observed in a number of companies then we can accept an explanation - despite any possible limitations as in any research. Archer et al. (2013) agree how causality is an intrinsic process within a system and instead of statistical predictability there is semi-regularity or identification of tendencies in particular contexts.

An important part of my research is the use of Online Panel Data (OPD). According to Zachariadis et al. (2013), the role of quantitative methods within critical realism can be largely descriptive. This is the case of the initial use of online panel data to set out the landscape of SME platforms within the UK and US markets. However, the analysis and interpretation of panel data is much more powerful. According to Sayer (1992), intensive and extensive research designs involve a dilemma of choice. On one side, one technique sacrifices explanatory penetration in the name of representativeness and getting a large enough sample. However, panel data is particularly useful as it combines both approaches. It allows for the study of large

populations (Chaffey et al. 2009) without compromising the level of detail on each variable. Hence, it is a rich method that enables us to answer research questions both on general patterns and on particular cases by the provision of detailed data on behaviour. Causal explanations of certain events are possible as well as descriptive representative generalisations. Following Sayer, these different approaches have complementary rather than competing roles (Sayer 1992). In this research, online panel data helps to identify strategic groups of SME platforms.

The use of OPD and case studies is therefore an uncommon but useful combination. Website analysis of the platforms to detect functionalities, its changes and to create the Web 2.0 sophistication scale (see section 4.3.1) complements both methodologies. Causal maps are an important tool used in the case study analysis. Based on the user and the panel data based metric, they show the different causes and consequences that make the business model work (that is, they reveal the mechanisms to operationalise the business model). Thus, the different methodologies selected aim to complement each other.

A more detailed description of the methodologies followed is presented in the following subsections.

4.2 Online Panel Data and ComScore Methodology

This research uses Online Panel Data (OPD) to determine the size and growth of the platforms. Before the widespread use of the Internet, consumer panel data was used to investigate consumer behaviour (See the work of Gengatharen et al. (2005). Panel data has been defined as a set in which the same sample of individuals is followed over time, and thus provides multiple observations on each individual in the sample (Hsiao 1985). Modern equivalents of consumer panels, which are OPD sources allow researchers to construct and test realistic behavioural models. OPD makes it possible to measure SME behaviour by looking at large websites.

The study uses online panel data from ComScore. ComScore Inc. is a commercial company that is a global market leader in the provision of online marketing intelligence (WallStreetJournal 2014). OPD is a type of 'big data' that provides insights into how customers use the Internet in areas such as number of unique visitors, visiting patterns across multiple websites and time spent per website. OPD is very reliable because the data capture process is automatic and based on electronic

tracking systems. That is, it provides detailed insights into actual behaviour rather than reported or intended and it facilitates the study of large samples. Panel data is particularly useful as it combines both explanatory penetration and representativeness. Therefore, it is a rich method that allows answering research questions both on general patterns and on particular cases by the provision of detailed data on behaviour. The way online panel data is interpreted and analysed provides a rich methodology that can be combined with other methods.

Marketing intelligence companies gather a sample panel of Internet users and track each user's specific Internet usage habits by installing a software on the panellist's computer that tracks their activity when they are online. The usage and habits of the Internet population is then projected based on the data gathered from its panellists (ComScore 2013a). For this purpose, the number of Internet users taken by ComScore for the UK is 45,262,000 while for the US it is 250,178,000. The data projected and reported at the person-level, is used for syndicated reporting of Internet audiences (Cook and Pettit 2009). ComScore does not rely on cookies and instead, monitors the actual behaviour of each computer in the sample with knowledge of the location of the machine (ComScore 2013b). The validity of ComScore data lies in the fact that participants on their panels, even when logging in from home or work, are required to use separate log-ins so that all activity can be tied to an actual individual. This provides ComScore with the strength of providing an accurate and unbiased measurement of the size of the website's audience.

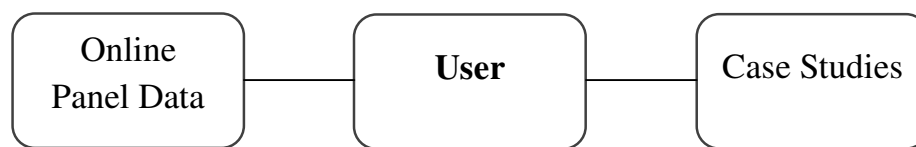
The company however has improved its measurement in the last five years. ComScore's approach now combines person-level measurement from the 2 million person global panel with census informed tonnage of consumption to account for 100 percent of a property's audience (that is, a unified digital measurement). Participating companies place tags on all their content – web pages, videos, apps and ads, and these calls are recorded by ComScore servers every time content is accessed (ComScore 2014a). This way the company is able to view these calls on its global panel in addition to measuring the census tag calls, which allows validation that the tags are measuring activities consistent with its audience measurement methodology.

Examples in the literature that use OPD include Johnson et al. (2004) who examine search across competing e-commerce sites and Moe and Fader (2004) who observe

the history of visits and purchases to develop a model of conversion behaviour. More recent studies use online panel data to study search behaviour and distribution of consideration sets, such as the work of Holland and Mandry (2013), while other studies find that the consideration set is a function of the Herfindahl-Hirschman Index (Holland and Jacobs 2015). Holland and Gutierrez-Leefmans (2013) use OPD to study bank performance in online search and e-service. It is found that smaller banks have an inherent advantage in online markets for customers searching out a new banking relationship. Huang and Sylvie (2010) use OPD to calculate traffic growth and study industry structure effects on firm performance. Hence, the use of OPD and its interpretation is a powerful methodology to study both consumer behaviour and strategy.

However, the number of studies that use OPD is still very limited despite its relevance to digital strategy. The use and interpretation of OPD thus, constitutes a novel methodology. In this research, OPD is used for different purposes: to show the SME platform market structure in two countries with high Internet penetration - 87.4% in the US and 91.6% in the UK (WorldBank 2014), to form strategic groups of SME Platforms and to study the size and growth of selected platforms. The diagram below (see Figure 4.1) represents the link that OPD has with the study of business models in this study.

Figure 4.1. User-Centric Research Methodology



ComScore employs a user-centric method of measurement. Thus, we use the number of unique visitors (that is, the number of distinct individuals requesting pages from the website during a month). This is relevant to the second part of this research as we focus on the user as a central element of the business model framework. ComScore measurements are summarised in Table 4.1.

Table 4.1 ComScore Measurements

Measure	Definition	Interpretation
Unique visitors	Number of distinct individuals/SME users requesting pages from the website	Used to calculate size, market share, growth
Audience duplication	Number of visitors to 1, 2 or more and all websites	Unique visitors to all websites, without double counting individual users that visit more than 1. Used to calculate market penetration

Source: Derived from ComScore Audience Duplication Report (2013)

Once OPD analysis is completed a competitive landscape of SME Platforms is mapped by doing a cluster and strategic group analysis.

4.3. Cluster Analysis and Strategic Groups

Cluster analysis refers to several different algorithms used to group similar entities (Harrigan 1985) therefore, it is useful for strategic grouping. Harrigan (1980) finds that the structural asymmetries of competitors within industries of known rivalry characteristics can be replicated well using cluster analysis. Harrigan (1985) used cluster analysis for strategic group analysis and concluded that it provides a useful way to look at inter-group differences. Cluster analysis is a structure-discovering analytical method that has been employed to detect homogenous strategic groups (Thorndike 1953).

In order to perform a cluster analysis, the first step is to decide on the distance measuring. One of the most common is the Euclidian Distance. It is based on the distance between two observations. It is also common to use the squared Euclidian distance. The squared distance increases the importance of large distances, while weakening the importance of small distances (Mooi and Sarstedt 2011).

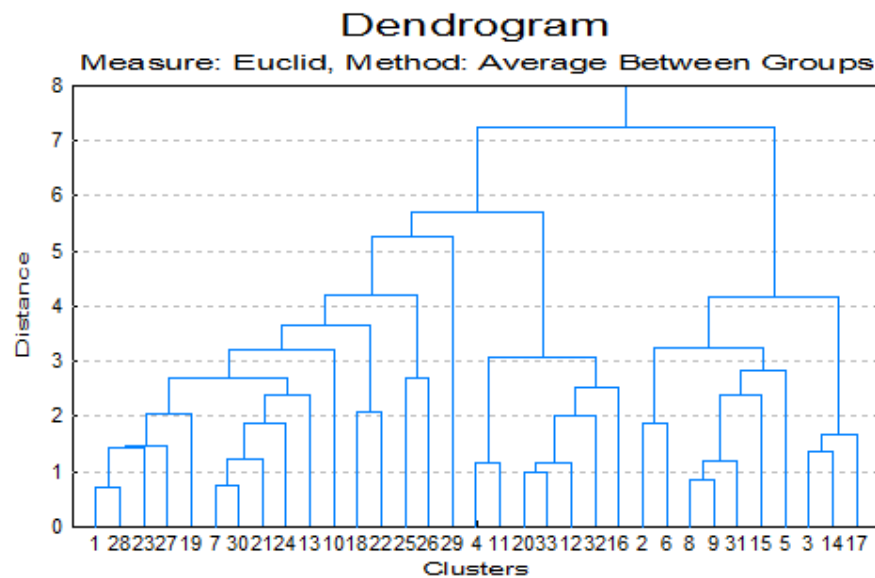
The second step is to select a clustering algorithm. Hierarchical cluster analysis is useful as it can cluster variables together in a manner somewhat similar to factor analysis, however, it becomes problematic with large data sets (Hampson and

McGoldrick 2013) and it can be slow. On the other side, a non-hierarchical clustering is usually faster and more useful to test different models with a different assumed number of clusters (in this case, the user specifies the number of clusters) (Mooi and Sarstedt 2011). Hampson and McGoldrick (2013) study adaptive shopping patterns during recession using a sample of 1211 consumers and, due to the sample size they use K-means clustering. However, cluster analysis is also useful for the study of smaller data sets. An example is the work of Naudé et al. (2007), who use cluster and correspondence analysis to study characteristics of relationship quality within a business-to-business (B2B) setting based on a sample of 48 managers.

Another possibility of clustering is the two-step cluster analysis. This method performs first a hierarchical method to define the number of clusters and then uses the k-means procedure to form the clusters. In order to validate the number of clusters several iterations can be made until one sees that there is a non-random tendency for groupings. Once the candidate numbers of clusters are determined, a k-means cluster analysis searches for the best configuration of the groups placing similar observations together to form a cluster. Because it uses a quick cluster algorithm upfront, it can handle data sets that would take a long time to compute with hierarchical cluster methods and it is useful when analysing mixed variables (Mooi and Sarstedt 2011). Due to the nature of the data in my research, a small data set of 32 observations (or websites) and the use of different variables (categorical and ordinal), the two-step cluster analysis was the method selected. Videos from James Gaskin were followed to perform the two-step cluster analysis in SPSS.

Dendrograms (a tree structure) are used to show the representation of the clusters. They depict the different observations and links according to the hierarchy of clusters. Figure 4.2. shows an example of a dendrogram.

Figure 4.2. Example of Dendrogram Representing a Hierarchical Cluster Analysis



The horizontal axis is a row of nodes that represents observations (for this study the SME Platforms), and the remaining nodes represent the clusters to which the data belong, with the arrows representing the distance measured in the vertical axis. There are different ways of doing the clustering. A common cluster method is the between groups linkage, where the distance between clusters is the average distance of all data points within these clusters.

Cluster analysis leads to the formation of strategic groups. This methodology is useful to group SME platforms according to their similarities. Groups are formed based on the main constructs from the theoretical framework. These are groups that share characteristics, hence it is possible to generate a classification scheme or taxonomy. The empirical nature of cluster and strategic group analysis is commonly associated with the generation of taxonomies in works such as Fenn and LeHong (2011), Wickramansinghe and Sharma (2005), and Bailey (1994) among others. According to Bailey, unlike typology, taxonomy begins empirically, rather than conceptually, with the goal of classifying cases according to their measured similarity on observed variables (Wickramansinghe and Sharma 2005). That is, taxonomies are derived empirically and are the result of inductive research (Day et al.

2003). As strategic groups are formed it is possible to integrate differences of the group member firms and their strategic choices into a set of patterns.

Strategic group asymmetry refers to inter-group differences, and the distances between strategic groups are indicated in part by dissimilar mobility barrier heights (Harrigan 1985). Mobility barriers are factors that provide a strategic group with a competitive advantage and the distances generated by clustering algorithms can approximate mobility barrier heights (Harrigan 1985). This is important for competitive analysis as distances or asymmetries determine whether firms' strategic postures can be emulated easily. If their competitive advantages come from attributes that rivals could appropriate easily, strategic groups may be more vulnerable to copying by competitors. Thus their mobility barriers offer little protection in these areas. This concern becomes relevant within industries where competitive conduct changes frequently (Harrigan 1985). The technology industry is a rapid changing one thus, digital platforms are a good example of firms that can be imitated easily, which shows the usefulness of this type of analysis.

Strategic groups come from the idea that an industry can be viewed as a cluster or groups of firms, where each group consists of firms following similar strategies in terms of the key dimension variables (Porter 1979). Hunt developed this term focusing on strategic differences among competitors in their main markets and formed groups according to asymmetry or homogeneity of operations within the same business (Hunt 1972). Firms within a strategic group resemble one another closely, and therefore, are likely to respond in the same way to disturbances, to recognise their mutual dependence quite closely, and be able to anticipate each other's reactions quite accurately (Porter 1979). However, between strategic groups the situation is different and there are different implications. For example, it has been successfully used to study intergroup mobility as entry barriers not only insulate firms from new entrants to the industry but also insulate firms in a strategic group from entry by members of another group (intergroup mobility) (Porter 1979). The formation of strategic groups is then relevant to study the SME platform market and competition.

Strategic group analysis has been criticised as there have been conflicting results, some studies reporting significant performance differences between groups (See the work of Cool and Schendel (1988)) and others not finding significant differences such as the work of (Brown and Lockett 2004). It was argued that performance differences between strategic groups existed because firms within one strategic group created mobility barriers for firms belonging to other strategic groups making inimitability of strategy rather difficult (Agnihotri 2014). Leask summarised the benefits and limitations of strategic group analysis, concluding that strategic group research continues to offer a valuable way to classify firms by their strategy and to provide a robust theoretical taxonomy as a means to make sense of and map industry dynamics over time (Leask 2007). Following Fiegenbaum and Thomas (1995), strategic groups also act as reference points for predictions of future strategies and to derive industry group structures successfully.

Strategic groups were initially used to study industries in the 1990s as there was a strong focus on the study of industries. This later changed to more firm focused studies. However, strategic groups are still relevant. Studies on platform industry architectures stress the importance of market analysis where competition is an important part of the business model framework. Such is the work of Jacobides and Billinger (2006) and Demil and Lecocq (2010). Research that provides empirical examples of business model competition is however of a smaller scale (that is, few case studies). The first part of this study instead, provides an analysis at a different scale by looking at a large number of platforms within strategic groups and their business models. Strategic groups can then be used for more contemporary studies as is the use of Web 2.0 technology and to segment the market based on the use of technology and other elements (in this case the value proposition). Therefore, this research presents a study that goes from a market to a firm level. Finally, strategic groups represent structures that uncover certain tendencies, showing the behaviour of SME platforms and therefore making possible the prediction of certain behaviour.

4.3.1 Scale of Web 2.0 Sophistication

For this study, strategic groups are formed based on value proposition and Web 2.0 sophistication. Using website content analysis, a scale of Web 2.0 sophistication was developed. In order to assess the degree of Web 2.0 sophistication for each platform a scale that ranges from very low to very high was used (see Table 4.2).

Table 4.2. Degree of Web 2.0 sophistication in SME Platforms

Degree of sophistication	Score	Archetype
Very high	≥ 85	Ukbusinessforums.co.uk
High	70-84	Smarta.com
Moderate	55-69	Startupdonut.co.uk
Low	40-54	Fsb.org.uk
Very low	25-39	Nibusinessinfo.co.uk

Note: a platform with a score of less than 25 is described as not applicable because it would not qualify as a social media platform

The scale is based on three sub-elements; User Generated Content (UGC), interactivity and additional technology. Vickery and Wunsch-Vincent (2007) and Kaplan and Haenlein (2010) were among the first researchers to emphasise the role of User Generated Content (UGC). As pointed out in the literature review, the value of UGC was later recognised by researchers such as in the work of Chen (2009) and Hung et al. (2011). Hence, UGC is an important sub-element of the Web 2.0 sophistication construct.

UGC refers to the presence of content made publicly available, created outside of professional practices (Vickery and Wunsch-Vincent 2007). UGC intensity was measured based on the platforms' blog and fora from 2013 and 2014. This resulted in a low, medium or high amount of UGC in the platform. 1 point means blogs have usually 1 or 2 comments only. Thus, there is a low amount of UGC in the website. 2 points means blogs have more than 2 comments and thus, a medium amount of UGC is produced. 3 points are usually for discussion fora where there are many comments and a high amount of UGC.

Interactivity is the second sub-element of the Web 2.0 sophistication construct. Early research on the Internet usually referred to features that enabled communication such as e-mail, however it was not until Web 2.0 technology arrived that the interactive element was emphasised. The interactivity of the platform is important as it is related to customer satisfaction (Zhao and Dholakia 2009) and keeps users attracted to the platform. Also, social media technology has mainly been used for customer

interaction in the sales, marketing and support channels (Deloitte 2012). Therefore, within a business model context, an important element of Web 2.0 technology is interactivity.

Interactivity was assessed based on the presence of clickable images, modifiable content (Ha and James 1998), (Coyle and Thorson 2001), for example, a wiki and interactive tools such as polls, web chats, podcasts and other business tools, e.g. tax calculation. A web chat also generates UGC, however this content is not recorded and hence, it cannot be traced as it is in a blog but it provides a way to interact with the SME user as a client. Based on the different social media applications suggested by Vickery and Wunsch-Vincent (2007) and Ha and James (1998), both the presence and the number of Web 2.0 features per platform are assessed. Such Web 2.0 features include blogs, fora, media sharing, wikis, ratings, social networks and social bookmarks. 1 point means there are 1 to 2 Web 2.0 features in the platform. 2 points means there are 3 to 4 Web 2.0 features. 3 points are for platforms with more than 4 Web 2.0 features.

The third element is additional technology. As pointed out in section 3.2, the reason to consider this as a third sub-element of the Web 2.0 sophistication construct is to provide a more integrated framework that informs on technology sophistication. For example, a platform with high UGC but poor in mobile responsive design may not be as attractive to SME users due to the inconvenience of such a factor.

Additional technology refers to search, database and matching technology within the website and the presence of the website in major social media applications (such as Facebook or Twitter). Mobile responsive design is also part of this measure as it informs us about the sophistication of the platform. Database technology is usually related to data warehouses or large repositories that integrate data from several sources in an enterprise for analysis (Andersson and Pedersen 2010). In SME platforms, the term refers to technology that stores data such as contact details or SME location. Matching technology refers to technology that associates users in a platform according to the information they provide. This includes collaboration platforms such as brokers and auctions (Markus and Christiaanse 2003). For example, a funding platform within an SME platform would match an entrepreneur with the investor interested in the business idea. Search technology is an important

element to facilitate the information value proposition as it is an information-seeking system which makes possible keyword querying of resources within a website (Davies and Weeks 2004).

The presence of the website in major social media applications (such as Facebook or Twitter) is also part of this category as these are external to the platform and are used for marketing and communication. Mobile responsive design is also part of this measure as it informs on the overall sophistication of the platform. It is an advanced feature that not all websites have. However, mobile devices are more engaging than desktops accounting for 56% of all time spent on the Internet (ComScore 2015) as the need to deliver faster, be more agile and respond to signals from customers as soon as possible is most pressing for SMEs (Marmaridis and Unhelkar 2005).

Table 4.3 shows the Web 2.0 sophistication scale.

Table 4.3. Web 2.0 Sophistication Scale

Variable	Definition	Points	Weight	Max. Score
User Generated Content	Presence of UGC	1	10	10
	UGC intensity (L, M, H)	1,2 or 3	5	10
	SUBTOTAL			25
Interactivity	Clickable images	1	10	10
	Interactive tools	1	10	10
	Presence of Web 2.0 features	1	10	10
	Web 2.0 intensity (L, M, H)	1,2 or 3	5	10
	SUBTOTAL			45
Additional technology	Search technology	1	5	5
	Database technology	1	5	5
	Matching technology	1	5	5
	Mobile responsive design	1	5	5
	Presence in Social Media	1	10	10
	SUBTOTAL			30
	TOTAL			100

The logic followed for the weight allocation is the following: UGC and interactivity related features have a weight of 10 as they are the core of Web 2.0 technology. Their presence in major social media applications also has a weight of 10 as although it is part of the additional technology dimension, that is, it is not provided by the platform, it is Web 2.0 technology in itself. Elements related to intensity can have a weight of 5 and depending on whether the intensity is low (1 point) or high (2 points) the total weight can be either 5 (that is, $1 \times 5 = 5$) or 10 (that is, $2 \times 5 = 10$). In contrast, all the additional technology elements weight 5 points each. The purpose of the scale is arrive to a maximum of 100 as a scale within a range of 0 to 100 is relatively easy to understand for a wide range of people from different disciplines (Bangor et al. 2009). The aim is to give a maximum score of 80 points to features related to Web 2.0 technology (that is, subtotals 25 + 45 + 10). The first two subtotals correspond to UGC and interactivity, and the additional 10 points for being present in social media, as this is also Web 2.0 technology.

The points allocated (1 to presence and 0 to absence) are multiplied by the weight given to each characteristic. In order to provide an example of the scale we look at Smarta. Smarta is as a support platform for business owners and entrepreneurs whose aim is to provide a one-stop-shop where business owners can ‘connect, learn and do business’. Smarta is one of the top SME Platforms in the UK. Through the use of Web 2.0 technology the website helps SMEs market themselves, meet other business owners and entrepreneurs and discuss new business ideas, ask questions to a network of business owners and get business advice from professional experts.

1. Smarta’s platform has user generated content (UGC) as there are blogs with comments from users. This makes Smarta score: $1 \times 10 = 10$. However, it scores low in UGC intensity as the blogs have usually only 1 or 2 comments, which means that users are not very active in the platform and thus, gets 5 point only: $1 \times 5 = 5$. This equals $10 + 5 = 15$ as subtotal for UGC.
2. Smarta has clickable images which account for 10 points. The website offers web chat communication and other interactive business tools. This gives Smarta 10 additional points. Smarta has Web 2.0 features, the number of such Web 2.0 features are 3 (that is, blogs, media sharing and social bookmarks) thus, it scores 10 for the presence of features and 2 points in

Web 2.0 intensity ($2 \times 5 = 10$). Smarta's interactivity subtotal is 40 ($1 \times 10 = 10 + 1 \times 10 = 10 + 1 \times 10 = 10 + 2 \times 5 = 10$).

3. Smarta has search and database technology, which gives a score of 5 in each of these technologies. However, it is still poor in mobile responsive design and its platform has no matching technology and therefore it scores 0 in these categories. Smarta gets an additional score of 10 as it is present in major social media applications. Thus, the score for the platform regarding additional technology is 20 ($1 \times 5 = 5 + 1 \times 5 = 5 + 1 \times 0 = 0 + 1 \times 0 = 0 + 1 \times 10 = 10$).
4. The total score for Smarta is 75 ($15 + 40 + 20$). According to the scale, the level of Web 2.0 sophistication for Smarta is High.

The results for Smarta following the Web 2.0 sophistication scale can be found in Appendix C.

4.4 Case Study Method

The case study method tries to figure why certain events took place. Yin (2011) considers case studies the preferred strategy when 'how' and 'why' questions are being posed and when the focus is on a contemporary phenomenon within a real-life context. Hence case studies are an appropriate method for the study of social media platforms. The richness of using case studies lies in the analytical generalisation they provide, that is, they are generalisable to theoretical propositions. Their objective is to expand and generalise theories considering that if there is a defensible causal explanation produced in one case then the constituents of that explanation provide a basis for developing theory beyond that case (Yin 2011). In particular, multiple cases permit replication (corroboration of propositions) and extension (development of more elaborate theory) (Eisenhardt 1991). Case studies thus allow to achieve internal and external validity.

The case study method also allows uncovering aspects and inter-relationships of complex phenomena in an organisational setting (Yin 2009). With case studies the intention is to show that we are establishing correct operational measures for the concepts under study (Yin 2003). Hence, through the use of multiple cases and establishing a 'chain of evidence' this methodology helps to construct validity. Table 4.4 summarises the criteria for quality case study research design.

Table 4.4. Criteria for Quality Case Study Research Design

Construct validity	Use multiple sources of evidence Establish chain of evidence Have key informants review case study report
Internal validity	Do pattern-matching Do explanation-building Use logical models
External validity	Use replication logic in multiple case studies Use theory in single case studies

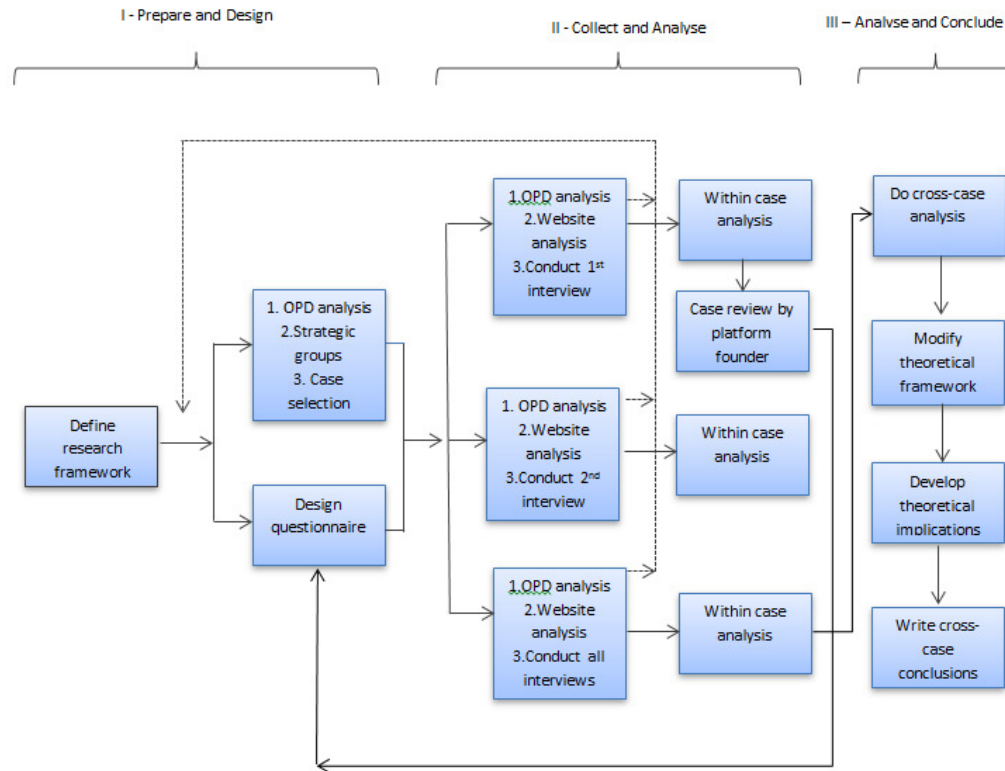
Source: Design and Methods (Yin 2003)

4.4.1 Online Panel Data and Case Studies

The units of analysis in this study are SME platforms. OPD is used to define the platform size, calculate market penetration, form strategic groups and select the companies for the case studies. Hence it helps in part of the preparation phase (I) of the case study. Case study analysis generates much more detailed insights into the business model and the nature of the relationships between the theoretical constructs of certain type of platforms. Long term unique visitor data informs on the company growth in each case study thus contributing to the analytic phases (II and III) of the case study process.

Figure 4.3 summarises the case study method and shows the different stages where both methodologies complement one another.

Figure 4.3. Online Panel Data and Case Studies



Source: Adapted from Yin (2003)

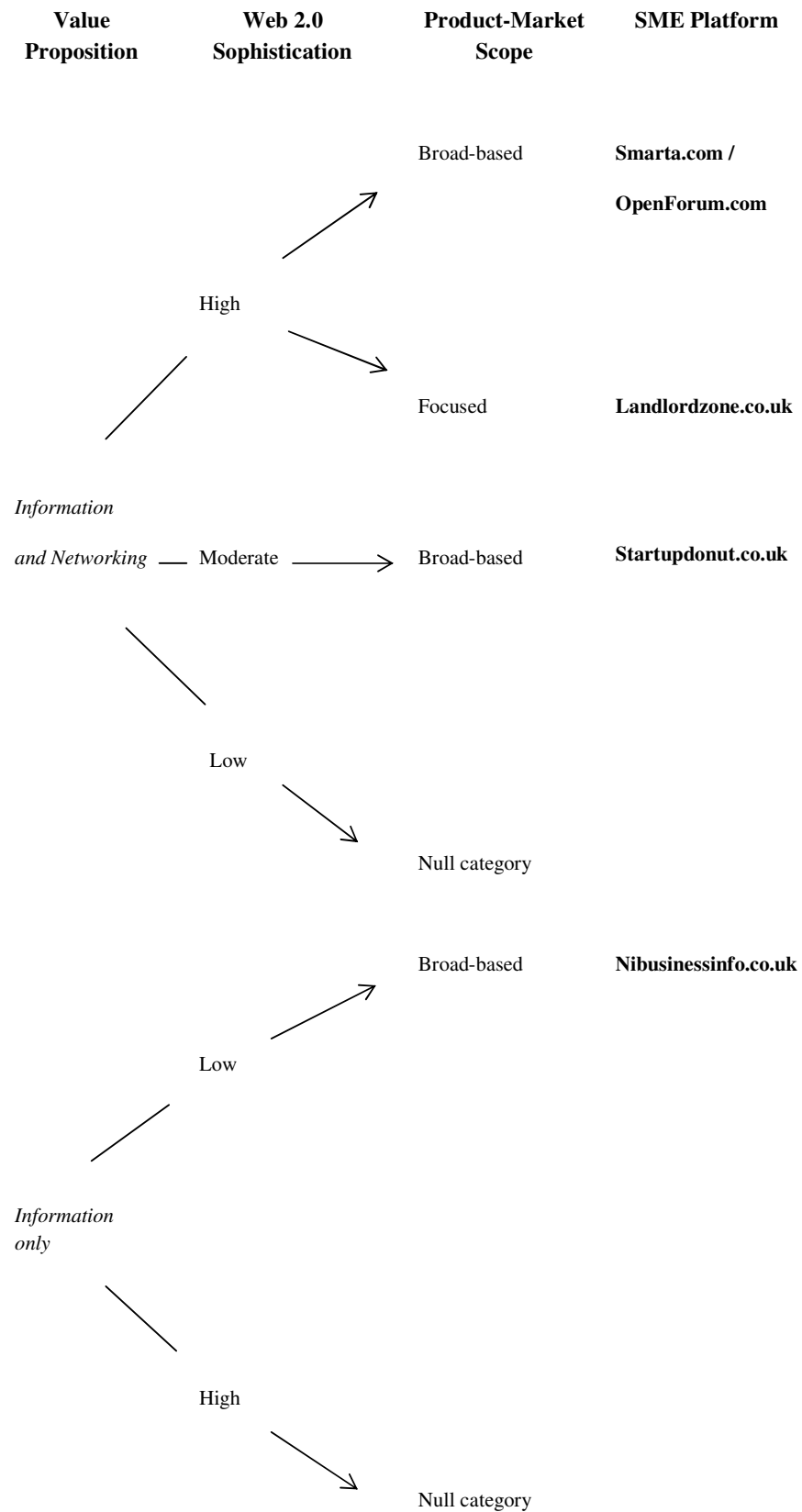
4.4.2 Case Study Selection

The strategic group formation detected similar platforms in terms of use of Web 2.0 technology and value proposition. From these, companies for the case studies were selected following a theoretical sampling method. This method is used to identify cases as compared to the ones already studied (Glaser and Strauss 1967). The objective of this method is to gain a deeper understanding of analysed cases and facilitate the development of an analytic frame (business model framework) and concepts used in the research. For Eisenhardt (1989) the ideal number of cases is between 4 and 10. This study consists of five case studies of SME platforms. As per this method, cases should be selected so that they either predict similar results (literal replication) or predict contrasting results but for predictable reasons (theoretical replication) (Yin 2003). The advantages of this approach are several; a two-part process involving refining the definition of the construct and building evidence that measures the construct in each case, freedom to make adjustments during the data collection process (add more cases, changes the questionnaire, add data sources, etc).

The likelihood of valid theory is high because the theory-building process is so intimately tied with evidence that it is very likely that the resultant theory will be consistent with empirical observation (Eisenhardt 1989).

The logic followed for the case selection is exemplified in Figure 4.4.

Figure 4.4. Theoretical Sampling

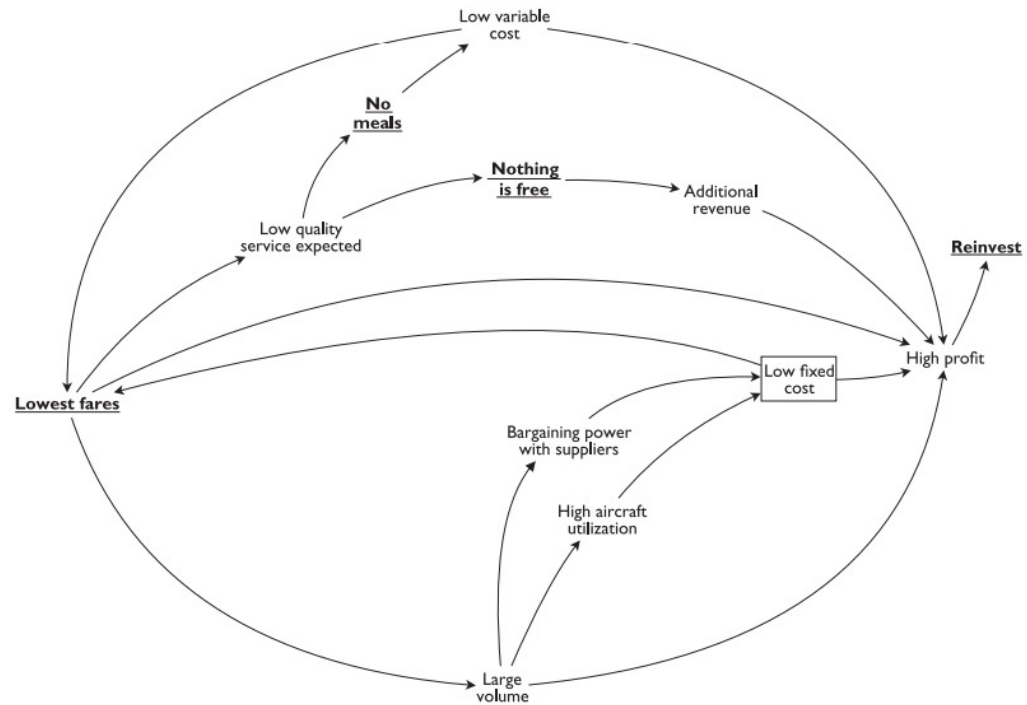


We focused our efforts on theoretically useful cases that is, those that replicate or extend theory by filling conceptual categories (Eisenhardt 1989). Our selection was based on the main constructs of our research framework, namely, value proposition, Web 2.0 sophistication and product-market scope, which facilitated a high level selection. Platforms which offer information usually only have a low degree of Web 2.0 sophistication. There are no platforms with this value proposition that have a high use of Web 2.0 technology. The opposite case is true as the platforms that offer information and networking would usually have a moderate to high degree of Web 2.0 sophistication. Most of the platforms have a broad based product-market scope, however, among the ones with a high level of Web 2.0 sophistication we selected one with a focused product-market scope.

4.4.3 Activity-System Mapping

The methodology used to analyse the data from the case studies follows Eisenhardt's recommendations. Within-case analysis (individual case) is done by analysing the platform through the theoretical framework's elements. The way these elements interrelate as an 'activity-system' to generate revenue for the platform is presented through causal maps. A system is defined as a set of things working together as parts of a mechanism, an organised scheme. Based on this definition, a good representation of the activity system are causal maps. Causal maps capture the dynamics of each SME platform business model and show the interrelationships between their different activities. These are similar to case maps (Gordijn and Akkermans 2001b), which were used to represent complex systems using scenario paths, segments, stimuli and connections. Causal maps however help to represent the activity-system in a simpler manner. According to Zott and Amit's activity-system design framework the maps reflect the content (activities); structure (links and sequences) and governance (actors) (Zott and Amit 2010). Visual representations of business models help to understand its mechanisms better. Despite this, there are few examples in literature on the topic that use causal maps. An example is the work of Casadesus-Masanell and Ricart who emphasise the relations and feedback loops between variables and their consequences creating virtuous circles in the business model (Casadesus-Masanell and Ricart 2010). This model is depicted in Figure 4.5.

Figure 4.5 Ryanair Simplified Business Model Representation



Source: Casadesus-Masanell and Ricart (2010)

The causal maps are intended to better represent how a system works by identifying the different activities (derived from the framework elements) and their consequences (outcomes). A cross-case analysis is then performed to detect common patterns and differences between the four business models. This is done following (Campbell 1975) idea on pattern matching whereby several pieces of information from the cases are related to the theoretical framework. As part of this activity, similar and contrasting patterns among cases are compared. This leads to the proposition of a business model for SME platforms.

4.5 Data Collection Methods

Websites were selected by doing a comprehensive search to locate platforms offering information, advice and tools for new or established SMEs. Words such as advice, advisor, SME, entrepreneur, start-up and network were used in the process. 76 websites with UK origin and another 68 with US origin were identified. Based on our theoretical framework (that is, in terms of value proposition) we discarded funding platforms such as angel investors, government websites that were general in their content and websites that only sold software for businesses. This procedure was

followed until a data saturation point (Glaser and Strauss 1967) was reached and no more websites with the characteristics we were looking for were found.

4.5.1 Online Panel Data Reports

Online panel data used for this study include:

1. *Key measures report*: source of unique visitors per month. The data for each country is based on users from that country only, that is, only US visitors to an American website and UK visitors to a British website. An example of the key measures report from ComScore on SME platforms in the US appears in Annex A.²
2. *Long term media trend report*: source of unique visitors over an extended period of time (of 34 months). This data shows the growth of visitors to individual websites.
3. *Duplicated audience report*: data on audience to two or more websites. This report also provides the number of total visitors to a platform. The analysis of this data leads to the SME platform penetration. Additional data to complement the analysis are the number of Internet users both in the UK and the US and the number of SMEs in both countries.

4.5.2 Interviews and Secondary Data

The data collection for the case studies consisted of:

1. *In depth interviews*: we conducted in depth interviews with managers. These interviews make it possible to ask respondents about the facts of a matter as well as their opinions about events (Yin 2003). Thus, one may ask the respondent to propose his or her own insights and use such propositions as the basis for further inquiry. Following (Rubin and Rubin

² ComScore data may not list small companies. In these cases data from Alexa was used to confirm that the websites that are excluded by ComScore are all very small. Data are calibrated to estimate a number by using ComScore data as a basis. This facilitates the comparison of websites in order not to leave out any platform part of the selection. Alexa's traffic estimates are based on data from a global traffic panel, which is a sample of all Internet users. The panel consists of millions of Internet users using one of over 25,000 different browser extensions (Alexa, 2013).

2011) although one pursues a consistent line of inquiry, the actual stream of questions in a case study interview is likely to be fluid rather than rigid. Hence the interviews conducted followed a line of inquiry as reflected by the study protocol that is, the questionnaire, but there were also conversational questions in an unbiased manner, which serve the needs of the line of inquiry (Yin 2003). The questionnaire used for the interviews is found in Annex B. Constructs from our research framework guided the questionnaire.

2. *Additional documents:* the companies interviewed provided data on historical traffic, source of unique visitors that is, search engine, direct URL, social media, visitors per device (mobile, desktop, etc.) and data from web tracking reports and software controlled by the platforms for example, LandlordZone data on forum. Company reports are very useful as they are quantitative and precise.

4.5.3 Website Content Analysis

1. *Web 2.0 Sophistication.* To detect the different functionalities offered by the platforms, the websites were analysed based on the Web 2.0 construct elements. Section 4.3.1 provides detail into how the analysis was conducted and how the scale used was derived.
2. *Case Studies.* By using the WayBackMachine tool from Alexa, SME platforms were tracked back to from their launch. The home pages reflect changes that the company went through at certain period of time, these were mainly changes on the use of technology but also changes on the value proposition and business strategy are visible. This data complemented the interview data for the case study reports. The WayBack Machine provides snapshots - "captures" in time - of how websites looked at specific dates and times. Uses for the WayBack Machine include finding lost Web content and seeing how websites have changed over time. Some search functionality like searching by URL, date, or keyword is not available in the beta version and page loads can be slow (Lockett and Brown 2000), therefore posing some limitations to the use of the database.

Table 4.5 presents the interviewee data and company reports shared by some of the managers.

Table 4.5. Interviewees and Reports per SME Platform

SME Platform	Interviewee	Unique visitors*	Reports
Smarta.com	Head of Marketing; Head of Editing	210,000	Not available (NA)
LandlordZone.co.uk	Company Founder and General Manager; Head of IT	66,000	Unique visitors, Traffic sources, Visitors per device
StartupDonut.co.uk	Head of Marketing	71,000	Not available (NA)
Nibusinessinfo.co.uk	Head of e-Business, Innovation and Technology Solutions	47,000	Unique visitors, Traffic sources, Visitors per device
AMEXOpenForum	Based on secondary data only	842,000	Not available (NA)

Source: ComScore Key Measures (*mean for 2012-2014)

4.6 Research Ethics

The companies contacted for the case studies were contacted via different means. E-mails to the company managers or heads of IT and Marketing were sent including an extended abstract and a summary of my preliminary results. The e-mails were followed up by telephone calls until there was agreement from the company to participate in the study. In some cases, previous to the e-mail contact, I attended some of the company events in order to talk directly to the person I was interested in interviewing. One of the companies initially selected to conduct interviews did not show interest in participating despite many efforts to work with it. In this case, another leading company from the same strategic group was selected.

A participant information sheet was presented prior to interview to inform the management about the data that companies may be willing to share. Confidentiality was assured regarding the data the interviewee considered sensitive. Company reports provided data on source of unique visitors, for example, organic or directed search, however, no financial data were provided by any of the participants. A statement on the possibility of publishing the outcomes of the study in an academic

journal was included. Prior to sending part of this work to publication in a qualitative journal, the companies were contacted again via e-mail enclosing a draft of the paper for their approval.

This thesis has closed access due to the information provided by the interviewees, which is explicit in terms of their strategy and is detailed in the case studies. Access may be open in the future once the selected companies have granted permission to it.

Summary

- Online Panel Data (OPD) analysis and interpretation is a powerful methodology to analyse markets despite its rare use in academic studies. In this thesis it is used to inform on the size, growth and penetration of SME platforms in the UK and the US markets.
- Strategic Group theory provides a useful way to group firms and look at inter-group differences facilitating the mapping of the competitive landscape of SME Platforms. Cluster analysis is used to form groups based on distances that emulate mobility barriers.
- The technology dimension has a pivotal role in the strategic group formation. Therefore, a Web 2.0 sophistication scale is developed based on literature and website analysis. Additional dimensions used for the strategic groups are value proposition and revenue model maturity. A taxonomy of SME platforms is derived from this exercise.
- Case studies of the leading SME platforms are selected based on the strategic groups. This method provides a deeper insight into their business models and uncovers the mechanisms through which the platforms operate. OPD and website analysis complement the case studies and causal maps are used to depict the business model.
- The combination of these methodologies facilitates the study of SME platforms both at a market and firm level.

CHAPTER 5. SME PLATFORM LANDSCAPE

This chapter begins by presenting the SME platform market penetration in both the UK and the US. This is followed by an analysis of each market in order to detect significant SME platforms. After that, a cluster analysis and strategic group analysis of the leading platforms in both markets is presented, which leads to a taxonomy of SME platforms. The chapter ends with an analysis of the growth of the leading strategic groups that helps to suggest the future evolution of SME platforms in both markets.

5.1 Market Penetration

One of the ComScore measurements tracks users across multiple websites so if a user visits more than one platform, it is possible to calculate the number of unique visitors to the whole set of websites, without double or triple counting individual users that visit more than one SME platform. A summary of the results is shown in Table 5.1.

Table 5.1 UK and US Market Characteristics

Variable	UK	US
Number of SMEs	5.2 M.	28.0 M.
SME users of SME Platforms	1.0 M.	13.3 M.
SME Platform penetration	19%	48%

Source: Derived from ComScore audience duplication report (2013), Business population estimates BIS, UK (2013) and SBA (2014)

The audience duplication report provides a number for unduplicated audience (UA). This represents the number of unique individuals exposed to a set of websites. Within this however, are users that cross-visit platforms, that is, they visit more than one platform. The report also provides a number for duplicated audience (DA1), that is, users who visit 2 or more platforms and a number for duplicated audience (DA2) that indicates the users who visit all platforms. If we subtract the number of DA2

from DA1 we get a number that is not triple counting visitors. If we then subtract that resulting number of duplicated audience (DA3) from the unduplicated audience (UA) it is possible to get an accurate total number of visitors that does not double count visitors either. This resulted in a number of ‘SME users of SME Platforms’ for each country as depicted in Table 5.1.

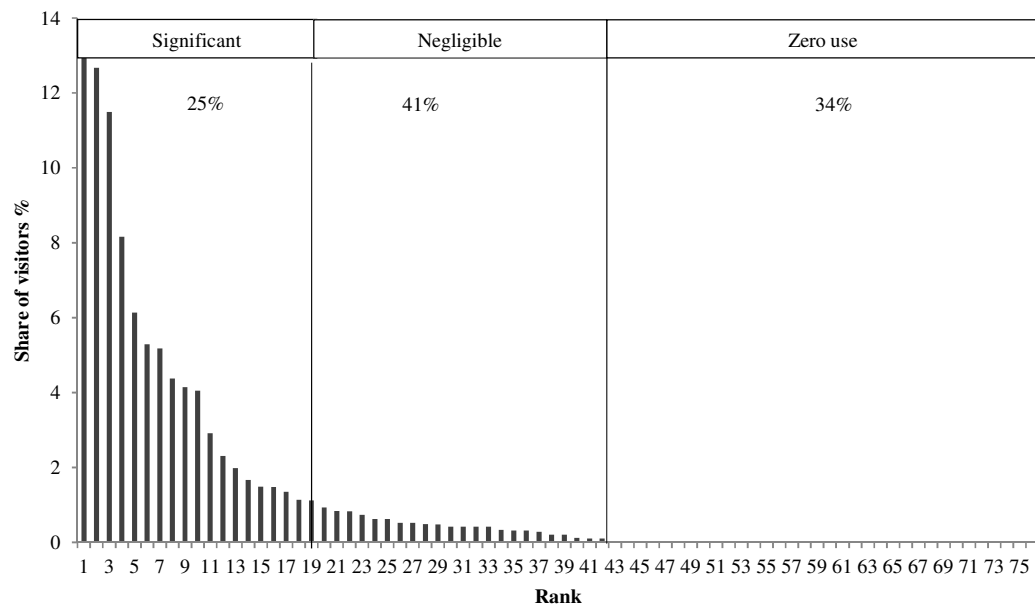
The calculation of the SME penetration in each country is the result of dividing the total number of SMEs in the country by the number of SME users of SME platforms. This resulted in 19% for the UK market and 48% for the US one. The penetration of SME platforms is much higher in the US market and this is an indication that the US market for these platforms is more advanced than in the UK.

5.2 Size and Value Propositions

5.2.1 The UK Market

According to Porter (1980), company size constitutes the a priori criterion used to define strategic groups. In online markets, size is defined in terms of the number of unique visitors. Based on this measure, two size filters were applied to both sets of data. The results for the UK data sample are shown in Figure 5.1.

Figure 5.1. Total Sample of SME Platforms in the UK

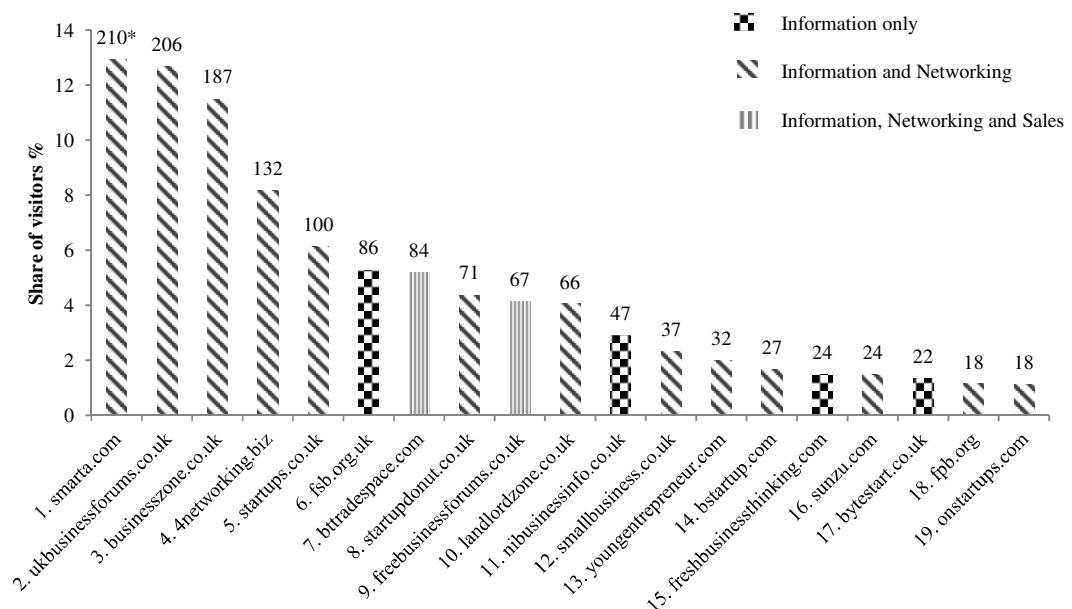


Source: Derived from Key Measures Report from ComScore Inc.(2012-2014)

In the UK market the distribution is highly skewed with a few platforms attracting most of the visitors. In order to select the platforms to study in more detail we defined as significant those which more than 1% share of total unique visitors. Those in the negligible group have less than 1% share. 25% of the websites in this market, were considered as significant and are the focus of the strategic group analysis.

The significant sized websites were analysed to categorise their value proposition into information only; information and networking; or information, networking and sales (see results for the UK market in Figure 5.2).

Figure 5.2. Size Distribution of SME Platforms in the UK



* Thousands of visitors

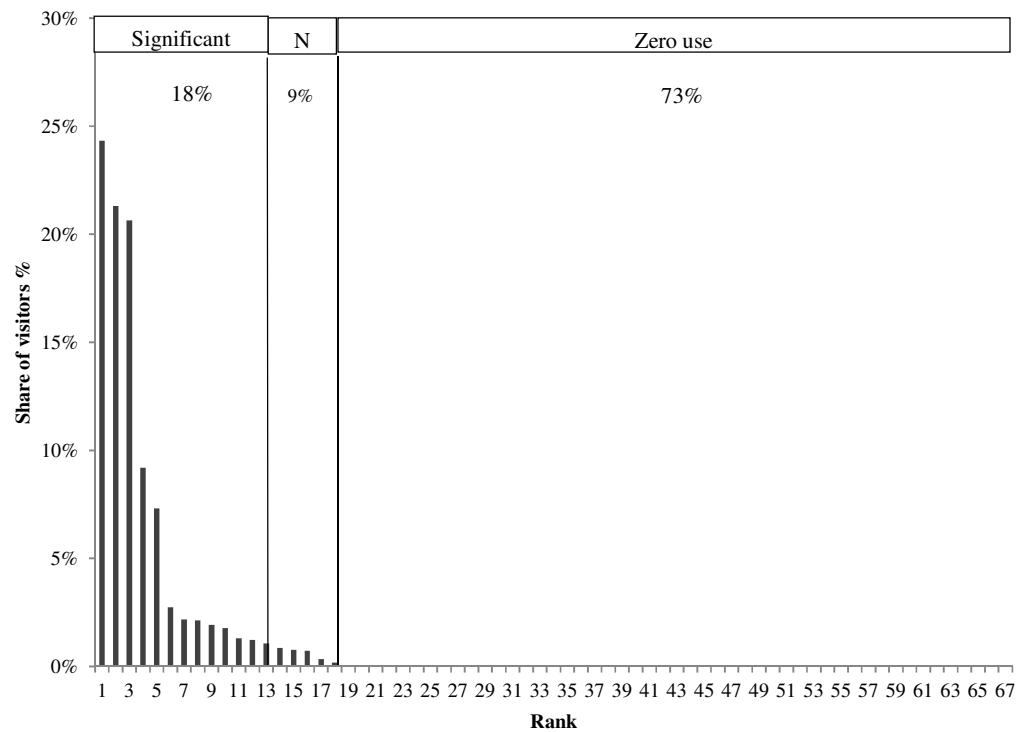
Source: Derived from Key Measures Report from ComScore Inc. (2012-2014)

5.2.2. The US Market

The application of size filters to the data for the US market resulted in 13 significant websites (see Figure 5.3). A website is defined as significant if it has more than 1% share of the total unique visitors. Those in the negligible group have less than 1%. 18% of the websites were considered as significant and are the focus of the strategic group analysis. The US distribution is even more skewed than the UK with three platforms

dominating the market and attracting over one million users. That is, only 4 % of the platforms represent 66% of the share of visitors.

Figure 5.3 Total Sample of SME Platforms in the US

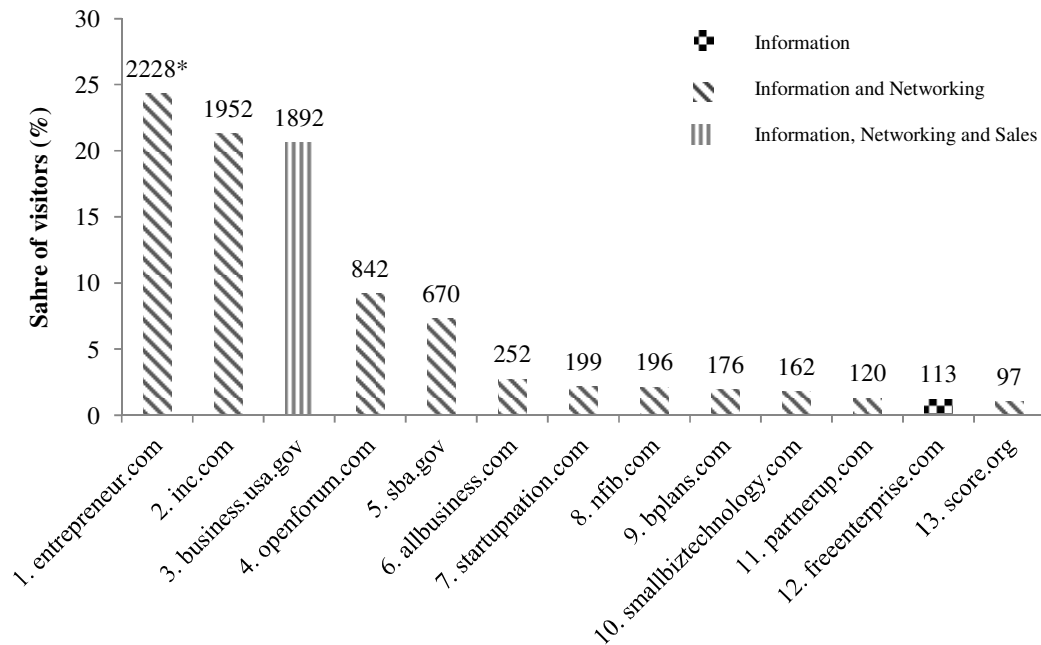


Source: Derived from Key Measures Report from ComScore Inc.(2012-2014)

N = Negligible

The US distribution according to value proposition is depicted in Figure 5.4.

Figure 5.4 Size Distribution of SME Platforms in the US



Source: Derived from Key Measures Report from ComScore Inc. (2012-2014)

5.3 Business Model Analysis

The combination of the measurements of value proposition, Web 2.0 sophistication and business model strategy, in particular revenue model, yield important insights into the identification of strategic groups based on business model characteristics. The significant sized platforms in both markets were analysed through content analysis to categorize their value proposition into information only (score 1); information and networking (score 2); or information, networking and sales (score 3). In addition, all platforms were evaluated in terms of Web 2.0 sophistication as explained in section 3.2. Table 5.2 details the results for all SME platforms together with the business strategy analysis. The top platforms for the US are indicated with roman numerals.

Rank	SME Platform	Unique Visitor mean (000)	Value Proposition Score	Business Strategy					Web 2.0 Sophistication score
				Advertising	Revenue Model Subscription	Sales	Revenue Model Score	Product-market scope	
1	smarta.com	210	2	✓*		✓°	5	Broad-based	4
2	ukbusinessforums.co.uk	206	2	✓			1	Broad-based	5
3	businesszone.co.uk	187	2	✓			1	Broad-based	3
4	4networking.biz	132	2	✓			1	Broad-based	4
5	startups.co.uk	100	2	✓		✓°	5	Broad-based	4
6	fsb.org.uk	86	1		✓		2	Broad-based	2
7	bttradespace.com	84	3	✓	✓	✓	7	Broad-based	5
8	startupdonut.co.uk	71	2	✓		✓°	5	Broad-based	3
9	freebusinessforums.co.uk	67	3	✓		✓	5	Broad-based	3
10	landlordzone.co.uk	66	2	✓		✓°	5	Focused	4
11	nibusinessinfo.co.uk	47	1	✓*			1	Broad-based	1
12	smallbusiness.co.uk	37	2	✓			1	Broad-based	3
13	youngentrepreneur.com	32	2	✓			1	Broad-based	3
14	bstartup.com	27	2	✓			1	Broad-based	3
15	freshbusinessthinking.com	24	1	✓			1	Broad-based	1
16	sunzu.com	24	2	✓	✓		4	Broad-based	4
17	bytestart.co.uk	22	1	✓			1	Broad-based	1
18	fpb.org	18	2		✓		2	Broad-based	2
19	onstartups.com	18	2	✓			1	Focused	5
I	entrepreneur.com	2228	2	✓			1	Broad-based	3
II	inc.com	1952	2	✓	✓		4	Broad-based	3
III	business.usa.gov	1892	3	✓*		✓	5	Broad-based	3
IV	openforum.com	842	2	✓*		✓°	5	Broad-based	5
V	sba.gov	670	2	✓*			1	Broad-based	4
VI	allbusiness.com	252	2	✓			1	Broad-based	3
VII	startupnation.com	199	2	✓			1	Broad-based	4
VIII	nfib.com	196	2	✓			1	Broad-based	3
IX	bplans.com	176	2	✓		✓°	5	Broad-based	5
X	smallbiztechnology.com	162	2	✓			1	Focused	4
XI	partnerup.com	120	2	✓*			1	Broad-based	4
XII	freecenterprise.com	113	1	✓*			1	Broad-based	2
XIII	score.org	97	2	✓*			1	Broad-based	3

*Sponsored by gov./ non-profit agency/ group ° Sell a product but have no marketplace

Sources: ComScore key measures and duplicated audience reports 2012-2014, company websites and personal analysis.

Table 5.2 Business Model and Unique Visitors for Leading SME Platforms

Almost all of the websites adopt a broad-based scope that is, they address all types of SMEs. Only two websites have a focused strategy: LandlordZone.co.uk, which is exclusively for landlords and property management agencies. It is very successful and is an example of how a focused strategy has enabled it to dominate a specific market segment. Onstartups.com is focused on technology start-ups only but it is not clear that this segment can be the basis of a successful focused strategy because successful new start-ups inevitably grow and their demands change to include more general requirements that are provided by broad-based SME platforms such as Smarta.com, which also offer information and advice to start-ups. Almost every platform adopted a broad market scope, which meant that product-market scope construct is not good at differentiating between platforms and was therefore not used in the strategic group analysis.

Almost all platforms use an advertising revenue model. There is also evidence of a subscription model but only on the smaller websites in the UK. A subscription only model appears to be dated and SME users are now more accustomed to free products or free trials that are supported by advertising revenue models. Fsb.org.uk is able to charge a subscription despite its low use of Web 2.0 because of its government support and strong offline reputation; however, its long-term survival must be questioned in the face of its relatively low level of unique visitors despite being in existence as a traditional offline organisation before the Internet. Eight websites have a sales revenue model. In addition to the electronic marketplaces that generate sales revenue from transaction fees, other platforms sell products directly to their SME customers. Smarta.com sells a business tool for SMEs that is very successful. Startups.co.uk facilitates fundraising with via crowdfunding and charges an interest fee. Openforum.com benefits from users that buy American Express products or services as a result of the trust generated in the platform. These are all examples of platforms with relatively high unique visitors (ranked among the top five in each market) with the exception of BT Tradespace. This suggests that the most successful companies that attract users with interesting and relevant content continue to develop and monetize their online users by selling additional products and services.

From the analysis we can tell that advertising is a common revenue model to websites with different value propositions and degrees of Web 2.0 sophistication. Some other patterns of revenue models are also worth noting. Companies with a high

level of Web 2.0 sophistication also have more than one revenue model, for example, advertising, sales and subscription. The general pattern among the firms under study is that the more advanced the website is in terms of Web 2.0 and use of technology to manage content and communication, the more sophisticated it is in terms of sources of revenue.

Conversely, websites with a subscription only revenue model have a low degree of Web 2.0 sophistication. This is due to the fact that these websites were pre-existing organizations before the Internet era and supported their activities through a traditional subscribed membership model. The concept was carried over to the Internet and these companies exploited their existing database of members to create an immediate online user base. However, they have failed to evolve and the emergence of new competitors that exploit Web 2.0 technology more creatively and that offer free content is threatening their survival as evidenced by the relatively low number of unique visitors of subscription only websites.

The scores in Table 5.2 for Web 2.0 sophistication are based on the scale introduced in section 4.3.1 and the results are presented in Appendix C for the UK market and Appendix D for the US market. The detailed results of the content analysis on the number of Web 2.0 features can be found in Appendix E.

5.4 Cluster and Strategic Group Analysis

Web 2.0 sophistication, value proposition and revenue model maturity are combined in order to identify the distinctive clusters. Some of the variables are categorical and others are ordinal. In order to input the data into SPSS, the scores provided in Table 5.2 were used. Table 5.3 shows the different type of variables used for the analysis.

Table 5.3 Definition of Variables for Cluster Analysis

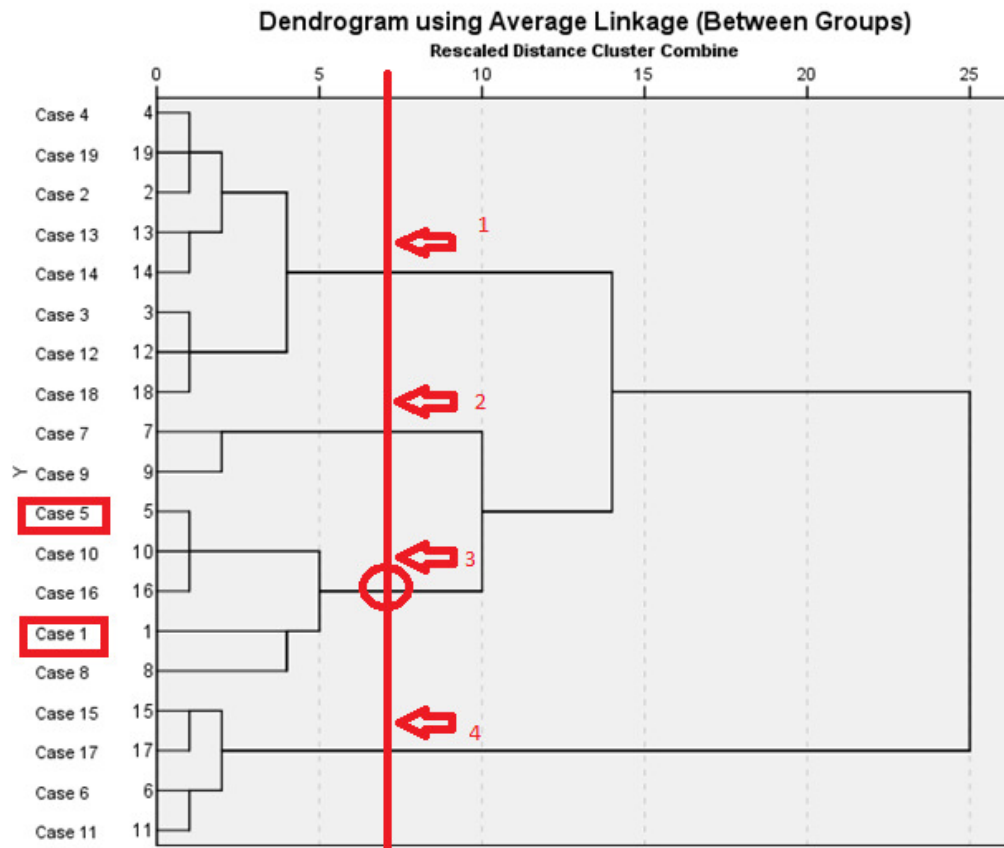
Construct	Variables	Type of variable
Web 2.0 sophistication	1. Very low 2. Low 3. Moderate 4. High 5. Very high	Ordinal
Value proposition	1. Information	Categorical

	2. Information and networking 3. Information, networking and sales	
Revenue model maturity	1. Advertising 2. Subscription 3. Sales 4. Advertising and subscription 5. Advertising and sales 6. Subscription and sales 7. Advertising and subscription and sales	Categorical

The two-step cluster analysis consisted of:

1. A hierarchical cluster analysis based on Euclidean distances, which allows hypotheses about the appropriate number of clusters. The agglomeration schedule part of the cluster analysis, allowed to apply an elbow rule, that is, to select the ideal number of clusters based on when the coefficients calculated by SPSS, 'jumped' to a higher level. The Elbow method represents one of the simplest ways of trying to achieve the best number of clusters (Thorndike 1953). In the case of the clustering in the UK market, the jump appears on the stages 15 and 16, where the coefficients dramatically increased from 1.98 to 4.07 (compared to the coefficients changes between stage 14 and 15; 1.61 - 1.98) (see Appendix F). At stage 15, the cluster combination is case 1 and 5. Therefore, we consider the place where case 1 and case 5 (see cluster combined) meet is the appropriate way of deciding the cluster number. If we look at the dendrogram (Figure 5.5) the starting number of clusters for the UK market is 4. However, it was also noted that the cluster of cases 2, 3, 4, 12, 13, 14, 18 and 19 could also be represented by two smaller clusters (see Figure 5.5).

Figure 5.5. Hierarchical Cluster Analysis of SME Platforms in the UK

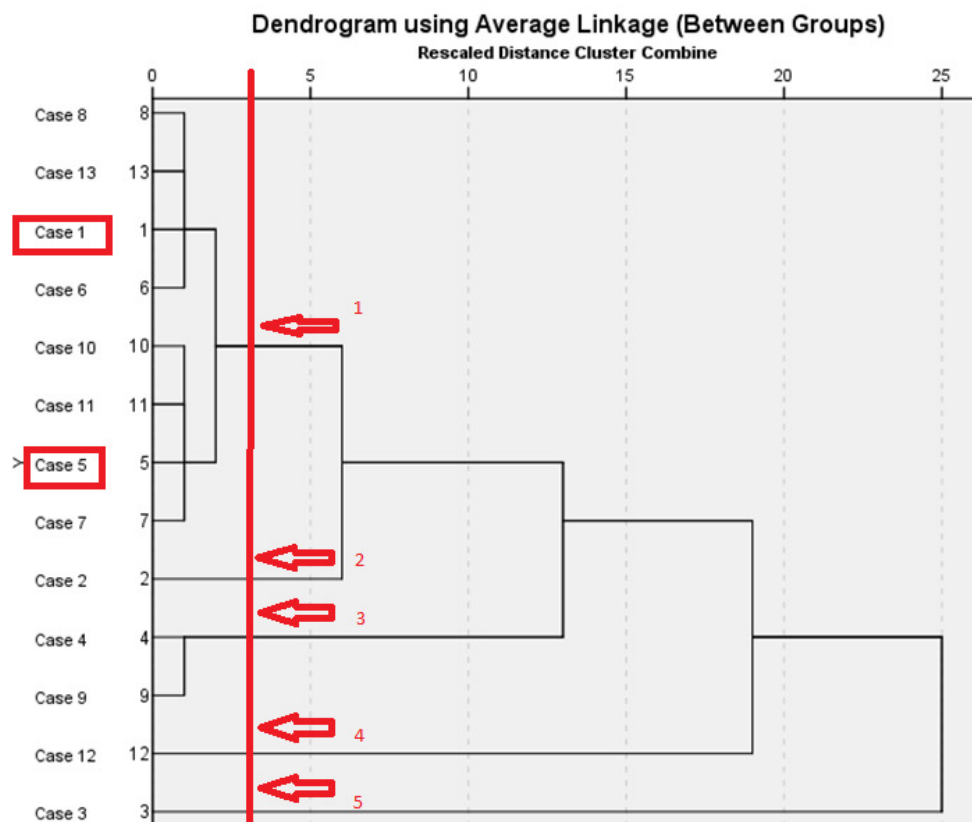


Source: SPSS analysis based on data from website analysis

1. The following step was to perform a k-means clustering. The number of clusters based on the characteristics observed and suggested by the hierarchical clustering output was 4. Therefore, k-means was run first for 4 clusters. However, inspection of the attributes of the clusters suggested that a clearer solution could be reached with 5 clusters. I then moved on to suggest a number of 5 clusters and, after two iterations this number was confirmed. K-means clustering results are available in Appendix F.
2. Standardisation. As the variables have different scales and means we standardise to Z scores.
3. Results. The two-step cluster analysis result suggests 5 clusters, although the hierarchical clustering suggests that having 4 clusters is ideal. Therefore, the number of 5 clusters was adopted in the k-means clustering method (report k-means results) and it was decided to do five strategic groups instead of four.

The cluster analysis for the US market followed the same procedure as the one for the UK market and data for the three variables, namely Web 2.0 sophistication, value proposition and revenue model maturity were input in the same order. The hierarchical cluster analysis suggested 5 clusters and this is shown in the dendrogram in Figure 5.6. In this case, the jump appears on the stages 8 and 9, where the coefficients dramatically increased from 0.0 to 1.068 (compared to the coefficients changes between previous stages) (see Appendix G). Therefore, we consider the place case 1 and case 5 (see cluster combined) meet is the appropriate way of deciding the cluster number.

Figure 5.6 Hierarchical Cluster Analysis of SME Platforms in the US



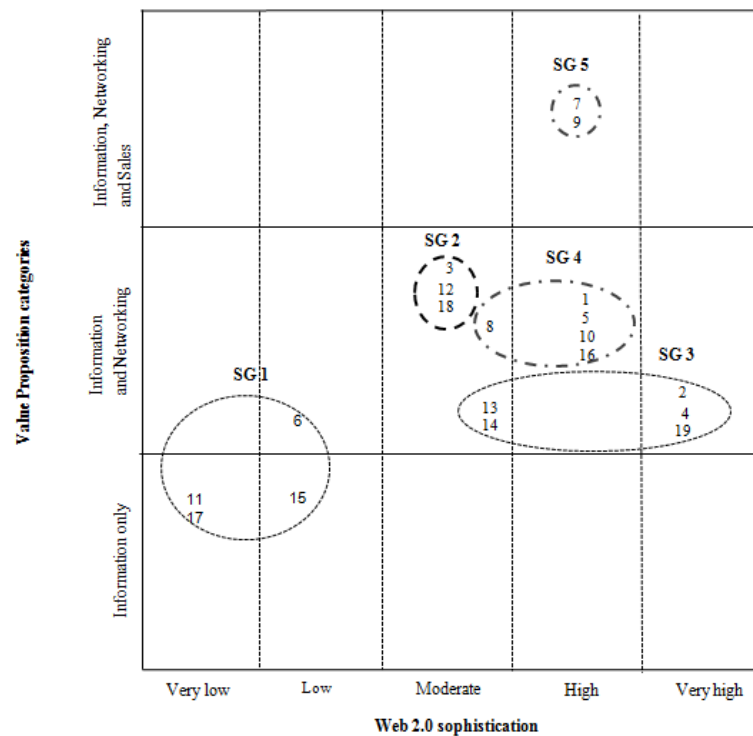
Source: SPSS Analysis Based on Data from Website Analysis

When conducting the k-means and suggesting 4 clusters to the system, it clustered only 12 platforms and left 1 out. This was tested again finding the same results.

However, when suggesting a number of 5 clusters, the system found all 13 cases valid. Hence, similar to what the elbow method suggested, 5 was the final number of clusters³.

Following the dendrograms and the table with number of cases in each cluster from SPSS (See Appendix F), it was possible to draw the different strategic groups. Five strategic groups were identified for the UK market as depicted in Figure 5.7.

Figure 5.7. Identification of Strategic Groups in the UK Market



Revenue Models:

- Low (Advertising)
- ⊖ Low/Medium (Advertising/Subscription or Sales)
- ⊕ High (More than 1 revenue model)

Source: based on ComScore long term trend report (2012-2014) and website analysis

³ It is important to take into account that the clustering of the UK market was done first as this was also the order followed when collecting data and sampling. However, the fact of performing first the clustering for the UK market may have influenced the decisions for the US market clustering for example. This is a potential limitation that needs to be taken into account if interested in replicating this analysis.

The revenue model maturity is considered as Low for a platform with an advertising revenue model, which is typically used by new companies (score 1 in Table 5.2). A Medium revenue model maturity refers to a platform that uses a subscription or a sales revenue model (scores 2 and 3 in Table 5.2). Platforms with a High revenue model maturity are those that use more than one revenue model, namely advertising and subscription, advertising and sales or all three of these (scores 4 to 7 in Table 5.2). The strategic group SG3 spans more than one x-axis category, that is, it includes both platforms with a moderate and very high Web 2.0 sophistication. This is correct, as the system grouped platforms that share the same value proposition and a low revenue model maturity. Also, the different heights where strategic groups SG2, SG3 and SG4 are placed in Figure 5.7 only have the purpose of avoiding printing one on top of the other (that is, they don't represent a difference in terms of value proposition).

5.4.1 Taxonomy of SME Platforms

Derived from the strategic groups identified the following taxonomy is proposed:

SG 1- Information Laggards: There are four websites in this group. They now look old-fashioned and have some interactive features (for example, clickable images are present in Facebook and other major social media applications). However they have failed to make a bigger transition to Web 2.0 or have simply elected to remain as static websites that offer a basic information service only. Nibusinessinfo.co.uk is one of these websites, which is focused on delivering UK government-related content for SMEs in Northern Ireland.

SG 2- Basic Networking: This is a group that is making use of Web 2.0 to offer networking in addition to information. Websites in this group are characterised by a low to moderate sophistication in their use of Web 2.0. This is one of the largest groups, which indicates a significant interest of SMEs in using this kind of platform. Businesszone.co.uk is part of this group. Although it has blogs and some interactive features its use of Web 2.0 technology is limited.

SG 3- Advanced Networking: Websites in this group have a similar value proposition to the Basic Networking group but are much more sophisticated in their use of Web 2.0 technology. Smarta.com is a good example of this group due to its sophisticated

use of a variety of social media applications in its website. Ukbusinessforums.co.uk is another successful website of this type.

SG 4- Advanced Networking Mature: this group is formed by platforms that have a high use of Web 2.0 technology and also use a variety of revenue models. Among this group are Smarta, Startups, LandlordZone and Sunzu. They generate sales from products like a business software or from providing a service (for example, Startups inquiry service to experts for which it receives a fee). Sunzu offers a variety of products, is rich in services like web analytics and has a subscription scheme. The case of LandlordZone is particular as it generates sales from paid advertising through its media packs. StartupDonut is also part of this group, however its use of technology is still limited. It has its ‘own version of the Donut’ which provides an additional revenue.

SG 5- Social Media Markets: This group has a moderate to very high level of Web 2.0 sophistication and the websites include some kind of electronic market functionality. An example is Freebusinessforums.co.uk, which has a small marketplace for its users. The smallest platform in this group is BTTradespace.co.uk, which was very sophisticated in terms of its use of Web 2.0 technology however, it failed to attract enough visitors to be commercially successful and closed after the data were captured.

Table 5.4 summarises the strategic group characteristics of the UK market.

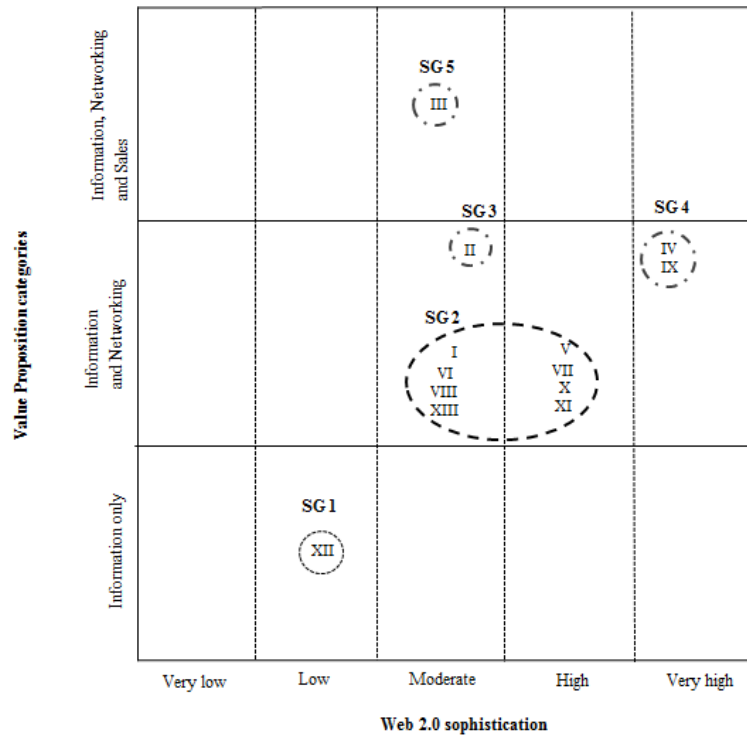
Table 5.4 Strategic Groups and Business Model Characteristics in the UK Market

Strategic Group	Share of Visitors (Avg)	SME Platforms	Value Proposition	Web 2.0 Sophistication	Revenue Model Maturity
SG1	12%	6, 11, 15, 17	Low	Very Low/Low	Low
SG2	16%	3, 12, 18	Medium	Moderate	Low/Medium
SG3	30%	2, 4, 13, 14, 19	Medium	Moderate/Very High	Low
SG4	33%	1, 5, 8, 10, 16	Medium	Moderate/High	High
SG5	9%	7, 9	High	High	High

Source: Key Measures Report, ComScore (2012-2014) and Strategic Group Analysis

Figure 5.8 depicts the different strategic groups identified in the US market.

Figure 5.8 Identification of Strategic Groups in the US Market



Revenue models:

- Low (Advertising)
- ⊖ Low/Medium (Advertising/Subscription or Sales)
- ⊕ High (More than 1 revenue model)

Source: based on ComScore long term trend report (2012-2014) and website analysis

An important observation is the fact that in this market the Basic Networking strategic group (SG2) and the Advanced Networking Mature strategic group (SG4) have a similar size in terms of share of visitors. However, SG2 has a much larger number of SME platforms as it has 8. This indicates that the two platforms within SG4 - who are more mature in terms of revenue models – generate the same share of visitors, and hence are more successful. The platforms in this group are Openforum.com and Bplans.com.

Similar to the strategic grouping for the UK, strategic group SG3 spans more than one x-axis category, that is, it includes both platforms with a moderate and high Web 2.0 sophistication. This is correct, as the system grouped platforms that share the same value proposition and have both a low and a medium revenue model maturity. Also, the different heights where strategic groups SG2, SG3 and SG4 are placed in Figure 5.8 only have the purpose of avoiding printing one on top of the other (that is, they do not represent a difference in terms of value proposition).

Table 5.5 summarises the size and characteristics of each strategic group in the US market.

Table 5.5 Strategic Groups and Business Model Characteristics in the US Market

Strategic Group	Share of Visitors (Avg)	SME Platforms	Value Proposition	Web 2.0 Sophistication	Revenue Model Maturity
SG1	1%	XII	Low	Low	Low
SG2	27%	I, V ,VI, VII, VIII, X, XI, XIII	Medium	Moderate to High	Low/Medium
SG3	16%	II	Medium	Moderate	High
SG4	27%	IV, IX	Medium	Very High	High
SG5	16%	III	High	Moderate	High

Source: Key Measures Report, ComScore (2012-2014) and Strategic Group Analysis

Using the same taxonomy in the US market we find the Basic Networking group is the largest group in terms of the number of websites and attracts 27% of all visitors. Platforms like Entrepreneur.com already had an established customer base and a successful business model that transferred relatively easily to the Internet. However, the effectiveness of their business model in the new environment, in which more technologically advanced websites are competing, could pose a significant threat to their future success. This group combines platforms with an advertising revenue model together with other platforms that use other revenue models, but not a combination of these. The Advanced Networking SG 3 and Advanced Networking

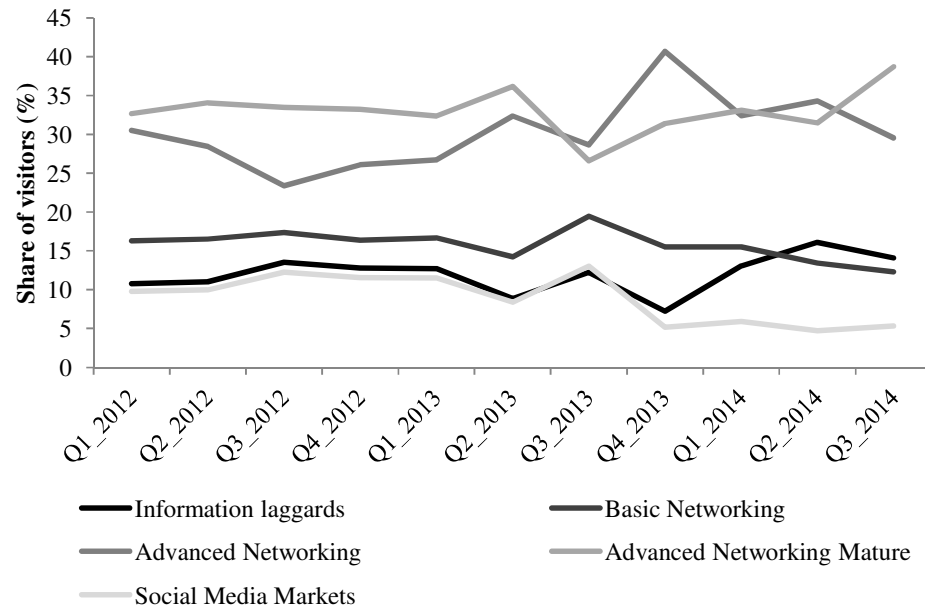
Mature SG4 together account for 32% of visitors. SG4 includes Openforum.com and Bplans.com, which sell products in addition to using an advertising revenue model. Inc.com, the only website in SG 3 uses a combination of revenue models, including a subscription scheme. An important observation that can be made about both the UK and US SG4 is that it is the combination of revenue models and the sophisticated use of Web 2.0 that appears to make these business models successful. The last strategic group, SG5 has a moderate degree of Web 2.0 sophistication and, being part of a government sponsored initiative, it manages to work under a combination of revenue models that also include sales.

5.5 SME Platforms Growth and Expected Evolution

The estimated growth for the overall UK market (that is, for all strategic groups) at the end of 2013 was 139% while the US grew on average 81%. Both markets are growing quickly although the US growth rate may indicate that this market is slightly more mature than the UK market for SME platforms.

Both the UK and the US are advanced markets in terms of internet technology. However an analysis of both markets reveals a more advanced market for SME platforms in the US. Usage data from the last three years in terms of share of visitors confirm that the Advanced Networking groups are growing at a faster rate than the other groups in the UK with the Advanced Networking Mature group ahead of all. Figure 5.9 shows the evolution in the last three years of the different strategic groups in this market.

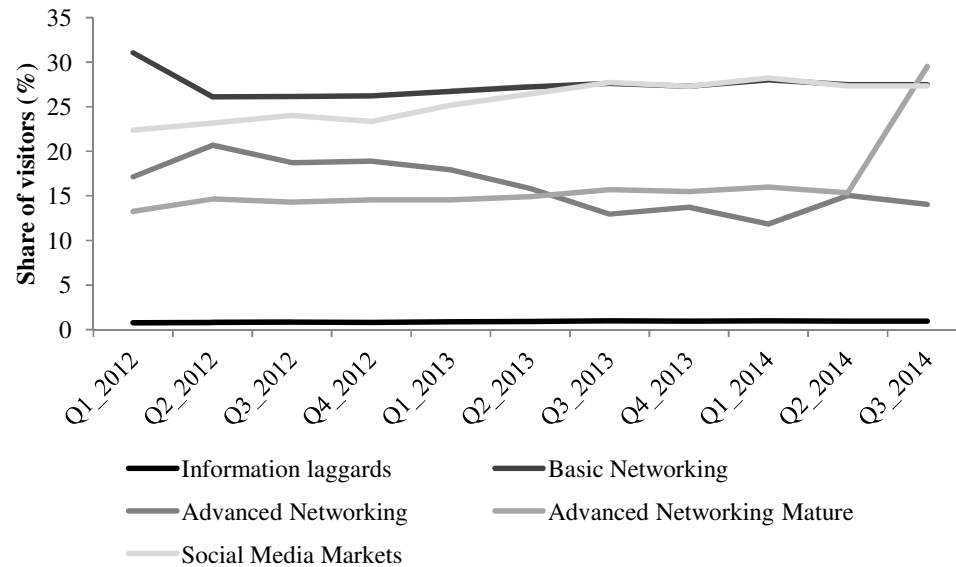
Figure 5.9 Strategic Group Evolution of SME Platforms in the UK



Source: Long Term Media Trend Report from ComScore (2012 -2014)

Platforms with a higher degree of Web 2.0 sophistication are clearly growing more, which can be explained by the needs and expectations of SME entrepreneurs and owners to use advanced Web 2.0 to network with each other (Reynolds et al. 2002), and the network effects that are generated. The US market is growing quickly but in terms of the relative size of each strategic group, a stable pattern is apparent (see Figure 5.10). This is a more mature market where Basic Networkers like Entrepreneur.com already had an established customer base and a successful business model that transferred relatively easily to the Internet. However, the effectiveness of the business model in a new environment in which more technologically advanced websites are competing poses a significant threat to their future success.

Figure 5.10 Strategic Group Evolution of SME Platforms in the US



Source: Long Term Media Trend Report from ComScore (2012 -2014)

It is likely that Information Laggards will diminish in importance or disappear altogether. One strategy for this group must be to evolve or possibly license their content to more advanced platforms. Government owned or sponsored Information Laggard platforms may persist longer because they contain authoritative regulatory content. In the US, Business.usa.gov is a Government sponsored Social Media Market platform created to facilitate tenders and other types of transactions and is very successful. A website from the same strategic group in the UK, Freebusinessforums.co.uk, is very small and may have to invest more in technology and marketing to achieve a critical mass for future growth. The small number of Social Media Markets in the US and the UK is an indication of the complexity and cost that private marketplaces can represent. At the same time it also highlights an opportunity for new developments.

The insights derived from this analysis guided the selection of case studies that are presented in chapter 6.

CHAPTER 6. BUSINESS MODELS BY CASE STUDY

This section presents the case studies of the five SME platforms selected. Each case is structured following the theoretical framework. Screenshots are used to capture the main changes that the websites have gone through prior to their current operations and business model. The second case (LandlordZone) is richer in data than the others including historical traffic to the discussion forum and other company reports. The data provided also allowed the mapping of an evolutionary timeline.

Data on source of visitors was only available for some cases and it is used here to complement the overview of the company. However, these differences do not affect the study and comparison of the platforms' business models. The last case study presented is Open forum. Data for this case are secondary only as no interviews were conducted. The objective of including it is to show an example of a large successful American SME Platform and its business model.

6.1 Smarta

This case study describes the development of Smarta's business model since its foundation. Smarta.com defines itself as a support platform for business owners and entrepreneurs whose aim is to provide a one-stop-shop where business owners can 'connect, learn and do business'. Smarta is one of the top SME platforms in the UK with 210,000 unique visitors per month (ComScore 2013c) and approximately 4,000 paying customers. Through the use of Web 2.0 technology the website helps SMEs market themselves, meet other business owners and entrepreneurs and discuss new business ideas, ask questions to a network of business owners and get business advice from professional experts.

6.1.1 Value proposition

Smarta was registered by its founder Shaa Wasmund in 2007. Since 2008 Smarta added a blog incorporating a networking functionality for its users. That is, the website was originally designed and thought with the idea not only to offer information but the possibility for SMEs to have real-time access to other people running businesses, business advice from business people and access to live professional advice from lawyers, accountants and other services providers. Figure 6.1 shows Smarta's homepage in 2008. There were also Q&A boards where people

could write questions to experts. It was an active place where people could ask questions and there were accountants and lawyers who gave advice. However, this activity stopped. As expressed by its Marketing Head:

“People used to talk to each other. Our customers talked to each other a lot more but that kind of died down and Smarta started doing other stuff”

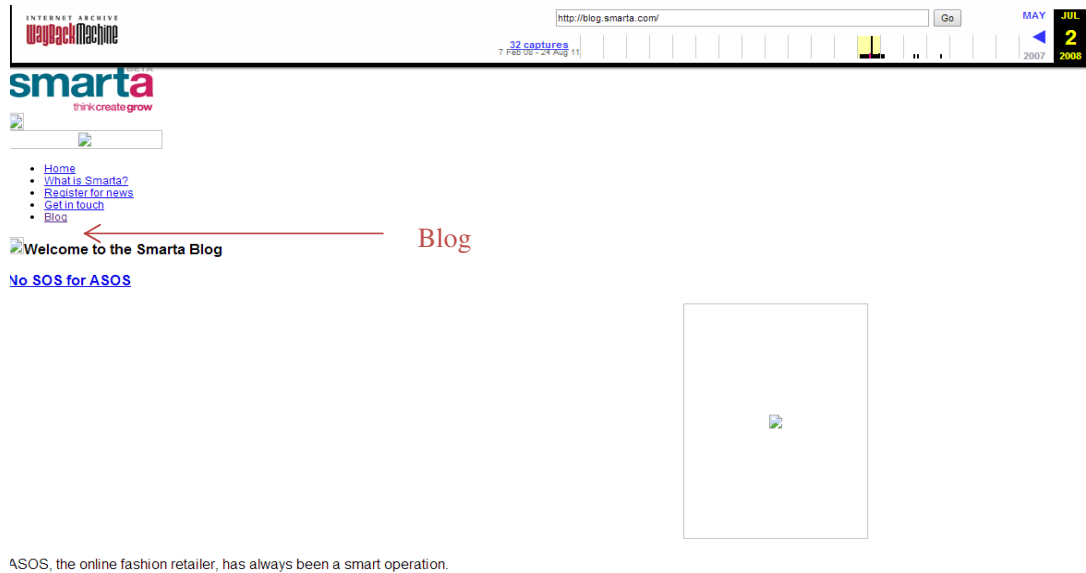
In 2009 the website officially launched offering new content under the Advice and Inspiration section. Smarta began offering content focused on five different areas believed to drive people to begin a business: Innovation, Technology, Resources, Marketing, Social Impact and People. This way Smarta ended up becoming focused on really high value content (guides, advice and e-books to download) rather than as a place where people could chat to each other. The advice section is still part of the website, however it is now only one way via videos on topics for entrepreneurs, where users can watch and listen to successful entrepreneurs (for example, LinkedIn founders). This is how Smarta started to provide rich content and offer hundreds of guides online. Smarta also launched Smarta Business School, a learning programme that offers practical advice, lessons and real life case studies delivered by experts in their field, entrepreneurs and business owners.

Users derive value from the website as they get to start their business because of what they learn on Smarta and the networking offered on and offline. Smarta’s Marketing Head explains how this activity can lead to gaining customers:

“Entrepreneurs meet people at the events that we hope will help them run their business, so all of that makes them feel very good about Smarta and when they have something they are willing to pay for then they are willing to spend a small amount of money”

Events are free to attend with about 200 to 300 people attending and a panel of speakers. An important factor is to have the founder of the company Shaa speaking on stage, which attracts attendees and gets them interested in the awards. For the small businesses the awards are attractive as winning one is good for their public relations and wins good exposure for them as well as the cash prizes that go along with the awards.

Figure 6.1. Smarta's Homepage in 2008



Source: WayBackMachine (2007-2014)

6.1.2 Business strategy

6.1.2.1 Product-Market scope

Smarta is directed at both small businesses and start-ups. The awards reach all the tech start-ups. Examples of past winners are companies like FundingCircle and CrowdCube. The start-up segment is covered by the 'Breakthrough 50' awards sponsored by O2. On the other side are the 'Santander Awards' for bigger companies that need to have been trading for two years to enter and have a turnover of over 25000 pounds to 25 million. We see that Smarta is aimed at people who are starting up a business, for those who want to run a business or grow an existing business. Around 10% of its customers want to keep running their business or want to be out and sell it. Another 60 to 70% are in the idea phase while the remaining 30% have been running companies for a few years. In addition to that traffic Smarta gets visits from professionals, people working in investment banks and consulting because even though they are working for a corporation they read it for inspirational purposes as they know that one day they want to start their own business. Those people come to the events for example because they want to meet business owners.

Throughout its life, Smarta's product-market scope has remained broad, directed to companies in any sector.

6.1.2.2 Partnerships

Smarta was initially supported by the Royal Bank of Scotland (RBS) and NatWest. As part of RBS business banking initiatives, Smarta was launched to help businesses get informed about networking events and also to advertise Smarta's own events to entrepreneurs and business owners. RBS and Natwest invested in Smarta before the launch because they thought it was a platform where people could learn how to become business owners from other business owners. At that time the only kind of website that existed like this was a government website with business links and government officials giving advice on how to run a business instead of business owners or entrepreneurs who have the practical experience. Shaa's idea was that Smarta was 'for entrepreneurs by entrepreneurs'. Nowadays Smarta still has bank sponsorship as well as moving into partnerships with many private companies. O2 for example, has been Smarta's awards' sponsor for four years.

A further key service that Smarta offers is business mentoring. Smarta provides face to face mentoring for the first year completely free. Generally, people are mentored by an award winner from the five previous years. This works in both sides - in a referral model – therefore, the network of companies that form Smarta's partnerships is important for this activity.

6.1.2.3 Revenue Model

The website is free through sponsorship, which is a form of advertising for the sponsor company. The pure advertising revenue model has always been avoided by Smarta as expressed by its head of marketing:

“We didn't want to do as others who work as publishers and charge for advertiser space. We would rather find a few partners who share their values with us and work on partnerships with them”.

Sponsors get brand awareness in the website to small businesses and small business owners.

Smarta's scale of users and revenue come from the interest in content. Smarta's Head of Marketing explains its success:

“Everything we are doing on the website is driving eye balls to us so we are just trying to get more views and more share and as we get more of that we get more people to sign up as they want to hear more stuff”.

Users can register to become part of the newsletter list or to hear generally about what Smarta is doing. People sign up for updates about webinars, free events or new guides that are coming out on new technology, which they may want to use for their business. The database of users created is used for marketing purposes. As part of its strategy, Smarta has an audience where small businesses qualify leads for the company (that is, confirming details) which increases its confidence in converting users.

Smarta also creates content marketing for agencies, which generates revenue for the company. Lloyd’s, 02, NatWest, Hicox, British Gas are examples of companies for which Smarta creates content that is in line with its goals and values. These constitute Smarta’s key partners on a yearly contract basis. The content part of Smarta Business School is a product that the company offers on a freemium model (that is, it offers a free trial).

The activity that generates cash directly from customers is the software platform that the banks distribute (as a joint venture). Smarta builds software in house, which aggregates the world’s leading companies such as Sage and Intuit for accounting. The software helps site builders and provides platform templates which are together in one platform - the Business Builder. RBS and NatWest are Smarta’s distribution channels for the software which provides monthly revenue from customers. Another bank to be included in this scheme is Lloyds and Smarta is currently building the second version of the software, which is expected to win thousands of new customers. A good bulk of the registration to the software (which works on a monthly subscription model) comes from partner banks selling the software. Smarta then benefits from the traffic that banks already have. Smarta’s Head of Marketing explains:

“People like NatWest have a few thousand businesses a week in a bank account and if every single one of them gets the software you couldn’t get that just online”

Government loans are another source of revenue for Smarta. Up to 25, 000 pounds are available to anyone who wants to start up a business in the first 12 months. The differentiating factor in the funding is that other companies only give money if a company has been trading for over 18 months. Smarta receives a fee for every person who gets successfully funded through a government loan. The government has similar partners around the country who are identified as people with a large number of businesses in their database. Smarta is strong on this as it has additional partnerships with all the alternative finance organisations as CrowdCube and other websites.

6.1.2.4 User acquisition and retention

One of Smarta's strategies to be successful with the StartupLoans initiative was the idea of 'referring a friend'. That is, in 2010 Smarta offered 50 pounds to both the person and the new entrepreneur referred by that person to participate in the scheme. Figure 6.2 shows this promotion in its homepage in 2010.

Everything Smarta creates is pushed into social media (that is, social share in Facebook, LinkedIn but mainly Twitter). Smarta's Head of Marketing explains the relevance of social media for attracting users:

"A lot of our engagement does not come from online traffic, we get it from conversational social media".

An example is the awards, which have a specific hashtag (#O2smarta100) and has generated a reach of up to 10M. About 20 to 30% of traffic is direct coming from emails. User search is mainly organic to find content and they sign up for the newsletter and hear about all the other offerings from Smarta. Smarta tries to provide as much content as possible in order to add value and retain people. Events and webinars are places where there can be user acquisition. Smarta also gets promoted by partner websites (for example, awards promotion).

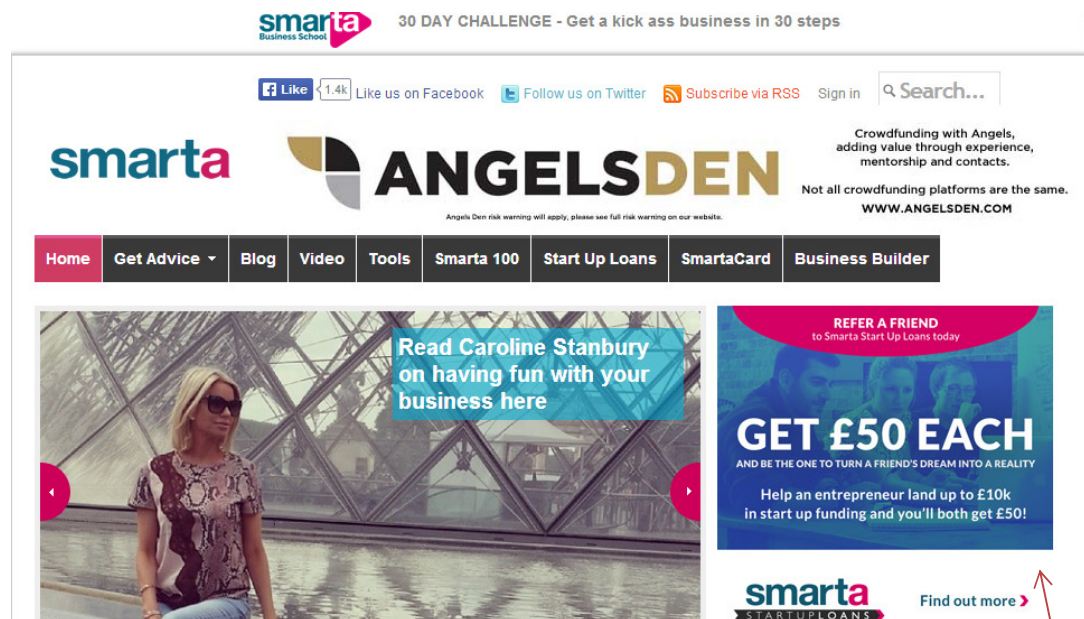
SmartaCard is another of Smarta's strategies. The card does not get sold directly, it is sold to companies as a user retention tool. Companies buy their own version of SmartaCard (one or two thousand cards at a low price but the perceived value of the card is 50 pounds). Cards are offered for free to customers when buying a product, which gives access to 70 plus offers from other business services and providers such

as free printing, free business cards, discounts on insurance, free direct marketing, etc. Smarta takes into account that people opening businesses have restricted resources so the way they monetise the card is not via a direct sell. Smarta's Head of Marketing explains the reason behind this approach:

"People have gotten so used to things being free or so cheap that it has devalued everything"

Figure 6.2 shows an example of a user acquisition strategy. In a referral mode, each user bringing a new user to the Startup Loans scheme and the new user himself were offered 50 pounds.

Figure 6.2 Smarta's Homepage Showing a User Acquisition Strategy



User
Acquisition

Source: Website Analysis (2015)

This temporary activity gained Smarta the government's trust with the capacity to extend the loans scheme.

An important activity for Smarta is data collection. The events and newsletter already provide an initial database, however Smarta's Head of Marketing explains their future plans:

“Data collection is a massive thing. At the moment all we have is a database to market to but we’d rather have a membership database so that people can go into their profile, log in, see all the different Smarta products they have paid for and they own and they also have access to exclusive deals”.

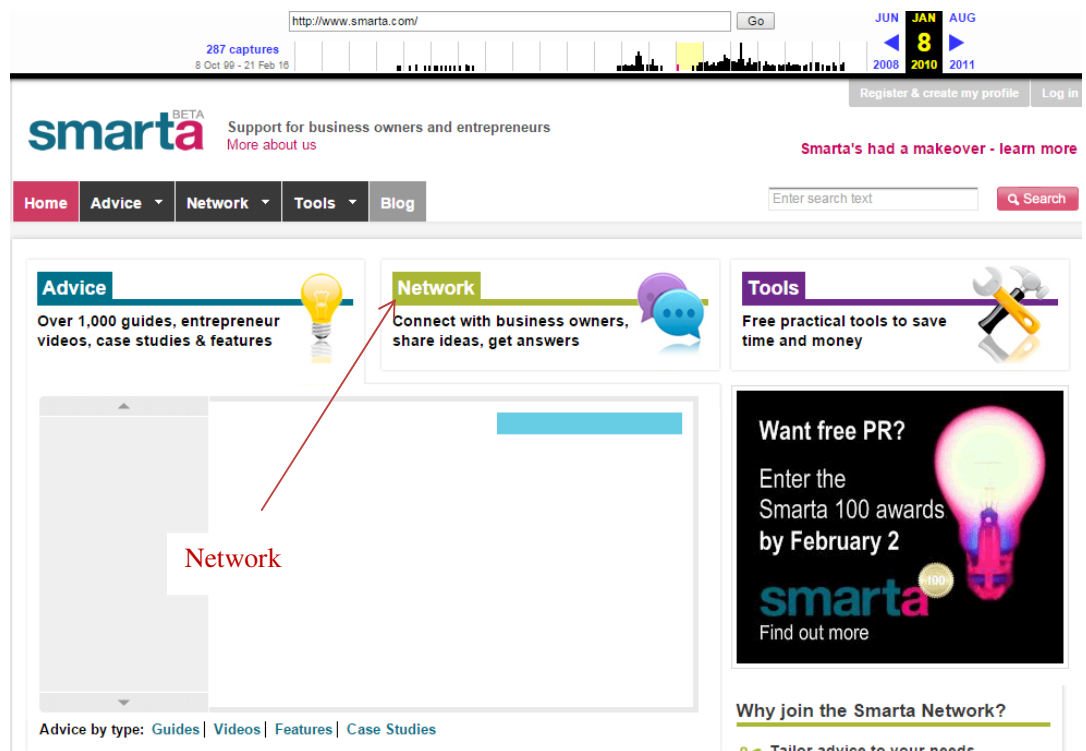
The reason why users sign up is because they want to access those deals. This generates data that allows segmentation as Smarta gets information on who lives in which part of the UK and at what stage each business is.

Smarta is currently working on a redesign to include a dedicated member’s area with the idea that the user will have a login page across all Smarta’s different websites (breakthrough50.smarta.com, startupsloans.smarta.com, alumni.smarta.com and sbb.smarta.com) making a single account. By signing up the user gets access to a member’s pack of about five pounds value. For every industry Smarta will just get one partner that gives a heavy discount and in that way will be able to convert a much larger number of the people who visit the website into customers.

6.1.3. Web 2.0 Technology

At launch the site provided basic technology such as search functionality and a reproducible Q&A board. The website had blogs to facilitate the making of new contacts, connect and get questions answered. By 2010 Smarta’s home page emphasised the network generated to get advice from experts and peers. This is illustrated in Figure 6.3. However, this was not itself a social network, but more a Q&A space, which, as mentioned previously, eventually died.

Figure 6.3 Smarta's Homepage in 2010



Source: WayBackMachine (2007-2014)

Smarta has a variety of technology based content. It offers e-learning tools such as online guides, case studies, diaries and e-books available to readers as well as articles on business-related topics including audio features. Web chats are also available to provide customer service. Smarta's use of Web 2.0 technology includes blogs, media sharing and social bookmarks. It also offers interactive tools, clickable images and is present in major social media applications. In 2011 RSS feeds were enabled and a year after Smarta was present in Facebook, Twitter and YouTube.

Smarta's faces challenges regarding mobile technology. It is trying to redesign its website as traffic from phones or tablets currently constitutes about 60% of the traffic. The awards and the loans websites are mobile already and have a responsive design. However, Smarta.com offers a lot of free content in the video and in the guides that is not suitable for mobile devices and this is where Smarta is losing customers as Smarta's Head of Marketing explains:

“We have got all this amazing content but you can’t find it. It is really hard to navigate to it and what is there you wouldn’t notice it so we want to make ‘less is more’”.

Smarta intends to make searches much more intelligent and personalise everything through emails so that people get more of what is relevant to them. Location technology then becomes important in order to give people differentiated and individualised content.. Smarta will also be able to see how long their business has been running for. This way Smarta tries to highlight different types of customer who they think match their different types of audience. This is emphasised by Smarta’s Head of Marketing:

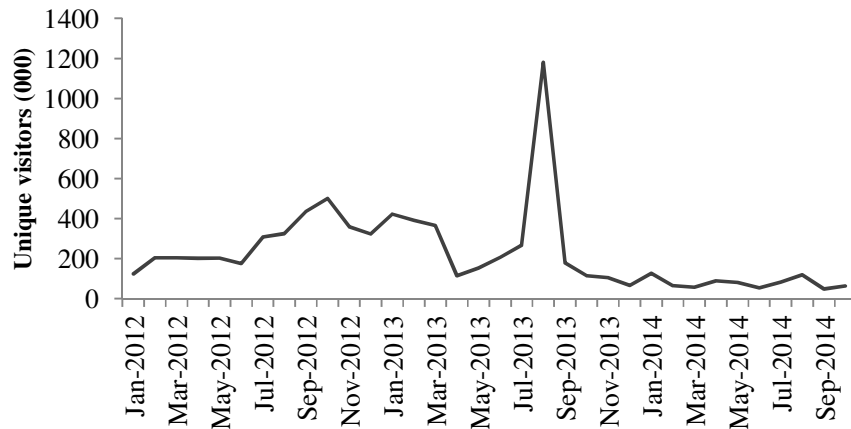
“Advice or inspiration really depends on how long they’ve been running their business so if they haven’t really begun running their business they don’t really want to read about tax returns, it is not really relevant right now”.

All other websites are mobile such as the awards or loans websites, which make it friendly for people over 50 or 60 years old, who may not know about different functionalities like zooming. The goal now is to make it simple and fully responsive in search for a greater return in terms of conversion and also to have a much larger database to promote more products.

6.1.4. Smarta’s Performance

Figure 6.4 shows the evolution of Smarta’s traffic data.

Figure 6.4 Smarta's Unique Visitors Over Time



Source: ComScore (2011-2014)

The source of visitors to Smarta is varied. If someone is looking to start a business or has got a part time business or a business idea their search is likely to be directed to Smarta. Smarta gets between 30 to 40,000 unique visitors only on some pages. It gets all free organic traffic, that is, all the website hits on the main website either come from sharing on social media or because users were searching on Google. By analysing the different words that Smarta ranks for there are hundreds of words where it ranks as first or second page due to the variety of guides. For the last three or four years Smarta has had top ranking based on its content. Currently Smarta keeps receiving traffic based on the same concept though now it is focused on events and awards.

6.1.5. Business Model Discussion

Smarta began offering basic content such as news and it gradually increased its quantity, structure and method of delivery. The website's value proposition is information that is organised around the requirements of start-up companies and SMEs in areas such as legal, financial, banking, marketing and use of technology. This attracts small business owners to the website. A wide range of Web 2.0 technology is used to offer networking capabilities including blogs on news and advice for start-ups, discussions on a variety of business related topics (for example, marketing and sales) and video sharing to promote entrepreneurship.

The business strategy is to focus on the broad spectrum of small businesses as a product-market scope, and this makes sense because many of the business issues facing start-ups and small companies are common to different sectors. As described above, Smarta has a variety of revenue streams, which rank in the following order of importance; the Business Builder product, content creation for other websites, government loans and database marketing.

Once the website starts to attract a significant number of business users, network effects start to increase the attractiveness of the website to new users. This increases the value of the platform to existing users, which makes it more attractive to online advertisers and sponsors. As a result the overall business model starts to take a firm shape with the combination of an attractive offer that exploits the network effect and continues to grow by attracting new business owners and retaining existing ones.

6.2 LandlordZone

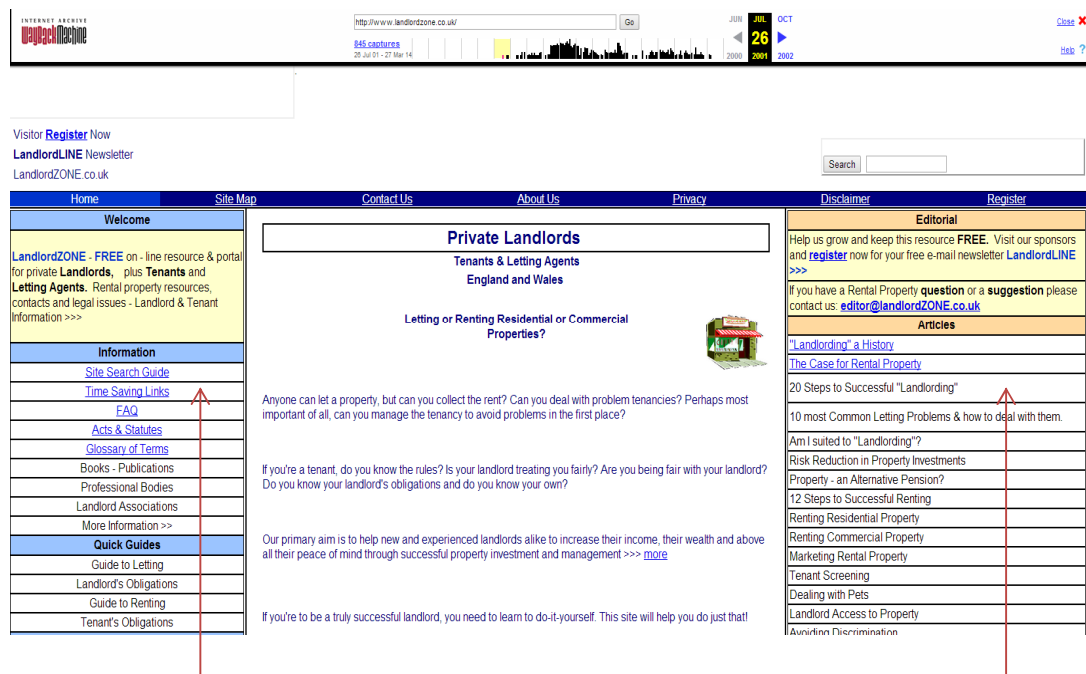
This case study describes the development of LandlordZone's business model over the period of 2000-2014. LandlordZone has played an important role in the UK information market for rental property owners, landlords, tenants and property professionals. It was founded in 1999 by the entrepreneur Thomas Entwistle with the aim to help landlords and agents manage their investment properties successfully through a newsletter. LandlordZone is currently the most visited landlord website in the UK with approximately 81,000 visitors per month (ComScore 2013c). The platform operates with only four employees: the head of development and marketing, an accounts manager, a technology chief and a social media coordinator.

Landlords, tenants and property agents search for up to date information and business tools to ease their work however they have a constant need to solve property related issues. Hence, the opportunity to communicate with other agents and find solutions is valued by all users. LandlordZone identified this need early on and has invested in a discussion forum since 2002. The use of Web 2.0 technology to interact and connect with other SMEs provided the company with a distinctive feature. In addition to its technology, other salient features of LandlordZone's business model have helped it reach and maintain its leading position in the market.

6.2.1 Value proposition

LandlordZone was launched in the year 2000 offering information on: case law, letting processes and procedures, financial indicators, stories, training courses, guides and downloadable resources such as forms, notices and standard letters to give reassurance on legal issues. The website also provided a classified directory to the property industry including residential and commercial landlords, letting agents and property managers. Thomas Entwistle was a recognised figure within the property industry as he had already a news circular providing information and advice on property. Thus, there were already users who were interested in his offer. By looking at US websites he had the idea of beginning a similar website in the UK. Figure 6.5 illustrates how the website was originally focused on offering information only. A search functionality and links to property related websites were part of the home page to ease information search. Overall, the website's home page aimed to create awareness of information available to visitors.

Figure 6.5 LandlordZone's Home Page in 2001



Links to information

Articles on landlording

Source: WayBackMachine (2001-2014)

LandlordZone incorporated a discussion forum to its website in 2002 generating an online community. This enabled enterprises and professionals to network while discussing a variety of property related topics. At the same time the website added a news section with a news directory, which made the website more attractive to users. By 2003 LandlordZone's offered advertising banners as well as content on advertising and email flyers. In 2006 their media pack was developed - a guide with a range of online and newsletter advertising opportunities including rates for advertising mailers, mobile advertising opportunities and a mailer guide for e-mail campaigns.

In 2008 the website highlighted the separation of fora by topic to provide more structure to the user generated content. By 2010 the story of the week began as part of the novel content offered. As the website has evolved, changes in the media pack have been launched, both 2012 and more recently, including options for mobiles and tablets. The website's information is currently structured into the following categories: Insurance, Letting, Deposits, Inventory, Tax, Software, Legal, Finance and Investment. Additional content includes information on events such as invitations to investment shows, exhibitions and landlord meetings.

The differentiating factor of LandlordZone lies in the quality of the information and content available to landlords and letting agents. According to its founder Thomas Entwistle, its website instead of 'giving recipes for a quick millionaire' is based on its experience of more than 30 years. This is how the company keeps its personality and brand quality.

6.2.2. Business strategy

6.2.2.1 Product-Market Scope

LandlordZone addresses its offer to landlords and property professionals such as solicitors, accountants, surveyors, estate agents and letting agents, professional bodies, advice agencies, local authorities, government agencies, universities, landlord associations, property related research establishments and suppliers of goods and services to landlords (Kabanoff and Brown 2008). Therefore, it is dedicated to a particular segment of users interested in property related issues. LandlordZone's focused product-market scope since its inception in the year 2000 has enabled its growth.

6.2.2.2 Partnerships

TenantVerify is a partner company that provides on-line credit searches, referencing, rent guarantee and legal protection and deposit insurance, insurance and debt collecting services for landlords, tenants, property managers and letting agents (Harzing 2000). Over time TenantVerify became more an add-on product, that is, LandlordZone owns the customer and the product. LandlordZone also has strategic partnerships with insurance companies, lawyers and banks. Partnerships are also important as they make referrals to the website possible.

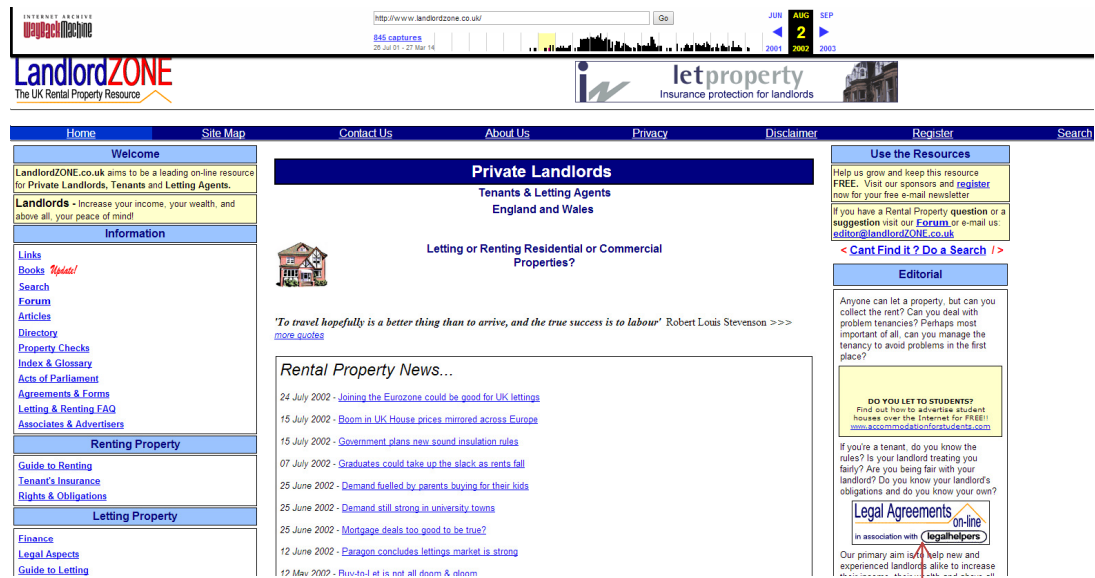
6.2.2.3 Revenue Model

From its inception to 2014 the use of the website is free. LandlordZone's founder Thomas Entwistle emphasises the free content and service offered to visitors:

“I have always called LandlordZone a ‘free newspaper’”

At launch the revenue model was based on sponsorship and the website asked users to visit sponsors' websites to keep the service free. The original home page in 2001 already asked the user to register if interested in reading the newsletter and to download documents and forms. This generated an important database for LandlordZone. By 2002 LandlordZone started using advertising as a revenue model and began displaying advertisements on the top and sides of its page (see Figure 6.6). As a result of its advertising revenue model the main page reflected an increase in the number of advertisements. As different options for advertising were developed for customers, the size and location of advertisements changed over time. Figure 6.7 shows how all information for advertisers was consolidated under the Associates section.

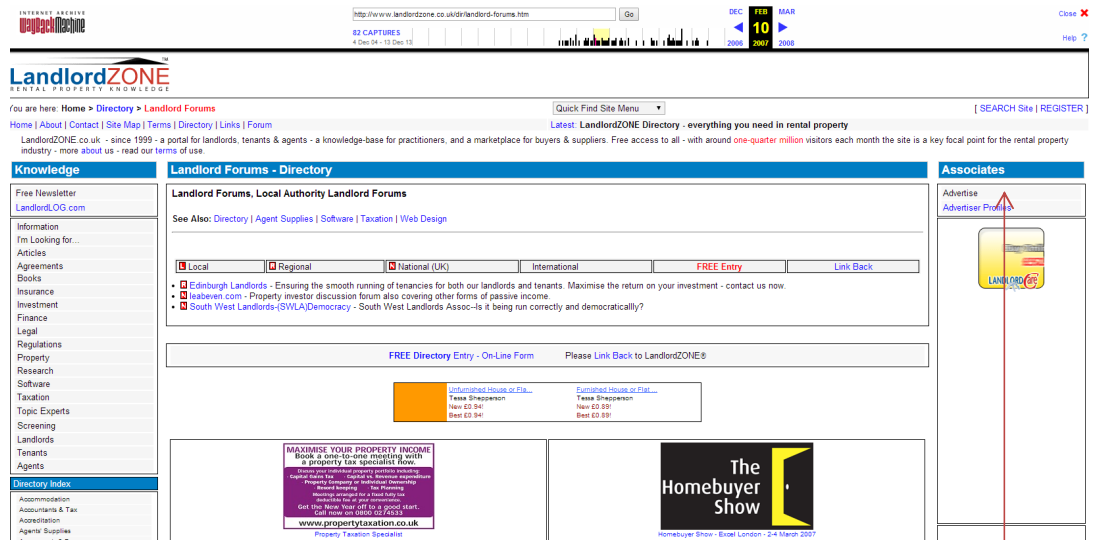
Figure 6.6 LandlordZone's Home Page in 2002



Advertisement

Source: WayBackMachine (2001-2014)

Figure 6.7 LandlordZone's Home Page in 2007



Associates Section

Source: WayBackMachine (2001-2014)

The range of current advertising opportunities include website advertising, newsletter and classified directory advertisements. This includes independently verified e-mail campaigns that are broadcast to its approximately 100,000 subscribers. Advertising is also available in the form of site-wide banners and page sponsorships offered both in its newsletter and its website. An additional source of revenue is marketing information sold to top journals such as the Telegraph and the Financial Times through databases.

LandlordZone's revenue streams can be summarised in order of importance as: the daily mailer, which provides the largest income; long time advertisers on the website; advertising on the website based on packages and TenantVerify which provides a stable income as users first register in LandlordZone and are then taken to Tenant Verify (that is, LandlordZone promotes it and earns a revenue).

6.2.2.4 User Acquisition and Retention

LandlordZone has been advertising itself in offline magazines since its foundation to acquire customers. This has represented in many cases a low cost due to partnerships with advertisers. In 2006 the website began advertising in all landlord journals using its link to TenantVerify. Its strategy was to include small advertisements in every issue to build the brand at a low cost. LandlordZone also advertises itself at tradeshows, which helps to identify trends and opportunities.

LandlordZone's registration process is nowadays very simple as it consists only of name and email and this has attracted more customers. The company constantly gives conference presentations, which generate word of mouth. On the other hand, customer acquisition of advertisers derives from LandlordZone's distribution scale and focus, that is, the coverage the website has and its targeted emails increase its conversion rates.

To retain customers LandlordZone tries to constantly improve (for example, adding news, the story of the week, a new directory). As part of improvements to the discussion forum in 2003 the figure of topic experts was emphasised. These were people identified as experts by LandlordZone who led conversations within the forum. However, users consider themselves experts hence the approach changed to 'site leaders' who volunteer to moderate the activity online. The company's presence since 2010 in Facebook and Twitter has also been an important strategy to build a

community however the activity has lacked continuity due to staff shortage. In 2012, winning the 'Landlord and Lettings Supplier Award 2011' also gained reputation for the company that reinforced customer trust.

LandlordZone has always provided a customer service with the idea of 'doing things as soon as you can' and being friendly with customers to generate good relations with the marketing staff of other companies. Nowadays promotional e-mails and a daily story as in-depth articles on historical or legal aspects written by a journalist are distributed to registered users. According to its founder Thomas Entwistle, the strategy to have users frequently receiving emails is to make them attractive enough.

6.2.3 Web 2.0 Technology

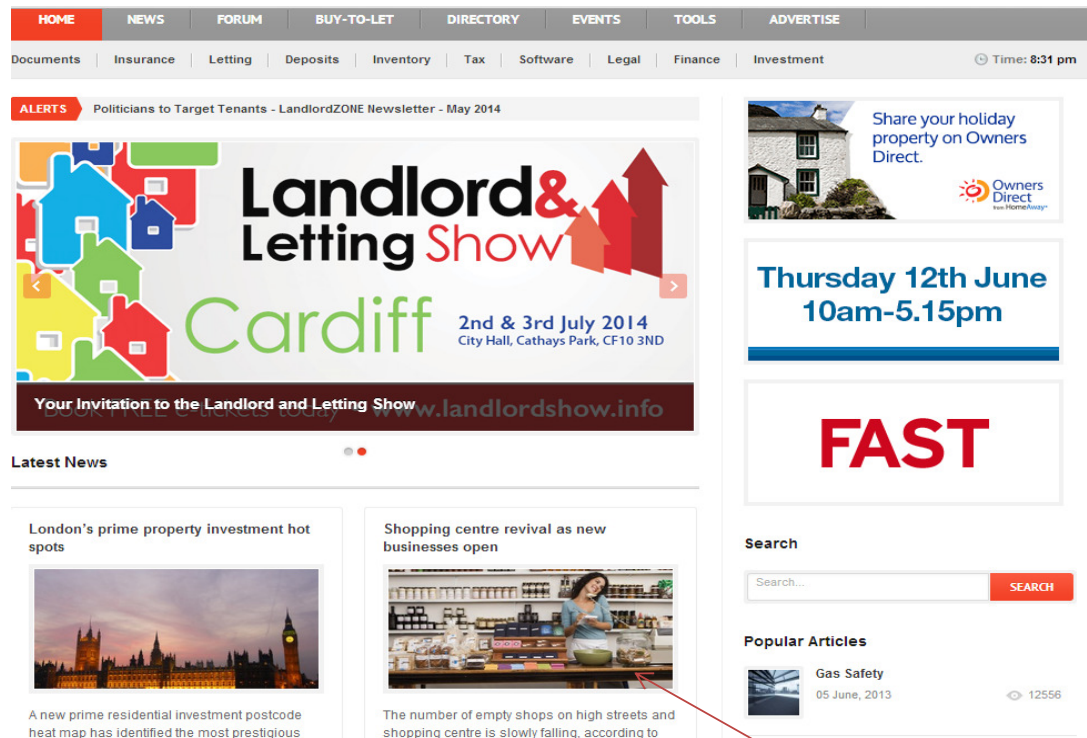
According to Alexa (2014) 85.6% of visitors to the website come from the UK and the rest come from India. LandlordZone was the first British website providing specialised advice as similar companies were slow to embrace the internet. LandlordZone can also be considered an early adopter of social media technology. In the year 2000 the website offered search and database technology and in 2002 it introduced the discussion forum, which enabled networking for all users. From then on visitors have used the forum for problem solving and it generates important traffic. For advertisers, it provides an opportunity to get exposure to different and focused audiences.

Changes to the forum are derived from new versions of the software customised with feature requests from users (for example, inclusion of a quick find menu; top searches display). In 2003 LandlordZone's interface was improved with a friendlier format (in terms of use of colour). By 2005 the website presented a more structured and organised content (for example, companies' profiles shown in a specific area, an events diary was created). The company's logo was also modernised to make it consistent with the look and feel of the website. In the same year LandlordZone's use of Web 2.0 technology increased as blogs were added to the website.

In 2008 RSS feeds were available to provide information updates as well as social bookmarking functionality being added to the website. In 2012 LandlordZone changed its interface with a friendlier navigation panel. A feedback button appeared as a strategy to improve its services and keep existing customers. By 2014 the user interface changed to increase users' experience including clickable images next to

articles and news (see Figure 6.8). The home page stresses the mobile responsive design adopted to ease activities from mobile and tablet users who represent more than 40% of its traffic. Unlike other companies LandlordZone identified this key area soon and focused on broadcasting advertising in a reader friendly format making it a natural fit for mobile devices such as tablets and smartphones. Data from Google Analytics provided by the website owners indicate that on average 70% of new sessions come from a single device, either a desktop, a tablet or a mobile. This means there is a 30 % of returning users. The company currently plans to add technology to build reputation (that is, reviews or ratings) as there are senior members who regularly post.

Figure 6.8 LandlordZone's Home Page in 2014



Clickable image

Source: WayBackMachine (2001-2014)

6.2.4. LanlordZone's Performance

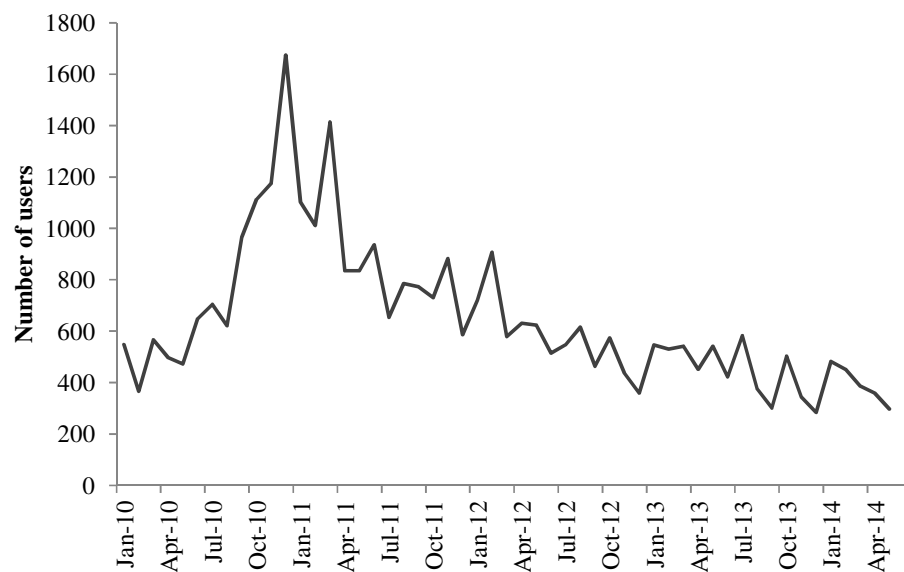
LandlordZone's audience can be divided into unregistered users, subscribers to the forum (active and dormant) and advertisers. The first two derive value from other users and from the content offered while the advertisers derive value from market

exposure. LandlordZone's founder Thomas Entwistle relates his company's success directly to the discussion forum:

"The forum is probably our biggest traffic attracter"

As the number of users increase there are positive network effects that give prestige to the forum. An important increase in the number of users registered to the forum took place between the second semester of 2010 and the first semester of 2011 as is shown in Figure 6.9. At the peak an average of 830 users were registered per month, with registrations then becoming stable over time at an average of 476 new users per month.

Figure 6.9 Forum Traffic 2010-2014

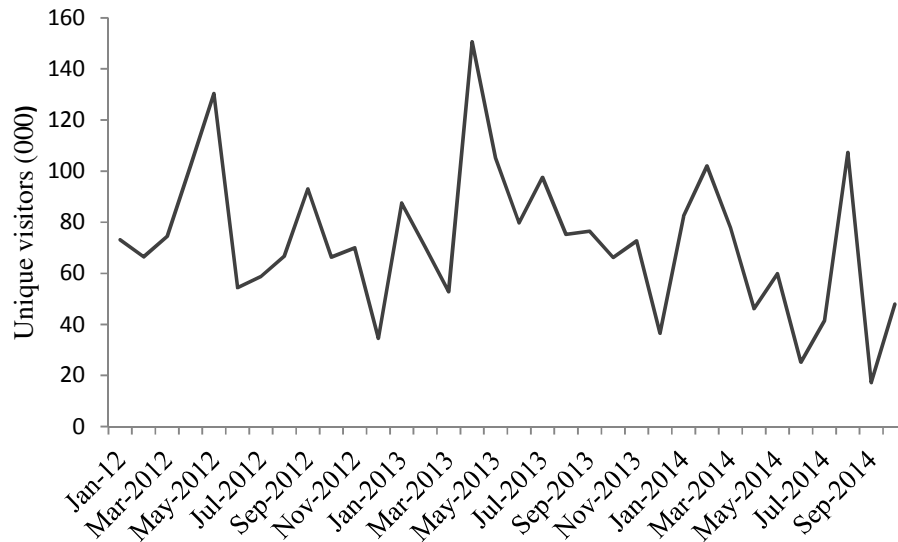


Source: CompanyReport (2010-2014)

The forum's success is directly related to the website's performance. LandlordZone's initial newsletter evolved to the internet as an information only platform, then, with the use of Web 2.0 technology, user generated content (UGC) caused network effects through search engines as was shown in section 6.1.2.3. This increased both customer acquisition and retention and the website became attractive to advertisers willing to pay for email campaigns. As a result, there is more investment in content with articles produced by well-known journalists to sustain

and increase visitor numbers. The website's performance evolution is reflected in Figure 6.10.

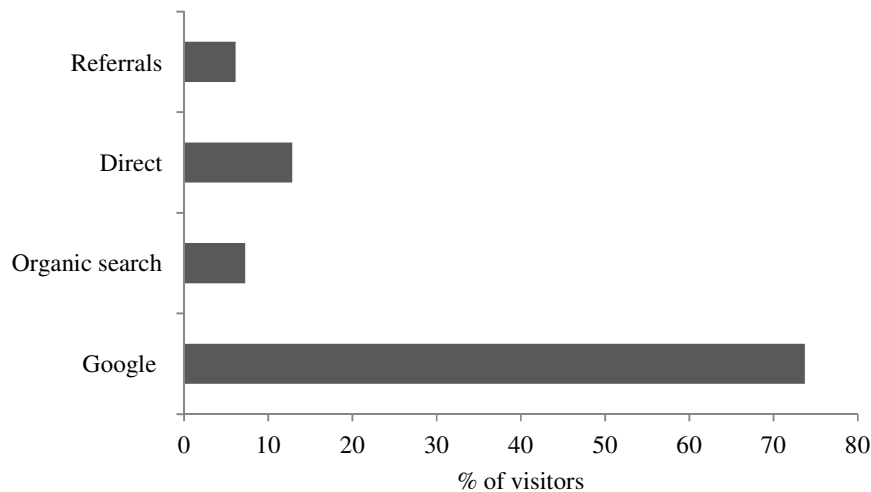
Figure 6.10 LandlordZone's Unique Visitors Over Time



Source: ComScore (2011-2014)

74 % of organic searches (visitors referred by an unpaid search engine listing) come from Google. The rest come from smaller search engines (see organic search in Fig. 6.11). Direct search that is, coming directly from the URL iteration into the browser, bookmarks or favourites, represents 13%. The remaining 6% corresponds to referral search, that is, visitors referred by links on other websites. Over the last four years a total of 87 links refer to LandlordZone's website. For LandlordZone this means that visitors are attracted mainly when searching in engine listings and the company is now a relevant term when searching for advice on property management.

Figure 6.11 LandlordZone's Source of Visitors' Distribution



Source: CompanyReport (2014)

6.2.5 Business Model Discussion

LandlordZone keeps its content updated with highly focused information on property related issues. As the advertising revenue model became more successful, more advertisement related information became available. The relationship between LandlordZone's information value proposition and its use of technology is clear as we see the changes in the website interface and the incorporation of features such as the forum's search functionality to ease users' information searches. The use of Web 2.0 technology lies mainly in the addition of a discussion forum, which was the key to increase its user generated content (UGC) and networking opportunities. Both its quality content and the discussion fora motivate users to register. Users who contribute to the forum are experts in the industry which generates trust in other users. Therefore, network effects derived from the forum and search engines attract new users and keep existing users interested.

Part of the business strategy is the product-market scope. This focus has been easily kept and influenced by advertisers who usually sell complementary products or services within the property industry. Customer acquisition strategies such as advertising in property related magazines have also helped LandlordZone to maintain a highly focused base of customers. Other elements of the business strategy are closely related to the value proposition and the use of Web 2.0

technology. LandlordZone's advertising revenue model success is due to its traffic. As traffic increases, there are more high quality advertisers. It may be that the number of customers do not increase but the quality of the advertiser does and at certain levels the price charged can be increased. The quality of its advertisers increases the company's reputation and builds customers' trust.

Competitors with similar fora that offer networking opportunities for users could become a threat. However, LandlordZone has developed different barriers to entry: Google's search performance; its historical discussion forum; the specialised and high quality content of the website and its 100,000 subscribers to the newsletter. Due to LandlordZone's history it is difficult for other websites to imitate the same business model with a similar success. Larger social media platforms are a possible threat for the company as they seek to exploit their size and attack specific SME market segments. LinkedIn is an example. However, the focused product-market scope of LandlordZone makes it different and it also has the strength of its partnerships whilst not being dependent on them, that is, it has different revenue sources and user acquisition and retention strategies.

The relationship between value proposition, business strategy and use of Web 2.0 technology in LandlordZone's business model is demonstrated by a mapping out of the timeline of the company and relating key events to its business model performance as is shown in Table 6.1.

Date	Value proposition	Business strategy	Web 2.0 technology	Business model performance
2000	Site launched with basic information, formats, guides and tools to help landlords and tenants.	A focused product-market scope since its foundation. Initial sponsorship revenue model adoption. Emphasis on 'free' services as a customer acquisition strategy.	No use of Web 2.0 technology. Other functionalities such as search and database technology were available.	Strong focus on a free information value proposition enabled by the sponsorship revenue model. Investment on basic technology to make the website attractive.
2002	New directory added to the website. Networking functionality enabled by Web 2.0 technology.	Advertising revenue model began. 'Topic experts' used as a strategy to attract customers.	Discussion forum was added. Changes to present a friendlier interface.	Shift on focus to networking value proposition. An increase in visitors derived from the forum. The advertising revenue model is useful to sustain technology investments.
2005	Information offer increases with more content for advertisers.	No major changes in the business strategy.	Interface change and search technology within the discussion forum enabled. Blogs are created.	65,000 visitors reflect the success of the discussion forum and the networking offer. Success on advertising revenue model allowed investing on Web 2.0 technology.
2006	'Media pack' for advertisers developed.	Database marketing becomes key for the business. Partnership with TenantVerify for customer acquisition.	No major changes in Web 2.0 technology.	Important increase on traffic to 100,000 visitors. LandlordZone acts as a marketing agency. Partnership with Tenant Verify is key for stable revenue generation.
2008	Fora are separated per topic.	No major changes to business strategy.	RSS feeds and social bookmarking are enabled.	250,000 visitors to the website. Web 2.0 technology used to increase customer retention. The business model adopted keeps being successful.

2010	Story of the week begins.	Emphasis is put on customer retention.	Presence in Twitter and Facebook.	Number of subscribers remains stable. Major social media applications support customer retention strategies.
2012	Media pack with new advertising packages is launched.	Reputation gained by winning the Landlord and Lettings Supplier and Website Award 2011.	Interface change in the navigation panel. Feedback button is added.	1.5 million visitors make LandlordZone the most visited website of its kind in the UK. Advertising revenue model and customer retention are emphasised.
2013	No major changes in value proposition.	Mobile and tablet users are identified.	Cookies are developed to trace users and generate statistics.	As a result of studying traffic, website responsive design (mobile and tablet) is developed.
2014	'Media pack' includes options for mobiles and tablets.	No major changes to the business strategy.	Friendlier interface including images.	Network effects keep generating more traffic. The relevance of mobile responsive design for advertising is recognised.

Table 6. 1 Evolutionary Timeline of Business Model. Source: Company Reports and Website Analysis, 2000-2014

6.3 StartupDonut

This case shows the evolution of StartupDonut's business model. StartupDonut is a brand owned by Atom Content Marketing. It began as a publisher in the 1990's working with Bizlink - the national business support for SMEs - (now Gov.uk) and producing 50% of its business advice content. In 2009, Google became interested in the idea of its 'Own version of the Donut' and decided to invest and found StartupDonut together with Sage.

6.3.1 Value Proposition

Most of the content StartupDonut offers was kept from the original website (Bizlink). It initially offered networking with a discussion forum, however, there was a large amount of spam and people were using the forum to advertise themselves, there were complaints and it generated conflicts. StartupDonut realised that in order to have a good functioning forum it needed to be monitored 24/7, whilst the forum generated no revenue. As a result, the forum was stopped in 2013. Figure 6.12 shows the website in 2009 when the forum was active.

Figure 6.12 StartupDonut's Home Page in 2009



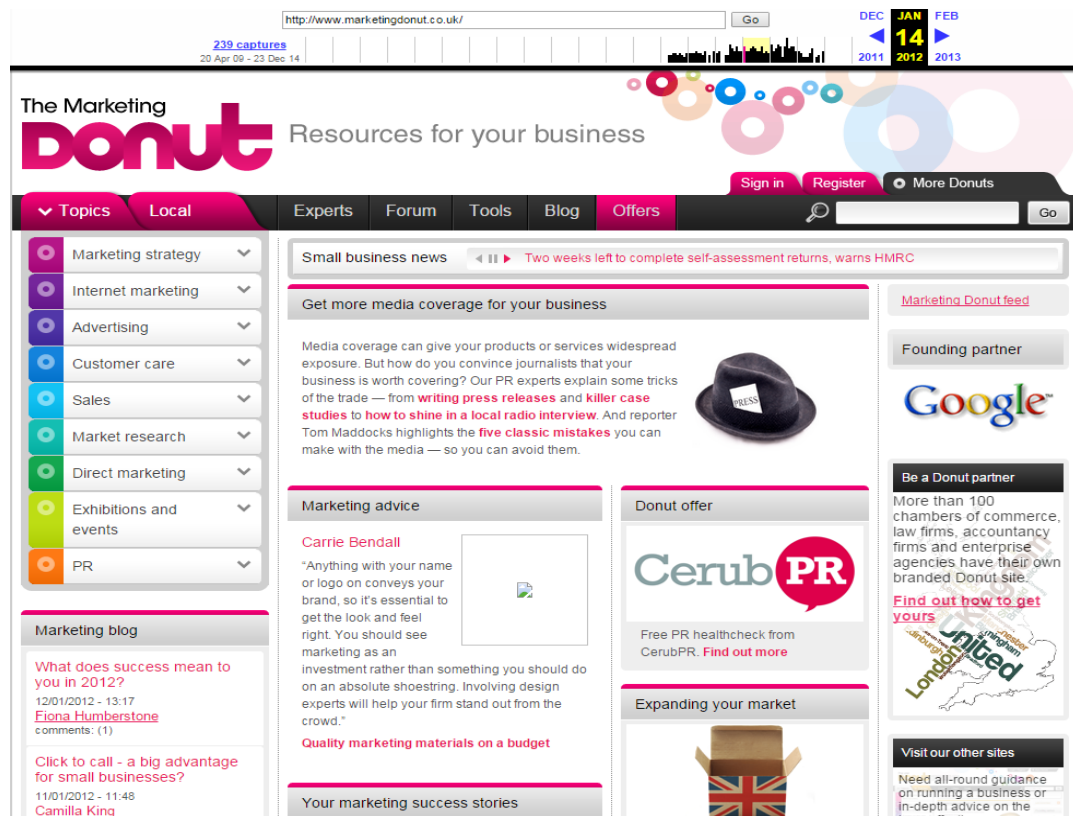
Source: WayBackMachine (2009-2014b)

StartupDonut's Business Development Manager explains his view on the lack of interest in using the forum properly from users:

"Reality is that every website tries to generate a community but people already have too many such as Facebook, Twitter, LinkedIn"

StartupDonut had an initial focus on Law however in 2010 it realised that it was Marketing content that was needed the most. Users interested in Law issues would do specific searches, while Marketing ideas were interesting for everyone. Figure 6.13 shows the Marketing Donut's home page.

Figure 6.13 Marketing Donut's Home Page in 2012



Source: WayBackMachine (2009-2014b)

Networking is not the focus of the website, there are also blogs in the website however they produce little user generated content (UGC). What has worked for StartupDonut is the figure of 'Experts' by topic and by location. Donut Experts were part of the website since its launch as the company realised early on that for any website to stay alive new content needs to be generated regularly.

6.3.2 Business Strategy

6.3.2.1 Product-Market Scope

Startup Donut has a broad product-market scope. It is directed to entrepreneurs and established SMEs from any sector.

This is why the different websites were created as depending on the stage where a company is, then the interest may be more in one Donut than another. The StartupDonut has elements of the other websites aimed at people who are just starting up. The Law Donut for example discusses shareholder disputes so it assumes that a company has shareholders hence it is directed to established SMEs.

There have been significant changes to the market scope. StartupDonut used to work with Law firms only but later realised that it was missing the Universities, Chambers of Commerce, Marketing agencies and other organisations so it expanded. StartupDonut's Business Development Manager explains:

"We entered the University market because more than ever now the content is a huge focus and they don't have the resources to fill that need".

That is, it is cheaper for universities to acquire this branded version than developing their own.

Customer segments may change if the government announces a change or if a new type of customer approaches the company. International customers are also gaining importance with StartupDonut receiving traffic from partners in the US. This is seen as a good market for advertising, however not for the content itself as StartupDonut's content is very directed to UK SMEs.

6.3.2.2 Partnerships

Both Google and Sage are key partners for StartupDonut. The company also has partnership with other large companies such as Dell, Royal Mail and Microsoft. Offers agreed with them enhance StartupDonut's value proposition. They also generate revenue for being advertised on the website.

There are experts who generate content and are motivated to keep providing content. The way StartupDonut keeps them contributing is by generating exposure via an Expert package that provides them with: a directory listing, a profile page with their

company description and links to any published articles and blogs on StartupDonut, a monthly report with visitors and events related to their profile, a quarterly newsletter, their inclusion in the Twitter Expert list and access to exclusive discounts on services including offers, branded websites and newsletters. StartupDonut's Business Development Manager summarises this approach as:

"The Donut is the platform, it is a good concept where everybody wins"

For the future, StartupDonut is looking for more customisation for clients offering complementary products through partnerships. StartupDonut's Business Development Manager explains:

"The dream would be to have a product we could sell to those customers but we don't have it so we find someone who has it. It could be stationery or anything"

6.3.2.3 Revenue Model

StartupDonut has different sources of revenue that can be summarised as:

The 'Own version of the Donut', is a unique offer which creates a branded version of the Donut website for any client who wants to license the business advice for themselves and present it to their clients or prospects. This allows users to add value to their marketing activities; with articles, FAQs, case studies, news stories and a personalised newsletter, while reducing the work for the customer of writing and reviewing its own content. The customised Donut provides social media marketing and promotes news, events and sponsors. Hence, by providing a platform and services that make it work, it helps customers to keep engaged. A similar approach with free resources is also given to the platform's customers.

StartupDonut also generates revenue from paid advertising. It has a Media Pack with different offers (for example, pay per impressions per banner). There are advertisers with a small value proposition that they want to get in front of StartupDonut's audience of small businesses. For large corporate partners the offer is different. They pay a sponsorship annual fee and they get promoted. This works as an affiliate scheme where partners pay for every lead or sale converted. Startup Donut's Business Development Manager explains the relevance of the scale of users for the growth of this revenue model:

“As the traffic increases to the national website, that is, StartupDonut, then more and more the advertising model catches up. In the future it will be more interesting”.

Another source of revenue are fees from passing a question in an ‘inquiry form’. For example, if a visitor needs a lawyer, StartupDonut cannot give legal advice as its staff does not include lawyers. Thus, for big inquiries users are required to fill in an inquiry form. StartupDonut then sends this to the lawyer and if that leads to an instruction then the company gets a fee from that.

6.3.2.4. User Acquisition-Retention

StartupDonut’s customers are organisations that want to be in front of those users, hence the company uses direct marketing, referrals, social media such as LinkedIn and Twitter, and some networking with chambers of commerce as customer acquisition strategies. It also responds to direct inquiries in the Donut and cold callings when going to a new market to announce their services. It considers events off line as costly as it is a small company of only 20 employees. It also advertises the website through the Gov.uk business section. Due to its partnership with Google, Google Ad Words is free. This together with other sponsors offers are part of the benefits that attract users to register for the newsletter. For customer retention it stimulates user feedback through Twitter, email or phone calls.

There are currently 60,000 registered users to the newsletter and 40,000 of those get the weekly newsletter. Now with 60,000 followers StartupDonut was an early entrant to Twitter. Twitter was just starting to work with businesses and StartupDonut was awarded the ‘Best Business UK Twitters’ 2009. There are 33,000 followers of the Marketing Donut, which has generated brand awareness and lead. Startup Donut’s Business Development Manager explains:

“The content that we have is perfect for Twitter. We send a concrete message with a link to one of the Donuts”

Offers are also a strategy to retain customers. It is now called the ‘voucher centre’ with Media packages.

6.3.3 Web 2.0 Technology

Since its foundation in 2009 StartupDonut was present in social media, such as Facebook, Twitter and provided RSS feeds. Blogs on different topics are the most popular, though they have a limited amount of comments and UGC. Other important features of the website are ratings and bookmarks.

Basic technology such as a search engine, the possibility to email to a friend and a Q&A board are part of the website. However these are not their own tools and StartupDonut only provides only links to other pages. In 2011 there was a change to the interface however no additional changes regarding technology were made to the website. It was in this year that the additional websites, the specialised Donuts, were introduced.

The current platform is already seven years old, hence an updated version: ‘Donut 2.0’ will soon be released after an investment of 2 M pounds. The company is also working on a responsive design as 40% of its users come from mobiles. In the future it may also create a Finance or HR Donut and is currently working on a new look and branding.

Regarding the technology used for the ‘Own branded version of the Donut’, StartupDonut’s Business Development Manager explains:

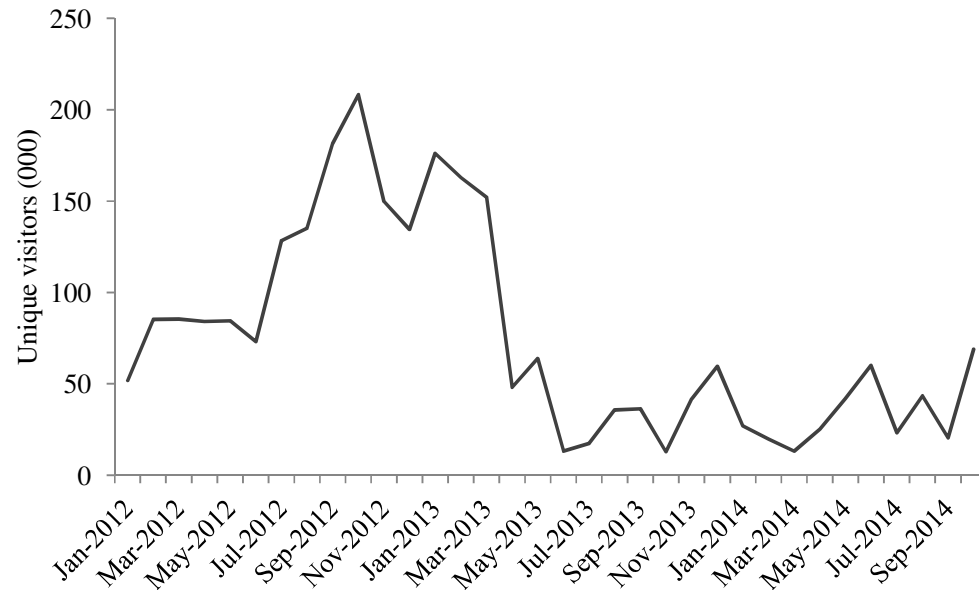
“It is always changing, when we launched the model it all looked like the Donut whereas now you can do many things, and there is lots of customisation”.

6.3.4 StartupDonut’s Performance

StartupDonut doubled its number of unique visitors in one year. Together, all the websites; MarketingDonut, ITDonut, TaxDonut, LawDonut and StartupDonut have 1 M visitors a month. The Marketing Donut has 300,000 unique visitors a month and the Law Donut has 120,000.

The number of advertisers has increased substantially through the years, which is due to the differentiation that StartupDonut has. By licensing the platform through the ‘Own version of the Donut’, it is not only selling the software but all the knowledge behind it. Fig. 6.14 shows the evolution of unique visitors to the website over the last three years. The number of visitors has stabilised since 2013.

Figure 6.14 StartupDonut's Unique Visitors Over Time



Source: ComScore (2011-2014)

6.3.5 Business Model Discussion

StartupDonut began offering general content for SMEs, however it realised that specialising in certain content such as Marketing was attractive to small companies. Its broad product-market scope, with content directed to all types of SMEs make the content specialisation by discipline very useful. StartupDonut realised early that the content had to be constantly updated thus it invested in the figure of 'Experts' to produce it. Although the UGC in the website is not extensive, StartupDonut facilitates a certain level of networking by allowing users to post in blogs and to share media. It initially focused on generating a forum but this did not succeed as users already have other consumer or professional platforms where they can form groups and network.

StartupDonut's success derives from the unique offering of the 'own version of the Donut'. This is a complementary product that generates most of its revenue. The company began with an advertising revenue model, however this evolved into paid advertising, a sales revenue model. The partnerships that StartupDonut has created have been very useful for the generation of additional revenue through an affiliate scheme. Partnerships are also key for user acquisition and retention. The Google AdWords offer is an example and so is the voucher centre with discounts from

partner companies. The use of Twitter has had a major impact for user acquisition and retention and the company began early with this strategy. StartupDonut also relies heavily on its user database to promote its products and services.

6.4 Nibusinessinfo.co.uk

Nibusinessinfo.co.uk began as part of a government strategy to accelerate entrepreneurship in 2003, the website though was not launched until 2006. It originally began in partnership with Businesslink.co.uk, a website that evolved into Gov.uk. Nibusinessinfo.co.uk was created to offer 24/7 access to free information and guidance for entrepreneurs and established companies within Northern Ireland.

Nibusinessinfo.co.uk has a monthly average of 32000 unique visitors (ComScore 2014b) and is one of the top government information websites. It offers rich content for SMEs in spite of its limited use of technology. The basis for its success has been its strategy. Unlike other websites it has the advantage of being directly linked to the government hence, able to provide the most prompt and accurate information.

An analysis of Nibusinessinfo.co.uk development is used to illustrate how business models evolve in practice over time and how they can be measured through the use of business model theory.

6.4.1 Value proposition

Its purpose is to inform on the best practices for companies in their first stage, small companies who do not have access to the appropriate knowledge or business owners who need access to solicitors for example. The website offers a variety of content and advice through articles related to legislation and compliance. It has over 6000 pages of business advice and 650 business guides within 13 different themes.

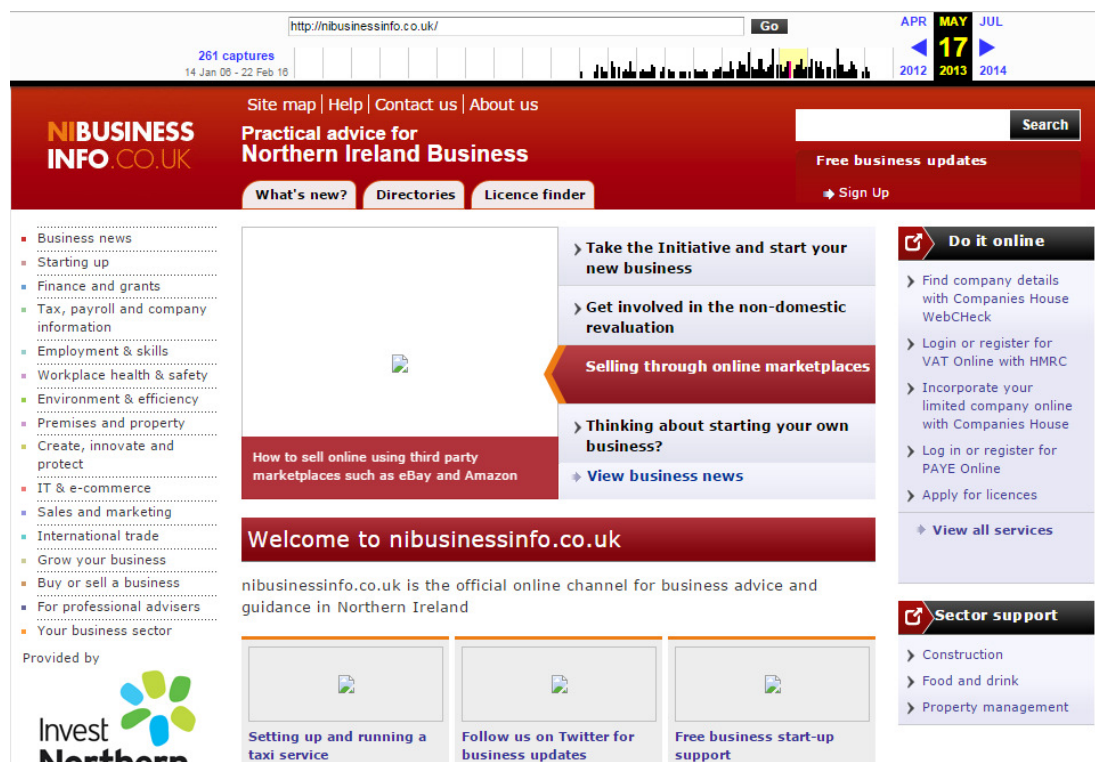
There are hundreds of other similar providers however they offer much less content, a guide a year for example, which is why they are not really competitors to Nibusinessinfo.co.uk. Scotland and Wales business websites have very similar websites however the geographical scope differentiates them. They also have different approaches as Nibusinessinfo.co.uk makes sure it has a significant amount of content with about seven people on average working on content. This is possible due to its information suppliers such as councils and advisers. Its access to information first as it is part of the government makes its content one of high quality as it informs on regulatory changes as they happen. In addition it customises its

articles according to business sector (sector- specific regulations, licenses, standards and contacts).

Nibusinessinfo.co.uk strategy is to provide information that is as useful as possible for users together with a friendly website. All the content is reviewed annually and is approved by users. This way, Northern Ireland businesses enjoy many gains; improved access to public services and information, a single gateway signposting to experts, consistent format and structure, email updates and a quality service. For government departments and agencies the website facilitates the delivery of regulatory and legislative information, reduces duplication of effort and repeat enquiries, reduces telephone and face-to-face enquiries, filters interactions and offers continual improvement.

Nibusinessinfo.co.uk home page is shown in Figure 6.15.

Figure 6.15. Nibusinessinfo.co.uk Home Page in 2013



Source: WayBackMachine (2006-2014)

6.4.2 Business Strategy

6.4.2.1 Product-Market Scope

The product-market scope of Nibusinessinfo.co.uk is broad-based. That is, whilst being geographically specific to Northern Ireland businesses, its content is directed to any kind of SME regardless the sector it belongs to.

6.4.2.2 Partnerships

Nibusinessinfo.co.uk has different government units as partners. Being a government funded initiative it relies on its partners to provide it with the most up to date content on legal issues and other information issued by the government relevant to SMEs. Examples are the NiDirect website, which provides content on government services for companies in the Northern Ireland region and Invest Northern Ireland which offers content to help regional small businesses to expand to other countries and to get funding. Both websites include a link to Nibusinessinfo.co.uk and Nibusinessinfo.co.uk corresponds in the same way.

6.4.2.3 Revenue Model

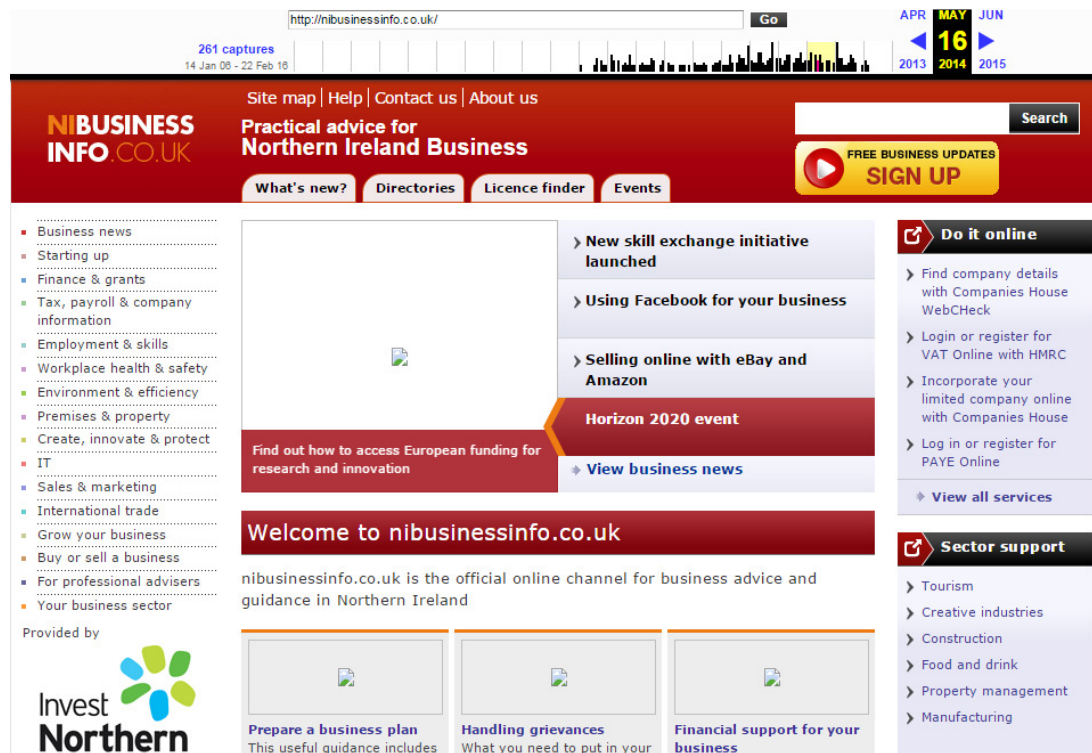
Nibusinessinfo.co.uk is a free service and does not generate any revenue. It is entirely sponsored by the government. Users are required to register if they want to receive updates and if they want to receive the monthly newsletter that informs on changes in legislation. Users provide their postcode hence generating an important database for Nibusinessinfo.co.uk which currently has 20,000 e-mail contacts. Nibusinessinfo.co.uk has created partnerships with NiDirect – the region's website for government services. It also has a good relationship with its stakeholders. Its stakeholders include local agencies, universities and entrepreneurs to whom it provided sponsorship at some point. It advertises other government departments with links on its website and does not get paid for this. Similarly, its partners advertise Nibusinessinfo.co.uk and have helped it grow. Nibusinessinfo.co.uk success has been based on the ability to network with partners for example, by exchanging user bases.

As opposed to similar websites Nibusinessinfo.co.uk already had an audience and since it moved to its own platform has had an exponential growth and gained more exposure on search engines. It also doubled its audience last year as can be seen in Figure 6.17.

6.4.2.4 Acquisition and Retention

The user acquisition and retention strategies of Nibusinessinfo.co.uk are based on its partnerships and affiliate scheme as mentioned above. The website relies on its user database to provide information updates and therefore, keep users interest. However, it is its first hand content what attracts users and the ‘practical’ advice that is provided as well as a large directory of small businesses. In 2014 a section on events was added. This change is reflected in Figure 6.16.

Figure 6.16 Nibusinessinfo.co.uk Home Page in 2014



Source: WayBackMachine (2006-2014)

6.4.3 Web 2.0 Technology

Nibusinessinfo.co.uk is rich in search technology. It provides an event finder, a commercial property finder and a directory of 85,000 companies in the region. The website uses videos to enrich its e-learning and case studies. Nibusinessinfo.co.uk includes links to tools offered in Gov.uk and Investni.co.uk websites and offers a number of templates to help companies plan and run their businesses. An interactive aid to guides is present in the website such as a tool to calculate employees’ holiday

entitlement, a tool to create a personalised regulation checklist, a written statement of employment and a performance indicator tool among others.

In June 2006 there was a change of policy that made Nibusinessinfo.co.uk develop tailored content, add videos and start using social media, LinkedIn, Facebook, Youtube and Twitter. The use of social media is focused on raising awareness and acquiring visitors. The website offers blogs however these do not allow the posting of comments so there is no interaction with other users nor any user generated content. Hence, the website offers mainly Web 1.0 technology only.

During 2009 and 2010 Nibusinessinfo.co.uk experienced important changes. The UK government asked for content to be included from all government services such as tax, safety, etc. and by 2011 Nibusinessinfo.co.uk changed to its own website. A good strategy was followed by keeping all previous content and developing more. The head of Nibusinessinfo.co.uk sees this change as an increase in flexibility:

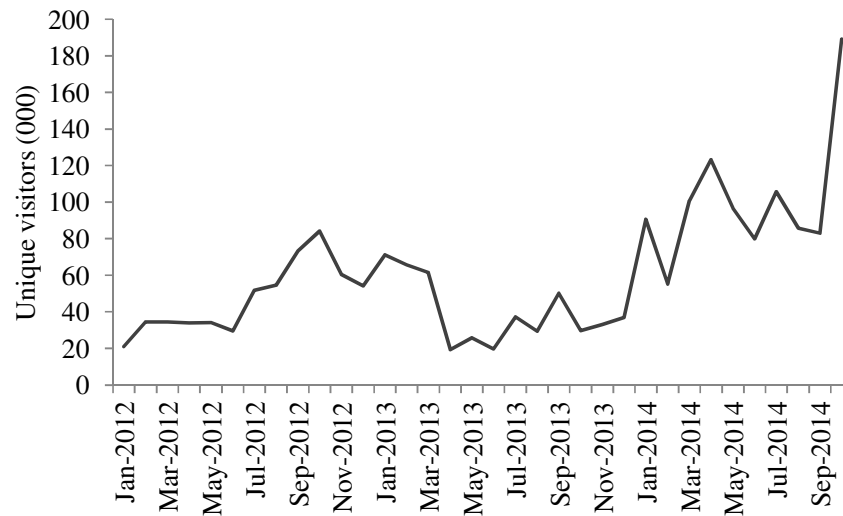
“It helped the website be more flexible and get better content than before when it used a shared platform”.

Nibusinessinfo.co.uk has considered other Web 2.0 technology however it does not see much value in it: *“We have considered forums but there are other options available like LinkedIn where people form groups so there is no value in generating the same in our website”*

6.4.4 Nibusinessinfo’s Performance

Figure 6.17 shows the evolution of unique visitors to the Nibusinessinfo.co.uk website in the last three years.

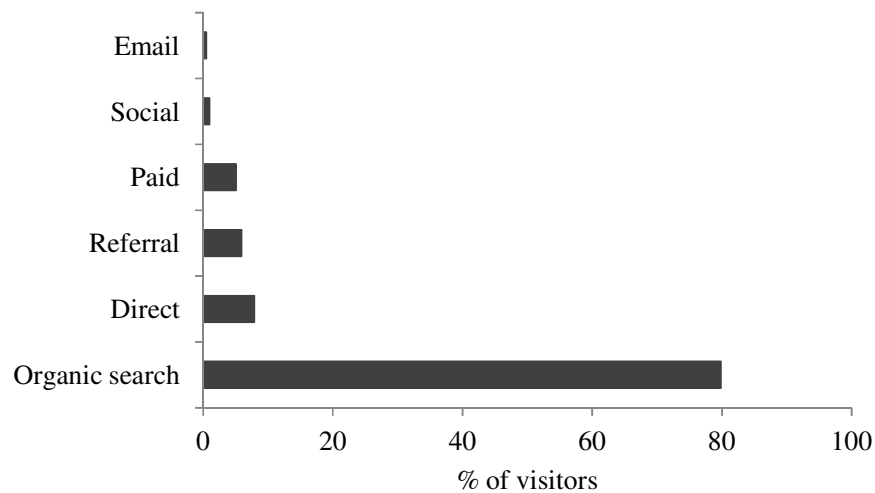
Figure 6.17 Nibusinessinfo.co.uk Unique Visitors Over Time



Source: CompanyReport (2006-2014)

The number of unique visitors doubled in 2012 reaching 300,000. Figure 6.18 shows Nibusinessinfo.co.uk visitors' source distribution.

Figure 6.18 Nibusinessinfo.co.uk Unique Visitors' Source Distribution



Source: Dalgic and Leeuw (1994)

The chart shows that almost 80% of the traffic comes from organic search. That is, it comes directly from the relevance of search terms in Internet. Direct, referral and paid search are also important for the website. An 8% of the traffic comes from direct search, 6% of the traffic comes from referrals from stakeholder partners and 5 % is due to paid search. Additional statistics show that 75% of its visitors come from PCs at work, 17% come from mobiles and 8% from tablets. The share of visitors coming from mobiles was 10% three years ago with an important growth in recent years and Nibusinessinfo.co.uk is currently working on responsive design.

6.4.5 Business Model Discussion

Nibusinessinfo.co.uk offers practical advice for small businesses. This differentiates the website from its close partners NiDirect and Invest Northern Ireland. From its foundation the focus of Nibusinessinfo.co.uk has been on offering high value content on different themes of interest to SMEs and entrepreneurs. By the time Nibusinessinfo.co.uk moved to its own platform it already had readers and a critical mass. However, Nibusinessinfo.co.uk continues to rely on its partners both for access to content together with that generated by councils and advisors. Partners are also key for user acquisition and retention through the exchange of databases. In addition, the business model of Nibusinessinfo.co.uk does not rely heavily on Web 2.0 technology but the website provides interactive content, which is attractive to users.

6.5 Open Forum

This case is an example of a successful American Information and Networking platform. Open forum is an online community for business owners who want to connect with others and get advice and tools that help them manage and grow their companies. The platform is owned by American Express and was created both for its customers and to attract other businesses. Due to its early entrance in the market, Open forum was considered the latest and greatest example of a loyalty service, a program designed to help small business owners grow their businesses by providing both insights and resources online (MavSocial 2012). After the development of the forum, American Express saw its customers spend patterns increase. The company reached 1 million unique visitors in 2010 beating its projection on revenue goals for new credit card clients (Petersen 2012). Open forum's business model is therefore an interesting example to look at due to its scale. The scale to which American Express

works is much larger than other SME platforms. It has more than two hundred experts working for it.

6.5.1 Value proposition

The content provided in the platform includes videos, articles and infographics. Readers can also ask questions to the experts in the Open forum community. Due to its interactive information, Open forum is often cited as a good example of content marketing with a strategy based on frequent content updates (Roque 2014). Within the website there are sections that have focused advice trying to drive users to the membership.

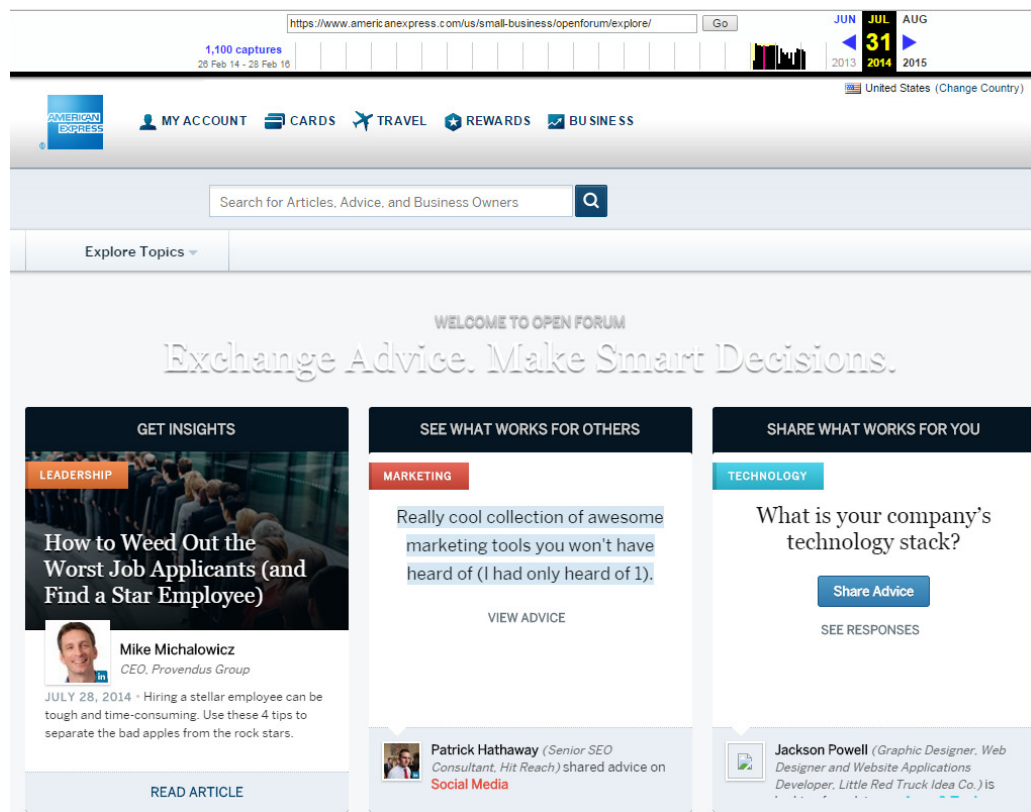
Open forum works in partnership with LinkedIn, the social media platform for professionals. This is very convenient as the data that comes from users' LinkedIn profile also informs Open forum on what the best content is. Connectodex is the place where users can connect, identify vendors, be found by clients or find partners. It acts as the community, while LinkedIn is the social network. LinkedIn is a powerful tool to share content hence the two platforms are very powerful when combined. By 2015 there were already 400 million people in LinkedIn (LinkedIn 2015), which expedites the answers from Open forum to many users. Figure 6.19 shows the Open forum's home page in 2014.

Scott Roen-VP Digital Marketing and Innovation at American Express describes the relevance of joining LinkedIn.

“The value of the community was not unlocked until joining the social network”.

The value of using LinkedIn lies in its ease of use and in the already existing connections which are the drivers for Open forum users. From the other end, the content generated by users in Open forum creates more engagement in LinkedIn. The registration process via LinkedIn is simple. Thus, it is easy to click into Open forum as the user has already given his/ her details and connections.

Figure 6.19 Open Forum Home Page in 2014



Source: WayBackMachine (2009-2014a)

6.5.2 Business Strategy

6.5.2.1 Product-Market scope

Open forum is directed to all types of SMEs and entrepreneurs. Its databases ease segmentation hence there is more customisation and it is possible for each entrepreneur to self-select what they care about.

6.5.2.2 Partnerships

The main partnership of Open forum is with LinkedIn. Open forum realised early about the need for a social network to boost the community sense that the forum provides. The scale of LinkedIn makes the difference for Open forum. American Express is a large company and therefore the scale of its SME clients is also attractive to LinkedIn. The main page of Open forum features American Express as its owner and provides links to the cards, travel and rewards related to the card use. Figure 6.20 shows the option of signing in with LinkedIn to download a guide.

Figure 6.20 Example of Open Forum's Guide

The screenshot displays the Open Forum website interface. At the top, there is a navigation bar with the 'OPEN forum' logo and several menu items: 'Editors' Picks', 'Planning for Growth', 'Managing Money', 'Getting Customers', and 'Building Your Team'. A search bar on the right asks 'What can we help you with?'. The main content area features a large graphic of a PDF guide titled 'It's Tax Time: A Business Owner's Survival Guide'. The guide is attributed to 'AMERICAN EXPRESS OPEN FORUM GROWTH GUIDE' and lists contributors: Nicole Cohen, Mike Michalowicz, Anita Campbell, Anthonya Akitunde, and Barbara Weltman. To the right of the graphic, there is a call to action: 'Prepped for business taxes this year? Find out what you may be missing.' Below this, it says 'Sign up to get "It's Tax Time: A Business Owner's Survival Guide"'. There are two buttons: 'Sign up with Email' and 'Sign up with LinkedIn'. Below the buttons, it says 'Already a Member? Sign In'. At the bottom of the main content area, there is a note: 'OPEN Forum will use information from your LinkedIn profile to set up your account. To learn more about how we protect your privacy, please read our Privacy Statement.' Below the main content area, there is a section titled 'Inside This Guide' with a sub-header 'Want to make sure you're ready to file your' and a section titled 'About the Authors' with a photo of three people.

Source: Website Analysis (2016)

Good relationships with chambers of commerce are also important for Open forum, however they play only a minor role. Open forum's initiatives have also had the support of government.

6.5.2.3 Revenue Model

American Express is the owner and sponsor of the platform and has a presence in the website. Open forum's revenue is generated when visitors use American Express products or services.

6.5.2.4 User Acquisition-Retention

Users register to be members of the forum, which increases the company's database to target a specific SME audience. Open forum also uses offline events for user acquisition and retention. It launched the 'Small Business Saturday' through Facebook, an initiative to shop in small businesses only which attracted 100 million people. The program was supported by the government and went viral on Twitter.

Another event was the 'Big Break for Small Business' in 2011, an annual US based competition to enable small businesses to better communicate and engage with their online audiences on Facebook. Scott Roen-VP, Digital Marketing and Innovation at American Express explains the relevance of events:

"As users see that the events help them then they want to do more business with AMEX" (Roen 2013)

An important distinguishing feature of Open forum is how it has built trust with entrepreneurs who have been very active for years and now provide advice as experts. The quality of the advice is recognised by the users and keeps them interested. According to Scott Roen-VP, Digital Marketing and Innovation at American Express, loyalty from its customers has grown after being in Open forum.

6.5.3 Web 2.0 Technology

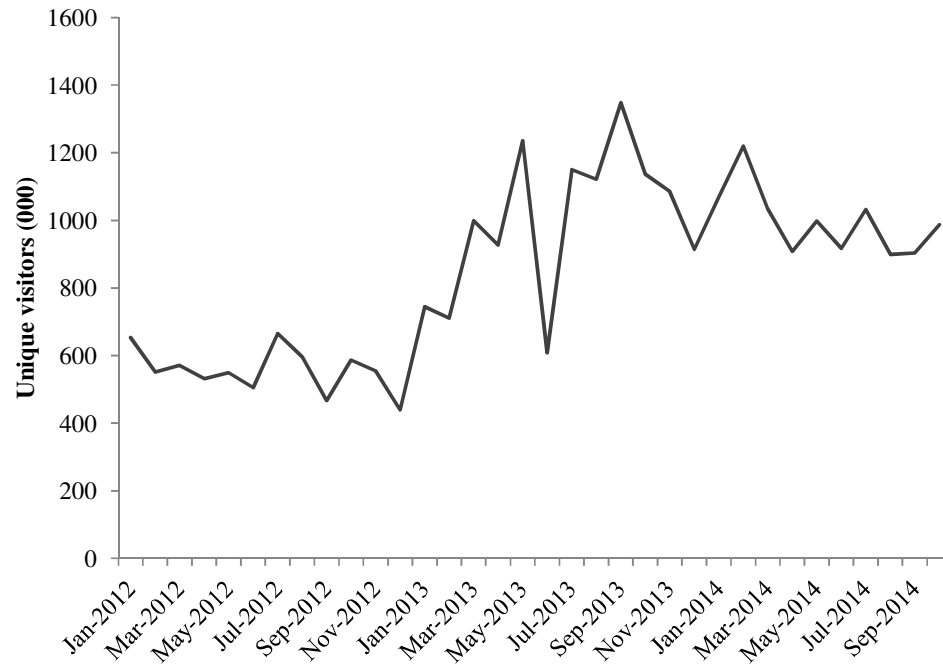
Open forum offers blogs and videos with valuable information for small businesses. The discussion forum allows users to gain knowledge through user generated content and facilitates a network of small business owners that interact with each other. Open forum is a dynamic and flexible platform. Originally there was the possibility of having private conversations with closed connections however Open forum realised that visitors used the open conversations more. It is the increase in conversation and user generated content on Open forum's page that allowed it to increase its number of fans and followers on social media.

The forum gives the possibility to follow users and share comments. It is present in Facebook, Twitter, YouTube, etc. and has a mobile responsive design. Web 1.0 technology in the platform includes search and database technology. Although it does not include interactive tools it provides information on the best tools for businesses. Overall it is a website with a very high use of Web 2.0 technology.

6.5.4 OpenForum's Performance

According to ComScore data Open forum had an average of 842,000 unique visitors a month (ComScore 2011-2014). Figure 6.21 shows the evolution of Open forum's in terms of unique visitors in the last three years.

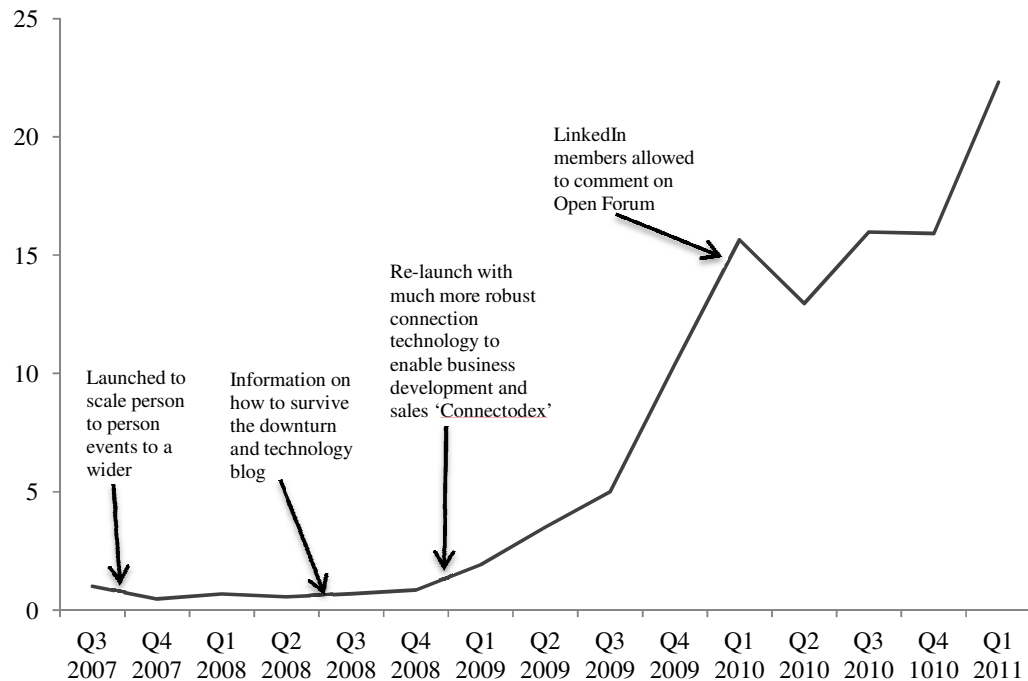
Figure 6.21 Open Forum's Unique Visitors Over Time



Source: ComScore (2011-2014)

Open forum relies on the scale of users. The network effect is vast due to all the followers in LinkedIn. As LinkedIn keeps increasing its user base so does Open forum. Open forum reported 0.5 million unique visitors in March 2010. Figure 6.22 represents the growth in unique visitors relative to Q32007 indexed at 1.0.

Figure 6.22 Growth in Unique Visitors Relative to Q32007



Source: Holland (2007-2011)

6.5.5 Business Model Discussion

Open forum was an early entrant into the market of SME Platforms. It had the advantage of an existing SME user base, that is, American Express credit card clients, and it detected early on the importance of social networks to extend its reach. Hence, its partnership with LinkedIn has been pivotal to its growth. Open forum's value proposition is attractive to users both in terms of information and networking. Advice is provided by entrepreneurs who have been active for many years and this has generated trust. Open forum's community of small business owners together with LinkedIn's scale is attractive to users for networking opportunities.

Open forum's use of Web 2.0 technology is extensive. As a forum, the UGC has been key to attract followers on other social media platforms. Open forum uses its databases and those of LinkedIn for customer segmentation. The use of offline events is a common strategy to acquire and retain users and some of these initiatives have the support of the government. Thus, government institutions and chambers of commerce are part of Open forum's partners. Open forum's revenue is generated by

sales of American Express' products and services. American Express is a large company that invests part of its revenue in the platform.

From the different case studies certain commonalities and differences on their business models are evident. In the following chapter all five case studies are analysed as activity-systems.

CHAPTER 7. CASE STUDY ANALYSIS

This chapter presents the within and cross-case analysis following Eisenhardt's methodology and using the business model research framework. An analysis of the business model as activity-system is presented using causal maps, which uncovers the different inter-relationships among constructs. Derived from the analysis, algebraic tables are used to summarize the interrelationships in each model and afterwards the key interrelationships in all five cases. The chapter ends by studying the common activities among the cases using Amit and Zott's activity-system design theme and highlights the areas in which the models are strong.

7.1 Within-Case Analysis

Table 7.1 presents a within-case analysis that looks into each case based on the theoretical constructs.

SME Platform	Value Proposition	Web 2.0 Sophistication	Business Strategy				Within-case Analysis
			Product-market scope	Revenue models	User acquisition and retention	Partnerships	
Smarta	<p><i>Information and Networking.</i> Content includes videos with advice, guides and e-books generated by experts besides blogs on a variety of topics.</p> <p>Events and awards offer opportunities to network.</p>	<p><i>High.</i> Blogs, media sharing, interactive tools and social bookmarks. Clickable images, presence in major social media applications. Moderate amount of UGC.</p>	<p><i>Broad-based.</i> Directed to all SMEs and entrepreneurs.</p>	Sponsorship, Subscription, Transaction fee, Affiliate	<p><i>Acquisition.</i> Events, Business School guides, social media <i>Retention.</i> Awards, Vouchers, Smarta Card, software improvement, newsletter updates.</p>	Banks; Private companies; Finance organisations; Government	<p>Smarta focuses on offering high value content and blogs that stimulate networking. Smarta's high use of Web 2.0 technology enhances its content value proposition directed to a broad audience. The events and awards are the most successful user acquisition and retention activities for Smarta. Smarta's partnerships with banks are key to its success as they provide more user data to be targeted and advertise Smarta's main complementary product, the Business Builder. Its high quality content generated the opportunity to create content for agencies through annual contracts.</p>
LandlordZone	<p><i>Information and Networking.</i> Content includes a directory of suppliers, guides, forms, notices, standard letters and articles produced by experts.</p>	<p><i>High.</i> Discussion forum, social bookmarks, advanced mobile responsive design. Clickable images, presence in major social media applications. High amount of UGC.</p>	<p><i>Focused.</i> Directed to landlords and property management agencies.</p>	Advertising, Sales, Affiliate	<p><i>Acquisition.</i> Advertising on journals and tradeshows, e-mail marketing, social media. <i>Retention.</i> Newsletter updates, software improvement.</p>	Insurance company; Lawyers; Banks	<p>LandlordZone focuses on offering high value and specialised content for property managers and active networking through its fora; LandlordZone's high use of Web 2.0 technology and mobile responsive design are attractive to users.</p>

	Networking takes place in the discussion forum.						The scale of its forum is attractive to users and advertisers, which has changed its original advertising revenue model to paid advertising. As it was already well known, LandlordZone does not need to invest in many user acquisition and retention activities. Tenant Verify and a number of lawyers are important partners that help to acquire users.
StartupDonut	<i>Information and Networking.</i> Specialised content per Donut: Marketing, IT, Tax and Law. Advice Q&A and blogs ran by experts allow networking.	<i>Moderate.</i> Blogs, media sharing and social bookmarks. Clickable images, presence in major social media applications. Little amount of UGC.	<i>Broad-based.</i> Directed to all SMEs and entrepreneurs.	Advertising, Sales, Affiliate, Transaction fee	<i>Acquisition.</i> Social media (mainly Twitter); Offers (for example, Google AdWords). <i>Retention.</i> Voucher centre, software improvement, newsletter updates.	Google; Large companies	StartupDonut focuses on offering high value and specialised content in different websites. Its moderate use of Web 2.0 technology does not stimulate UGC. StartupDonut's early use of Twitter has been a good strategy for user acquisition and retention. Its initial partnership with Google helped it launch and keep users attracted to the website. StartupDonut has created revenue models based on quality content and its experts. The 'own version of the Donut' is a complementary product that characterises the platform.

Nibusinessinfo	<i>Information Only.</i> Content includes guides and advice on 13 different themes generated by experts.	<i>Low.</i> Clickable images, presence in major social media applications. No UGC.	<i>Broad-based.</i> Directed to all SMEs and entrepreneurs in Northern Ireland	Sponsorship, Affiliate	<i>Acquisition.</i> Advice according to sector. First hand content. <i>Retention.</i> Newsletter updates, social media.	Government	Nibusinessinfo focuses on offering high value content however no networking functionalities. Despite its low use of Web 2.0 technology it is very successful as it provides 1 st hand content on legal issues. Nibusinessinfo's partnerships with other government units provide it with a larger user database and help it acquire users.
OpenForum	<i>Information and Networking.</i> Content includes articles, videos and infographics. UGC is generated by experts who provide advice. Networking is possible through Connectodex and LinkedIn.	<i>Very High.</i> High amount of UGC in the forum. There are clickable images, interactive tools, blogs and it is present in major social media applications. It is mobile responsive.	<i>Broad-based.</i> Directed to all SMEs and entrepreneurs.	Sponsorship, Affiliate, Sales	<i>Acquisition.</i> Social Media (Facebook and Twitter); Offline events; LinkedIn where content is easily shared. <i>Retention.</i> Quality content from experts; Newsletter updates; software improvement.	LinkedIn, government and chambers of commerce.	Open forum focuses on offering high quality content produced by users and a very attractive network (LinkedIn). It has a very high use of Web 2.0 technology and exploits social media for user acquisition and retention together with offline events. Open forum has the advantage of being sponsored by a large company – AMEX, which already had a number of small companies as clients. The activities that generate revenue are credit card sales and the databases from the forum registration are used to target customers.

Table 7.1 Firm Characteristics and Within-Case Analysis

The way these elements interrelate as an activity-system to generate revenue for each SME platform, is presented through a visual analysis of each case business model.

7.1.1 Business Models as Activity-Systems

A system is defined as a set of things working together as parts of a mechanism; an organised scheme. Based on this definition, a good representation of the activity system are causal maps. Causal maps capture the dynamics of each SME platform business model and show the interrelationships between their different activities (see Figures 7.1 to 7.5). These are similar to case maps, which were used to represent complex systems using scenario paths, segments, stimuli and connections (Gordijn and Akkermans 2001a). Causal maps however help to represent the activity-system in a simpler manner. Following the activity-system design framework of Zott and Amit (2010), the maps reflect the content or activities, structure, links and sequences as well as the governance or actors. The constructs proposed in our research framework are extended into activities in these models. There are user acquisition activities that are mainly conducted to attract new users and form part of the acquisition and retention construct.

The business model mechanisms become clearer when we examine the interrelationships between the different constructs in the model. Hence, following each causal map is a qualitative analysis that uses algebraic tables. There are relationships between activities that generate a consequence or exercise an influence on the other activity. As a result, the constructs represented by the activities are interrelated with one another. The arrows in the tables show the direction of the dependency flow.

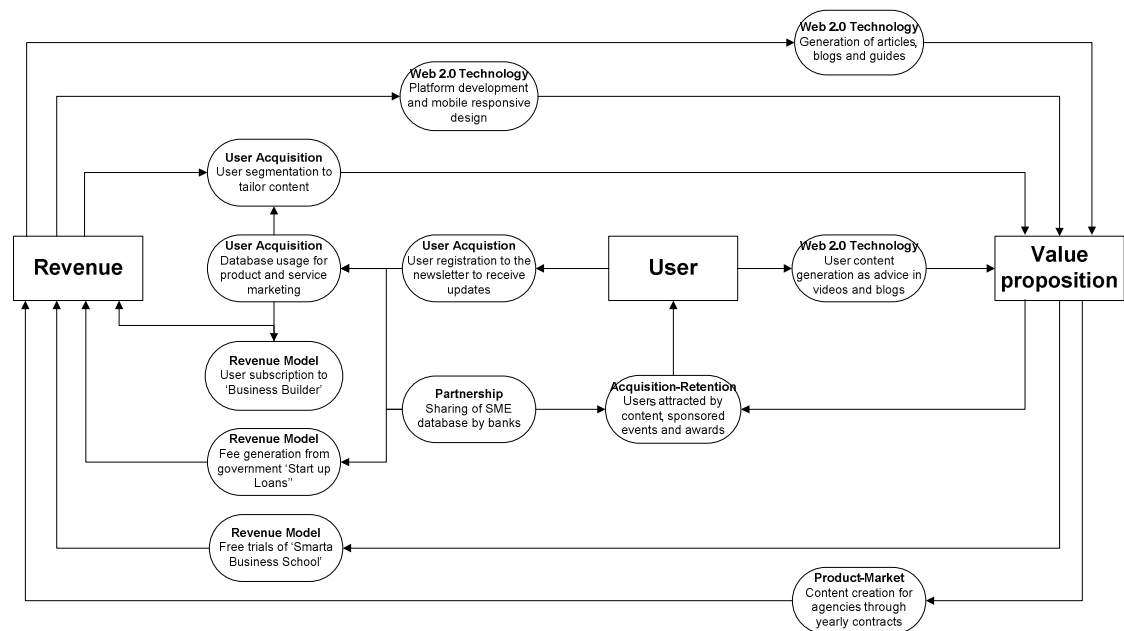
Most activities do not have a direct link and thus, are enabled by another construct. The ‘enabler’ is the construct (derived from an activity) that makes the relationship possible. That is, it is a necessary activity between two other activities and, it flows in the same direction. This means there are activities that are key to the business model operation as without the enabler the influence exerted on one variable to another is not possible.

For example, in the case of Smarta, the relationship between user and value proposition is possible through Web 2.0 technology. This is visible in Smarta's business model (see Figure 7.1) as users generate content through the platform and this adds to the information and networking value proposition. Another example is the relationship between revenue model and value proposition, which is possible through the investment of time and resources on the user acquisition activity of user segmentation. Such segmentation facilitates the tailoring of content and customisation for users, which improves the information value proposition.

Smarta

Smarta's business model is represented in Figure 7.1.

Figure 7.1 Smarta's Business Model as Activity-System



From the map we can see activities that generate revenue and many of these are derived from the user base. Smarta's business model depends highly on partnerships and the reason why partners remain attracted to the platform is due to its scale (that is, number of users) as it represents the exposure that sponsors get to Smarta's audience. This emphasises the relevance of user acquisition and retention activities for the system. This works in two ways for Smarta as its partners sponsor some of these activities. Table 7.2 shows the relationships in Smarta's business model.

Table 7.2 Smarta's Construct Relationships (Case 1)

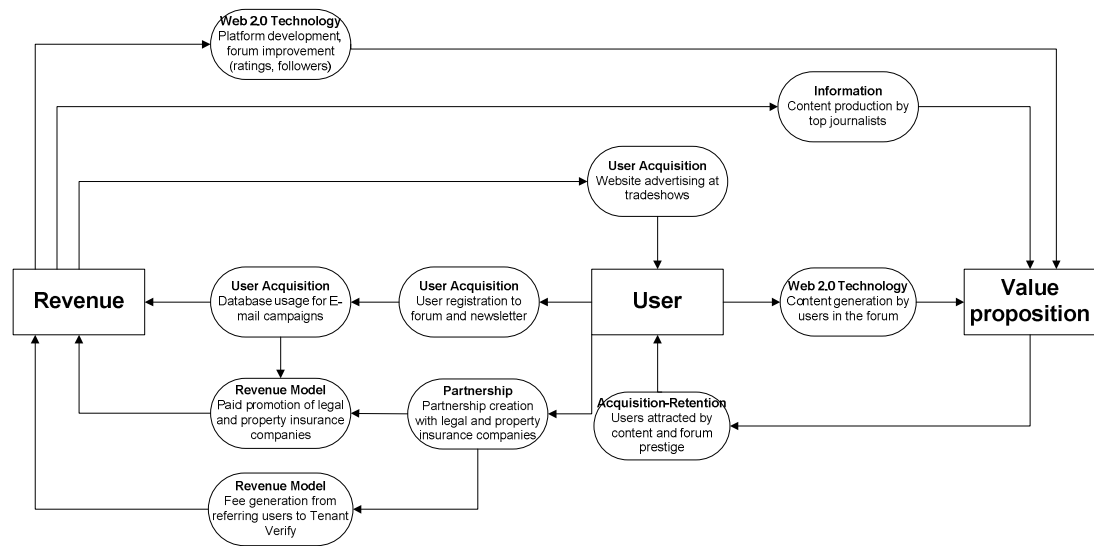
Relationship	Enabler
User => Revenue Model	Acquisition-Retention
User => Revenue Model	Partnerships
Value Proposition => Revenue Model	Product-Market Scope
Value Proposition => User	Acquisition-Retention
Partnership => User	Acquisition-Retention
User => Value Proposition	Web 2.0 Sophistication
Revenue Model => Value Proposition	Acquisition-Retention
Revenue Model => Value Proposition	Web 2.0 Sophistication

From the analysis it is clear that Web 2.0 technology and user acquisition and retention are important enablers to have a value proposition, generate revenue, and increase the user base. In particular, the product-market scope is an important enabler that helped Smarta innovate its value proposition and offer a new service. Smarta started targeting small companies that needed information and advice. However, once its content started improving Smarta saw the opportunity to broaden its product-market scope to agencies and began creating content for other agencies and generating revenue from that.

LandlordZone.co.uk

LandlordZone's business model is represented in Figure 7.2.

Figure 7.2 LandlordZone's Business Model as Activity-System



From the map we can tell that the user is central to the system as it feeds both the value proposition (generation of content and networking) and the user database, which is key for revenue generation. As a consequence, user acquisition and retention activities are very important to keep the system working. It is the value proposition which generates an interest from users thus feeding the user acquisition and retention activity. This suggests that maintaining the prestige of the forum is key to users (for example, senior members) continuing to contribute. The left side of the user base has diverse activities linked to the revenue, suggesting a variety of revenue streams. This highlights the importance of the scale of users to generate new profitable activities through partnerships. Links coming from the revenue are investments that feed the user acquisition-retention activity. An important investment of LandlordZone is in paying top journalists to ensure the content offered is of high quality.

As we analyse LandlordZone's relationships we see that partnerships play a key role. Table 7.3 shows the relationships in its business model.

Table 7.3 LandlordZone's Construct Relationships (Case 2)

Relationship	Enabler
User => Revenue Model	Acquisition-Retention
User => Revenue Model	Partnerships
Value Proposition => User	Acquisition-Retention
Revenue Model => User	Acquisition-Retention
Revenue Model => Value Proposition	Web 2.0 Sophistication
User => Value Proposition	Web 2.0 Sophistication

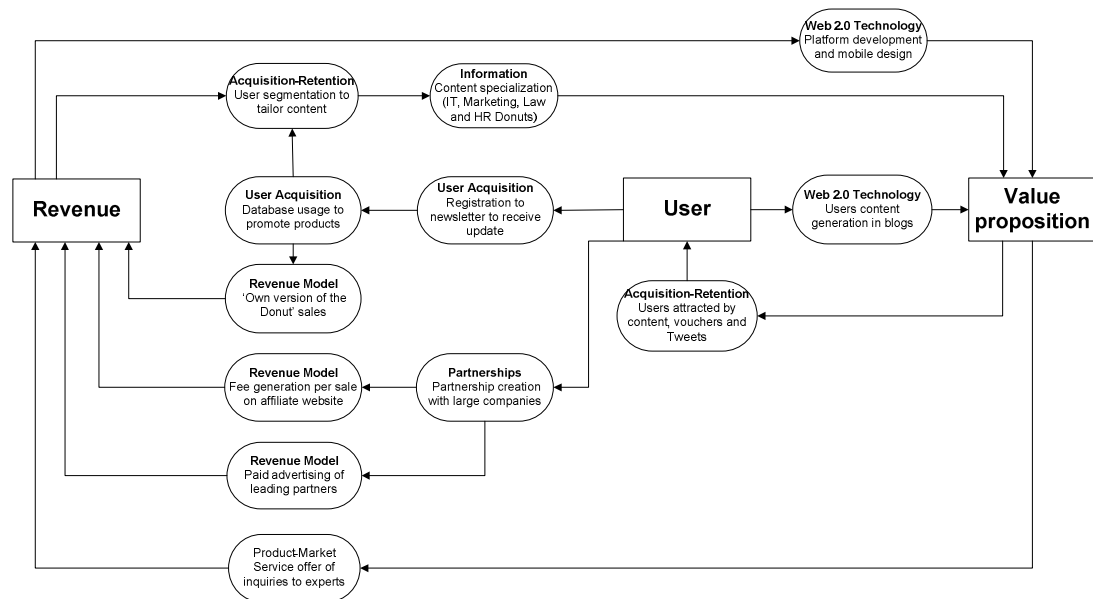
The relationship between the revenue model and the value proposition is enabled through investment in Web 2.0 technology. As the forum is developed by including more Web 2.0 features (e.g. the possibility to rate contributions), it makes the platform more attractive due to such interactivity and hence, adds to LandlordZone's networking value proposition. Another example is the user acquisition activity of advertising at tradeshow. This activity, which requires a small part of the company's revenue, increases the user base as users hear about the forum and the diversity of content the website offers.

In LandlordZone's case a new activity - the promotion of legal and property insurance companies generates revenue for the company due to partnerships. This can be seen as an indirect network effect as the audience (user base) generated by the forum and high quality content are attractive for partners who sell complementary products and want to target similar audiences. The small number of relationships highlights the simplicity of this model.

StartupDonut.co.uk

StartupDonut's business model is represented in Figure 7.3.

Figure 7.3 StartupDonut's Business Model as Activity-System



One of StartupDonut's differentiating offers are the different Donuts, that is, specialised websites. The use of databases has helped StartupDonut to segment users and tailor better such specialised content thus, enhancing its value proposition. The user base is also key for sales of the 'own version of the Donut'. StartupDonut's business model emphasises the relevance of the scale of users and partnerships for different revenue models (that is, paid advertising, affiliate and transaction fees from inquiries). See Table 7.4 for the relationships in its business model.

Table 7.4 StartupDonut's Construct Relationships (Case 3)

Relationship	Enabler
User => Revenue Model	Acquisition-Retention
User => Revenue Model	Partnerships
Value Proposition => User	Acquisition-Retention
User => Value Proposition	Web 2.0 Sophistication
Revenue Model => Value Proposition	Web 2.0 Sophistication
Revenue Model => Value Proposition	Acquisition-Retention

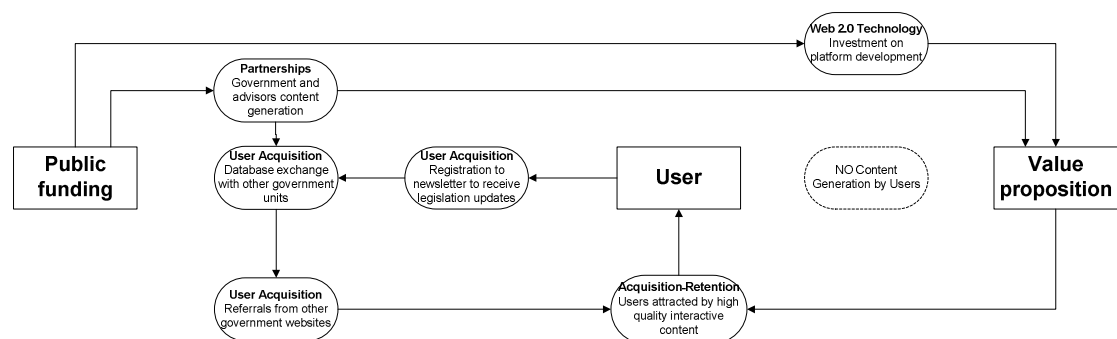
The relationship between the value proposition and the user is enabled by acquisition and retention activities. These include the use of discount vouchers and Twitter messages with concrete but attractive content for the user.

StartupDonut's business model shows how a new activity - paid advertising, is enabled by partnerships. It is the size of the user base that makes advertisers want to be exposed to StartupDonut's audience (that is, demand side network effects). A new role for the user as expert is also possible by improving its value proposition - responding to service inquiries -, which generates revenue for the company.

Nibusinessinfo.co.uk

The Nibusinessinfo.co.uk business model is represented in Figure 7.4.

Figure 7.4. Nibusinessinfo's Business Model as Activity-System



The content generated by government councils and advisors is essential to the Nibusinessinfo.co.uk business model, which does not rely on user generated content. An important activity of this system is 'barter', as government units exchange their databases. Similar to the models from the other three SME platforms the database is crucial for user acquisition. The success of Nibusinessinfo.co.uk is not in revenue generation but in reaching the largest audience possible.

Nibusinessinfo.co.uk is an example of a simple business model due to its non-profit nature. Therefore, in this case, public funding is what would represent the revenue in other models. Table 7.5 shows the relationships in its model.

Table 7.5 NibusinessInfo's Construct Relationships (Case 4)

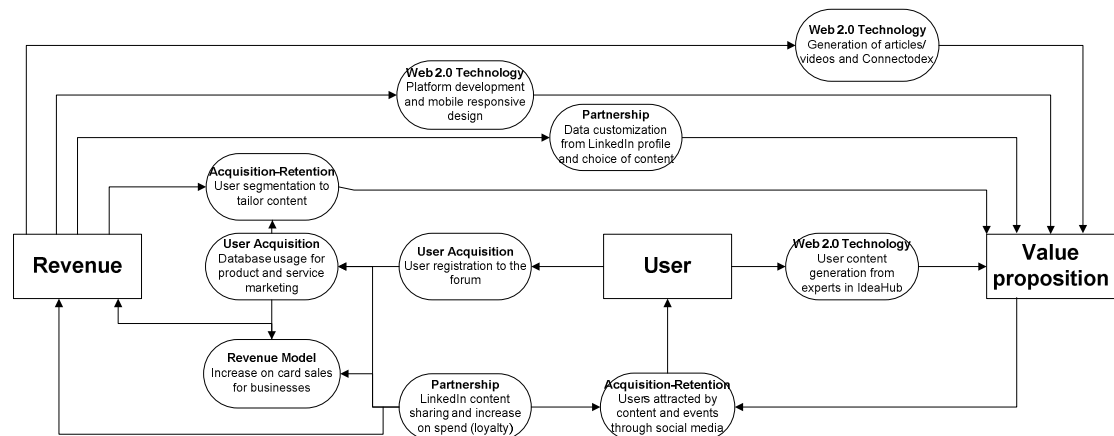
Relationship	Enabler
Value Proposition => User	Acquisition-Retention
Partnership => User	Acquisition-Retention
Revenue Model => Value Proposition	Web 2.0 Sophistication
Revenue Model => Value Proposition	Partnerships

The relationship between partnerships and user is enabled by the user acquisition activity of referrals. That is, referrals from partner websites (other government units) make an increase in the user base possible. Partnerships are a particular enabler of the information value proposition of Nibusinessinfo.co.uk. They also facilitate the increase of the user base due to the database exchange with government and other councils and advisors.

OpenForum

Openforum's business model is represented in Figure 7.5.

Figure 7.5 Open forum's Business Model as Activity-System



Open forum's business model is one that exploits large scale network effects due to the number of users already connected in LinkedIn. Hence, its business model exploits this key partnership to generate more traffic. Conversely, users in LinkedIn who contribute to the forum are more engaged as this large professional network means potential employers and clients. Thus, there is a motivation to seriously contribute to the forum. Another feature of this model is the trust that American Express generates from users as an established company. This motivates businessmen and women to act as experts and provide advice. At the same time, the quality of the advice attracts and retains users. The visibility of its blog is increased through the use of social media (such as Facebook and Twitter). The use of Web 2.0 technology within the platform is very high and this is reflected in the interactive content it offers. Table 7.6 shows Open forum's relationships.

Table 7.6 OpenForum's Construct Relationships (Case 5)

Relationship	Enabler
User => Revenue Model	Acquisition-Retention
User => Revenue Model	Partnerships
Value Proposition => User	Acquisition-Retention
User => Value Proposition	Web 2.0 Sophistication
Revenue Model => Value Proposition	Web 2.0 Sophistication
Revenue Model => Value Proposition	Acquisition-Retention

The relationship between the revenue and the value proposition is enabled by Web 2.0 technology through the investment on content, videos and Connectodex, the original social network provided by the platform. Such technology facilitated the information and networking value proposition. A similar relationship (between revenue and value proposition) is the one enabled by Web 2.0 technology via investment in mobile responsive design, which makes access to the website's value propositions more sophisticated and convenient.

To be noted in this model is how the partnership with LinkedIn increases the database for product promotion and therefore the sale of credit cards. At the same time, due to loyalty from users already in LinkedIn, revenue is generated as users increase their spending patterns. This partnership is also key as by using the existing user profiles in the social network it makes possible the customisation and choice of content for the user in the forum.

7.2 Cross-Case Analysis

Through the comparison of multiple cases construct validity is achieved (Eisenhardt 1989). This methodology follows a replication logic by applying the same structure to each of the cases to provide an inductive validation of the theory. By mapping the constructs across the different cases, conflicting and similar literature is used to validate and sharpen the final conclusions. First we begin by explaining the similarities and differences in terms of constructs in the cases. The second element of the analysis compares the business models.

7.2.1 Value proposition

SME platforms have a clear value proposition based on Information and Networking. They focus on creating high value content to keep users interested. Both Smarta and StartupDonut have blogs but there is little activity online compared to the networking that takes place offline through events. For LandlordZone, the networking activity is extensive online due to its discussion forum. Openforum is an example of high quality user generated content. In all cases however, user generated content is complemented by content created by professionals offered in the form of articles. The more revenue all firms generate the more they invest in paying for better quality content.

7.2.2 Web 2.0 Sophistication

Most platforms incorporate interactive features such as clickable images and other interactive tools. Relevant and interactive content is very important in all cases for SME platforms to attract users and to keep them interested. By the year 2010 most of the companies were on Facebook, Twitter, etc. and offered RSS feeds. The presence on major social media applications is a common strategy for user acquisition and retention. Investment in mobile responsive design is common to all platforms as they realise that traffic from mobile devices is increasing.

7.2.3 Business Strategy

7.2.3.1 Product-Market Scope

Most SME platforms have a broad product-market scope. A change in the product-market scope is also part of the strategy. StartupDonut for example, decided to target universities as part of a broadening strategy. It opened up into a sector that created a new niche for its 'own version of the platform' product.

7.2.3.2 Acquisition and Retention

SME platforms use a variety of user acquisition and retention strategies. Among these are offline advertising, e-mail marketing, events, awards, free trials and vouchers. Users are also attracted to the platforms either by referral websites, from social media or by search engines. These platforms generate databases as they know the importance of knowing which audience to target. Hence, the use of Web 1.0 technology is still very relevant to the platforms' success. Databases allow user segmentation, which leads to customised content, products and services.

7.2.3.3 Revenue Models

SME platforms use a combination of revenue models. Besides the common revenue models such as advertising and subscription, SME platforms use other revenue models such as sales of complementary products or services, fees from leads converted into sales (affiliate model) and fees per government loan given (transaction fee). Most of these revenue models depend on the scale of users.

7.2.3.4 Partnerships

SME platforms' partnerships are usually with the government, banks or private companies that look for publicity or want to sell a complementary product or service. The government is a key partner as its access to information and power in terms of funding is unique. Partners can be sponsors, they may share databases and they refer users to the platform. Open forum's partnership with LinkedIn is strategic for content sharing and to increase its user base.

7.2.4 User

The user is vital to SME platform business models. For some platforms such as LandlordZone and Open forum the user as content generator is fundamental. The number and scale of users product of network effects and successful user acquisition and retention strategies are central to the SME platforms' business models. Investment in technology from all companies is also focused on the user (that is,

personalising the website or working on mobile responsive design), which confirms its relevance as part of the business model.

There are commonalities in the different flows of activities performed by the five SME platforms. As a result, patterns with causal mechanisms become more apparent and are summarised in the table of interrelationships by case presented in Table 7.7.

Table 7.7 Comparison of Construct Relationships by Case

Nr.	Relationship	Case 1	Case 2	Case 3	Case 4	Case 5	Enablers
1	Value Proposition => Revenue Model	✓	x	✓	x	x	Product-Market Scope
2a/b	User => Revenue Model	✓	✓	✓	x	✓	Acquisition-Retention/ Partnerships
3	Value Proposition => User	✓	✓	✓	✓	✓	Acquisition-Retention
4	Revenue Model => User	x	✓	x	x	x	Acquisition-Retention
5	Partnership => User	✓	x	x	✓	x	Acquisition-Retention
6	User => Value Proposition	✓	✓	✓	x	✓	Web 2.0 Sophistication
7a/b/c	Revenue Model => Value Proposition	✓	✓	✓	✓	✓	Web 2.0 Sophistication / Acquisition- Retention/ Partnerships

Table 7.7 confirms how Web 2.0 technology, user acquisition and retention strategies and partnerships are common enablers of different relationships. Hence, they are very important elements for the business model operation. They are also enablers of change in the SME platform business model as they make new roles and

activities possible. From the constructs relationship analysis we can tell that the user to revenue model relationship is enabled through acquisition and retention activities that increase the user base. The development of new products and services, which translate into an increased value proposition, is also a product of an increase in the user base.

We see similarities in the relationships (which are reflected in the proposed generic business model in chapter 8), however, there are also differences which indicate possible activities for competitors to explore (e.g. an increase in the company's product-market scope). We also see that firms are innovating by finding new ways of linking their activities, as there are similar relationships that operate using different enablers.

7.3 Business Model by Activity-System Design Theme

Table 7.8 summarises the common activities in the business models according to the activity-system design themes.

Table 7.8 SME Platform Business Model by Activity-System Design Theme

Novelty	Lock-in	Complementarities	Efficiency-centred
Platform development and mobile design	Users attracted by quality content and technology – switching cost	Offer of complementary products and services	Content generated by users
Events and awards to attract users	User registration to newsletter - switching cost		Tailored content based on user segmentation
Fees from other services	Increase in number of users Customisation of profile - switching cost		Database usage for product/service marketing
Promotion and e-mail campaign service			Referrals from partner websites
Paid online advertising			Partnership creation with banks, government or

private companies

Content generated
by users – novel
governance

Content sharing in
other networks -
novel governance
(Openforum)

Fees from referrals
to partner websites

Common to all cases studied is the search for efficiency in the business model. Web 2.0 technology helps to reduce costs by facilitating the creation of content by users and studies on co-creation (Normann 2001) have emphasised this. A particular example of efficiency in some of the cases is the database exchange as this is a cost-effective way of targeting customers and segmenting in order to tailor content. It is also an effective way of creating partnerships as partners see value in such database.

Referral revenue models are an efficient way to acquire customers, and these are possible due to partnerships. It is also efficient to generate new revenue models by allocating new roles. For example, StartupDonut's service of inquiries to experts, which generates a fee for the company and is based on the network of users that already collaborate with blogs. This also represents a novel form of 'governance'. Novelty is also reflected in the user acquisition and retention strategies where companies innovate ways of attracting visitors. This is usually with the use of social media. Novelty is also present in the use of mobile technology, etc. However, new activities such as Smarta Business School are a good example of novelty. A business model that brings together different types of participants such as the government and SMEs can also be considered as novel, e.g. Smarta's Start up Loans scheme.

Complementarity is understood as the bundling of activities to generate more value (Zott and Amit 2010). The complementarity of products and services offered is attractive to users. However, complementarity can also generate value for partners or sponsors. The government is a sponsor of SME Platforms, and it is part of its job to provide loans, hence making sure the loans reach small companies adds value for it. The number of SMEs reached, through network effects is then attractive to the government.

Regarding the lock-in element, by providing a customised product that users need, like the 'Own version of the Donut' or the Business Builder software from Smarta, users are locked-in. That is, once there is a membership, there are then switching costs and firms will not change easily to another platform.

We see here that the model is highly efficiency-centred and uses strategies to lock-in users. There are many novel activities that reflect new activities and new ways of governing the activities. However, novelty is also about creating new ways of linking the activities (structure).

CHAPTER 8. DISCUSSION

This chapter summarises and discusses the research findings by linking them to existing theory and to the theoretical framework proposed. It begins by presenting the original research questions and discusses the business model both at the market and the firm-level. Based on the activity-system approach, a generic business model for SME platforms is proposed. An important part of the chapter is the synthesis of the different levels of study, which brings insights into strategic group transition and business model innovation.

8.1 Research Questions

The research questions that were presented in Chapter 1 and to which this study answers are:

RQ1. How can Business Model theory and Strategic Groups be used to map out the competitive landscape of SME Platforms?

RQ1.1. How do the UK and US SME Platform markets compare to each other?

RQ2. How can the Business Model concept be operationalized in the context of SME Platforms?

RQ2.1. What does the SME Platform Business Model look like under an Activity-System view?

8.2 Strategic Groups and the Business Model at the Market-level

The analysis of the SME platforms' business models at the market level was possible by grouping platforms into strategic groups. Results showed that there are performance differences within all strategic groups (in terms of unique visitors) and there are no visible patterns in this respect. This is in line with previous literature on strategic groups, which has reported conflicting results in terms of performance (Cool and Schendel 1988). It also suggests that firms within the same group have different business models that explain their success.

The business model framework proposed for the study at the market level (depicted in Fig. 3.1) emphasised three constructs: value proposition, business strategy (with a focus on the revenue model and product market-scope) and Web 2.0 sophistication.

8.2.1 Value Proposition

In terms of value proposition, results indicated that SME platforms who offer both information and networking are the most visited, which reflects an interest from SMEs in networking as reported by Blinn et al. (2009); Michaelides et al. (2010); Bell and Loane (2010); Barnes et al. (2012); Harris et al. (2012) and Meske and Stieglitz (2013). The original expectation was to find more SME platforms with a marketplace and a sales functionality. However, results showed that the most successful business models have value propositions that emphasise the information and networking offering. Some of the social media markets may have exited through acquisitions by larger marketplaces as some platforms lack the sales and marketing know-how, knowledge of regulatory process, established distribution channels and experienced management (Day et al. 2003). Large electronic markets such as Alibaba.com and Manta.com are well established and have therefore generated a trust and prestige among small companies that newly created SME platforms would still have to build. As such, they are in a better position to acquire smaller platforms.

8.2.2 Business Strategy

The business strategy construct was useful to detect differences and similarities among platforms. The revenue model sub-construct highlighted the importance of additional sources of revenue other than just advertising. In particular, the introduction of the ‘revenue model maturity’ concept provided a way to distinguish between platforms that are initially supported by advertising revenue models and those which incorporate different revenue models as they start growing (Hagiu and Wright 2011). The ‘revenue model maturity’ concept is therefore relevant, as it highlights the level of business model innovation (in terms of new revenue sources) that is taking place in the market. Results from the business model analysis (Table 5.2) indicated that the subscription only model is dated as SME users are now more accustomed to free products. This is in line with the idea that new revenue models are needed to survive as users get used to free products and services (Teece 2010), and also confirms the relevance of the ‘revenue model maturity’ concept.

In terms of product-market scope, most of the SME platforms under study have a broad product-market scope. This is to be expected as most SMEs regardless of the sector they belong to share the same concerns and needs, hence the scope of information offered is not limited to any given market (due to increasing globalisation and rapid diffusion of information) (Etemad et al. 2010). As a result, such a sub-construct did not reveal important differences for the strategic grouping.

8.2.3 Web 2.0 Sophistication

In terms of Web 2.0 sophistication, the SME platforms studied differ in their use of Web 2.0 technology. Most of the platforms facilitate the generation of content by users (see Appendices C and D) although some are more active in this respect, for example, those that incorporate discussion fora. This could be explained by the prestige which can be generated when contributing frequently within a closed audience. Users contribute as they want to connect with people, to self-express and to receive recognition and prestige for their work (Vickery and Wunsch-Vincent 2007). The fact that some platforms have limited user generated content in blogs means that this feature has limitations, despite literature that considers blogging as a social networking tool (Vickery and Wunsch-Vincent 2007).

In terms of interactivity, the use of interactive tools and modifiable content is low. While the former can represent an area of opportunity for SME platforms to offer additional features, the latter may have further implications in terms of its usefulness for the interactivity concept itself. That is, wikis are considered an ideal tool for collaborative editing, as others can contribute to someone else's content, extend it and correct it (Schaffert 2006). However, this may not be applicable to all contexts, such as busy SME owners.

Overall, the framework constructs and sub-constructs proved to be useful for the classification of SME platforms. The general pattern across strategic groups however, is that the more advanced the website is in terms of Web 2.0 technology to manage content and communication, the more sophisticated it is in terms of sources of revenue. This is visible in Table 5.2 where many platforms under study score high both in revenue model maturity and Web 2.0 sophistication. There are few exemptions to this pattern and they mainly correspond to American SME platforms. This means that the most successful companies that attract with interesting and

relevant content continue to develop and monetise their online users by selling additional products and services.

A closer look into the platform's business models at the firm level is required to understand how that emerging model works.

8.2.4 Taxonomy of SME Platforms

The identification of five strategic groups facilitated the development of a taxonomic model of SME platforms, which was confirmed in two markets. Table 8.1 summarises the proposed strategic groups based on results from both markets under study.

Table 8.1 Taxonomy of SME Platforms Business Models

Strategic Group	Strategic Group Name	Value proposition	Web 2.0 sophistication	Revenue Model Maturity
SG1	<i>Information Laggards</i>	Information	Very Low/Low	Low
SG2	<i>Basic Networking</i>	Information and Networking	Moderate	Low to Medium
SG3	<i>Advanced Networking</i>	Information and Networking	Moderate to Very High	Low to High
SG4	<i>Advanced Networking Mature</i>	Information and Networking	Moderate to Very High	High
SG5	<i>Social Media Markets</i>	Information, Networking and Sales	Moderate to High	High

The elements of value proposition, business strategy and Web 2.0 sophistication proved to be useful to categorise platforms and to provide an overview of the SME platform market. The relevance of identifying business models in a market is the identification of approaches that are emerging and may constitute a 'role' model (Baden-Fuller and Morgan 2010).

8.2.5 The UK and the US Markets

Results showed that the statistical distribution of SME platforms in both markets is skewed with a small number of large companies attracting most of the users. This reflects a high level of market concentration and this effect is higher in the US market (where three platforms are the leaders). The percentage of SME platforms with very little usage (represented as negligible in Figures 5.1 and 5.3) is considerably higher in the UK market. This indicates that in the US market firms are either successful in attracting visitors or end up failing, while in the UK many websites are still trying to survive. This suggests that the UK market is at an earlier stage of development.

The market penetration measure showed that there is a large difference in SME platform usage between both countries. The American tradition of entrepreneurship (Reynolds et al. 2002) could explain the higher usage of SME platforms in this market. It is also important to note that in the US, many more platforms are sponsored by the Government and non-profit agencies. This also explains a lack of competition that is reflected by a smaller number of Advanced Networking Mature platforms than in the UK. That is, platforms do not feel the need to evolve to generate other sources of revenue. This responds to the call of Timmers (2013) for more research that takes into account the private and public roles of platforms on which there has been less research.

In terms of the use of Web 2.0 technology, the UK market has a higher share of visitors to platforms with a high degree of Web 2.0 sophistication. This means SME users are attracted by the technology in the platform and that successful platforms invest in technology. Also, data on growth indicated that the Advanced Networking groups (that is, SG3 and SG4) are growing at a much faster rate in the UK. In the US however, there is still an important share of visitors to the Basic Networking group, which is explained by partnerships and ownership, for example, platforms that have

links with the government and give SMEs a voice in policy-making. For other platforms in this strategic group, a successful previous offline presence - such as Nfib.com, which was founded in 1943 and has members since 1988 - can explain its online success. As such, literature that combines *online-offline stories can be useful to understand current business models and whole markets*.

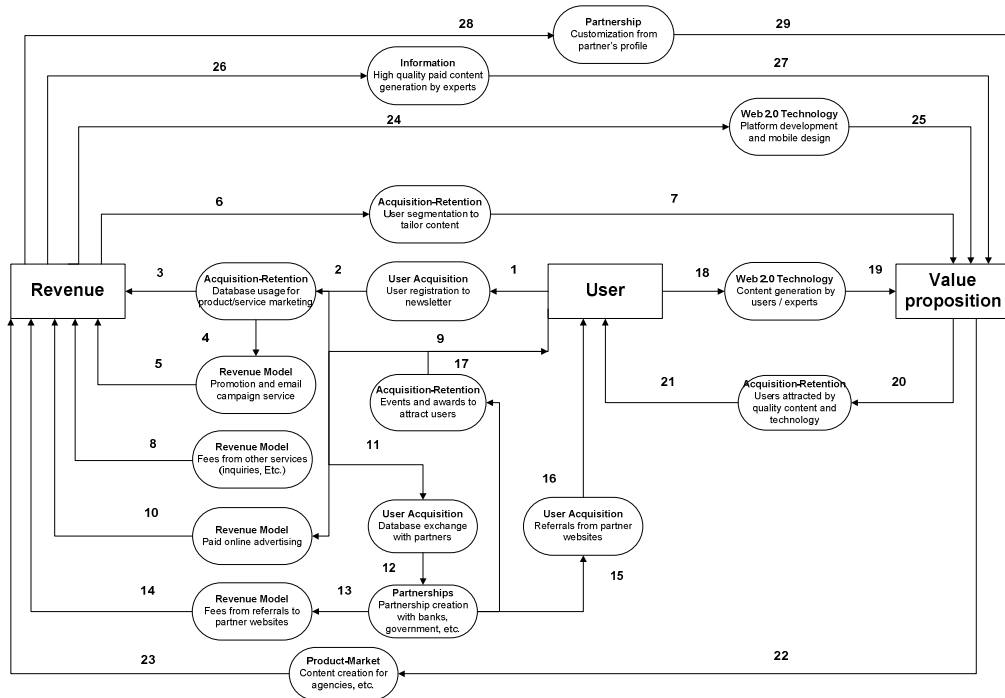
8.3 The Business Model at the Firm Level

Results from the study of the SME platforms at the firm level are based on the study of selected cases. The within-case analysis helped to understand each platform's business model by looking at it as an activity-system. The activity-system approach was a useful way to understand the mechanisms of the business model (Seddon et al. 2004), (Zott and Amit 2010), (Itami and Nishino 2010), (Casadesus-Masanell and Ricart 2010), (Gambardella and McGahan 2010) and also the changes within the system. As such, this approach is useful for the study of business model innovation.

8.3.1 Proposed Business Model as Activity-System

The proposed business model is a product of the cross-case analysis and depicts all the activities conducted by the SME platforms under study. The business model that emerges as a consequence is one where platforms generate different sources of revenue and exploit the network effects that increase the user base in the platform. A representation of the general business model of these platforms is depicted in Figure 8.1.

Figure 8.1 Proposed Business Model as Activity-System



The sequence of activities is detailed below:

1. Users register to receive a newsletter with updates and provide contact details.
2. Registered users are target for a database that is used for complementary product and service marketing.
3. Product and service promotion generate sales of product or service offered and this leads to revenue.
4. The user database is used to offer the service of promotion and email campaigns.
5. The promotion and email campaigns service generate revenue.
6. The user database is used to segment users and to tailor content according to users' profiles.
7. Segmented and structured content is relevant for users and improves the value proposition.
8. Fees from other services (for example, inquiries to experts) generate revenue.

9. The scale of users attracts online advertising from companies willing to pay to be exposed to that audience.
10. Online advertising (for example, through Media Packs) generates revenue.
11. The user database is exchanged with partners who find attractive a rich database to target users.
12. Partnerships are created with banks, government and large companies.
13. Users that visit the platform are referred to partner websites.
14. Fees generated from referrals to partner websites generate revenue.
15. Referrals from partner websites increase the user base.
16. Partners sponsor events that attract users and activities like awards that keep users interested.
17. Events and awards increase the user base as contact details need to be provided to attend.
18. Users generate content through the use of Web 2.0 technology (such as discussion fora, blogs).
19. User generated content is focused and relevant to users, which enhances the value proposition.
20. The value proposition (that is, relevant information and technology) attracts new users and keeps existing users interested.
21. Users attracted by the value proposition increase the user base.
22. The higher quality content and technology (that is, the value proposition) facilitate the expansion of the product-market scope.
23. New activities directed to other markets such as content creation for agencies generate revenue.
24. The revenue generated is invested in platform development.

25. Improvements in the technology of the platform enhance the value proposition for users (for example, mobile responsive design).
26. Revenue is invested in high quality content produced by experts or professionals.
27. High quality content improves the value proposition for the user.
28. Revenue is invested in customising the website and content using partner's data on the user's profile.
29. The customisation of the website and content improves the value proposition.

The advantage of representing graphically the activities and connections within the system is that a linchpin can easily be detected. That is, a key activity that if removed, would stop several activities and cause stress to the system. The user feeding the registration to the newsletter is an example. The relevance of Web 2.0 technology is also clear as we find a 'sub-system' within the activity-system. That is, the right side of the system forms a closed system which links the user and the value proposition. Thus, the business models' micro-mechanisms (Zott and Amit 2010) are better understood through the use of casual maps.

Results also showed that all four design themes of the activity-system approach are reflected in the SME platform business model. Some companies rely heavily on complementarities as the bundling of activities provides more value for the user. The SME platform business model is highly efficiency-centred and uses diverse strategies to lock-in users. Novelty is visible in the model as firms innovate when they allocate different roles to stakeholders (Giesen et al. 2007) (for example, users generate content).

However, there are further opportunities still for SME platforms in terms of novelty regarding new ways of linking the activities (that is, structure) as shown by the construct relationships analysis in section 7.1.1. For example, more firms could expand their product-market scope. There are also opportunities for more user acquisition and retention activities through partnerships. Such activities include exchanging databases with partners, customising profiles and content using partners' data on users and obtaining referrals from partners' websites.

8.3.2 Business Model Framework

This section discusses the business model constructs based on the results from the cross-case analysis and proposed business model.

8.3.2.1 Value Proposition

All the SME platforms under study have Information and Networking value propositions. Entrepreneurs are attracted to this value proposition as they use the platform to amplify their tacit knowledge and convert it into sellable products and services (Maltby 2012). Attractive networking features and interactive content add to the platform's value proposition.

8.3.2.2 Web 2.0 Sophistication

The use of major social media applications such as Facebook, is a common strategy among the SME platforms studied for user acquisition and retention, due to their usefulness for customer interaction in the sales, marketing and support channels (Deloitte 2012). Also, investment in mobile responsive design is common to all platforms under study as the traffic from mobile devices increases. Mobile devices in the UK are more engaging than desktops, accounting for 56% of all time spent on the Internet (ComScore 2015). This is due to the need to deliver faster, be more agile and respond to signals from customers as soon as possible, which is most pressing for SMEs (Marmaridis and Unhelkar 2005). From the website content analysis in Appendices C and D, it is clear that interactive content is very important for SME platforms. This confirms that the interactivity of the platform is an important sub-construct as it is related to customer satisfaction (Zhao and Dholakia 2009).

8.3.2.3 Business Strategy

Product-Market Scope

Most of the SME platforms under study have a broad product-market scope. A change in the product-market scope is an important business strategy. This is in line with Hamel and Prahalad (1989) who find that products that are outside the conventional definition of the leaders' product-market domains can help others launch an strategy of expansion. This was the case with StartupDonut's entrance to the University market.

Revenue models

The SME platforms under study use a combination of revenue models. As platforms start increasing their traffic, it is possible to generate new sources of revenue and innovate (Giesen et al. 2007). New revenue models are also important for the business model to be sustainable (Achtenhagen et al. 2013). For example, the higher the traffic, the advertising revenue model eventually changes to paid advertising, as advertisers value the audience generated in the platform. Hence, *the scale of users is very relevant for the revenue model* and this is discussed into more detail in section 8.3.4. This emphasises the importance of the unique visitor measure for the study of SME platforms.

Acquisition and Retention

SME platforms use referral websites to attract users to their own website. This emphasises the importance of partnerships for the acquisition and retention activity as per the framework proposed (see Figure 3.3). This is different to most business model literature that referred to partnerships as a value chain, useful for gaining resources (Pateli and Giaglis 2004). However, as digital platforms became more popular, business model research recognised the relevance of partners for user acquisition and retention such as the work of Rappa (2010) who refers to affiliate models.

The use and exchange of databases with partners is also a common strategy among SME platforms to acquire and retain users as they facilitate user segmentation that leads to customised content, products and services. This is in line with Brodie et al. (2008) who refer to contemporary marketing practices where database marketing is recognised as an important activity for user acquisition and retention, and recognise that different types of marketing are used in firms. Database marketing is one of the most common strategies and has a special role in marketing (Chaston and Mangles 2003); (Wehmeyer 2005). SME platforms' users come from social media and search engines making the source of visitors to a platform a potential important metric.

Partnerships

The different partnerships with the government, banks or private companies are very important for the SME platform business model. Through partners SME platforms can find a way of offering a new product or service and, have access to other user databases that are useful for acquisition and retention activities. Partners are also a

source of users through referrals or by sharing content and increasing the partner's reach, such as the partnership of Open forum with LinkedIn. Therefore, partners have a key role in the business model (Jacobides and Billinger 2006) and this is reflected in the business model dynamics framework (Fig. 3.3) as one of the mechanisms of growth.

8.3.4 User

The user is vital to the SME platform business model, either as content generator, or as a source of data for the personalisation of content. Mainly, the scale of users is what makes the platform more attractive. LandlordZone is a good example of the relevance of the user in its discussion forum. Users are attracted by the number and quality of users already in the forum. It is also a good example of the importance of scale. The more users there are on the website, the more information content is generated, either directly from users themselves, or from professionally generated content paid from advertising and email database revenues. The on-going generation of new content in the discussion fora and from professional authors also helps to maintain users' interest in the website and therefore improves user retention. This shows clearly a network effect that creates a dynamic growth once the company has reached a particular size. Smarta is another example of an SME platform that has been able to attract important partners such as the government, due to its large user base.

Previous literature has recognised the relevance of the customer. Examples are the work of Teece (2010) and Demil et al. (2015). However, the SME platform business model emphasises the importance of the user itself, whether they become a customer or not. In consequence, the business model dynamics framework proposed in Fig. 3.3 is 'user-centric', where the user base is fed by the acquisition and retention activities as well as the partnerships and network effects facilitated by Web 2.0 technology.

8.4 Business Model Dynamics

The results from the cross-case analysis (see Table 7.7 comparison of constructs relationships by case) brought a deeper insight into the business model dynamics and these are discussed below:

1. Value Proposition to Revenue Model, enabled by Product-Market Scope. SME platforms can innovate by making changes to their product-market scope. This is in line with the idea of Hamel (2000) of the product-market scope as part of the core strategy, where products that are outside the conventional definition of the leaders' product-market domains can help others launch an expanding strategy (Hamel and Prahalad 1989). SME platforms can find a new market niche or create a new product or service, such as the content creation for other agencies that Smarta offers now under yearly contracts or the service of inquiry to experts that StartupDonut offers. As a result, the platform enhances its value proposition as it now offers additional services, which create new revenue streams for the platform.

2a. User to Revenue Model, enabled by Partnerships. SME platforms use partnerships to offer products or services that generate revenue. This is the case of partnerships with the government, which makes possible the 'StartupLoans' scheme of Smarta that generates revenue for the company per loan assigned. The role of partnerships in business model literature is usually related to the resources (in the case of Smarta, loans) partners can provide such as the work of Osterwalder and Pigneur (2002) and Pateli and Giaglis (2004). However, results showed that partnerships are also related to affiliate schemes. As such, value for the company comes from users referred to the website, which are important for revenue generation and they are therefore considered part of a 'value chain' (Yunus et al. 2010); (Moingeon and Lehmann-Ortega 2010).

2b. User to Revenue Model, enabled by Acquisition and Retention. SME platforms use acquisition and retention strategies for marketing purposes; in particular, the use of databases product of user registration to receive a newsletter or to post in a forum. Such data is used for the promotion of products and services that generate sales and are translated into revenue for the platform. As has been pointed out in the literature, database marketing is an important activity for user acquisition and retention part of contemporary marketing practices (Brodie et al. 2008).

3. Value Proposition to User, enabled by Acquisition and Retention. A value proposition can be supported by acquisition and retention strategies that help to attract more users and this was true in all SME platforms under study. For example, Nolan et al. (2007) recognise the value of offering face to face networking for SMEs.

Smarta is an example of how by offering networking events like the awards for successful SMEs, the user base was increased. Other acquisition and retention strategies are presented in detail in Table 7.1.

4. Revenue Model to User, enabled by Acquisition and Retention. This was visible in LandlordZone's model where offline acquisition and retention activities take place. That is, part of the revenue is invested in offline activities that can increase the user base. Although there is no data that confirms this for the other cases, it is to be expected that the other four SME platforms also invest in similar offline activities such as tradeshow. This shows how SME platforms can use a variety of marketing strategies, which in line with the work of Brodie et al. (2008) who find that interaction marketing (that is, face to face interaction with the customer) is used in combination with e-marketing.

5. Partnership to User, enabled by Acquisition and Retention. Results indicated that the SME platforms under study exchange user databases with their partners. This is different from the traditional 'infomediary' model described by Rappa (2010) where companies sell data to other companies. This confirms again the importance of database marketing as part of contemporary marketing practices (Brodie et al. 2008) and emphasises the role of partnerships for data exchange. This is in line with the work of Shaw (2007) who recognises the role of partners for data flow.

6. User to Value Proposition, enabled by Web 2.0 sophistication. This relationship refers to the user generated content and the networking possible through the use of Web 2.0 technology. The work of Normann (2001) on collaboration recognises the role of this user for content generation and networking in the new economy (that is, with the use of Web 2.0 technology).

7a. Revenue Model to Value Proposition, enabled by Web 2.0 sophistication. SME platforms invest part of their revenue in technology as a more sophisticated website can generate more information and networking opportunities (based on the Web 2.0 and user generated content intensity) and enhance the value proposition, which was true in all cases under study. This is in line with research that finds that elements such as interactivity are important as they relate to customer satisfaction (Zhao and Dholakia 2009) and therefore keep users attracted to the platform, thus enhancing the information and networking value proposition.

7b. *Revenue Model to Value Proposition, enabled by Acquisition and Retention.* This relationship refers to the investment in data segmentation activities in order to tailor content and target users for product and service promotion. Brodie et al. (2008) recognize the relevance of database marketing and this is a common activity in SME platforms.

7c. *Revenue Model to Value Proposition, enabled by Partnerships.* Open forum is a particular example of this activity as segmentation and tailoring is possible due its partnership with LinkedIn. The work of Graham et al. (2014) is relevant here as it recognises the value of partners for content marketing activities.

Summary

The SME platform business model dynamics framework emphasises the importance of the following constructs as ‘enablers’:

1. *Web 2.0 Sophistication.* LandlordZone is a good example where the discussion forum generates network effects. As users find the user generated content and the opportunity to network with others useful, they find the value proposition interesting and remain interested in visiting the platform. This finding is similar to the work of Harris et al. (2012), Brodie et al. (2008), Michaelides et al. (2010) and Kim et al. (2011) who recognise the importance of networking for SMEs. The Web 2.0 sophistication construct includes other elements such as interactivity and additional technology. Hence, the increase in the user base is a combination of those elements that make the platform attractive and this has not been approached in previous literature in the same way.
2. *Acquisition and Retention.* The results confirm the relevance of the acquisition and retention sub-construct, which has been addressed only partially in the business model literature by most researchers referring to a ‘customer relationship’ such as the work of Weill and Vitale (2001); Applegate (2001); Linder and Cantrell (2001); Osterwalder and Pigneur (2002); (Osterwalder and Pigneur 2002). The activity system approach is very useful in this respect as it focuses on the acquisition and retention

activities themselves and it is possible to see their effect in the dynamics of the model.

3. *Partnerships*. The importance of partnerships relies on the facilitation of the creation of new products and services, for affiliate schemes and for database exchanges. In particular, the relevance of data for business models is one that is emphasised by this model and is similar to the work of Shaw (2007). However, there is still opportunity for more research to be conducted that shows the relevance of data for the business model.
4. *Product-Market Scope*. The product-market scope is key as it enriches the value proposition and helps to generate new revenue streams. The relevance of the product-market scope has been recognised by Hamel (2000) and Porter (2001) (as 'niche marketing'). Results showed how changes in this sub-construct can help a company innovate, therefore it is useful for studies on business model innovation.

The dynamics in the model are also explained by network effects. Network effects derived from the increase in the number of users, increase the value of the platform (Shapiro and Varian 1999b) for the rest of the users and for other stakeholders, such as advertisers and sponsors. Smarta is a good example of how these dynamics work. The more users in the platform, the more attractive it becomes for the banks who sponsor it. It also encourages the government to keep sponsoring the SME funding scheme that Smarta offers. Smarta was sponsored by banks at its beginning, however it was only when it reached an important scale of users, that the partnership with the government began. As such, a new partnership was created and a new source of revenue was generated, innovating its business model. This is similar to the ideas on business model innovation from Giesen et al. (2007) presented in chapter 2 of this thesis, which stresses the importance of user scale to facilitate innovations.

In short, we learn that a user-centric framework is appropriate for the study of SME platforms' business models. Examples include the activities that derive from user registration to a newsletter and those that help generate more revenues sources. The investment from SME platforms in technology is also focused on the user (that is, personalising the website or working on mobile responsive design), which confirms the relevance of the user as part of the business model. This is different to previous literature on Web 2.0 technology that has considered the user as a content generator

and important for collaboration (Normann 2001) whereas the business model dynamics framework stresses the user scale as an important feature of the business model due to network effects.

8.5 Business Model Levels of Analysis

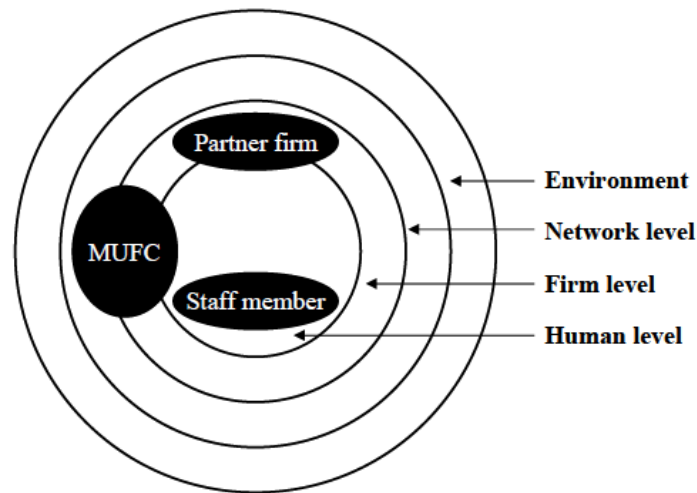
The study of business models at different levels is not entirely new. Hedman and Kalling (2003a) were some of the earliest to refer to different levels of study. More recently, there has been research that considers the relevance of the business model ecosystem. An example is the white paper from the University of Cambridge and University of Exeter released last year. Such work refers to customers and stakeholders as part of the business model ecosystem. That is, firms are increasingly collaborating with customers, suppliers, and even competitors to drive innovation and growth, and –in doing so, they transcend traditional industry boundaries (Velu et al. 2015). An ecosystem exists when firms are dependent on one another to achieve a common goal; ecosystems often display both cooperation and competition (co-opetition) among partner firms. Therefore, the methodology used in my thesis can be useful for the study of business model ecosystems and mapping the competitive and cooperative landscape of firms.

This white paper emphasises the increasing need to understand how firms need to operate within ecosystems and find new ways for actors to create and capture value within them as the business model is increasingly seen as a mechanism that spans the boundary of the firm and includes other stakeholders (Velu et al. 2015). The business model also lies at the intersection of understanding technologies and how they could be linked within an ecosystem of customers and stakeholders, through a variety of value creation, delivery and capture mechanisms (Velu et al. 2015). The incorporation of the user in the proposed model in this thesis is then relevant for current research on business model ecosystems as it is vital to understand the link between technology and actor (in this case the user) to create and capture value, for example, the user generating content and that content attracting more visitors to the platform.

Another important contribution in regards to the different levels of study of business models is the work of Shaw (2007) who uses business process modelling and systems concepts to develop a multi-level model of network operation. In his work,

Shaw (2007) models the flow of commercial value through the network and recognises the multi-level nature of inter-firm business processes. Using a case study of Manchester United Football Club (MUFC), he studies the different levels of the commercial system. Figure 8.2 depicts the hierarchical representation of the MUFC's commercial system.

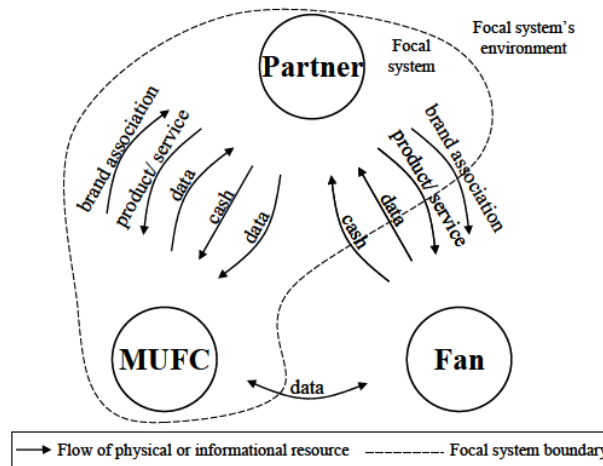
Figure 8.2 Hierarchical Representation of the MUFC Commercial System (based upon Wilby, 1994)



Although Shaw (2007) does not refer to the business model of the football club as such, his work is relevant as it confirms the different levels of study of business processes and the interactions between them. A human level is added to this system, which is represented by the staff. Under this view, there is an inter-level behaviour as there are phenomena which cross levels such as business processes that coordinate service and process composition as well as develop the network and evolve.

There are similarities in the business model framework proposed in this thesis with the multi-level vision in the MUFC value flow system (see Figure 8.3).

Figure 8.3 The Value Flow System of United's Process Network



For example, the role of the fan (Houser and Wooders) and its relationship with the MUFC (firm) is emphasised here in terms of data flow, similar to the databases that help SME platforms shape their value propositions and acquisition and retention strategies. Another example is partnerships such as with Nike, which manages the MUFC's stadium mega store. In this case, the flows go in different directions between partner and MUFC (firm) and between Nike (partner) and fan (Houser and Wooders) and there are different exchanges. An example is the revenue that the fan generates for the partner in exchange of a product or service. This is similar to the role of partners in SME platforms who facilitate data exchanges, the generation of complementary products and services and new revenue sources.

The activity-system approach is also visible in Shaw's framework as value is considered the quality that is exchanged, the compensation for effort, or the production in return that relates the 'activities' of one firm to those of another and to those of a fan (Shaw 2007).

Overall, we see a trend in recent work on business models where the importance of data flow and the study of ecosystems seem to be key to understand better the reasoning behind business models and business model innovation.

8.5.1 Strategic Group Transition

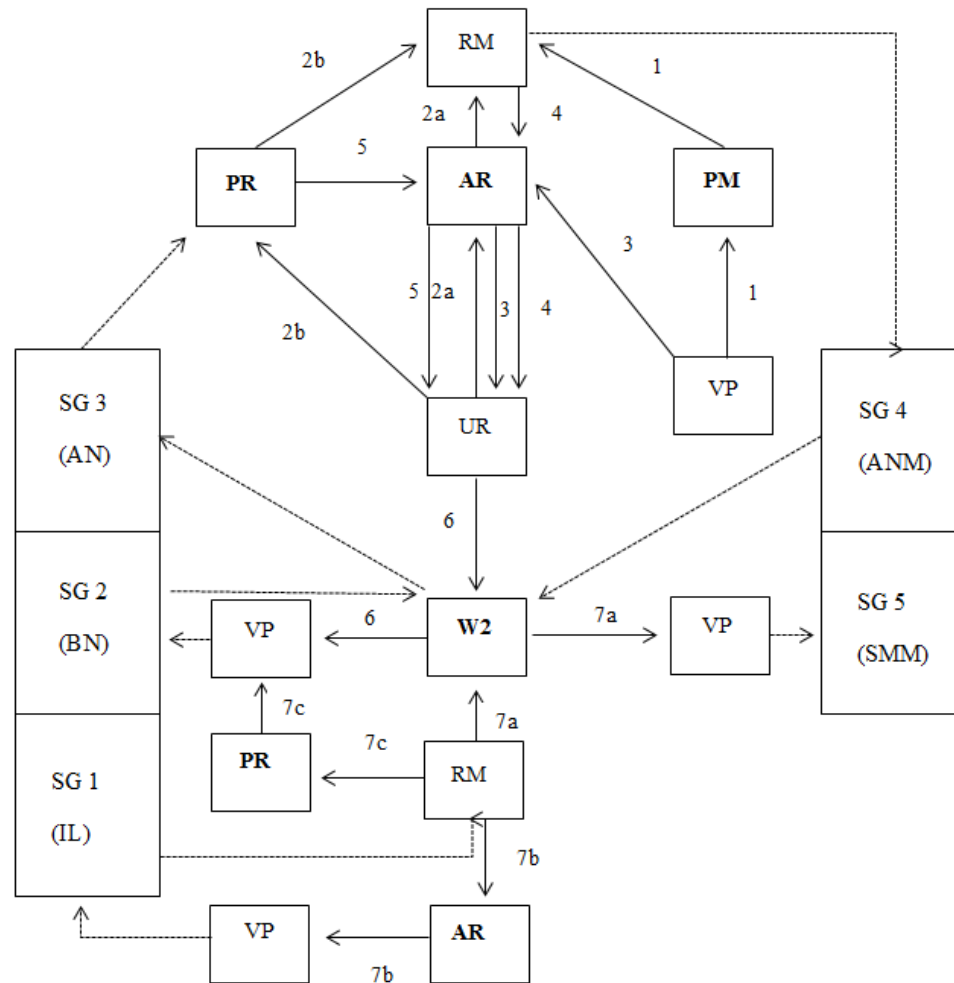
The synthesis between the different levels of analysis of the business model leads to strategic group transition. The findings of my research suggest that there are key ‘enablers’ of interrelationships in the business model. That is, platforms innovate their business models through certain key activities and, as a result, manage to move to another strategic group. These can also be considered as mobility barriers as an inability to innovate key activities stops platforms from moving to another strategic group.

Mobility barriers deter movement between groups because of substantial cost, a significant lapse of time or uncertainty about the outcome (McGee and Thomas 1986). Results from the business model analysis (Table 5.2) suggest that there are additional reasons that deter such movement, such as *ownership*. The relevance of public/private ownership has been recognised by Timmers (2013).

From the firm level business model analysis, there are also detailed activities that some platforms fail to perform and that stop them from belonging to another strategic group. Results showed that SME platforms can evolve and belong to a different strategic group through mechanisms that increase the user base. This is because a rich user base is attractive to other parties and can facilitate the creation of new products and services, and in consequence, the creation of new sources of revenue. Other mechanisms to move to a different strategic group rely on investing in technology or on enhancing the value proposition.

The business model mechanisms required to achieve strategic group transition are presented in Figure 8.4.

Figure 8.4 Mechanisms for Strategic Group Transition



The abbreviations for the diagram are as follows:

SG	Strategic Group	VP	Value Proposition
UR	User	RMM	Revenue Model Maturity
AR	Acquisition-Retention	W2	Web 2.0 Sophistication
PR	Partnerships	PM	Product-Market Scope
BN	Basic Networking	AN	Advanced Networking
ANM	Advanced Networking Mature		

The figure shows the mechanisms required in order to move from one strategic group to another. The upper part of the figure shows the transition from strategic group SG 3 to strategic group SG4 and it is visible how the user scale plays a very important role in it. The figure also highlights in bold the enablers that were identified in section 8.4. The specific changes between groups are explained below:

1. A change from strategic group 1 SG1 (Information Laggards) to strategic group 2 SG2 (Basic Networking) is based on the incorporation of more Web 2.0 technology (W2) that brings networking features and increases the value proposition (VP). Users (UR) add to the value proposition (VP) generating content and by increasing the networking opportunities. This corresponds to the attractive networking features and interactive content that the dynamics framework (Fig. 3.3) proposed. It also corresponds to the interrelationships number 6 and 7a (Table 7.7) as the investment (RM) in Web 2.0 technology (W2) can make possible the transition.

Some SME platforms however, may not have the intention to move to strategic group SG2 due to their ownership scheme. For example, results from the UK market indicated that some SME platforms in SG1 are government owned and their main objective is to inform citizens rather generating a community.

It is also questionable if the level of innovation in the US market is being hindered by the ownership of the platforms. While government and some non-profit platforms still invest on technology, the market seems to have been overtaken by a ‘strategic innovation’ (Davies and Weeks 2004). That is, the rules of the game may have changed and very specialised content to which only government related platforms have access may be the most demanded. Hence, *public/private ownership may be a factor that inhibits strategic group transition and hence, constitutes a mobility barrier*. Previous literature on electronic markets recognised the relevance of ownership for online success, such as the work of Wang and Archer (2007). Results from my study add to this literature by recognising the importance of ownership for business model innovation and strategic group transition.

NIBusinessInfo is an example of an SME platform in SG1 (Information Laggards) that provides high quality content and has developed partnerships (PR) with other government units who produce some of that content and enhance its value proposition (VP). Therefore, *partnerships can play a key role in the transition to*

SG2 (Basic Networking) in addition to technology. This corresponds to the growth by key partnerships that the dynamics framework (Fig. 3.3) proposed. It also corresponds to the interrelationship number 7c (Table 7.7).

An increase in the value proposition (VP) is also possible by investing (RM) in acquisition and retention (AR) activities. This corresponds to the interrelationship number 7b (Table 7.7) and to the interactive content (and high quality one) in the dynamics framework (Fig. 3.3) proposed. Investment in data segmentation activities makes possible the offering of tailored content and therefore, enhances the value proposition.

2. A change from SG2 (Basic Networking) to strategic group SG3 (Advanced Networking) would imply an investment in more networking technology (W2) to enhance its value proposition (VP). Similar to the point above, this corresponds to the growth by key partnerships that the dynamics framework (Fig. 3.3) proposed. It also corresponds to the interrelationships number 7a (Table 7.7). However, having a discussion forum that works can be challenging and it may be more convenient to become a partner of a platform that already has the technology. Businesszone.co.uk is a good example of this, working in partnership (PR) with Ukbusinessforums.co.uk. SME users who want a higher level of networking are directed to the discussion forum. Hence, *partnerships can also be key for transitions to SG3*. This corresponds to the growth by key partnerships that the dynamics framework (Fig. 3.3) proposed. It also corresponds to the interrelationship number 7c (Table 7.7).

Some other platforms may not want to evolve as their already established audience offline simply migrated to the digital environment. This is the case of Inc.com in the US, which started as a magazine and is well known among SMEs and aims to provide high quality content. This means that *offline history can also be a factor that determines strategic group transition*. However, further studies are required to confirm this.

3. A movement from SG3 (Advanced Networking) to strategic group SG4 (Advanced Networking Mature) is desirable as this would indicate that more sources of revenue have been created. Only ownership (for example a non-profit agency) would explain why evolving to SG4 would not be of interest to a platform and this was covered in

the points above (that is, a lack of motivation to move from SG1 to SG2 or to SG3). The ways to create new sources of revenue (RMM) are diverse:

- An increase in the product-market scope (PM) that enhances the value proposition (VP) and can generate a new source of revenue (RM). This corresponds to the interrelationship number 1 (Table 7.7). This is possible through the creation of new products and services and this is reflected in the dynamics framework (Fig. 3.3) proposed.
- An increase in the user base (UR) via acquisition and retention (AR) that can generate a new source of revenue (RM). This corresponds to the interrelationship number 2a (Table 7.7). That is, the possibility to attract more users to a platform makes it possible to have additional revenue streams (RMM). This is because the platform becomes attractive to advertisers and partners. See network effects in the dynamics framework (Fig. 3.3) proposed.
- An increase in the user base (UR) via partnerships (PR) that can generate a new source of revenue (RM). This corresponds to the growth by key partnerships (PR) that the dynamics framework (Fig. 3.3) proposed. It also corresponds to the interrelationship number 2b (Table 7.7). An example of this is the Smarta's partnership with banks who already own an extensive user base. At the same time, some of those partners (PR) may use referrals to increase their user base (UR). This is an acquisition and retention (AR) activity that corresponds to the interrelationship number 5 (Table 7.7) and is represented as growth by acquisition and retention in the dynamics framework (Fig. 3.3) proposed.
- An increase in the user base (UR) can also occur via an investment (RM) in acquisition and retention (AR) activities. This corresponds to the interrelationship number 4 (Table 7.7).

4. The transition from SG3 (*Advanced Networking*) or SG4 (*Advanced Networking Mature*) to strategic group SG5 (*Social Media Markets*) would require an investment (RM) in sales technology (W2) in order to change the value proposition (VP). This corresponds to the interrelationship number 7a (Table 7.7).

However, results at the market level of analysis suggest that the sales functionality is not commonly offered by SME platforms and therefore, the case studies part of this

study excluded Social Media Markets. SMEs rely on face to face networking and eventually switch to online networking, once trust is generated in the platform (Lockett and Brown 2006). They may also need first to generate trust by creating a strong online community of SMEs that share knowledge, before engaging in a marketplace (Day et al. 2003), (Lockett and Brown 2006), (Nolan et al. 2007). As such, the dynamics framework (Fig. 3.3) proposed refers to attractive networking features and interactive content and not to sales opportunities.

The most challenging change is probably the evolution in the level of revenue model maturity (RMM), which means developing more revenue sources beyond advertising. Therefore, *transitions from one group to another require firms to innovate their business models*. They may benefit from new partnerships, new markets (Giesen et al. 2007) and from investing in other activities as firms' investments in entry barriers play a role in defining and differentiating groups (Porter 1979). Results also suggest that *competition (as in the case of private platforms) has implications for business model innovation in terms of generating new sources of revenue*. This is in line with the work of Hedman and Kalling (2003a) and Casadesus-Masanell and Ricart (2010), who stress the importance of competition for business model studies. Overall, we see that ownership is an important factor to be taken into account for further research and this is addressed in the following chapter.

CHAPTER 9. CONCLUSIONS

This chapter presents the theoretical and methodological contributions of this research. It highlights the different practical implications derived from the study and the lines for future research are outlined together with the limitations of the study. A summary of the main contributions of the study is also part of the chapter.

9.1 Theoretical Implications

9.1.1 Strategic Group Theory and Taxonomy

The business model concept has been differentiated from strategy arguing that it is the strategy and not the business model that has competitive implications (Magretta 2002). However, business models are connected to competitive advantage (Hamel 2000); (Amit and Zott 2001); (Zott and Amit 2007) and there is a strategic interaction between models (Casadesus-Masanell and Ricart 2010). Therefore, if we want to study a market, the competitive dimension is important (Jacobides and Billinger 2006). This thesis is an example of a business model market level of analysis, which used strategic group theory to provide a view of the competitive landscape of SME platforms.

Therefore, the first contribution of this thesis is to strategic group theory. The effectiveness of its application to identify distinctive strategic groups in a social media context was demonstrated. This constitutes a novel approach able to make sense of what is very difficult and complex online market data (Gutierrez-Leefmans and Holland 2015). Therefore, despite criticisms of *strategic group theory it continues to be a useful way to map an industry* (Leask 2007).

Earlier taxonomies of electronic commerce business models were based on degrees of integration and innovation (Timmers 1998) or on value generation and network cooperation (Zheng 2006). More recently, Rappa (2010) summarises the most common web based business models though it does not constitute a taxonomy itself. The taxonomy derived in this thesis is based on degree of Web 2.0 sophistication, value proposition and revenue model maturity. The value proposition proposed simplifies the Web 2.0 classification of Wirtz et al. (2010) that considers content,

commerce, context and connection. The proposed dimension of ‘revenue model maturity’ differentiated the degrees of revenue generation by platforms. This provided a view of how dependent a platform can be on a single revenue source or how sophisticated it can be in term of revenue sources and this is a new approach that helps to map out the ‘strategic landscape’ of SME platforms in two different markets. It also started to indicate how revenue models can relate to other constructs (such as Web 2.0 sophistication and value proposition).

The Web 2.0 sophistication analysis was defined as innovative by reviewers from the *International Journal of Electronic Commerce*. This scale defines different degrees of Web 2.0 sophistication based on the sub-elements of user generated content, interactivity and additional technology as all three are necessary to assess platforms (Gutierrez-Leefmans and Holland 2016). For example, taking into account that mobile technology is important to SME users as, by definition, they do not have the luxury of time and money which bigger firms do (Van Akkeren and Harker 2003). This view of Web 2.0 differs from previous classifications that have been limited to the description and use of different social media technologies (such as blogs, social networks, etc.) such as the work of Kaplan and Haenlein (2010) and Turban et al. (2011) or which have focused on the user generated content to describe models such as open innovation (Chesbrough and Rosenbloom 2002) or crowdsourcing (Kazman and Chen 2009). The scale is useful to differentiate between websites and can be used for further studies. Firms share similarities in terms of their use of Web 2.0 technology and this helps as a beginning to their classification.

The main theoretical contributions of this study are however to business model theory.

9.1.2 Business Model Theory and the Activity-System Approach

This study contributes to business model theory in different ways. There are contributions derived from the study of SME platforms at both the market level and the organisational or firm level, which sees the model as an activity-system.

At the market level, a contribution derived from a comparison of the UK and the US markets is the relevance of ownership for business models and this was confirmed in the firm level of analysis. In the US there is still an important share of visitors to the Basic Networking group that is explained by ownership. That is, platforms with

strong links with the government that give SMEs a voice in policy-making achieve a high number of visitors. It remains to be seen whether or not the *level of innovation in the US market is being hindered by the ownership of the platforms*. While government and some non-profit platforms still invest on technology, the market seems to have been overtaken by a ‘strategic innovation’ (Davies and Weeks 2004). That is, the rules of the game may have changed and very specialised content to which only government related platforms have access may be the most demanded. This emphasises the need of business model studies that look into public and private digital platforms as suggested by Timmers (2013).

This level of analysis also highlighted how a platform with a successful previous offline presence (for example, Nfib.com founded in 1943 and with members since 1988) may have an influence on its current business model. However, further research needs to be conducted to confirm this.

9.1.2.1 The Business Model at the Firm Level

We used multiple case studies to analyse the business model constructs and their interrelationships in order to add methodological rigor and increase the validity of the framework constructs (Eisenhardt 1991). The business model framework proposed at the firm level emphasises the central role of the user. Although the relevance of the customer is recognised in literature (Demil et al. 2015); (Coombes and Nicholson 2013); (Morris et al. 2005); (Hedman and Kalling 2003a) the user - who may or not become a customer - is not commonly found in business model frameworks. Many current business models rely on the user. For example, Skype has a business model where users can be customers at the same time (that is, use it for free but occasionally buy credits for calls). However, it needs a large number of users to assure good calling quality and there is no cost for adding additional users (Osterwalder et al. 2015). The scale of users also attracts different stakeholders. The more users are attracted, the more interesting the platform is for advertisers. Consequently, there are demand side network effects (Shapiro and Varian 1999b) and this is visible in SME platforms. Consequently, *the scale of users is very relevant for the operationalisation of the model*.

Indirect network effects are also generated as complementary products and services increase their demand. This brings opportunities for studies that use big data to

detect both partners and competitors. The scale of users can also determine the size and quality of a potential partner and this is an interesting area for further research.

Literature on value networks has stressed the link between partners and resources. However the relevance of partnerships for user acquisition and retention is particular to digital platforms and this has important implications for digital marketing. Hence, although the Innovation, Strategy and Entrepreneurship disciplines have dominated the study of business models (Demil et al. 2015), the Marketing discipline can bring insights into user-centric business models. This also has *important implications for performance measurement*, that is, companies with digital business models can rely on the number of unique visitors as an initial measurement of success. Other related potential measurements are the Google ranking (that is, organic search leading to visitors, etc.).

Unlike previous research the business model framework presented here emphasises the importance of the user. This is recognised by Ehret et al. (2013) who finds that the relevance of the customer is still overlooked in the literature and only recently has academic literature started to place the customer at the centre, see for example the work of Osterwalder et al. (2015) on value proposition design. This calls for more studies that take into account the proposed construct of user acquisition and retention and for more studies on business models from a marketing perspective. This thesis therefore contributes to business model literature by emphasising the construct's relevance to the understanding of digital business models. As a result, we see a user-centric business model where the user base is nourished by the acquisition and retention, partnerships and network effects facilitated by Web 2.0 technology. The way this operates is better understood by viewing the model from an activity level.

The theoretical framework for the study of SME platforms business models from a firm-level perspective provided insights into common strategies that firms are following. Here, we see *a pattern emerging of an SME platform that focuses on offering information and networking, has a broad product-market scope and a variety of revenue models* that include advertising and sales of products and services. This has important implications for content marketing literature and emphasises the importance of the scale of users for platform development and innovation.

9.1.2.2 The Business Model as Activity-System

This research provides an example of the business model as an activity-system. It was shown that this approach is *useful to uncover the mechanisms through which business models operate*. By looking at the activities based on Zott and Amit (2010) design themes, it was also possible to detect areas of opportunity for firms. For example, based on the activity-system, the construct relationships analysis showed that partnerships are key to user acquisition and retention.

The operation and dynamics of the business model were represented with an activity system where activities feed each other and the final consequence, the revenue, is reinvested in the platform to keep it operating. This is in consonance with the idea that business models often generate virtuous cycles, feedback loops which strengthen some components of the model at every iteration (Casadesus-Masanell and Ricart 2010). By uncovering the mechanisms through which SME platforms' business models work and *translating the framework elements into 'actions'* as suggested by Sosna et al. (2010), the value of the activity-system approach was demonstrated. An example is the acquisition and retention construct part of the business strategy. While most frameworks refer to the crucial importance of the commercial relationship with customers (Weill and Vitale 2001); (Afuah and Tucci 2000); (Seddon et al. 2004), in an activity-system approach the interest is in the activities that will lead to a consequence. The acquisition and retention construct focuses on the actual strategies to acquire and retain customers rather than on the customer relationship itself.

Previous literature has acknowledged the value of the activity-system approach. For example, Smart et al. (2009) suggests an 'activity-based' approach, whereby an organisation's value creation activities are codified using a new ontology. That is, it is possible to identify the primary 'task' and 'type' of value creation activities in a business model (Smart et al. 2009). This approach is useful and is better understood by using casual maps, where the flows from one activity to another are clearly represented. The causal maps used to represent the SME platforms' business models, help to represent the activity-system where the links to an activity and their direction strengthen it and as a result, the relevance of the construct.

9.1.3 Levels of Analysis and Business Model Innovation

There is already considerable literature on ‘start-up’ business models (Demil et al. 2015), hence this research contributes with a study that shows how established firms operate and innovate.

Although the different levels of analysis of the business model have been recognised in literature, such as the work of Hedman and Kalling (2003a) who suggest a theoretical framework (see Figure 2.5), there is little empirical research on business models taking this approach. As firms innovate in their business models, so does the industry itself. According to Porter, asymmetrical strategic groups cause the industry to have more rapid innovation, lower prices, higher quality and lower profitability than traditional economic models would predict (Porter 1981). This means that the novelty in different forms found at the firm or activity-system level, also impacts on the degree of innovation in the market. Business model innovations can reshape entire industries and redistribute billions of dollars in value (Johnson et al. 2008). The causal maps used can be considered as the link between the market and the firm level of analysis. That is, the market structure is explained by the firm-level activity *as changes at the firm level activity can lead to strategic group transition, which in turn can change the market structure.*

Innovating in new structures, that is, in ways of linking activities as was shown through the activity-system models, demonstrated that in agreement with Chesbrough (2007), technology on its own is not enough for the business model to evolve. Moving from a strategic group to another, for example from strategic groups SG3 to SG4 also requires changes to the business strategy element of the business model; in this case, through the creation of new revenue streams. *The dynamics of the business model are better understood through an activity-system approach, and so are the implications the model has for the market.* It is important then to consider the inter-play between firm-level and industry-level characteristics in explaining the dynamics of strategic groups (Schimmer and Brauer 2012).

The above is related to the concept of mobility barriers. Mobility barriers are deterrents to a shift in the strategic position of firms within an industry, deterrents that give some firms stable advantages over others (Porter 1981). The ‘enablers’ in the constructs relationship analysis of my study constitute mobility barriers. Not

having the Web 2.0 technology or the partnerships that other platforms do represents a disadvantage within any attempt to move to another strategic group. Likewise, there may be acquisition and retention activities outside the scope of an SME platform, which would therefore constitute a mobility barrier. The relevance of the mobility barrier concept is that it constitutes a starting point for the dynamic modelling of industry evolution (Porter 1981).

9.2 Methodological Contributions

This research provides an example of how the business model concept can be applied to study a number of SME platforms rather than merely one or two websites. The use of online panel data (OPD) to measure the relative size of a number of websites enabled us to distinguish between those websites that have been successful and those that have been unsuccessful or are possibly in their very early stages of development, where the online user base is taken as a surrogate measure of success. This constitutes an *empirical contribution based on the novel extraction of data from ComScore*. In total, a sample of 144 SME platforms was taken, and of these, the business models of 32 platforms were studied further. This approach is relevant as it facilitates the study of platforms at market-level as opposed to applying the business model concept at firm-level, which is what most previous research has done. The subsequent qualitative study of 5 platforms is on a minor scale, however it served the purpose of looking in more detail at the platforms' business models and it is different to the analysis of a single case study, which is also common in business model literature.

The number and growth of unique visitors to a website is a powerful measure as SME platforms business models rely on the scale of users. Due to the user-centric nature of this business model, an increase in the number of users would indicate success. This has important implications for performance measurement. Despite this, studies that use OPD for research are scarce and academic research may have underestimated the relevance of this type of data. The use of panels has mainly focused on studying consumer purchasing behaviour (Ehrenberg and Goodhardt 1979); (Holland and Mandry 2013). Holland and Gutierrez-Leefmans (2013) start relating the use of OPD to strategy by removing the firm size effect and showing that smaller competitors have an online attacker advantage over the large firms. Hence, *the analysis and interpretation of OPD can be considered a novel methodology*. It

provides information on market structure, performance and growth, which are useful measures for strategy studies. The combination of these measures provided an overview of the SME platform markets which can be used for further studies.

Strategic group analysis is indeed a useful way to map an industry (Leask 2007) and studies that pursue a competitive approach can rely on this methodology. It is also useful to generate taxonomies that inform on market structure. The use of multiple case studies also provided insights into the similarities between platforms. Eisenhardt's multiple case study methodology helped to create better constructs. For example, it was possible to confirm that throughout the cases selected, Web 2.0 technology is an enabler of value propositions, which gave validity to the construct. The construct relationships analysis based on the activity-system view, helped to highlight the enablers of certain activities and it started to indicate the mechanisms of change within the model, clearly therefore this approach can bring important insights into business model evolution.

The methodologies mentioned before are well known and their combination generated the desired view at different levels of the business model. Therefore, the *benefits gained from doing large-scale data analysis of two whole markets and then detailed case studies were demonstrated*. The different units of analysis provided more explanatory power on the “generative mechanisms” that produce the tendencies observed. This corresponds to the epistemological stance taken and the purpose of this research. General patterns at the market level facilitated descriptive representative generalisations and causal explanations of events were found at a firm level, that is, extensive and intensive research (Sayer 1992) was combined.

This research has contributed a study that makes use of Internet archives. Despite the limitations that are pointed out in section 9.4, the use of the WayBackMachine tool was useful to get an overview of each platform's evolution. This, together with a content analysis of the platform functionalities provided useful insights into the platforms' use of Web 2.0 technology and strategies.

Finally, from the literature review conducted it can be seen that the study of business models uses qualitative research extensively. This is understandable as insights from managers are very important. However, there are still opportunities for research that exploits quantitative methods for example, seeking to explain the correlations

between constructs or predicting performance outcomes based on network effects. As was pointed out in the introduction of this thesis, the number of papers on business models published in top journals is relatively low. It would be interesting to see if different research approaches manage to change this.

Summary of Contributions

The main contributions of this study are:

- Original empirical research into SME platforms at the market level unit of analysis that shows a competitive landscape and compares two whole markets (UK and US).
- A contribution to strategic group theory by presenting performance results (in terms of share of visitors) within and between strategic groups. It develops the concept of ‘revenue model maturity’ as a dimension to form strategic groups and by this mean, highlights the relevance of revenue models for a market level analysis.
- A methodological contribution by providing an example of the analysis and interpretation of OPD, which can be replicated for other studies. A novel methodology was used by combining OPD and strategic groups to analyse and evaluate the business model performance of a number of competitors.
- A research on business models at a larger scale than current research by using OPD and website content analysis. In total, 144 platforms were identified and measured and 32 platforms were studied in detail.
- The development of a Web 2.0 sophistication scale to categorise platforms, based on a website content analysis of the leading SME platforms in both markets, which can be used for further categorisation of platforms.

- A multiple-case study research that applies the activity-system approach and proposes the use of causal maps to represent the business model as a activity-system.
- An example of archival research that shows the usefulness and limitations of internet archives.
- A theoretical framework that shows that the theoretical underpinnings for the study of SME platforms are fundamentally different from consumer platforms.
- A business model dynamics framework centred on the user, which provides an alternative to current business model frameworks. The user-centric model exploits the concept of network effects to explain the dynamics in the model.
- A contribution to business model innovation literature with a study that uncovers SME platforms business model mechanisms to innovate.
- A study that combines the market and firm level of analysis of the business model that provides an overview of both the market structure and the business model mechanisms of SME platforms.
- The identification of mobility barriers that which SME platforms from moving from one strategic group to another: partnerships, acquisition and retention activities, product-market scope strategies and level of Web 2.0 sophistication. In addition, ownership and offline history were also identified as possible mobility barriers although further research is required.

9.3 Practical Implications

There are practical implications for SME platform owners in terms of identifying the way of creating partnerships, investing in Web 2.0 technology and providing high quality content to keep an active user base. Particularly for entrepreneurs who need to show that a business model is viable to potential sponsors, the business model proposed can be useful. Causal maps provide practitioners with an easy to apply tool that shows the flows between activities. This is different from popular tools such as

the Strategyzer from Osterwalder and Pigneur (2010). Such a tool provides a set of questions for the manager in terms of what the company needs and what it already has and it is therefore based on a resource view. However, from an activity-system point of view, the business model proposed goes beyond that approach and shows the mechanisms for the model to work.

There are managerial implications for different stakeholders. For SMEs, the results demonstrate that there is a wide range of SME platforms and that these are better understood by viewing them in their strategic groups. The different value propositions offered by SME platforms are of interest to SMEs who may not be aware of the different options available in the market. By taking into account the SME platform size as an important measure of online success and usage by other SMEs, this study provides SMEs with data useful for consideration when searching for networking and sales opportunities.

For the SME platform owners, the analysis identifies the strategic groupings of competitors. In terms of Web 2.0 technology, the landscape provided shows the diversity of tools that are being used by similar platforms. It also starts to indicate the impact of Web 2.0 sophistication on online success. By looking at the platforms' activity-systems, this research also revealed the importance of the networking functionality and content to attract and retain customers. Different strategies to generate more revenue streams are presented, which can be useful for platforms in the survival stage. For example, the relevance of creating partnerships is a key aspect for SME platform owners to consider.

For banks with a large number of existing SME customers, there appears to be significant potential to exploit their rich databases in combination with a platform. This would help to encourage interaction between existing customers and also to attract new SME customers through information and networking value propositions. Very few banks in the UK have taken this initiative through partnerships with SME platforms. The possibility of database exchange is attractive to both stakeholders, however there may be issues related to data protection that should first be addressed. American Express has demonstrated the success of this approach with its Open forum in the US.

Government agencies can also increase their awareness of these platforms and provide SMEs with a map of the landscape so they can select the most useful platform for their own particular requirements. Government websites are broader in their scope as they usually provide content on various aspects for citizens and businesses. Some chambers of commerce and universities have launched initiatives to develop their own platforms for SMEs. This is a common approach in the US, however, in the UK results showed that private platforms were the most visited and hence, provide the most attractive value propositions. StartupDonut is a good example of the interest of universities in private platforms. This is because universities that offer consultancy services to small companies find SME platforms an attractive offering for their clients. This means there are still opportunities for partnerships between the public and private sectors and academia.

Finally, private digital platforms (as is the case of most SME platforms in the UK) rely on content creation as ‘content is king’ when it comes to attracting visitors, therefore if they are to survive, firms need to continue to experiment with models and products embedded in high content quality and community presence (Graham et al. 2014). This means that there is an opportunity for ‘knowledge’ workers. That is, not only for users to share experiences but for academics and field experts who can contribute with high quality content and gain reputation through awards (Demetriou and Kawalek 2010).

9.4 Further Research

There is the important question of why many SMEs are not making use of these very rich sources of information, networking and sales opportunities. LinkedIn for example, has encouraged the use of its networking platform to SMEs. However, LinkedIn is fundamentally different to these platforms in terms of content and value propositions, and is really focused on the individual networking of managers in all sizes of firms rather than networking between small businesses. Manta is another example of a platform that is rich in contact data for professionals. However, its content offer is not the same as that of an SME platform (although it has recently incorporated blogs).

At the market level, further studies could use OPD to take an international approach and seek to explain the use of these platforms by foreign visitors, or compare the visiting patterns of SME platforms to those of other type of platforms. Also, cross-visiting data can be useful as it can help to identify direct and indirect rivals, so contributing to a more competitive view of digital platforms.

The framework presented has emphasised the value proposition. However, value is also created for sponsors, partners and advertisers as they gain exposure to the platform's audience and access the platform's user base. Therefore, further research could look into SME platform value creation by, for example, seeing platforms as 'multisided'. Studies could analyse the platform at the network level and provide insights into the value distribution for different stakeholders. An important factor that can be added to this study is ownership, as platforms with either private or public ownership schemes may reveal interesting differences.

Also, research that takes into account key metrics for the business model operationalisation are scarce. This need is emphasised by McGrath (2010) who suggests business model process metrics can be operational advantages for delivering superior performance. Zott and Amit (2010) view the business model at a system level. However, a complementary view, focused on optimisation could add a time dimension and ask 'when' should an activity be performed. The development of key metrics would provide an answer.

Finally, another possible direction is to take Gartner's Hype Cycle for Emerging Technologies (Fenn and LeHong 2011) to understand the evolution of SME platforms. This cycle shows how technologies go through different stages beginning as a technology trigger and reaching a plateau of productivity at some point. It identifies maturity levels (from embryonic to obsolete) and also identifies the benefit ratings of each technology. Relating this cycle to the different value propositions and to the proposed 'revenue model maturity' concept in this thesis could bring interesting insights that link technological and business model innovation.

A limitation of this study is the possibility of leaving a website out of the sample. However, was addressed by implementing a data saturation point assumption (Glaser and Strauss 1967), which is an accepted and widely used statistical technique. The period of time studied can be a limitation in a fast developing market. This limitation


was mitigated by taking a long time period of 34 months. The theoretical taxonomy was also confirmed in both countries and we note that within the sample time period, the results are consistent with relatively little variability of unique visitors.

The WayBackMachine software has certain limitations. That is, although most pages were captured, some of them expired and the content is no longer available. For example, websites like BTTradespace that was taken down had very limited availability so not all functionalities within the website could be explored as in other cases and thus, the study relied on articles and secondary data. This should be taken into account for research interested in longitudinal studies that rely solely on internet archives. Unfortunately this confirms the challenges of online research related to the uncertainty that comes with the lack of precedent to validate the application of traditional research methods to new media studies (Hine 2005). The advantage in this case was the possibility to corroborate the data observed during the website analysis with the qualitative input.

Related to the above limitation, is the fact that technology industries are highly volatile (McGrath 2010) making the online environment a challenging one to conduct studies. When categorising platforms using the Web 2.0 sophistication scale, small changes were detected and the database was updated until the end of 2014, the established cut-off date. Changes in the revenue model are not as frequent making the revenue model classification less likely to change during the period of time under study.

APPENDICES

A. Key Measures Report

			Geography : Universe :		United Kingdom Home and Work							
			Time Period :		December 2013(3 MO. AVG.)							
Key Measures			Target :		Total Audience							
UKBUSINESSFORUMS.CO.UK,ALIBABA.COM,S			Media :		UKBUSINESSFORUMS.CO.UK,ALIBABA.COM,STARTUPS.CO.UK,...							
			Date :		2/11/2014							
			©2014 comScore, Inc									
Media			Total Unique Visitors (000)	% Reach	% Composition Unique Visitors	Composition Index UV	Composition Index PV	Average Daily Visitors (000)	Total Minutes (MM)	Total Pages Viewed (MM)	Total Visits (000)	
Total Internet : Total Audience			44,704	100.0	100.0	100	100	33,556	87,265	131,762	3,279,315	
1	[M]	ALIBABA.COM	1,723	3.9	100.0	100	100	89	11	18	3,190	
2	[M]	UKBUSINESSFORUMS.CO.UK	210	0.5	100.0	100	100	9	1	1	311	
3	[P]	MANTA.COM	203	0.5	100.0	100	100	11	0	0	342	
4	[P]	STARTUPS.CO.UK	64	0.1	100.0	100	100	2	0	0	74	
5	[P]	LANDLORDZONE.CO.UK	54	0.1	100.0	100	100	2	0	0	66	
6	[M]	SMALLBUSINESS.CO.UK	53	0.1	100.0	100	100	2	0	0	64	
7	[P]	SMARTA.COM	45	0.1	100.0	100	100	2	0	0	59	
8	[P]	STARTUPDONUT.CO.UK	28	0.1	100.0	100	100	1	0	0	32	
9	[P]	FSB.ORG.UK	27	0.1	100.0	100	100	1	0	0	39	
10	[M]	BTTRADESPACE.COM	21	0.0	100.0	100	100	1	0	0	23	
11	[P]	4NETWORKING.BIZ	21	0.0	100.0	100	100	2	0	0	120	
12	[P]	NIBUSINESSINFO.CO.UK	17	0.0	100.0	100	100	1	0	0	19	
13	[P]	BSTARTUP.COM	14	0.0	100.0	100	100	1	0	0	17	
14	[P]	FRESHBUSINESSTHINKING.COM	12	0.0	100.0	100	100	0	0	0	13	
15	[M]	SMALLBIZTRENDS.COM	7	0.0	100.0	100	100	0	0	0	13	
16	[P]	BYTESTART.CO.UK	5	0.0	100.0	100	100	0	0	0	5	

Source: Key measures report, ComScore 3 month average December 2013

B. Interview Questionnaire

Company:

Interview date:

Interviewee Name:

Telephone number:

Position Title:

E-mail:

Estimated time of interview: 50 minutes

1. Background

1.1 What were the major challenges when setting up the company? (for example, limited resources, technology implementation, lack of expertise)

1.2 You have currently a total of X unique visitors per month. Is this correct? Is Google Analytics your source for this kind of measures?

1.3 Is it possible to have a copy of the last month, 3-months, last year and last 3 year's reports on: historical traffic, source of unique visitors (e-mail, natural search, paid search); social media (Twitter use, etc.); access devices (mobile devices report).

2. Value Proposition

2.1 This framework illustrates the interrelationships between different elements of the business model. Your business model offers Information and Networking. Is this correct? How does the value proposition differ for different actors in the platform?

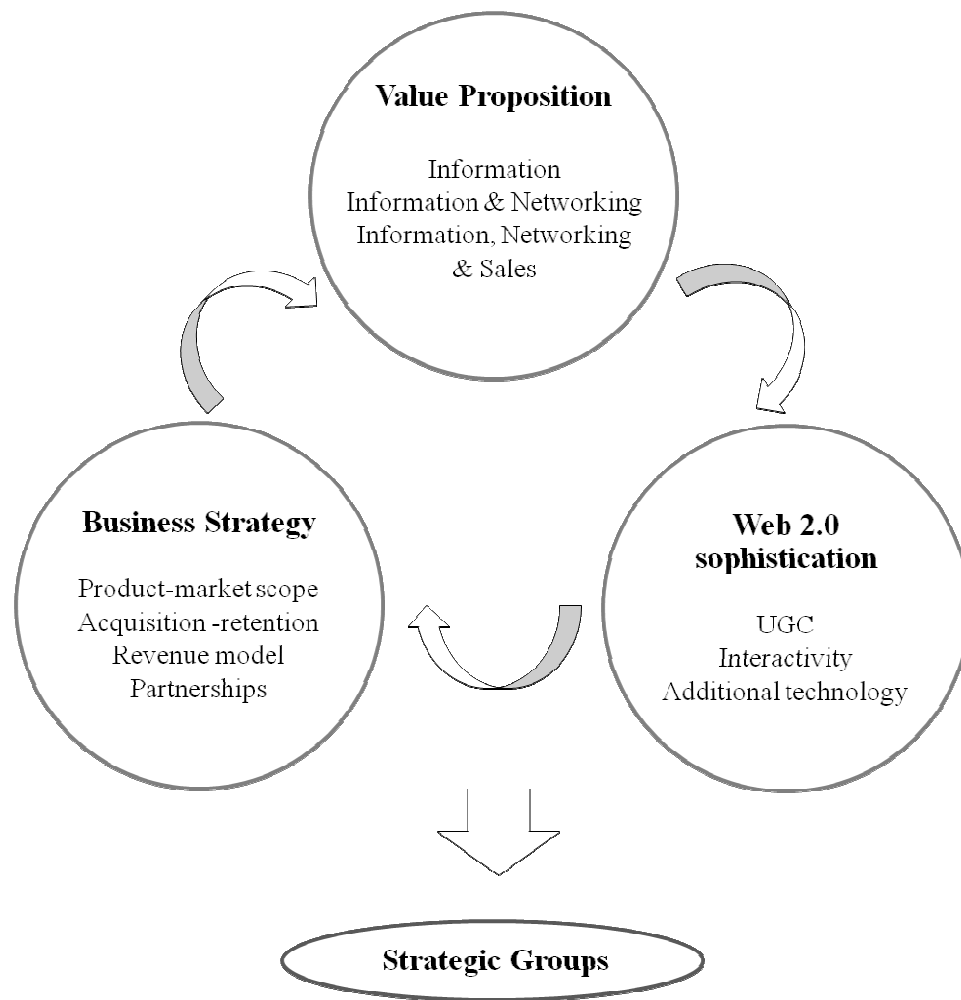


Figure 1. Business Model of SME Platform

2.2 What was the main reason to decide to focus on such products/services? Is there anything additional your website offers?

2.3 In X year a feature was added to the website adding a networking functionality. Have there been other changes to the platform that had an impact on its main offer?

3. Business Strategy

3.1 How would you define the company's business model? Why did you choose it?

3.2 Who are your competitors? Which are their business models and how do they compare to yours?

3.3 What do you consider is your website's basis for differentiation?

3.4 Are there any major challenges the company is facing now with the current business model? (for example, competition, unsustainable revenue model, limited resources)

3.5 What are your strategic objectives? (that is, what are you trying to do with the website?)

a) Product-market scope

3.6 Do you focus on a certain segment of SMEs? (for example, specific sector, geographic market)

3.7 Is your focus on offering a broad range of services or a more narrow one? (for example, financial advice for SME's only)

3.8 Have there been any changes in the customer segments the company initially targeted or is planning to target in the future?

b) User acquisition – retention strategies

3.9 Can you please describe your company's strategies to acquire customers?

3.9 What does the company do to retain customers?

3.10` There has been an evolution in the use of Web 2.0 technology in your website throughout the years. How does this relate to changes in your business strategy or value proposition?

c) Partnerships

3.11 Who are your main partners? What benefits does the partnership bring to your company?

d) Revenue model

3.12 From analysing your website I see you company's sources of revenue are X,Y,Z. Is this correct or are there other sources of revenue?

3.13 You have currently X registered subscribers on your newsletter. Is this correct?

3.14 Why was this specific revenue model adopted? (for example, member characteristics, particular partnerships, financial matters)

3.15 Have there been any changes in the revenue model originally adopted? Has the increase on number of users driven specific changes on your revenue model?

3.16 Can you please provide your revenue data for the last three years?

3.17 What is the relationship between the use of W2.0 technology and your revenue model?

4. Web 2.0 / Social Media Technology

4.1 How does Web 2.0 technology support your Information and Networking offer?

4.2 From looking at your site I see that X (for example, a forum) is highly used. How is this changing? Was this driven by a specific strategy?

4.3 How flexible is the platform? (for example, change in demand of functionality, increased number of transactions). Have there been any adaptations to the original plan?

4.4 How do these changes relate to your customer acquisition and retention strategies?

4.5 What facilitated the inclusion of more Web 2.0 features? (for example, blog, forum, social bookmarks, media sharing, ratings, social network) Why was this done?

4.6 How important has Web 2.0 technology been for customer related activities (that is, acquisition and retention)?

4.7 Network effects are the pay-offs to participating in an activity that increases as the number of participants increases. The benefits derived from these effects are considered positive network effects. Has the use of X in your website generated network effects that affected your revenue model?

5. Future

5.1 Do you plan any changes in your company's business model? (for example regarding its value proposition)

5.2 Do you plan to include a marketplace? Why/why not?

5.3 Do you see a specific trend in the online marketplace/networking site market? (for example, use of location based technology, use of more social media features, synergies among companies, use of mobiles, generation of new business models).

C. Degree of Web 2.0 Sophistication for UK Platforms

Variable	Definition	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
User Generated Content	Presence of UGC	10	10	10	10	10	0	10	10	10	10	0	10	10	10	0	10	0	0	10
	UGC intensity (L, M, H)	5	15	5	15	15	0	5	5	10	15	0	5	10	5	0	5	0	0	15
	TOTAL	15	25	15	25	25	0	15	15	20	25	0	15	20	15	0	15	0	0	25
Interactivity	Clickable images	10	10	10	10	10	10	10	10	0	0	10	10	10	10	10	10	10	0	10
	Interactive tools	10	10	0	0	0	0	10	0	10	0	10	0	0	0	0	0	0	10	10
	Presence of Web 2.0 features	10	10	10	10	10	10	10	10	10	10	0	10	10	10	10	10	10	10	10
	Web 2.0 intensity (L, M, H)	10	10	10	10	5	5	15	10	5	10	0	5	5	5	5	15	5	5	10
	TOTAL	40	40	30	30	25	25	45	30	25	20	20	25	25	25	25	35	25	25	40
Additional technology	Search technology	5	5	5	5	5	5	5	5	5	5	5	5	0	0	5	5	5	5	5
	Database technology	5	5	0	5	0	0	5	0	0	5	5	0	0	0	0	0	0	0	0
	Matching technology	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Mobile responsive design	0	5	0	0	5	0	5	0	0	5	0	0	5	5	0	5	0	5	5
	Presence in social media	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
	TOTAL	20	25	15	20	25	15	25	15	15	25	20	15	15	15	15	20	15	20	20
	TOTAL SCORE	75	90	60	75	75	40	85	60	60	70	40	55	60	55	40	70	40	45	85
	DEGREE OF SOPHISTICATION	High	Very high	Medium	High	High	Low	Very high	Medium	Medium	High	Very low	Medium	Medium	Medium	Very low	High	Very low	Low	Very high

D. Degree of Web 2.0 Sophistication for US Platforms

Variable	Definition	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII
User Generated Content	Presence of UGC	10	10	0	10	10	10	10	10	10	10	10	0	10
	UGC intensity (L, M, H)	10	5	0	15	10	5	10	10	15	10	15	0	5
	TOTAL	20	15	0	25	20	15	20	20	25	20	25	0	15
Interactivity	Clickable images	10	10	0	10	10	10	10	10	10	10	10	10	10
	Interactive tools	0	0	10	10	0	0	0	0	10	10	0	0	0
	Presence of Web 2.0 features	10	10	10	10	10	10	10	10	10	10	10	10	10
	Web 2.0 intensity (L, M, H)	5	5	10	10	10	5	10	5	10	5	10	5	10
	TOTAL	25	25	30	40	30	25	30	25	40	35	30	25	30
Additional technology	Search technology	5	5	5	5	5	5	5	5	5	5	5	5	5
	Database technology	0	0	5	0	0	0	0	0	0	0	0	0	0
	Matching technology	0	0	0	0	0	0	0	0	0	0	0	0	0
	Mobile responsive design	0	5	5	5	5	0	5	0	5	5	5	5	5
	Presence in social media	10	10	10	10	10	10	10	10	10	10	10	10	10
	TOTAL	15	20	25	20	20	15	20	15	20	20	20	20	20
	TOTAL SCORE	60	60	55	85	70	55	70	60	85	75	75	45	65
	DEGREE OF SOPHISTICATION	Medium	Medium	Medium	Very high	High	Medium	High	Medium	Very high	High	High	Low	Medium

E. Number of Web 2.0 Features

Rank	Blog	Forum	Media sharing	Ratings	Network	Bookmarks	Features	Points
1	x		x			x	3	2
2	x	x		x			3	2
3	x		x			x	3	2
4	x	x	x		x		4	2
5	x	x					2	1
6			x				1	1
7	x		x	x	x		4	2
8	x		x			x	3	2
9		x		x			2	1
10	x	x				x	3	2
11							0	1
12	x		x				2	1
13	x		x				2	1
14	x		x				2	1
15	x		x				2	1
16	x		x	x	x	x	5	2
17	x						1	1
18	x		x				2	1
19	x	x					2	1
I	x		x				2	1
II	x		x				2	1
III	x			x		x	3	2
IV	x	x	x		x		4	2
V	x	x	x				3	2
VI	x					x	2	1
VII	x	x	x			x	4	2
VIII	x		x				2	1
IX	x	x		x		x	4	2
X	x		x				2	1
XI	x		x		x		3	2
XII	x		x			x	3	2
XIII	x		x			x	3	2

Note: based on classification from Vickery and Wunsch-Vincent (2007) and Ha and James (1998)

F. Cluster Analysis Results for the UK

Case Processing Summary^a

Cases					
Valid		Missing		Total	
N	Percent	N	Percent	N	Percent
19	100.0%	0	0.0%	19	100.0%

a. Squared Euclidean Distance used

Initial Cluster Centers

	Cluster				
	1	2	3	4	5
Web2	4.00	5.00	3.00	1.00	5.00
ValueProposition	3.00	2.00	2.00	1.00	2.00
RevenueModel	7.00	1.00	2.00	2.00	4.00

Iteration History^a

Iteration	Change in Cluster Centers				
	1	2	3	4	5
1	.500	.400	.667	.901	1.020
2	.000	.000	.000	.000	.000

a. Convergence achieved due to no or small change in cluster centers. The maximum absolute coordinate change for any center is .000. The current iteration is 2. The minimum distance between initial centers is 2.236.

Final Cluster Centers

	Cluster				
	1	2	3	4	5
Web2	4.00	4.60	3.00	1.50	4.40
ValueProposition	2.50	2.00	2.00	1.00	2.20
RevenueModel	7.00	1.00	1.33	1.25	4.80

Number of Cases in each Cluster

Cluster	1	2.000
	2	5.000
	3	3.000
	4	4.000
	5	5.000
Valid		19.000
Missing		.000

Agglomeration Schedule

Stage	Cluster Combined		Coefficients	Stage Cluster First Appears		Next Stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	4	19	.000	0	0	6
2	15	17	.000	0	0	11
3	13	14	.000	0	0	10
4	3	12	.000	0	0	7
5	5	10	.000	0	0	9
6	2	4	.000	0	1	10
7	3	18	.201	4	0	14
8	6	11	.201	0	0	11
9	5	16	.201	5	0	15
10	2	13	.552	6	3	14
11	6	15	.652	8	2	18
12	7	9	.803	0	0	16
13	1	8	1.354	0	0	15
14	2	3	1.611	10	7	17
15	1	5	1.981	13	9	16
16	1	7	4.072	15	12	17
17	1	2	5.578	16	14	18
18	1	6	10.463	17	11	0

G. Cluster Analysis Results for the US

Case Processing Summary^a

Cases					
Valid		Missing		Total	
N	Percent	N	Percent	N	Percent
13	100.0%	0	0.0%	13	100.0%

a. Squared Euclidean Distance used

Initial Cluster Centers

	Cluster				
	1	2	3	4	5
Web2	2.00	3.00	2.00	5.00	4.00
ValueProposition	1.00	2.00	3.00	2.00	2.00
RevenueModel	1.00	4.00	5.00	5.00	1.00

Iteration History^a

Iteration	Change in Cluster Centers				
	1	2	3	4	5
1	.000	.000	.000	.000	.500
2	.000	.000	.000	.000	.000

a. Convergence achieved due to no or small change in cluster centers. The maximum absolute coordinate change for any center is .000. The current iteration is 2. The minimum distance between initial centers is 1.732.

Final Cluster Centers

	Cluster				
	1	2	3	4	5
Web2	2.00	3.00	2.00	5.00	3.50
ValueProposition	1.00	2.00	3.00	2.00	2.00
RevenueModel	1.00	4.00	5.00	5.00	1.00

Number of Cases in each Cluster

Cluster	1	1.000
	2	1.000
	3	1.000
	4	2.000
	5	8.000
Valid		13.000
Missing		.000

Agglomeration Schedule

Stage	Cluster Combined		Coefficients	Stage Cluster First Appears		Next Stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	8	13	.000	0	0	5
2	10	11	.000	0	0	3
3	5	10	.000	0	2	6
4	4	9	.000	0	0	10
5	1	8	.000	0	1	7
6	5	7	.000	3	0	8
7	1	6	.000	5	0	8
8	1	5	1.068	7	6	9
9	1	2	3.255	8	0	10
10	1	4	7.183	9	4	11
11	1	12	10.915	10	0	12
12	1	3	14.626	11	0	0

H. Research Dissemination

Under 2nd review:

Holland, C. and Gutierrez-Leefmans, M. (2016) "A Taxonomy of SME E-Commerce Platforms using Business Model Theory" *International Journal of Electronic Commerce*

Under review:

Gutierrez-Leefmans, M. and Holland, C. (2016) "SME Social Media Platforms as Business Models" A User-Centric Activity System" *Information Systems Journal*

Proceedings:

Gutierrez-Leefmans, M. and Holland, C. (2015) "Strategic Group Analysis of the Social Media Landscape for SMEs", *UKAIS Conference Proceedings*

Work-in progress:

Gutierrez-Leefmans, M. and Holland, C. (2016) "A Business Model Framework for the study of SME E-Commerce Platforms"

Presentations:

Research Advances, *NITIM Winter School*, The Hague, Netherlands, 2014

Seminar on SMEs, *British Academy of Management*, University of Liverpool, 2014

Other publications:

Gutierrez-Leefmans, M. (2016) "Is Internet Making us More Creative?" *Ciencia Ergo Sum*, ISSN 1405-0269 23(2), p. 1-6

Holland, C. and Gutierrez-Leefmans, M. (2013) "Online Consumer Behaviour and Competitor Performance in the Mexican Bank Market", *UKAIS Conference Proceedings*

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