Monetizing consumer-facing Internet platforms

Rasmus Savander

Department of Marketing
Hanken School of Economics
Helsinki
2015
Abstract:
Business models are a frequently researched topic within the management- and marketing literature. It is also a research topic that is notorious for being fragmented when it comes to definition, with few articles grounded in empirical research. The lack of a coherent definition for business models has led to the term business models being used interchangeably, as a synonym, with closely related concepts to the business model such as revenue model, revenue logic and business strategy.

The emergence of the Internet has led to a plethora of new opportunities for developing products and services, due to the low or non-existent entry barriers and low costs associated with developing digital goods. Businesses who operate solely through the web are often defined as two-or multi-sided platforms i.e. companies that serve two distinct groups of customers and the value of the network is directly proportional to the number of people on the platform (this is called network effects).

The purpose of the study is to understand how Internet platforms approach monetization. The thesis focuses on answering under what circumstances and how Internet platforms shift focus from growth towards monetization.

Based on six in-depth qualitative interviews with key knowledgeable respondents it can be concluded that there are several elements that make monetizing an Internet platform challenging. Circumstances that affect when Internet ventures are able to shift from growth to monetization include own resources, quality of product, general capital market and industry peers. The shift towards monetizing the product or service should always come from within the company, and not from the investors.

There are four revenue models relevant for monetizing Internet platforms. These are the subscription based, the advertising based, the transactional based and the utility based revenue models. Monetization can be done either through one or a combination of these. Monetization should at all times be approached as an interrelated part of the product or service and as an element of the business that constantly can be optimized and improved.

Keywords: Business model, two- and multi-sided platforms, revenue logic, revenue model, Internet platform, monetization, subscription, advertising, venture capital
# CONTENTS

1 INTRODUCTION .................................................................................................................. 1  
1.1 Research problem ............................................................................................................. 2  
1.2 Aim of study ....................................................................................................................... 5  
1.3 Limitations of study .......................................................................................................... 6  
1.4 Positioning ......................................................................................................................... 6  
1.5 Structure ............................................................................................................................. 7  
1.6 Key concepts ....................................................................................................................... 8  

2 THEORETICAL FRAMEWORK ............................................................................................. 9  
2.1 The business model .......................................................................................................... 9  
2.1.1 Definition and emergence .............................................................................................. 9  
2.1.2 Business model, revenue model, revenue logic & business strategy ......................... 12  
2.1.3 Revenue models for Internet ventures .......................................................................... 15  
2.1.4 Business models from a lifecycle perspective ............................................................ 21  
2.2 Platform literature ............................................................................................................ 25  

3 SUMMARY OF THE THEORETICAL FRAMEWORK ......................................................... 30  

4 METHODOLOGY .................................................................................................................. 34  
4.1 Research philosophy ........................................................................................................ 34  
4.2 Research approach .......................................................................................................... 35  
4.3 Research strategy ............................................................................................................. 37  
4.4 Sampling strategy ............................................................................................................ 37  
4.5 Choice of research method ............................................................................................... 40  
4.6 Time horizon .................................................................................................................... 40  
4.7 Techniques & procedures ................................................................................................. 41  
4.8 Choice of respondents ...................................................................................................... 43  
4.9 Collection of data ............................................................................................................. 44  
4.10 Design of interview guide ............................................................................................... 44  
4.11 Analysis of data ............................................................................................................... 45  

5 RESULTS ............................................................................................................................... 48  
5.1 Circumstances for shifting from growth towards monetization .................................... 48  
5.1.1 The difficulty of monetizing ......................................................................................... 48  
5.1.2 Growth vs. Revenues .................................................................................................... 49
Table 5  Different research strategies (based on Saunders et al. 2009) ......................... 37

Table 6  Respondents: time of interview, coding, company, medium & length of interview .......................................................................................................................... 44

FIGURES

Figure 1  One- vs. two-sided platforms ........................................................................... 4

Figure 2  Articles published in academic (PAJ) and non-academic (PnAJ) journals between 1975 and 2009, which include the term business model (Zott Amitt & Massa 2011:1023) ................................................................................ 10

Figure 3  Relationship between business strategy, business model, revenue logic and revenue model (based on Sainio & Marjakoski 2009) ......................... 13

Figure 4  The interrelation between strategy, dynamic capabilities and business models (based on Trkman & DaSilva 2014) ............................................................ 14

Figure 5  Four revenue models for Internet platforms with examples (based on Beuscart & Mellet 2008) .................................................................................... 20

Figure 6  The four different stages of revenue stream according to Muzellec et al. (2015) ...................................................................................................................... 21

Figure 7  Illustration of the monetization dilemma (Salminen 2014) applied to revenue streams over a period of time (Muzellec et al. 2015) ......................... 23

Figure 8  Revenue streams from the B2C&B model (Muzellec et al 2015) ..................... 24

Figure 9  The interrelation of business strategy, business model, revenue logic and revenue model ................................................................................................. 31

Figure 10  The research onion (based on Saunders, Lewis & Thornhill 2009) ............... 34

Figure 11  Inductive approach vs. Deductive approach .................................................... 36

Figure 12  Population, Sample, Case & element (based on Saunders et al. 2009) ........ 37

Figure 13  Revised categorisation of revenue models for Internet platforms, with examples ..................................................................................................................... 60

Figure 14  Negative (red) and positive (green) influences of advertising ..................... 62
Figure 15  How product quality effect the monetization dilemma applied to revenue streams over time
1 INTRODUCTION

Facebook, Instagram, Twitter, Snapchat and Pinterest are all examples of well known Internet ventures that during the past five years have achieved massive success across the globe. Facebook and Twitter are nowadays publicly traded companies (Schaefer 2013; Rusli & Eavis 2012) and Instagram has since been acquired by Facebook (Raice & Ante). The common denominator for all five companies is that they operate as platforms with two (or more distinct groups of customers). All five companies are also examples of companies that started operating without an apparent revenue model. By many standards it would be fair to regard e.g. Snapchat and Pinterest as successful companies but both companies, much like Facebook, Twitter and Instagram previously, have recently been under pressure for when they will start earning revenue. Evaluated from a more traditional point of view, using revenue streams, does not paint the same successful picture (Demos, Ovide & Pulliman 2015; Paresh 2015).

Facebook and Twitter however exemplify how it is possible to start a business without an apparent revenue model and eventually make billions of dollars in revenue (Facebook 2014), but how can companies survive in the highly competitive world of today without an apparent revenue model? And does operating without an apparent revenue equal operating under a flawed business model?

Snapchat and Pinterest are only examples of a much more common phenomenon where Internet ventures without revenue streams and/or profitability, receive soaring valuations. More and more Internet ventures seem to operate on the sole belief that revenues eventually follow users, but how and when are Internet ventures like Snapchat and Pinterest planning on starting to monetize their product or service?

The term business model gained popularity during the dot-com era, and is often associated with flawed business models. E.g. Margretta (2002) points out that the “Business Model was one of the greatest buzzwords of the Internet boom, routinely invoked, as the writer Michael Lewis put it, ‘to glorify all manner of half-baked plans’”. So, is not operating without an evident revenue logic and model an example of many of the half-baked plans known from the infamous dot-com burst in the early 2000’s?

Many experts have recently been pointing towards another dot-com burst, (Mahmood 2015; Maris 2015) with several numbers indicating the same. In 2015 e.g. there have already been 57 companies who have “joined the unicorn club” i.e. privately traded
companies valued over $1 billion. The same number for 2014 was 47, and 7 for 2013 (CB Insights 2015). Looking back at the burst of the dot-com bubble in 2001 one of the most commonly cited facts to why so many companies failed was ventures operating on a flawed revenue model (Muzellec, Ronteau & Lambkin 2015; Clemons 2009).

One of the biggest differences between the dot-com bubble in the early 2000’s and what some refer to as the second dot-com bubble today, as well as one of the top arguments against a dot-com burst (Primack 2015; Meeker 2015), is how widespread the use of Internet has become. In 1995 there where 35 million Internet users, adding up to a 0.6% population penetration, while the equivalent number for 2014 was 2.8 billion people with access to Internet, which accounts for almost 39% of the worlds population (Meeker 2015:4). The rise of Internet have led to a plethora of new opportunities and also changed how companies do business.

While not an entirely new concept, two- or multi-sided platforms have become the new norm amongst ventures operating through the Internet (Muzellec et al. 2015; Osterwalder & Pigneur 2010; Bakos & Katsamakas 2008). Facebook is today perhaps known as one of the most famous two- or multi-sided platforms: a market, network or platform with at least two distinct customer groups that largely depend on each other (end-users of Facebook and advertisers, in the case of Facebook). Other famous examples include Google and Ebay. Eisenmann, Parker & Van Alstyne (2011:1272) for instance highlight that “60 of the world’s 100 largest corporations earn at least half of their revenue from platform markets”. With the rise of the Internet, companies face a very different set of challenges from those “faced by a one-sided start-up whose main challenge is getting just one set of customers to buy its product or service.” (Evans 2009).

Navigating this newly shaped business landscape is no easy task. Business models are notoriously known for being applied in both theory and practice in a wide variety of different ways and business models of Internet ventures have yet to be clearly defined (Muzellec et al. 2015)

1.1 Research problem

Business models as a research topic are very well researched. While not seeing widespread use before the 1990’s the term quickly gained ground amongst practitioners and scholars alike during the development of information and communication
technologies and the rise of ventures operating in the Internet field (DaSilva & Trkman 2014). DaSilva & Trkman also point out that the number of papers published on business models has since closely followed the development of the NASDAQ index (2014:380), and DaSilva and Trkman argue that the use of business model terminology “seems to be intrinsically connected with technology-based companies.” (2014:380).

Much of the literature covering business models focuses on the never-ending question on how business models should be defined and most of the research is very conceptual with little or no connection to empirical data (Baden-Fuller & Morgan 2010; Demil & Lecoq 2010; Chesbrough 2010). Business models, as a concept have also been confused and sometimes been used interchangeably with revenue model (George & Bock 2011; Sainio & Marjakoski 2009), which further adds to the confusion.

Platform literature is another research topic that has become more researched with the emergence of information technology and Internet. Eisenmann, Parker & Van Alstyne (2006:94) define a platform as product or service that bring together two separate groups of customers. As Muzellec et al. (139:2015) points out, essentially all ventures operating solely through Internet are considered so-called pure players (i.e. operating solely through the Internet) and thus platforms i.e. two- or multi-sided platforms. Internet platforms are thus a type of two- or multi-sided platform. This two-sidedness differ from the traditional value chain in a fundamental way because cost and revenues are both on the right and left side due to the distinct group of customers on both sides (compared to traditional value chain where value moves from left to right, left representing the costs and the right side representing revenue) (Eisenmann 2006:94). This distinction is illustrated in figure 1.
As pointed out earlier, Internet usage has exploded during the last ten years also leading to substantially more ventures offering their service or product solely over the Internet. The understanding of Internet business models is still however limited and not thoroughly researched.

While there has been some research on the pricing of multi-sided platforms, little has been said on the underlying logic and model for that pricing. Sainio & Marjakoski (2009) are two of the few researchers who have approached business models from how they relate to strategy, revenue models and revenue logic. When it comes to two- and multi-sided markets, research generally focuses on pricing of two- and multi-sided platforms, rather than the design, logic and model from where and how revenue is generated (Bakos & Katsamakas 2008).

Despite arguably an overabundance of articles covering both business models and two- or multi-sided platforms, there is surprisingly little research on these two topics in parallel. Muzellec et al. cover the topic from a business model lifecycle perspective, through case studies, and focus on when companies start generating revenues. As Muzellec et al. (149:2015) point out: “one area of research of likely managerial interest might be the time frame and growth trajectory of the revenue streams generated from the B2B partners relative to the scale and timing of investment in developing the B2C audience”.

**Figure 1  One- vs. two-sided platforms**

As pointed out earlier, Internet usage has exploded during the last ten years also leading to substantially more ventures offering their service or product solely over the Internet. The understanding of Internet business models is still however limited and not thoroughly researched.

While there has been some research on the pricing of multi-sided platforms, little has been said on the underlying logic and model for that pricing. Sainio & Marjakoski (2009) are two of the few researchers who have approached business models from how they relate to strategy, revenue models and revenue logic. When it comes to two- and multi-sided markets, research generally focuses on pricing of two- and multi-sided platforms, rather than the design, logic and model from where and how revenue is generated (Bakos & Katsamakas 2008).

Despite arguably an overabundance of articles covering both business models and two- or multi-sided platforms, there is surprisingly little research on these two topics in parallel. Muzellec et al. cover the topic from a business model lifecycle perspective, through case studies, and focus on when companies start generating revenues. As Muzellec et al. (149:2015) point out: “one area of research of likely managerial interest might be the time frame and growth trajectory of the revenue streams generated from the B2B partners relative to the scale and timing of investment in developing the B2C audience”. 
This thesis will be covering the topic of monetization of Internet platforms from information-rich case perspective. The data gathering is done qualitatively and instead of looking at specific companies, like Muzellec et al., I have decided to select so-called key knowledgeable informants that can illuminate the challenge of monetization from a number of different perspectives due to genuine experience within the field. This thesis will focus on understanding under what circumstances Internet platforms shift their focus from growth towards monetization and how Internet platforms shift their focus.

1.2 Aim of study

The purpose of this thesis is to understand how Internet platforms approach monetization.

Based on the purpose this thesis sets out to answer the following research questions:

- Under what circumstances do two-or multi-sided Internet platforms shift their focus from growth towards monetizing their audience?

- How do two-or multi-sided Internet platforms shift their focus from growth towards monetizing their audience?

This study is to some extent similar to the study conducted by Muzellec et al. (2015), by examining the underlying reasoning for shifting towards monetizing and how this shift is done. Instead of approaching the dilemma from a case-study perspective, the dilemma will be approached from an information-rich respondent perspective i.e. by interviewing so-called key knowledgeable informants, with extensive experience from within the field of monetizing consumer facing Internet platforms.

Understanding the revenue logic and revenue model of Internet ventures is important for many reasons. As we will see many traditional business ‘truths’ that apply to traditional brick- and mortar stores do not apply in the same way to ventures operating in the field of Internet. There is also a lot of confusion regarding how Internet ventures operating as two- or multi-sided platforms earn revenue. Answering when Internet ventures shift their focus from growth to monetization will not only provide valuable information to employees operating in this field but also help aspiring entrepreneurs understand how one of their key stakeholders, investors, approach this challenge. While the revenue logic and revenue model might have changed during the course of
the past ten years or so, generating revenue still lies at the core of most businesses. This thesis will provide some clarity in how and when Internet ventures generate it.

1.3 Limitations of study

The purpose of this study is to understand how Internet platforms approach monetization. The study is conducted in a qualitative manner meaning that this thesis will not answer the question of when, exactly, is the best time to start monetizing. The nature of monetizing is that it is quite context specific meaning that answering the question exactly when is the optimal time to monetize might be difficult to answer even if conducting a quantitative study.

Neither will this study answer the question what exact model consumer facing Internet platforms should utilize when trying to generate revenue, due to the same context specific reason as when it comes to the timing of monetizing. Several revenue models are covered and up- and downside of these are however discussed.

While there has been little written about revenue models for Internet platforms, literature regarding how mobile gaming apps monetize has been increasing recently. This thesis will however not focus on mobile games, but consumer facing Internet platforms in general.

It is also worth noting that this thesis will not cover the pricing of Internet platforms but rather covering the logic and the models behind pricing.

1.4 Positioning

This thesis draws upon existing theories from the business model literature and from the platform literature. There is a significant amount of literature written on business models so it might be worth making the distinction that this thesis focuses on the revenue elements of the business model and is therefore arguably also positioned within the revenue model and revenue logic literature, though currently being significantly smaller in magnitude than the business model literature. The thesis also focuses particularly on the Internet and thus also draws upon research concerning the web and the Internet.
1.5 Structure

The first section of this thesis, chapter one, is where the reader is familiarized with the research topic in general. The purpose of the chapter as a whole is to give the reader the relevant background and context to why it is relevant to study how Internet ventures approach the monetization dilemma and to argue for the significance of this study. This section also includes an introduction to the research problem as well as the purpose of the study i.e. to understand how Internet platforms monetize, paired with two research questions.

Chapter two, the theoretical framework, consists of two main sections. The first one, on business models, includes definitions and the emergence of the concept, how concepts like strategy, revenue models and revenue logic relate to business models, the business model from a lifecycle perspective and finally revenue models for Internet platforms. The second section covers the so-called platform literature i.e. theory on two- and multi-sided platforms and related concepts such as network effects, chicken-and-egg dilemma and the monetization dilemma.

The third chapter is a summary of chapter two, tying together the two main concepts in a way that highlight the most relevant parts for this particular thesis.

Chapter four gives a comprehensive overview of the research method, how the research was conducted and how empirical data was gathered.

In the fifth section of this thesis, the results from the semi-structured in-depth interviews are presented and analyses. Chapter five is divided into two main sections. Section one, 5.1 Circumstances for shifting from growth towards monetization, covers the results related to research question number one. Section 5.2. Strategies for shifting from growth towards monetization, on the other hand, presents the results and findings related to the second research question.

In chapter six the result are further analysed, discussed and compared to existing theories presented in the theoretical framework in chapter two and three. This section also includes evaluating the reliability and validity of the study as well as managerial implications.

The final chapter, chapter seven, is reserved for concluding the thesis, and suggestions for potential future research.
1.6 Key concepts

*Business model:* A business model describes the rationale of how an organization creates, delivers, and captures value (Osterwalder & Pigneur 2010)

*Two-and multi-sided platforms:* A product or a service that bring together two (or more) distinct customer groups. (Eisenmann, Parker & Van Alstyne 2006:94)

*Revenue model:* operational description of the basis on which revenue is collected from partners and customer (Sainio & Marjakoski 2009)

*Revenue logic:* who pays, what is paid for and what is included in the price (Sainio & Marjakoski 2009)

*Venture capital firm:* company dealing with equity or equity-linked investments in early-stage privately owned companies. The investor usually takes a more active role as an advisor, director or even manager (Kortum & Lerner 2000)

*Angel investor:* An individual investor who conducts similar investments as a venture capital firm.

*Internet platform:* A two or multi-sided platforms, operating through the Internet

*Monetization:* key element of how businesses generate revenue i.e. capture value. Not only limited to pricing, but also include when revenue should be collected and how (Baden-Fuller & Mangematin 2013)
2 THEORETICAL FRAMEWORK

2.1 The business model

2.1.1 Definition and emergence

The idea of the business model is dead; long live the idea of the business model.

Arend (2013)

The term business model was first mentioned in an academic article in 1957 (Bellman et al. 157, as quoted by DaSilva & Trkman, 2014) and has since then been applied in both theory and practice in a wide variety of different ways. While being loosely introduced in the 50s the term business models did not become a recurring element in peer-reviewed journals until the 1990s. In the 1990s the term business model started to gain widespread attention amongst both practitioners and scholars, not least because of the emergence of information and communication technologies (ICT) and Internet companies. DaSilva & Trkman (2014:380) argue that the appearance of the term business models closely followed the development of the NASDAQ index since the beginning of the 1990s but managed to survive the dot-com-bubble in the early 2000s. Zott, Amitt & Massa (2011:1023) have also recognized a significant increase in business model literature both in non-academic journals (PnAJ in figure 2) and in articles published academic journals (PAJ in figure 2) between 1975 and 2009. The results are summarized in figure 2.
Despite being present in both peer-reviewed journals as well as more widely spread management literature since the beginning of the 1990s there is still no consensus on what a business model is. The term has also been widely misused amongst both scholars and practitioners, leading to a terminology that is “fragmented and confounded by inconsistent definitions and construct boundaries” (George and Bock 2011:83). Arend (2013) has outlined five underlying reasons how literature has ended up in this semi-confusing state. First there seems to be limited understanding on how the term business models overlaps with already established concepts and terms within the management field such as business strategy and marketing strategy. Ghezzi et al. (2010) e.g. consider business models closely related to strategy, while DaSilva & Trkman (2014) question how resource-based view (RBV) and transaction cost economies (TCE) theories relate to business models. Despite the non-existing consensus on whether a business model is (and how it should be defined) there seems to be a consensus that many of the terms such as strategy, business model and revenue model have been used interchangeably (Sainio & Marjakoski 2009; DaSilva & Trkman 2014; Arend 2013).

The second concern Arend (2013) brings forth is business models lack of independence from other levels of analysis. He argues that e.g. business models have been considered context dependent, firm dependent and time dependent, which make analysis difficult. Arend (393:2013) also questions whether “a business model can define a unique (and informative) level of analysis”.

Arend (2013) recognizes that terminological convergence is not necessarily a requirement in the field of management but argues that the current variations in definitions are simply too wide. This concern is echoed by Zott, Amitt & Massa (2011:1022), amongst others, who refer to the most commonly used business model definitions. These include business models being referred to as a statement, a description, architecture, a conceptual tool or model and a method just to name a few. Finally, Arend (2013) argues that the lack of empirical support, adds to the complexity and confusion regarding the term business models.

Table 1 highlights the wide variety of business model definitions that exist, including 19 different definitions of how a business model can be defined.
<table>
<thead>
<tr>
<th>Author(s), Year</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amit &amp; Zott, 2001; Zott &amp; Amit, 2010</td>
<td>“…the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities”</td>
</tr>
<tr>
<td>Casadeus-Masanell &amp; Ricart, 2010</td>
<td>“…a reflection of the firm’s realized strategy”</td>
</tr>
<tr>
<td>Chesbrough &amp; Roosenbloom, 2002</td>
<td>“…the heuristic logic that connects technical potential with the realization of economic value”</td>
</tr>
<tr>
<td>Demil &amp; Lecoq, 2010</td>
<td>“…the way activities and resources are used to ensure sustainability and growth”</td>
</tr>
<tr>
<td>Dubsson- Torbay et al. (2002)</td>
<td>“…nothing else than the 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”</td>
</tr>
<tr>
<td>Gambardella &amp; McGahan, 2010</td>
<td>“…a mechanism for turning ideas into revenue at reasonable cost”</td>
</tr>
<tr>
<td>Hamel, 2000</td>
<td>“…a radical innovation that can lead to new customer value and change the rules of the industry”</td>
</tr>
<tr>
<td>Itami &amp; Noshino, 2010</td>
<td>“…a profit model, a business delivery system and a learning system”</td>
</tr>
<tr>
<td>Johnson, Christensen &amp; Kagermann, 2008</td>
<td>“…consist of four interlocking elements, that, taken together, create and deliver value”</td>
</tr>
<tr>
<td>Margretta, 2002</td>
<td>“…stories that explain how enterprises work.”</td>
</tr>
<tr>
<td>Morris et al., 2005</td>
<td>“…concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets”</td>
</tr>
<tr>
<td>Osterwalder &amp; Pigneur, 2010</td>
<td>“…how an organization creates, delivers and captures value”</td>
</tr>
<tr>
<td>Sabatier, Rousselle &amp; Mangematin, 2010</td>
<td>“…cross roads of competence and consumer needs”</td>
</tr>
<tr>
<td>Shafer et al., 2005</td>
<td>“…a representation of the underlining core logic and strategic choices for creating and capturing value within a value network”</td>
</tr>
<tr>
<td>Teece, 2010</td>
<td>“…articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value”</td>
</tr>
<tr>
<td>Timmers, 1998</td>
<td>“…an architecture of 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; a description of the sources of revenues”</td>
</tr>
<tr>
<td>Weill &amp; Vitale, 2001</td>
<td>“…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 for participants”</td>
</tr>
<tr>
<td>Williamson, 2010</td>
<td>“…business model offers advantages in radically new ways meaning more for less.”</td>
</tr>
<tr>
<td>Yunus, Moingeon &amp; Lehmann- Ortega, 2010</td>
<td>“…a value system plus a value constellation”</td>
</tr>
</tbody>
</table>
There are however several similarities between the 19 definitions. Firstly many of the definitions include value as an element, and define business models as an explanation for how companies capture and/or create and/or deliver value. Osterwalder & Pigneur's definition (2010) can be regarded as a combination of Johnson, Christensen & Kagermann’s (2008), Shafer et al. (2005) and Teece’s (2010) definitions of what a business model is. This is a comprehensive definition that covers many of the complex elements of the business model and I will thus define business models in the same way as Osterwalder & Pigneur (2010) defines business models i.e.

A business model describes the rationale of how an organization creates, delivers, and captures value

Osterwalder & Pigneur (2010:14)

### 2.1.2 Business model, revenue model, revenue logic & business strategy

Before we move on to examining the different elements of a business model it is worth making a clear distinction between some of the terminology that to some extent is used interchangeably.

Sainio & Marjakoski (2009) e.g. point out how business model, revenue model, revenue logic, a pricing model, earning logic and business strategy are often used interchangeably (as synonyms). In their qualitative study Sainio & Marjakoski have conceptualized these concepts and provided a framework for how they relate to each other. The interrelation and differences between pricing, business model, revenue model and revenue is an important distinction to make since pricing in general is treated as a company specific-element (Sainio & Marjakoski 2009) and the objective of this thesis is to make more general conclusions when it comes to understanding how and when Internet based platform earn revenue.

Revenue logic is defined as determining “who pays, what is paid for and what is included in the price” (Hamel, 2000; Linder and Cantrell, 2001; Rajala et al., 2001; Åijo and Saarinen, 2001 as quoted by Sainio & Marjakoski 2009). The relation and distinction between business strategy, business model, revenue logic and revenue model are presented in figure 3, and explained below.
The outermost, and thus the steering part of Sainio & Marjakoski’s (2009) framework is the business strategy, which they define as the “steering, goal-oriented guide for competitive moves”. The next element of the framework is the business model “by which a company can rise to the competitive challenge in a certain market, during a certain period of time” (2009:369). Sainio and Marjakoski recognize that there is no agreed upon standardized definition of which elements are included in a business model and therefore choose, to focus on a specific element of the business model i.e. the revenue elements. Sainio & Marjakoski divide the revenue elements of a business model into two main concepts: revenue model and revenue logic. The revenue logic, as we saw previously, is a “strategic description of revenue sources and how the business generates profit” (2009:369) while the so-called revenue model is an “operational description of the basis on which revenue is collected from partners and customer”.

DaSilva & Trkman (2014) touch upon the question of how business models defer from strategy, a topic that many other researcher also has dwelled on (Casadesus-Masanell and Ricart, 2010; Margretta, 2002). DaSilva & Trkman (2014:384) propose a conceptual framework that makes two distinctions between strategy and business models. Firstly DaSilva & Trkman, much like Sainio & Marjakoski, regard strategy as a long-term perspective while business model is the short-term perspective. In between DaSilva & Trkman place something called dynamic capabilities which is shaped by the strategy and can be defined as “the capacity to anticipate, shape, seize opportunities
and avoid threats while maintaining competitiveness by improving, combining, protecting and, when deemed necessary, rearing the company’s intangible and tangible assets” (Pavlou and El Sawy, 2011; Teece, 2009, as quoted by DaSilva & Trkman 2014:383).

The second distinction between strategy and business models that DaSilva & Trkman (2014:383) make is that strategy can be seen as what a company aims to become while a business model is defined as the current state i.e. how the company operates today. The interrelation between strategy, dynamic capabilities and business models is displayed in figure 4.

![Figure 4 The interrelation between strategy, dynamic capabilities and business models (based on Trkman & DaSilva 2014)](image)

Much like Marjakoski & Sainio, this thesis will primarily focus on the strategic aspect of business models’ revenue elements i.e. the revenue logic and revenue models. While agreeing with Sainio & Marjakoski on a lack of unified definition of what a business model is, I argue the importance of understanding the concept of business models in order to grasp the concept of revenue logic and model. Thus the business model concept is also covered briefly.
Sainio & Marjakoski’s framework is at the heart of this study. The objective of this study is not to determine the optimal revenue model (operational) but rather examine underlying revenue logics for Internet based platforms.

2.1.3 Revenue models for Internet ventures

Clemons (2009) takes a critical point of view on Internet advertising and discusses alternatives to advertising. According to Clemons, most efforts on monetizing Internet applications and services have revolved around natural extensions of traditional media and retailing. Being far more liberated and far more powerful than traditional media, the Internet offers a wide range of monetization opportunities apart from advertising. Clemons roughly divides these opportunities into three main categories: selling real things online (i.e. e-commerce such as amazon.com or Ebay), selling virtual things and selling access (2009:19). Selling real things online is defined as a business using the Internet solely as a distribution channel for selling real things (e.g. buying a phone, a computer or a pair of shoes online). Clemons focuses on the two latter main categories: selling virtual things and selling access to customers.

According to Clemons selling virtual things falls in to one of five categories (2009:19). These categories are:

1. **Selling content and information.** One of the most widely used underlying logics for monetizing Internet services. Examples include on-demand streaming services for music such as iTunes Music and Spotify, or for TV & movies such as Netflix and HBO Go. The subscription fees many newspapers take, such as Financial Times, also fall into this category.

2. **Selling experience and participation in virtual communities.** This includes virtual worlds such as Second Life, but also more mainstream social media sites such as Facebook, Twitter and LinkedIn.

3. **Selling virtual accessories.** Mostly related to virtual communities such as Second Life and World of Warcraft, with the prospects of selling additional features and accessories for online characters but also selling so-called stickers on e.g. Facebook or messaging services such as WhatsApp or Line.
4. **Selling information gathered from online experience.** Using information aggregated from virtual communities for e.g. background checks, consumer-targeted advertising or trend evaluation.

5. **Selling content extracted from virtual communities.** Information extracted from virtual communities that is sold to third parties.

As mentioned above web sites may also create revenue by selling access to customers. Clemons further divides this into four main categories:

1. **Misdirection.** Misdirection is a way of misinforming the customer online. According to Clemons this usually takes form through either search engines or misdirection through comparison-shopping. Google search advertising is perhaps one of the most famous models of online misdirection.

2. **Evaluation, assessment and validation** is considered the opposite of misdirecting customers i.e. sending them to someplace other than where they intended to go. Recommendations on sites such as TripAdvisor or hotles.com allow the consumer to evaluate, assess and validate whether a recommendation is something they might benefit from.

3. **Social search.** A way of tailoring search so that search results are displayed based on a users’ network of friends.

4. **Contextual mobile ads.** Contextual mobile ads are advertisements that are based on parameters such as location, previous behaviour and interactions with a set of services.

"Business models are perhaps the most discussed and least understood aspect of the web"

- Rappa (2008)

Rappa (2008) argues that the Internet will and also has given rise to new business models, but it is likely that many "tried and true will be reinvented". It is worth noting that Rappa defines business models as how companies generate revenue, which is a different definition from the one used for this thesis. Revenue models, I argue, is the correct term when referring to particularly how companies generate revenue. The business model, as it is defined in this thesis, includes several additional elements, such as value creation and value delivery, and is thus a much broader concept. For the sake
of clarity, what Rappa refers to as business models (sic.), will in this thesis be referred to as revenue models.

Rappa (2008) also recognizes that it is not uncommon for companies to use different revenue models in a combination for instance using a blend of the subscription model and the advertising based revenue model. Rappa (2008) refers to nine business models commonly encountered on the web. It is worth noting that Rappa (2008) also recognizes that many of the models can be found in real life as well, and many of the models, such as auction or advertising have been around for a long time, but work equally well, or better, on the web. The nine revenue models are: the brokerage model, the advertising model, the infomediary, the merchant model, the manufacturer (direct) model, the affiliate model, the community model, the subscription model and the utility model. The nine different revenue models, including descriptions, are presented in table 2.

<table>
<thead>
<tr>
<th>Revenue model for the web</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The brokerage model</td>
<td>Brokers are so called market makers because they bring together buyers and sellers and facilitate a transaction. Usually a broker charges a fee or a commission for each transaction, which is why this revenue model also is called the transactional revenue model.</td>
</tr>
<tr>
<td>The advertising model</td>
<td>According to Rappa, the advertising model for Internet services and products is an extension of the traditional media broadcast model. The advertising model works best (and perhaps only) if there are significant amounts of traffic.</td>
</tr>
<tr>
<td>The infomediary</td>
<td>This model is a model that provides information about either end-users to a third party, which is valuable in e.g. marketing campaigns or information about producers or products that might be useful for the end-consumer.</td>
</tr>
<tr>
<td>The merchant model</td>
<td>Wholesalers and retailers of goods and services that operate though the web.</td>
</tr>
<tr>
<td>The manufacturer (direct model)</td>
<td>A model that pairs the customer directly with the manufacturer thus eliminating or compressing the distribution channel. Can be done through direct purchase, lease or licensing.</td>
</tr>
<tr>
<td>The affiliate model</td>
<td>The affiliate model can be considered a version of the advertising model where revenues or other financial incentives are shared among affiliated partners in order to further spread the reach of ads (to sites outside ones own network)</td>
</tr>
<tr>
<td>The community model</td>
<td>The community model is based on user loyalty with high investment in both time and emotion. Revenue is often generated from voluntary contributions.</td>
</tr>
<tr>
<td>The subscription model</td>
<td>Users are charged periodically e.g. daily, monthly yearly for gaining access to a particular service or product. Subscription and advertising models are frequently combined.</td>
</tr>
<tr>
<td>The utility model</td>
<td>A ‘pay-as-you go’ model, and unlike the subscription model what one pays is based on actual usage rates.</td>
</tr>
</tbody>
</table>

Table 2  The nine revenue models for Internet (based on Rappa 2008)
It is worth noting that Rappa’s (2008) classification of revenue models is a slightly older classification, which does not take into consideration two-or multi-sided platforms, and does not cover e.g. mobile applications. The classification is not as clear and as relevant today as it might have been when developed in 2008. The infomediary model, for instance, is a key element in in many advertising based models (such as Google Search or TripAdvisor), and the affiliate model has become slightly less relevant with the emergence of large ad networks, such as Google AdSense, and can therefore also be regarded as a type of advertising model.

McGrath (2010:247) argues that businesses must engage in significant learning and experimentation, what McGrath defines as a “discovery driven” approach rather than an analytical approach when navigating highly, uncertain, complex and fast-moving environments, such as the Internet. McGrath (2010:249) also refers to the units of business which he defines as “the items on the invoice: the products, services, guarantees or other things the firm offers for which the customer pays”. McGrath argues words such as product, offer or service does not, in his opinion, capture “the wild array of new offerings that companies today are finding ways of being paid for”. McGrath (2010) argues that the emergence and development of communications and technology has radically expanded the units of business that are feasible, both intellectually and economically. The emergence of the Internet has also led to a viable strategy for businesses where the end product might be “sold” for free to the end-user by collecting revenues from a separate customer group of customers. McGrath lists six different business models that incorporate some element of free. It is worth noting that much like Rappa (2008), McGrath also defines business models differently that in the ways it is done in this thesis. The six models listed by McGrath all have to do with the revenue element of the business model. I thus argue that McGrath in fact list six revenue models that include some elements of “free”. The six models are summarized and described in the table 3.
<table>
<thead>
<tr>
<th>Revenue model</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>In an advertising model end-users are subjected to promotional messages from third party companies who sell and/or promote their product i.e. the advertiser pays the company for access to its audience. This often means that the end-user themselves are subsidized i.e. can use the service for 'free'.</td>
</tr>
<tr>
<td>Freemium</td>
<td>The freemium model is a version of the subscription model where a basic version of an offering is given away for free with the hope of converting end-users to eventually start paying for the more advanced version. LinkedIn and Spotify are both examples of this revenue model.</td>
</tr>
<tr>
<td>Cross-subsidies</td>
<td>The most classic example of cross-subsidies is perhaps giving away ink-jet printers for free or at a relatively low price, but make up the margins by selling ink. McGrath also notes that this is a typical revenue model among elevator manufacturers who might accept a lower margin on the elevator itself but expect high-returns later from on-going servicing.</td>
</tr>
<tr>
<td>Promotions</td>
<td>Low cost-goods are given away to promote something that might be entirely different. E.g. McDonalds is famous for giving away free toys as a part of the Happy Meal.</td>
</tr>
<tr>
<td>Barter</td>
<td>The barter revenue model is perhaps the oldest of all revenue models. Here goods, or a unit of business is given away free of charge in return for something of value to the organization giving away the unit of business for free. Google Now for instance can be regarded as a free directory service where users can ask for information. By doing so, users of Google now help to improve and build Google’s voice recognition technology.</td>
</tr>
<tr>
<td>Gratis</td>
<td>Gratis, also known as the gift model is when something of value is given away for free simply because those involved interact and help make contributions: open source software and various wikis are good examples of this.</td>
</tr>
</tbody>
</table>

Table 3  Revenue models with elements of free (based on McGrath 2010)

Beuscart & Mellet (2008:166) note that ventures operating through the Internet are faced with two distinct features. Firstly the technical and financial barriers to entry are very low: setting up a business on the web requires little investment and information on how to do so is publicly available. The second important feature is that network effects are very strong: utility of the services increases directly proportionally to the number of users on the service. Beuscart & Mellet (2008:166) argues that this leads to that most of the arguably fierce competition online relies on the ability to reach critical mass. This on the other hand leads to a clear pressure for businesses to offer their service for free. Beuscart & Mellet (2008:166) therefor argue that business models must be built around free access to content and principal services and revenues and profitability largely depends on companies’ ability to monetize the growing audiences. Beuscart and Mellet (2008:167) distinguish between four different business models (sic.) designed for today’s Internet platforms (like Rappa 2008 and McGrath 2010, Beuscart and Mellet also use the concept business model as a synonym for revenue model. For the sake of clarity Beuscart and Mellet’s business model classification of Internet platforms, will be referred to as revenue models for Internet platforms). The four revenue models are presented in the figure 5.
Figure 5  Four revenue models for Internet platforms with examples (based on Beuscart & Mellet 2008)

Considering the revenue models above it is worth noting that advertising typically has been the revenue model which has been exposed to a considerable amount of critique. Clemons (2009), for instance recognizes three main problems with advertising. Firstly, Clemons argues that consumers frequently do not trust advertising. Not only has research shown that commercial messages are amongst the least trustworthy sources of information but also that advertising in general is viewed as having very low credibility (2009:18). Secondly Clemons argues that consumers do not want advertising, and uses the example of how TV commercials interrupt TV-shows. Finally Clemons argues that not only do consumers not want advertising, they also do not need it (2009:18). Clemons argues that Internet has made essentially all information available for consumers by which the importance of advertising has significantly declined.

Clemons (2009:23) notes that the objections towards Internet advertising are becoming more and more clear, which is also supported by recent news on Internet users increasingly blocking ads (The Economist, 2015). This is, according to Clemons
due to the fact that spam is regarded as spam regardless from where it is pushed towards the consumer. Clemons argues that the backslash can already be seen with users adopting ad blocking software more often and banners, pop-up and e-mail campaign loosing their effectiveness. Another topic closely related to privacy is the invasion of privacy and how end-users regard it as abusive regardless of who is doing it (Clemons 2009:24). Clemons (2009:36) does however anticipate that advertising is likely to adopt more contextual advertising and reduce the element of misdirection by providing more relevant advertising based on e.g. social search - something that is likely to benefit both the end-users as well as the advertisers.

2.1.4 **Business models from a lifecycle perspective**

Muzellec, Ronteau & Lambkin (2015) ha recently covered the business modelling processes from a lifecycle perspective in the context of Internet new ventures. By examining a set of Internet ventures in different stages of development, Muzellec et al. were able to create a theoretical framework that emerges from the intersection of two-sided networks, the value proposition and business model ecosystem literature. One key element of Muzellec et al.’s framework is grouping companies according to “the number, size and sustainability of its revenue streams”. (2015:144). According to Muzellec et al., a Internet venture will, over time, typically go through four different stages of revenue streams, illustrated in Figure 5.

![Figure 6](#)  
*Figure 6  The four different stages of revenue stream according to Muzellec et al. (2015)*
The first stage, called the embryonic stage, is a stage where revenues typically are non-existent and focus lies on the development of the product technology. The business plan might in fact indicate how the company intends to generate revenue but Muzellec et al. see it more as “a catalogue of potential revenue sources rather than a strategic vision for revenue generation” (2015:144)

Muzellec et al.’s study reveals that the value proposition tends to be more directed towards the end consumer in the beginning of the business model development. Most of the ventures included in Muzellec et al.’s case studies focused on convincing end-users to sign up for the service while generally ignoring potential business (B2B) targets. Muzellec et al. (2015:145) point out that this is consistent with previous findings and is also supported by some of the literature on network effects and critical mass covered in this thesis. While Muzellec et al. regard this as more of an intuitive strategy (2015:146), it is worth pointing out that this is likely an effect of the so-called chicken-egg-dilemma which is covered more in-depth in chapter 2.2: the tendency of users not joining because other users are not joining. So in the case of two or multi-sided Internet platforms, B2B customers might in fact not be a viable option since the venture have not been able to attract enough end-users in order for businesses to also be attracted to the venture (hence the chicken-and-egg problem).

On the revenue stream side of things, Internet ventures face another type of chicken-egg-dilemma: to ensure proper participation from end-users, and by that eventually attracting business participation, Internet ventures are often forced to offer the service for free to the end user. Salminen (2014:93) calls this the monetization dilemma, a common dilemma start-ups operating solely through the Internet are faced with. Salminen (2014:94) define the monetization dilemma as:

...if access and usage of a platform is provided for a fee, users are unwilling to join; if access and usage is free, the platform is economically non-viable.

Salminen (2014)

When Salminen’s (2014) definition is applied to Muzellec et al.’s (2015) framework where Internet ventures over time shift their focus towards B2B customers one can see how collecting a fee from the end-user also might alter the outlooks for revenue generation from the other side of the two-or multi-sided platform. The possible, though rather simplified outlooks for generating revenue depending on if one collects a fee from the end user is illustrated in Figure 7.
Another potential pitfall closely related to the monetization dilemma is the so-called illusion of free (Salminen 2014:95). Salminen (2014:88) defines the illusion of free as a founder’s non-validated assumption that end-users are not willing to pay for digital goods. Salminen notes that if present, this assumption drives how founders think, regardless of whether it is actually true or not. An assumption that perhaps is not surprising considering the overabundance of free products or services offered online and the competitive nature of Internet platforms.

The second stage in Muzellec et al.’s framework, the emergent stage, can be characterized by “B2C value-oriented activities through a ‘front office marketing strategy’” (2015:146). The focus is still on the end-user but one can however recognize some small levels of revenue. Muzellec et al. point out that these streams of revenue are related to the fact that the venture has started to succeed in attracting end user to their service but the streams are not necessarily related to the core value proposition.

Muzellec et al. consider the embryonic stage and the emergent as the first part of the framework where the focus lies solely on the end-consumers. The second part of the framework shifts focus towards business partners and it is during the growth stage the shift happens (2015:146). Muzellec et al. regard this as a surprisingly sudden shift triggered by the venture seeking investments from investors and venture capitalists. During this stage the ventures early focus on end-consumers has generated a feasible amount of customers who then on the other hand attracts business partners. This newly emerged interest forces ventures to realign their value proposition and
marketing strategy in order to start targeting businesses and thus securing revenue streams.

The final stage of Muzellec et al.'s framework is reaching an equilibrium point: a point where ventures align their services underlying the value proposition so that both business partners and consumers are covered. Muzellec et al. were able to distinguish two distinct patterns of development (2015:146).

The first case, as distinguished by Muzellec et al., is when a company initially envisaged generating revenue from the consumer side but shifted their focus towards business partners during the span of the business model lifecycle. Muzellec et al. highlights that this does not necessarily mean changing the value proposition itself, but rather changing the orientation of the value proposition in addition to the service underlying the value proposition (2015:147). Muzellec et al. calls this a B2B&C oriented business model i.e. a business model which value proposition mainly is geared towards business partners and any interaction with end-consumers acting primarily as a promotional showcase for the business partners.

In the second case the end-consumers are the part of the two- or multi-sided platform that drive the business. Here the end-users become part of the value proposition for business partners. Muzellec et al. label this case as a B2C&B model (2015:147). The value proposition is directed towards the end-users but retaining end-users will directly reflect the credibility of the service towards potential business customers. The two distinct patterns of development are presented in Figure 7.

![Figure 8](image)

**Figure 8** Revenue streams from the B2C&B model (Muzellec et al 2015)
Muzellec et al.’s finding indicates several important factors needed to be taken into consideration when dealing with the monetization aspect of business models. Firstly Muzellec et al.’s study shows that Internet venture in the early stages of the business model lifecycle tend to focus solely on end-customers. Muzellec et al. also identified, like many others, that Internet ventures typically offer their services or products for free to the end-user in order to attain critical mass.

At a later point in the business development lifecycle, ventures tend to shift their focus towards business consumers. This change, according to Muzellec et al., is often triggered by lack of money i.e. either need to raise more money from investors and venture capitalists and/or the need to generate revenue. Muzellec et al. therefor also conclude that monetizing Internet platforms tends to be increasingly B2B oriented, over time. Muzellec et al. claim that it is necessary to address both sides of the platform (B2C & B2B) and it is important to not neglect the B2B side since this is where most of the value (revenue) can be captured (2015:149).

Finally Muzellec et al. point out that it is evident that the business model at an early stage Internet venture will evolve significantly over time (2015:148). Under what circumstances and how this shift takes place, lies at the heart of this thesis.

### 2.2 Platform literature

The increasing use of the world wide web has led to an increasing number of ventures that rely on a large amount of users adopting the service/product. Sites such as online auctions, social networking sites and product recommendation sites are all Internet-based services on which a large number of users increase the value of the site for all other users. Facebook, Twitter, LinkedIn & Ebay are all sites that are built on this premise. (Aggarwal & Yu 2012:142)

A two- or multi-sided platform can be defined as a product or service that bring together two separate groups of customers (Eisenmann, Parker & Van Alstyne 2006:94). This study, like Muzellec et al., focuses on Internet players and particularly so-called pure-players (139:2015). Muzellec et al. define pure-players as businesses that conduct business purely over the Internet, i.e. businesses with no physical store, called brick and mortar ventures. Muzellec et al. claim that all businesses that do business solely over the Internet in fact are two- or multi-sided platforms.
Muzellec et al. argue that Internet platforms typically have two types of participants: a business or B2B participant which very often is the participant being charged and an end-user or B2C participant who, depending on what the business revenue logic is, may or may not pay for the service (140:2015)

Eisenmann et al. (2006:94) further elaborate that unlike traditional manufacturing and service businesses where growth beyond a certain point might actually lead to diminishing returns, users of platforms are likely to pay more for access to a larger network. Like many other (e.g. McGrath 2010; Baden-Fuller & Mangematin 2013), Eisenmann et al. (2006:94) also point out that platforms are in fact not a new phenomenon, but the emergence of information and communication technologies and the Internet has led to a wide range of a) new platform being created (such as e.g. Google and its ad-network for search) and b) many traditional business being reborn as platforms (such as e.g. retail electricity that match consumers with a specific power producer). Eisenmann et al. (2006:94) note that despite the emergence of two- or multi-sided platforms managers have struggled to develop strategies for two- and multi-sided markets mainly because managers have relied on assumptions and paradigms that apply to products or services that lack network effects. Eisenmann et al. (2006:94-95) highlight three main challenges with two-or multi-sided platforms: pricing the platform, the winner-takes-it-all dynamics of platforms and the threat of envelopment. The three main challenges are covered briefly in the following section.

As Eisenmann et al. (2006:95) note pricing of more traditional retail, service or manufacturing businesses is largely determined by the marginal cost of producing one extra unit. What makes pricing of platforms challenging is that platform providers have to decide upon a price for each of the sides, and the pricing of one side is likely to effect the other side. More exactly Eisenmann et al. (2009:95) argue that when pricing the other side’s growth trajectory and willingness to pay need to be taken into consideration. Eisenmann et al. (2009:95) further recognize that two or multi-sided platforms typically have a so-called “subsidy side” when being of a significant volume are highly sought after by the other side of the platform, the so-called “money side”. Attracting users to the “subsidy side” is crucial for the success of the whole platform since only a significant volume on the subsidy side will attract users to the other side of the platform. This, according to Eisenmann et al. (2009:96) often leads to the “subsidy side” paying less than what it would in an independent market, while the “money side” might pay more than what it would in an independent market.
Making the right decision about pricing requires platform providers to factor in several elements. First of all, Eisenmann et al. highlight the importance of being able to capture cross-side network effects. By this they mean that platforms need to make sure that the subsidy side of the platform is not able to transact with a rival platforms money side. In addition to this they recommend subsidizing the side that is a) sensitive to price and b) sensitive to quality. Finally Eisenmann et al. (2006:97) highlight the importance of managing potential negative same-side effects (negative network effects as a concept are covered later in this chapter). By this Eisenmann et al. mean that it sometimes, perhaps surprisingly, might be a good idea to limit the access to one of the sides. One distinguishable example would be an advertising network where the access to the “money side” might be restricted in order to assure certain exclusivity to a few (big) players.

The second challenge with two- and multi-sided platforms according to Eisenmann et al. is the winner-takes-it-all nature of platforms. According to Eisenmann et al. (2006:99):

> The prospect of increasing returns to scale in network industries can lead to winner-take-all battles

Eisenmann et al. (2006)

The option is between whether there is a possibility to share the platform with rivals or “fight to the death” (Eisenmann et al. 2006:99). Eisenmann et al. suggest that managers can cope with competition on two- or multi-sided platforms through a two-step process: determining whether the networked market is destined to be served by a single market and based on that decide whether to share the platform or “stay and fight” which might end up being a bet-the-company decision.

The final challenge with two- or multi-sided markets, according to Eisenmann et al. (2006:100) is the risk of becoming enveloped. Eisenmann et al. (2006) define becoming enveloped as becoming “swallowed” by another network. The risk of envelopment is especially true in networked markets where technology is evolving rapidly. The blurring of market boundaries is called convergence and Eisenmann et al. (2006:100) regard e.g. mobile phones as a good example of a network that has converged i.e. incorporated other networks such as music, video players and even credit cards.
While not an entirely new concept, multi-sided platforms have grown in importance due to the rise of information technology. In a multi-sided-platform value is created through interactions between the two distinct customer groups. Distinct for the multi-sided platform is that value is created only if the other group of customers also is present (Osterwalder & Pigneur 2010). This is important to notice for two reasons. Firstly this is what researchers and scholars alike often refer to as the “chicken-and-egg” dilemma (Caillaud & Julien 2003; Mas & Radcliffe 2011; Parker & Van Alstyne 2005; Rochet & Tirole 2003; Salminen 2014) What this means is that the two (or several sides) of the platform are so interdependent of each other that it poses a dilemma many entrepreneurs face, a dilemma at the heart of the reason behind this thesis.

The chicken-and-egg dilemma can be defined as the tendency of users not joining a platform because other users are not joining (Salminen 2014). Take for instance the ride-sharing company called Uber. The success of Uber is highly dependent on having a sufficient amount of drivers so that when a user of the service orders a car he/she will get one fairly fast. Imagine a situation where there would be very few drivers within the Uber platform. This would most likely lead to users becoming unwilling to join because it is hard to get a ride, but also subsequently lead to drivers’ unwillingness to join because there are so few customers on the platform (i.e. no money to be made).

The second closely related concept to multi-sided platforms and the chicken-and-egg dilemma is a phenomenon called network effects. Network effects are a phenomenon by which the value of a platform grows in value to the extent that it attracts more users (Osterwalder & Pigneur 2010; Salminen 2014), or as Mas & Radcliffe (2011: 298) put it: “directly proportional to the number of people already on it”. Network effect can further be divided into direct and indirect forms of network effects as well as negative and positive forms of network effects. The four different types of network effects are displayed in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>Positive direct network effects</td>
<td>Negative direct network effects</td>
</tr>
<tr>
<td>Indirect</td>
<td>Positive indirect network effects</td>
<td>Negative indirect network effects</td>
</tr>
</tbody>
</table>

*Table 4  Network effects (indirect & direct, positive & negative)*
When a platform is considered to have direct network effects, the users’ value of using the service or product increases with the number of other users who do the same. One of the most iconic products, which depend on positive direct network effects, is the telephone. The more installed telephones, the more people one is able to call. The required size of the network (i.e. the number of telephone users needed for positive direct network effects) is called critical mass (Salminen 2014:59). Critical mass will be covered more in depth in a later stage of the thesis.

If direct network effects relates to users of the same kind (i.e. people using their phones for calling each other), indirect network effects relate to network effects on another group of users. Continuing with the telephone metaphor: not only does more users equal greater value for the user (i.e. more people to call), but in two- or multi-sided platforms more users will also effect another group of users e.g. telemarketers (i.e. the more telephone users, the more attractive the platform becomes for a telemarketer).

The telemarketer metaphor also highlights another important aspect of network effects: network effects can be perceived as both positive and negative (Shy 2011). You could argue that most people probably perceive telemarketers as a negative indirect network effect, while others might enjoy purchasing products and services conveniently over a phone call.

Salminen (2014:59) also points out that network effects, indirect or direct, positive or negative, can often be asymmetric. By this he means that the two, or several, sides of the two- or multi-sided platform does not necessarily have to appreciate the presence of the other side to equal measures.
### 3 SUMMARY OF THE THEORETICAL FRAMEWORK

The purpose of this section is to highlight and summarize the most important sections of the previous chapter, which will make up the theoretical framework. All concepts covered in this section have thus been covered previously and will simply be condensed and summarized to develop a more straightforward theoretical framework.

The business model concept is a widely researched concept within management literature such as marketing and strategy. Despite being widely studied, previous studies have mostly focused on the definition of business models (see table 1 for summary of definitions) and the research is seldom rooted in empirical data (Baden-Fuller & Morgan 2010; Demil & Lecoq 2010; Chesbrough 2010). In this thesis a business model is defined as a model that describes the rationale of how an organization creates, delivers, and captures value (based on Osterwalder & Pigneur 2010; Johnson, Christensen & Kagermann 2008; Shafer 2005; Teece 2010).

A further definitional distinction to make is the difference between business strategy, business model, revenue model and revenue logic. Like Sainio & Marjakoski (2009), I argue that the business strategy is the outermost element of the business i.e. “the steering and goal-oriented guide for competitive moves”. DaSilva & Trkman echo this definition and regard the business strategy as the long term-perspective of the firm and how the company aims to operate while business model is more of a short-term perspective and a description of how the company operates today.

Revenue logic is defined as the “strategic description of revenue sources and how the business generates profit” while the revenue model can be defined as the “operational description of the basis on which revenue is collected from partners and customers”. (Sainio & Marjakoski 2009)

The interrelation of business strategy, business model, revenue logic and revenue model is presented in figure 9.
Figure 9  The interrelation of business strategy, business model, revenue logic and revenue model

There are a number of revenue models for Internet ventures (Clemons 2009; Rappa 2008; McGrath 2010; Beuscart & Mellet 2008). This thesis focuses on revenue models for Internet platforms so Beuscart & Mellet ‘s (2008) classification of the four revenue models for Internet platforms (figure 5) is the categorisation that this thesis will be based on.

Muzellec, Ronteau & Lambkin (2015) have examined a set of Internet ventures in different stages of development and established theoretical framework that takes roots in two-sided networks, the value proposition literature and business model ecosystem literature. There are a few important elements of the study that are key for this particular thesis. First of Muzellec et al. (2015:144) managed to group companies according to “the number size and sustainability “ of the companies revenue streams. Based on this grouping Muzellec et al. were able to determine that Internet ventures typically go through four different stages of revenue streams. Muzellec et al. argue that in the first two stages, the embryonic stage and the emergent stage, companies tend to focus solely on the end-consumer. Revenue streams are at best sporadic (2015:146). It
is in the second part of the framework, during the growth and maturity stage that companies tend to focus more on a) creating revenue and b) collecting that revenue from the B2C customers rather than from the end-users.

The second important element of Muzellec et al.'s (2015) framework is the notion that the shift towards focusing on monetization is triggered by the venture seeking investments from investors and venture capitalists, thus regarding the investors as key change agents when it comes to shifting the focus from growth towards monetizing.

The final but equally important take-away from Muzellec et al.'s (2015) business model lifecycle framework is that Muzellec et al. (2015) argue that many Internet ventures end up becoming two-sided platforms because during the maturity stage their value proposition ends up being directed towards two separate customer segments: business customers and end users. Muzellec et al. (2015) argue that monetizing Internet platforms over time tends to be more B2B-oriented. Muzellec et al. (2015) also argue that it is necessary to address both sides of the platform and that the B2B-side should not be neglected in the early stages of development because that is where most of the value can be captured (2015:149).

Understanding the monetization dilemma (Salminen 2014) is also a key element in this study. When the monetization dilemma is applied to Muzellec et al.'s (2015) revenue streams over a period of time, the challenge of collecting a fee from the end-user is evident (see figure 7). Collecting a fee from the end-user might lead to fewer users signing up for the service. Fewer users of the service will lead to less (or no) attraction from the other side of the platform which is likely to lead to low (or no) revenue from that side of the platform forcing the user to collect a fee from the end-user. If the service on the other hand is free for the end user it is likely to lead to more users signing up for the service. A large user base might attract users from an additional customer segment possibly leading to revenue from that side leading to the possibility to subsidies the end-user i.e. continuing to provide the service for free.

The illusion of free (Salminen 2014) is also an important concept to understand. Salminen defines the illusion of free as founder's non-validated assumption that end-users are not willing to pay for digital goods. Salminen notes that if present, this assumption drives how founders think, regardless of whether it is actually true or not. An assumption that perhaps is not surprising considering the overabundance of free products or services offered online and the competitive nature of Internet platforms.
Two- or multi-sided platforms are defined as a product or service that bring together two separate groups of customers (Eisenmann, Parker & Van Alstyne 2006:94). Muzellec et al. (2015) point out that essentially all businesses that operate solely over the Internet are two- or multi-sided platforms.

A concept closely related to two- or multi-sided-platforms is the so-called chicken-and-egg dilemma. The chicken-and-egg dilemma can be defined as the tendency of users not joining a platform because other users are not joining (Salminen 2014). A key characteristic for two-or multi-sided platforms is something called network effects. Network effects are the notion that the value of a network is directly proportional to the number of people already on the network (Mas & Radcliffe 2011:298) i.e. the more users the better for the next person following up.
4 METHODOLOGY

Saunders, Lewis & Thornhill’s “research onion” is a great way of approaching your research methodology. Saunders et al. argue that the choice between e.g. qualitative or quantitative research method lies at the core of the onion. According to Saunders et al. there are important outer layers that affect your choice of data collection and data analysis (2009:108).

![The research onion (based on Saunders, Lewis & Thornhill 2009)](image)

4.1 Research philosophy

The outermost layer is your research philosophy, an over-arching term related to how knowledge is developed and the nature of that knowledge. The research philosophy one adopts will underpin the rest of your choices regarding research methodology since it essentially includes assumptions about how you view the world (Saunders et al. 2009:108)

It is important to note that there are no “better” research philosophies but rather research philosophies that are “better” at doing different things. Saunders et al. recognize three main ways of viewing research philosophy: pragmatism, ontology and epistemology (2009:109)

Like Wilson (2014) and Saunders et al. (2009) I have a very pragmatic view on the world. Considering the research problem and the research aim of this thesis, I argue
that I will approach the topic at hand from a combination of an interpretivism and a realist point of view. While one might argue that revenue streams are a numbers game, I aim to find the reality behind these numbers (details). I am also to large extent a stakeholder in the Internet industry (currently an employee of a Internet venture operating as a multi-sided platform and potentially an aspiring entrepreneur) and realize that there will be a certain amount of subjectivity in this thesis.

4.2 Research approach

There are two main research approaches often associated with business and management research: inductive and deductive (Wilson 2014; Saunders et al. 2009). A deductive approach is what most people consider being scientific research (Saunders et al. 2009:124). Deduction involves developing a theory that you then subject to rigorous testing. Deduction is the dominant research approach amongst natural science and draws upon existing theory.

The emergence of social sciences in the 20th century led to many researchers questioning the use of deduction. They were particularly critical towards establishing a cause-effect link between two particular variables without understanding how humans interpreted their social world (Saunders et al. 2009:126). This laid the foundation for an alternative approach called induction. If deduction draws upon existing theory, induction first collects the data and then develops a theory as a result of the data analysis. Figure 11 summarizes the two approaches and explains the differences between them.
What type of approach you use should once again be highly dependent on your research topic. Wilson (2014) also suggests that choosing between induction and deduction can be motivated by existing literature. It is not entirely uncommon that researchers and scientists use both induction and deduction (Ghauri & Grønhaug 2005; Wilson 2014); it might even be advantageous to do so (Saunders et al. 2009:127). In addition to this Saunders et al. suggest that deductive research might be quicker to complete (2009:127) and inductive research requires the researcher has to demonstrate excellent knowledge in the field of subject.

Despite the fact that there is not an overabundance of articles covering both two-and multi-sided platforms, I argue that there are a sufficient amount of articles to approach the research deductively. I also recognize that this thesis will include elements from an inductive research approach such as e.g. analysing the data inductively and generating new theory.
4.3 Research strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>Often found in natural sciences and psychology. Purpose is to study casual links i.e. whether a change in one independent variable produces a change in another dependent variable. Often used to answer “why” and “how” questions.</td>
</tr>
<tr>
<td>Survey</td>
<td>Usually associated with a deductive approach. Popular in business &amp; management research. Enables to collect large amount of data in an economical and time-efficient way. Not only questionnaires: e.g. structured interviews also fall into this strategy.</td>
</tr>
<tr>
<td>Case study</td>
<td>Studying a particular phenomenon within a real life context. Opposite of experiment (controlled context) and different from survey (limited by the number of variables for which data can be collected).</td>
</tr>
<tr>
<td>Action research</td>
<td>Research in action rather than research on action. High collaboration between researcher and practitioner. An iterative process.</td>
</tr>
<tr>
<td>Grounded theory</td>
<td>Theory building through a combination of induction and deduction. Data collection is started before an initial theoretical framework. Theory is then developed through observations and which is then turned in to predictions and tested again.</td>
</tr>
<tr>
<td>Ethnography</td>
<td>Rooted firmly in the inductive approach. Purpose is to explain the world the research object inhabits “in their own words”.</td>
</tr>
<tr>
<td>Archival research</td>
<td>Makes use of administrative records and documents.</td>
</tr>
</tbody>
</table>

Table 5 Different research strategies (based on Saunders et al. 2009)

This thesis is being conducted as an exploratory study using the survey strategy. This is the most appropriate strategy for finding out “what is happening: to seek new insight; to ask questions and assess phenomena in a new light” (Robson 2002:59, as quoted by Saunders et al. 2009:139). This will be done qualitatively.

4.4 Sampling strategy

Figure 12 Population, Sample, Case & element (based on Saunders et al. 2009)
There are several sampling strategies to consider. Saunders et al. (2009:213) divide sampling strategies into two main groups: probability sampling (also known as representative sampling) and non-probability sampling (also known as judgmental sampling). The first of these two, probability sampling is recommended for survey-based research where the probability for each case selected is known, which makes it possible to make statistical inference about the population. Non-probability sampling on the other hand include sampling strategies that allows you to make generalizations to some extent, but not on statistical grounds. Choosing between probability and non-probability sampling should be driven by your research objective, research question(s) and research strategy (Saunders et al. 2009; Silverman 2013).

Purposive sampling is a non-probability sampling strategy that allows the researcher to select cases based on research questions and thus using his/her judgment when selecting cases that best help the researcher meet the objective of the study. Purposive sampling often means selecting quite few cases, but cases that are particularly information rich (Neuman 2005, according to Saunders et al. 2009:239).

The logic and power of purposeful sampling lies in selecting information-rich cases for in-depth study.

Patton (2014:264)

One of the 40 purposeful sampling strategies presented by Patton (2014:284) is called key sampling. Key knowledgeable sampling, also known as key informant sampling is a strategy by which genuinely knowledgeable experts are identified and included in the sample. According to Patton (2014:284) this sampling strategy can either be used alone or in combination with another strategy. Patton (2014) also points out that not only is the key knowledgeable sampling strategy a very common strategy when doing qualitative strategy it’s also a very effective strategy since “what you end up having something to say about depends on whom you sample”.

I will use purposive sampling consisting of a combination of key knowledgeable sampling, homogenous purposive sampling, and elements of convenience sampling. I have sourced genuinely knowledgeable experts from within the venture capital and angel investment field, to gain a deeper understanding of what circumstances and how Internet platforms shift their focus from growth towards monetizing their audience. Since all respondents, to some extent, represent the venture capital or angel investment industry I argue that homogenous purposive sampling has been uses since a particular
subgroup is studied in-depth. The reasoning behind selecting a specific subgroup, particularly from the venture & angel investment sector is presented in chapter 4.8.

In addition to this I also recognize that my thesis, to some extent, will include elements of convenience sampling. Selecting a sample based on the researchers ease of availability comes with several pitfalls such as that the cases might be information poor and it lowers the credibility and thus is easy to attack (Patton 2014). The respondents included in the sample are either individuals who I know personally or individuals who I have been introduced to via common connections. In this sense getting access to these respondents has been convenient, but I argue that a) all cases selected are information rich and fit in to being key informants and thus purposeful b) certain elements of convenience were inevitable due to the given resource constraints, such as time and budget. E.g. doing some of the interviews in person was not an option, thus some of the interviews were concluded over phone or Skype. I also argue that having common connections with some of the respondents has been beneficial and likely had a positive influence on the respondents willingness to take part in the interviews and having or further establishing a personal contact, which, as covered earlier, is an important part when conducting qualitative research. Patton (2014:309) concludes that convenience sampling can be “dangerous” if it is the sole or primary criterion. In this particular case I argue that only elements of convenience sampling have been used.

When it comes to sample size when conducting qualitative study there are no rules and unlike probability sampling and quantitative studies, size becomes ambiguous (Saunders et al. 2009:233). Patton (2014:311) also point out that the sample size in qualitative studies should depend on “what you want to know, the purpose of the inquiry, what’s at stake, what will be useful, what will have credibility and what can be done with the available time and resources”. Saunders et al. (2009:235) recommends choosing the size of your sample based on a concept called data saturation i.e. collecting new data until few, if any, new insights occur.

The sample size for this thesis is six respondents. While being a fairly small sample I argue that a) the interviews were fairly in-depth and b) all respondents were information-rich or key knowledgeable informants, as mentioned earlier. I also argue that certain data saturation occurred after having interviewed six respondents. This sample size was also optimal for the given time constraints for this research project.
4.5 Choice of research method

Methods should be our servants, not our rulers.

Silverman (2013:10)

The key when choosing research method is choosing a method based on the specific task at hand. There are no “good” or “bad” research methods, only research methods appropriate for the task at hand and methods inappropriate for the task at hand. The two most common choices of method are the quantitative and the qualitative method (Wilson 2014:14). Quantitative research examines numerical data, while qualitative research examines data that is narrative. Saunders et al. advocates choosing between a single data collection technique, also known as the mono method, or using more than one data collection technique (multiple methods).

Saunders et al. (2009:482) highlight three distinct differences between quantitative data and qualitative data. Firstly quantitative data base meaning derived from numbers while qualitative data base meaning derived from words. The second distinction is that quantitative data results in numerical and standardized data while qualitative data results in non-standardized data that requires further processing such as categorisation. The final difference has to do with how data is analysed: quantitative data is analysed trough the use of aids such as diagram and statistics while analysis of qualitative data is conducted trough the use of conceptualization.

While both Wilson (2014) and Saunders et al. (2009) argue for using multiple or mixed methods, I argue that a single method will be sufficient and most fitting for this research scope.

Saunders et al. (2009:154) encourages researchers to become creative when it comes to choice of research method but above all he highlights the importance of choosing a research method that is fitting for the research purpose and questions at hand. I argue that a qualitative research method will best help me answer my research question. The qualitative techniques and procedures used are covered in chapter 4.6.

4.6 Time horizon

Saunders et al. also suggest considering the time horizon in the research-planning phase. More precisely should the research be a “snapshot” taken at a particular time or more like a series of “snapshots” taken over a longer period of time. The snapshot
perspective is called a cross-sectional time horizon while the more diary-like perspective is defined as longitudinal. (2009:155)

Considering the research purpose and question, I argue that examining the topic from a cross-sectional time horizon is more fitting for answering my research question. A cross-sectional-time horizon will help illuminate how revenue models evolve over time and how Internet platforms approach monetization during different circumstances.

4.7 Techniques & procedures

Saunders et al. (2009:323) recommend using non-standardized qualitative research design if you are conducting exploratory study or if there is an exploratory element included in your design. When using interviews of a semi-structured nature the researcher can take help of a so-called interview guide (covered in more depth in chapter 4.10). The interview guide should contain a list of themes and questions to be covered, but the semi-structured nature of the interview enables the researcher deviate from the guide based on context specific elements such as omitting certain questions specific only to a certain respondent or changing the order of the questions and themes depending on the flow of the conversation (Saunders et al. 2009).

A semi-structured interview is also useful since the researcher can probe answers i.e. the researcher wants interviewees to “explain, or build on, their responses” (Saunders et al. 2009:324). Saunders et al. (2009:324) also found that using a semi-structured interview will most likely lead to more interviewees being willing to take part in the interview since a semi-structured interview design provides the interviewee with the ability to reflect on a specific topic of their interest without having to write anything down (compared to inviting them to fill in a pre-determined questionnaire). So not only is it likely that the researcher will get more interviews more easily, it also provides the researcher with an opportunity to receive “feedback and personal assurance” on the topic, research question and research problem.

Saunders et al. (2009) point out some potential data quality issues that may occur when opting for the use of semi-structured interviews. According to Saunders et al. (2009:326) these are reliability, forms of bias, validity and generalizability.

One of the measures taken prior to the interviews in order to prevent potential data quality issues was supplying the respondents with relevant information, which
according to Saunders et al. (2009:328), may improve credibility. This is so that the participants have the opportunity to prepare themselves for the interview i.e. gathering their thoughts. In addition to this each of the respondents was also approached prior to the interview by phone (or when applicable in person) to discuss the upcoming interview in an informal conversational manner. Patton (2014:437) recognizes the informal conversational interview as the most open-ended approach to interviewing. The purpose of the informal conversational interview was not so much to gather data, but rather to a) establish a personal contact, which according to Saunders et al. (2009) is very important when conducting interviews, b) introduce and inform the respondents on the topic being researched and c) investigate whether the respondents where willing to take part in a semi-structured interview.

Another aspect that potentially could effects data quality in a negative way is the appropriateness of the location. Five of the six interviews were conducted by either phone or through Skype while one was conducted face-to-face. Saunders et al. points out that conducting qualitative interviews by phone may lead to reduced reliability because of the lost opportunity to witness non-verbal behaviour and the challenge of pacing the interview. Saunders et al. does however point out that conducting a phone interview may be appropriate if it allows the researcher to make contact with respondents who otherwise might be inaccessible due to e.g. long distance. If conducting telephone interviews, Saunders et al. further stress the importance of establishing credibility to personal contact and providing the respondent with appropriate on boarding to the topic being discussed during the interview, which is the case in this study as demonstrated in the section above.

Another important factor to take into consideration is that the interview is done at a location where the respondent feels comfortable (Saunders et al. 2009:329). All interviews were conducted at a time and date that suited their schedule and time zone, leaving the choice of location at the convenience of the respondent. I, in the role of researcher, took the appropriate measures to assure that interviews, on behalf of the researcher, were held in a quiet meeting room. All interviews were conducted undisturbed. The interview that was conducted face-to-face also took place at the convenience of the respondent: in a quiet meeting room at his office.

All six semi-structured interviews were audio-recorded and transcribed (with the explicit permission of each respondent.) In fact two audio recorders were used during all the interviews: one built in in the mobile phone and one external, used as a backup if
any technical malfunction might have occurred. The upside to recording interviews, according to Saunders et al. (2009:339) is that it enables the researcher to concentrate more attentively to what is being said and in which way it is being said; something especially important since five out of the six interviews were conducted by phone or Skype.

As Patton points out, recording and transcribing your data does not necessarily exclude the opportunity for the interviewer to also take notes. First of all, notes may act as a backup to the audio files if they due to some technical malfunction are erased. Taking notes is also a way for the interviewer to highlight important parts of the conversation that may be utilized later on when analysing the data. Notes are also a way to gain and stimulate early insight - insights that may be beneficial later on in the same interview or even something to be used in the next interview, while still in the field. (2014:472). Subsequently, notes, of varying lengths, were taken during all six interviews.

### 4.8 Choice of respondents

As mentioned, six in-depth semi-structured interviews were conducted. All six respondents represent the venture capital & angel investment sector, to some extent. Selecting cases from this specific sub-group is purposeful because based on the informal conversational interviews done prior to the in-depth semi-structured interviews, all six respondents showed both interest and considerable knowledge in the field of monetizing consumer-facing Internet platforms. This subgroup is also an appropriate sample because this particular subgroup have encountered several different types of companies and thus have a broad experience from different challenges and solutions related to monetizing Internet platforms. Collectively the six respondents have made close to 300 investments over the course of their careers. Another element that affected the choice of respondents and this particular subgroup is that several of the respondents have a background as entrepreneurs, which enabled in them approaching the topic of monetization also that perspective. The so-called key knowledgeable sampling strategy is the primary sampling strategy for this thesis.
### 4.9 Collection of data

<table>
<thead>
<tr>
<th>Time of interview</th>
<th>Name</th>
<th>Role</th>
<th>Company</th>
<th>Medium</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.10.2015 at 09.00</td>
<td>Alpha</td>
<td>Founder &amp; Partner</td>
<td>European venture capita (VC) firm, small</td>
<td>Phone</td>
<td>34:01</td>
</tr>
<tr>
<td>1.10.2015 at 17.00</td>
<td>Bravo</td>
<td>Partner</td>
<td>American VC firm, large</td>
<td>Phone</td>
<td>50:59</td>
</tr>
<tr>
<td>2.10.2015 at 10.00</td>
<td>Charlie</td>
<td>Angel Investor</td>
<td>-</td>
<td>In person</td>
<td>29:12</td>
</tr>
<tr>
<td>6.10.2015 at 08.30</td>
<td>Delta</td>
<td>Partner</td>
<td>European VC firm, small</td>
<td>Phone</td>
<td>34:17</td>
</tr>
<tr>
<td>7.10.2015 at 13.00</td>
<td>Echo</td>
<td>Founder &amp; Partner</td>
<td>European VC firm, medium</td>
<td>Skype</td>
<td>27:46</td>
</tr>
<tr>
<td>8.10.2015 at 13.00</td>
<td>Foxtrot</td>
<td>Researcher &amp; previous Financial Analyst</td>
<td>Asian Investment bank, Large (previous employer)</td>
<td>Skype</td>
<td>24:21</td>
</tr>
</tbody>
</table>

Table 6  Respondents: time of interview, coding, company, medium & length of interview

All six in-depth semi-structured interviews were conducted during week 40 and 41 of 2015. The interviews were conducted either by phone, Skype or when possible face-to-face. All six respondents participated in the interviews voluntarily, without compensation. As mentioned earlier all six respondents were approached by phone, or through a face-to-face meeting, in an informal conversational manner, prior to the interview with the purpose of providing them with more in-depth information about the interview and the purpose of the study. All six respondents also received a scaled-down interview guide through email before the interview itself, outlining the themes that were to be covered during the interview. As mentioned all interviews were audio-recorded and transcribed, and in addition to this notes, of varying lengths, were taken during all six interviews. The design of the interview guide will be discussed in more depth in chapter 4.10.

### 4.10 Design of interview guide

Patton (2015:439) notes that interview guides vary both in length, level of detail and style but the underlying purpose of the interview guide is more or less the same: to ensure that the same types of questions and themes are covered with each and every respondent. In previous chapters we covered the nature of a semi-structured interview and that it is common if not even recommended to some extent, when an opportunity presents itself, to deviate from the interview guide. The upside with the interview guide is however that the interviewer has had the opportunity to carefully plan and decide on how to use the limited time available in an interview in the best possible way (2014:239). Patton (2014:239) also points out that the interview guide also allows the
interviewer to stay focused “while allowing individual perspectives and experiences to emerge”.

Saunders et al. (2009:329) point out a few aspects to be taken into consideration when designing an interview guide. Firstly the order of the questions should be logical for the respondent. Secondly Saunders et al. also highlight the importance of using a, to the respondent, comprehensible language.

Patton’s (2014) and Saunders et al.’s (2009) guidelines were followed closely when designing the interview guide for this thesis. The interview guide includes three elements: introduction, questions related to research question one i.e. Under what circumstances do Internet platforms shift their focus from growth towards monetizing their audience and questions related to research question two i.e. How do Internet platforms shift their focus from growth towards monetizing their audience? The introduction section includes basic information about the respondent, outlining background and experience to assure that the respondent in fact is a information-rich informant and fits within the scope of this research. The second section focuses on some of the circumstances under which Internet platforms shift heir focus from growth to monetization. The third section focuses on how this shift is done and touches upon topics such as different revenue models for Internet platforms. Every interview was concluded with an open question to give respondents the opportunity to add any final comments. The interview guide was designed based on the theory presented in the literature review. All interviews conducted followed the interview guide to large extent. In some cases the order of the questions deviated from the interview guide, but this only to ensure a natural flow of the interview. The interview guide can be found in appendix 1 of the thesis.

4.11 Analysis of data

Non-standardized (semi-structured and in-depth) interviews are used to gather data, which are normally analysed qualitatively.

Saunders et al. (2009:321)

Data from the interview was indeed analysed qualitatively using Spiggle’s (1994) classification and description of qualitative data manipulation operations. The operations suggested by Spiggle (1994:493) are: categorisation, abstraction, comparison, dimensionalization, integration and refutation. All of the operations, to some extent, were applied with the purpose of organizing data, extracting meaning,
arriving at conclusions and generating or confirming conceptual schemes and theories that describe the data (Spiggle 1994:493). The seven data manipulation operations will be covered briefly in this section.

Categorisation is a process by which data is structured. For qualitative analysis this is usually done through coding. Successful categorisation means identifying bits and pieces of data that belong or represent a more general phenomenon (Spiggle 1994:493). Thanks to a structured interview guide and interviews that more or less followed the same synopsis, this manipulation operation was fairly straightforward to put together and several common themes were found.

Abstraction is a data manipulation operation that builds on categorisation. It is also a type of data manipulation operation where the researcher groups the data into larger more general conceptual entities. It’s important to note that proper categorisation and abstraction will facilitate better use of the rest of the data manipulation operations (Spiggle 1994:493). Having several more detailed categories to further abstract, led to this data manipulation operation also being conducted fairly easy.

Comparison, like the name indicates, is the data manipulation process of comparing and exploring differences between the different sets of abstracted categories (Spiggle 1994:493). Dimensionalization on the other hand is the process of exploring a specific categories characteristic along a continuum or dimensions (Spiggle 1994:494). Comparing the different categories and abstractions of categories was a natural way of analysing the data. Dimensionalization also occurred, although not extensively, especially when analysing a specific category with very divergent answers from the respondents.

Integration is a data manipulation operation which purpose is to “build theory that is grounded in data” (Spiggle 1994:494). The objective of this thesis was to provide new insightful information regarding how Internet platforms are monetized. Integration was an essential part of the analysis-phase with the objective of building new theory.

Spiggle (1994:495) also point out that following the data manipulation operations step by step, i.e. moving through the data manipulation operations in a sequential manner, but rather move back and forth between the different stages in an iterative manner. Spiggle (1994:495) define this operation as iteration. The research process for this
thesis has been quite iterative both when it comes to writing the literature section, gathering data and finally analysing it.

The final data manipulation operation identified by Spiggle (1994:496) is called refutation and involves “deliberately subjecting one’s emerging inference - categories, constructs, propositions, or conceptual framework-to empirical scrutiny”. Spiggle (1994:496) refer to something called negative case analysis by which the researcher seeks out specific cases that disconfirm one’s emerging analysis. The data manipulation operation was especially conducted towards the end of the research process with the objective to critically examine and question previous work done and lies at the foundation to some of the limitations of the study presented in chapter 7.
5 RESULTS

In this chapter the results from the six in-depth qualitative interviews will be presented. Rather than presenting each interview individually the results are presented according to the main themes covered in the interview guide. In the following chapter, chapter 6, the results will then be further analysed, compared and discussed.

5.1 Circumstances for shifting from growth towards monetization

5.1.1 The difficulty of monetizing

I think the big question most, at least consumer companies always have, is around how and when they should start to monetize

Bravo

A large majority of the respondents confirmed that how and when one should start monetizing were one of the most common concerns amongst entrepreneurs who the respondents had met with over the course of their careers. Especially Bravo highlighted how this especially might be true for consumer facing Internet ventures. The difficulty of monetizing derives from a number of reasons. Delta and Echo for instance highlighted the significant number of users you need in order generate significant income, while Delta highlighted the issue of choosing between free and fee (which will be covered more in depth in chapter 5.2).

Charlie and Delta both argued that, generally speaking, B2B Internet ventures usually have a better idea of how to monetize, especially in the earlier stages. This is typically because the B2C ventures first look for a substantial user base and try to reach a certain amount of stickiness (users staying with the service or product) before they are able to monetize.

Another difficulty related to monetizing, brought forth by several of the respondents was managing expectations. According to Bravo this includes both current and future stakeholders in the company and involves the notion that once Internet ventures start monetizing there is always going to be an expectation of growing those revenues. This is one of the underlying reasons to why entrepreneurs are careful about monetizing and do so only when they have "a bulletproof strategy" in place (Bravo).
Echo also noted that of course most Internet ventures are "in the business of making money" so naturally the question of when and how to monetize is always at the forefront of discussions. Echo also highlighted that it is not always only a question of if you can generate income or not but also a question of how much money one can generate and how one's revenue model will help one grow that revenue over time as well as improving profitability.

All respondents also highlighted the context specific nature of monetizing, which of course makes creating general recommendations hard. Both Bravo and Charlie highlighted that how and when one monetizes depends on the type of industry, platform, company and product.

Delta also discussed the sustainability of operating businesses without an evident revenue model:

> Not all companies will be able to win. There will be a few winners, and in those winners there will probably be a few different revenue models over time employed.

Delta argued that because of the low cost of doing business over the Internet and the plethora of free services have lead to many companies operating and optimizing their revenue model (chapter 5.5) for a longer period of time will lead many Internet platform failing. Despite this, according to both Delta and Echo, there will always be from four disruptive and innovative Internet platforms that eventually will become winners.

5.1.2 Growth vs. Revenues

I think it's a difficult combination to grow a scale and monetize at the same time.

Charlie

All respondents confirmed that there are, in many cases, a trade-off between growing a user base and monetizing. Charlie and Delta both had first hand experience from this, where an Internet based company they had been working tried to monetize from the beginning but quickly noticed that it harmed the user growth.

According to Echo the cost-structure of building Internet-based products and services is actually what has resurfaced the challenge with revenue models. Echo argues that Internet-based products or services generally have very low costs for adding an additional new user. If a company takes on a high cost for each new user this might be
something that scares away potential investors, but if one is able to add users at a marginal cost and one’s growth trajectories are good, companies can actually exist for a longer period of time without having a given revenue model given that they have early-stage funding from e.g. venture capital firms and/or angel investors. During this period of time companies can a) grow their user base and b) experiment or optimize their revenue model. Echo highlights this as an important insight since this is a trait specific for companies operating through the Internet and enables companies to exist for a longer period of time without an evident revenue model.

The whole notion of building companies for profit, is essentially a derivative of 20th century business modelling, where being profitable was the only viable model for a company - you’re either profitable or you don’t exist.

Alpha

Despite this evident trade-off between growth and monetization, many of the respondents did however note that they had experienced Internet ventures that monetize from the start. Delta and Alpha also noted that while he had seen this, he felt that it was much less common than "scaling your platforms before you start to monetize".

Once again many of the respondents felt that this was especially true for consumer facing products. Monetizing from the start was considered much more common amongst enterprise type ventures where, in many cases, companies have been developing the product, including monetization, from the start.

Foxtrot also highlighted that choosing between growing once user base or monetizing it also especially hold true for companies relying on network effects.

Delta on the other hand highlighted that in many early-stage Internet ventures it is often a question of limited resources and prioritizing what the company wants to focus because "you can’t do everything you want" at once.

Foxtrot regards the choice between monetizing from the start and growing ones user base as a function of three elements. Firstly he noted, as many other respondents, that when and how one monetizes is very product specific. In some cases there might be a very natural way to monetize the user base but for most cases it might harm the user growth (The product-specific nature of monetizing is covered in more depth in chapter 5.2.6.). Secondly Foxtrot argued, like Delta, that monetizing is very much dependent on resources. In some cases, if a company is running out of money and they are having
trouble receiving additional funding, a company might simply be forced to start to (try) monetize. Finally Foxtrot argues that choosing between monetization and growth also is a function of the current state of the capital market. By this he meant that the state of the capital market and what type of money is available might dictate the timing and how companies start monetizing. This closely resembles the point made by Delta and Charlie about managing expectations.

Echo also pointed out that while there might be a correlation between revenue and amount of users, this notion is way too simplified. Echo also noted that from his experience it is becoming much more common that companies start to work on revenue models "from day one". He also noted the importance of at least starting to think about how to monetize from day one. If not, companies are going to have a hard time "switching it on" because the revenue model is not embedded in the product in a natural way.

Reaching certain market dominance before trying to monetize was something Charlie felt that is very important. While not being able to exactly define what that exact level is (stating that it is way to company and industry specific), he noted that the right time to start monetizing is when consumer start feeling that "if they don't use this they are left behind". The metric for this, according to Charlie, might e.g. be reaching a certain level in App Store ranking, having a certain percentage of the users in one specific country. The message (and what exact metric that is) will come from the market but according to Charlie this is becoming "something that users need” rather than "something that user want”

5.1.3 Stakeholders for initiating monetization

A large majority of the respondents believed that the initiation for shifting from growth to monetization has to come from within the company. Echo for instance noted that he believes that investors should only involve themselves in companies where you can add value. He further concluded that one way of adding value when it comes to monetization is providing insights on which revenue models have worked, or not worked, in previous cases. Bravo shared this view and further noted that these should be purely recommendations around what has worked and what has not worked.

Foxtrot had a strong opinion that execution is usually the element that separates successful companies from mediocre and unsuccessful companies. And in order to be
able to execute properly, and for the monetization efforts to be "genuine" the decision of a shift in focus "ultimately has to come from the guys running the business".

It is however worth noting that a majority of the respondents brought forth that different investors approach the challenge of monetization from, different angles. Foxtrot, for instance recognizes that the different personalities and experiences of the investor affect how they approach the challenge and venture capital firms or angel investors are often focused on different types of business e.g. some focus on very early-stage companies, others only on companies that already have a fairly-evident revenue model (such as in the case of Delta), while many investors are specialized in a certain area. Charlie also noted that investors such as hedge funds, insurance companies and pensions funds put much more emphasize on monetization while investors involved in early-stage funding such as angel investors and to some extent venture capital firms make investments on the basis of other criteria.

Echo roughly divided investment criteria into two groups: leading and lagging indicators. He defines leading indicators as metrics such as growth rates in terms of users, user activity, user engagement, churns and retention while lagging indicators are defined as financial numbers. Echo argues that the within their firm, the leading indicators are usually the important factors. Bravo also notes that it is not entirely unusual that there are divergent thoughts on when and how to monetize also within single investment firms, which further adds to the complexity of how and when to monetize.

5.2 Strategies for shifting from growth towards monetization

5.2.1 The experimental nature of monetizing

I think each company has to do some level of testing and experimentation to figure out which model works for them.

Bravo

We already covered the difficulty of monetizing and some of the reasons why entrepreneurs shift their focus towards monetization only when they have a "bulletproof strategy" (Bravo). Despite this notion it is worth noting that all respondents either through examples or by stating it straight out realized that there is and need to be a certain experimental nature to how companies monetize.
Foxtrot for instance, based on his own experience as both entrepreneur and previously financial analyst that most “people start with an idea, and then they end making it up as they go along”. He also notes that when starting his own business he approached the challenge from a very experimental point of view:

When I started out, I threw mud at the walls to see what sticks, and what would work, and what wouldn't, and then I'd go with what works.

Foxtrot

Bravo uses the example of instant messaging service that went through several iterations of monetization before sticking with something that worked. For this particular instant messaging service it meant moving from a premium (paid) service, to a free service and then to a subscription model (the different models for monetizing are covered in chapter 5.2.2). What Bravo however highlights is that changing ones revenue model has to be done in a “very thoughtful and methodical way”. Bravo also points he typically goes through some of the typical ways to monetize with the companies he works with but always concludes that the companies are going to have to "try them until you figure out the right balance”. Echo also pointed out that from his experience it is very normal that companies "move back and forth between” revenue models before finding the optimal one.

Delta pointed out that getting the monetization right typically might take quite a long time. He also highlighted the methodical way in which he recommends that companies approach the challenge of monetizing their products or services. The fact that getting the monetization right might take a long time is another reason, according to Delta, for why early-stage companies typically require early-stage funding from venture capital firms and/or angel investors. Delta also points out that there definitely is experimentation and optimization involved for companies who "know” how to monetize. Most respondents concluded that there are probably very few companies who get it right from the start.

5.2.2 Revenue models for Internet platforms

The respondents brought up four different ways of monetizing: transactional, in-app purchases (a type of fee-for-service model), advertising and subscription. Advertising and subscription were brought up as the most common models (by all respondents).
One of the respondents also discussed the monetization of hardware but that model falls outside of the scope of this thesis so it will not be covered in-depth in this section.

Foxtrot defined the advertising based model as a way of "giving away your product for free and in your users allow you to monetize them by selling advertising placement". Foxtrot mentioned Facebook, Twitter and Google as examples of companies who use this model.

The subscription model is a model that many of the respondents regarded as a model that is currently emerging. Instead of advertising the users are asked to pay an "a certain amount of money per month to get access to the service or product" (Foxtrot). Many of the respondents also mentioned the freemium model as an example of a subscription model that is common among Internet ventures. Foxtrot mentioned Spotify, Dropbox and Xbox Live as examples of the subscription model.

Many of the respondents also pointed out that revenue models or monetization models for Internet platforms are not that different from "more traditional" revenue models. Both Bravo and Echo for instance pointed out that advertising and subscription have been around for years, and still have the same underlying revenue logic despite now being implemented on Internet platforms.

Size also came up as a determinant for choosing between which model one should choose. Foxtrot points out that the opportunity for one to adopt advertising based model in the early-stages are quite low. Once the user base grows the outlook for implementing an advertising based model becomes much better. So according to Foxtrot, as well as Bravo, Echo & Delta, implementing a subscription based model is in that sense much easier.

There were mixed beliefs when it comes to re-using already existing revenue models. Both Delta and Echo argued that it is not possible to re-use exactly the same revenue model in the way it has been applied earlier in a completely different context. Delta, and Echo both highlighted that "you can’t really use the copy machine, because every case is indeed a little bit different (Echo). Charlie on the other hand argued that it is likely to be easier to implement a revenue model that is or already has been used within the same filed in which you are operating.
All respondents saw upsides and downsides with both the advertising and the subscription based revenue model. They will be presented in more detail in the following two chapters.

### 5.2.3 The up- and downside of subscription

It ultimately means that the end consumer has to put their hand in their pocket, which means, that you have to create a great product.

Echo

Of the two revenue models, subscription was the one generally perceived as easier to implement. As presented in the previous chapter the subscription based model was considered to be easier to implement especially in the earlier stages (when one does not yet have a significant number of users). In addition to this many of the respondents perceived the subscription based model as the most stable revenue model.

The freemium model was perhaps the subscription model that most respondents referred to. The upside with this model is that adding more users is likely going to be easier than when you have a subscription model that require users to pay.

Many of the respondents felt that the downside of the subscription based model is that it is always difficult to convince users to pay for your service, especially when it comes to consumer facing Internet services where one often can find a plethora of similar service or products that solve a similar pain-point but do it for free.

I think that's the challenge for anyone is trying to create a use case that's compelling in a world where a lot of stuff is already been made for free.

Bravo

The other downside to subscription product, brought forth by Charlie, is that you get the same revenue from users regardless of how much they use the service. Charlie used the example of subscription services for books online. He argued that a person who reads one book a month generates exactly the same amount of revenue as a person reading ten books a month. So growing your revenue over time in a purely subscription based revenue model means that you can only grow your revenue by adding more users i.e. it is hard to further monetize users who "over-use” the service.
5.2.4 The up- and downside of advertising

Advertising was generally perceived as more challenging than subscription. The upsides were to some extent similar to the upsides with subscription: advertising was regarded as a fairly stable type of revenue stream (though not as stable as subscription) and much like the freemium subscription it enables the end-user (in many cases) to use the service for free. Some of the respondents also perceived the advertising based revenue model as more flexible than the subscription and if implemented successfully, more money to be made than on the subscription based revenue models.

We can't abuse the real estate of a phone.

Echo

Most of the downside with the advertising based model, according to the respondents, had to do with a poorer user experience. Bravo recognized that it is an issue of the raised during discussions with entrepreneurs and many entrepreneurs regard advertising as something they do not want to implement. The fact that it might ruin the user-experience was a downside that many of the respondents raised. Bravo also highlighted that providing a poor user experience for the end user is not only an issue for the end-user but also might become an issue for the developer (end-user abandoning the service because of a bad user experience) and the advertiser (bad advertising does not e.g. lead to more customer, maybe even the opposite).

Foxtrot on the other hand explained that the challenge with setting up an advertising-based model is that you might have a hard time in differentiating yourself from other companies sporting an advertising-based revenue model. This on the other hand might lead to a tough time convincing advertisers to choose your advertising platform instead of e.g. Google’s or Facebook’s.

Bravo also argued that advertising based models usually are weak over time because end-consumers get too used with them and the advertisement looses its effect. Bravo also argued that advertising based models are weak over time from a macro perspective. When a financial crisis occurs one of the first thing that companies cut back on is marketing and advertising.

In general, many of the respondents regarded that an advertising based revenue model often is approached as a necessary evil. Echo however did point out that the most clever way to tackle the risk of developing a poor user-experience for the end-user is making
sure that the advertising somehow is part of the functionality. This makes the advertising platform both unique from its peers and, if done properly, less "spammy" towards the end-user.

5.2.5 Combining revenue models

Many of the respondents pointed out that it is quite common to shift between revenue models (partly covered in section 5.5) but also that it might be worth combining different models. Echo even went so far as describing the combination of revenue models as "the future of revenue models online". Foxtrot also pointed out that the revenue models, by no means, are mutually exclusive and that several revenue models could be combined at once.

One combination that was discussed frequently amongst several of the respondents was using the advertising as a tool to drive people towards subscribing. By for instance adopting a freemium model, one can implement advertising on the free side of the freemium to drive users into becoming subscribers. Bravo regards this as an appropriate way of implementing advertising based revenue model (the up- and downsides of a advertising based model are presented in chapter 5.2.4.)

5.2.6 Product - the foundation for monetization

Value is a way better metric or focus for a start-up, than revenue and profits.

Alpha

As mentioned earlier many of the respondents regarded monetizing Internet platforms as a very context specific challenge thus adding to the complexity of what recommendations can be made. However, one common topic that was brought forth by all respondents was the importance of building great products or services, as a foundation for monetization.

Monetization never happen apart from the products. They go pretty much hand in hand.

Delta

Foxtrot for instance highlighted that regardless of what revenue model you end up using, Internet ventures "have to be absolutely certain you've got something that people want to pay for, because if you don't, then they ain't going to pay for it". He argues that
even when adopting e.g. an advertising based model, companies have to make sure that it is a service or a product that end-consumers want to use. If the end-user is not willing to pay for the service one can not implement a subscription based model (or a fee-for-service) and if one is not willing to use it the whole foundation for creating an advertising-based model diminishes because companies are not able to create enough traffic on the service in order to attract advertisers.

The challenge always ends up being that in order for somebody to pay for something you have to have such a compelling value proposition that convinces the users that they should be paying for it.

Bravo

Both Alpha, Charlie and Delta recognize that in order to build a great product one also needs to surround oneself with great people and great talent. Delta regarded this as perhaps an even bigger question than the one on how or when to monetize.

So if you manage to build a team with ten guys who are knowledgeable within an area that is about to become hot, a company like Facebook could easily pay 10 million for the company just because of the talent.

Alpha

Delta also highlights that not only having a great product but constantly improving it is what enables companies to increase revenue.

If you're doing something that feels right for the customer you should do it, if it doesn't feel right, if it doesn't feel like it's adding value to them, then you should avoid it.

Echo

Like many of the other respondents Echo also advocated putting the customer in focus, and that having a great product really is the foundation for monetizing your product or service.


6 DISCUSSION

The results presented in chapter 5 will in this chapter be analysed further according to the method presented in chapter 4.11 in order to better answer the research question. This chapter also includes managerial implications as well as discussion on the reliability and validity of the study.

6.1 Discussion of the results

An analysis of the results show that monetizing Internet platforms is a complex issue with several aspects that needs to be taken into consideration.

The results are mixed when we compare the results to the theoretical framework. All respondents mentioned the advertising and the subscription models. In addition to this one of the respondents mentioned a transactional revenue model as an example of how Internet platforms can monetize. In addition to this, in-app purchases, a type of fee-for-service or a pay as you go revenue model (according to Rappa 2008) was deemed suitable for Internet platforms. The donation based revenue model was not mentioned by any of the respondents. This does however not mean that it could not be applicable to Internet platform. It is worth noting that the donation based revenue model differs significantly from the rest of the revenue models because of its applicability to especially non-profits and none of my respondents were affiliated the that sector of Internet platforms. Based on the findings, Beuscart & Mellet’s (2008) revenue model for Internet platforms can be refined to include the following revenue models shown in figure 13.
Figure 13 Revised categorisation of revenue models for Internet platforms, with examples

There are a few key differences when comparing the revised categorisation of revenue models for Internet platforms with the original model proposed by Beuscart & Mellet (2008). First of all it is worth noting that not all revenue models for Internet platforms need to revolve around free. While certainly being a distinguishable feature for many Internet platforms, it is however possible to adopt revenue models without the element of free. Secondly one can note that the donation revenue model has been replaced with something called the utility based revenue model. While the donation based revenue model certainly still is applicable for Internet platforms, I argue that it significantly differs from the other revenue models in the categorisation and is applicable especially to non-profits such as Wikipedia. The utility model on the other hand is important to include since it has become one of the most used revenue models among Internet platforms especially amongst mobile applications and gaming companies. The difference between the subscription based revenue model and the utility based revenue models is that instead of having recurring fees on a daily, weekly, monthly or yearly basis, the utility model allows customers to do one-off payments e.g. in mobile games such as Clash of Clans to proceed to the next level or in iTunes when buying a movie.

When it comes to the critique towards the different revenue models it is worth noting that many of the respondents shared similar critique towards advertising as Clemons
(2008) brought forth. Advertising was considered to be a necessary evil and a revenue model that in many cases might harm the user experience. Bravo’s distinction that advertising is not only bad to the end-user but that it might in fact be harmful also to the developer and even the advertiser. If the user experience is bad the case might be that the end-user completely stops using the service/products, which of course is bad for the developer of the service or product. It also might be bad for the advertiser since a) he is paying for ad placements but not getting reasonable returns for it and b) the user experience might in fact be so bad that the user is negatively influenced by the advertisements and actively avoids the advertiser thereafter.

Advertising is however not disappearing, but it might become smarter by becoming less intrusive and more relevant for the receiver, which is something that Clemons (2008) brings up and is supported by the results. Echo, for instance, argues that adding advertising as a part of the functionality is how everybody, i.e. the end-consumer, the developer and the advertiser, wins. If the advertising is considered being an essential part of a great service, the ad becomes not only less intrusive but it might in fact become a functionality that is actually appreciated amongst the end-users. This on the other hand might ensure that the consumer stays with that product/service and perhaps even enable more users. This also is likely to lead to the advertiser getting more value for his money since the end-user are much more likely to interact with the advertisement which subsequently might lead to more customer for the advertiser. Figure summarizes the differences between “good” and “bad” advertising.
Figure 14 Negative (red) and positive (green) influences of advertising

The positive and negative highlights of advertising also highlight another important finding, the importance of developing a killer product or service. Having a good product or service is the foundation for adopting monetization successfully. This can be illustrated with the monetization dilemma as applied to Muzellec et al.’s (2015) revenue streams over time. The foundation for the simplified illustration on how users are likely not to take part in a service because of a fee rests solely on the so-called illusion of free i.e. that users are not willing to pay for digital goods. In the results we found a slight contradiction since many of the respondents highlighted the importance of building great products that optimally create an urge to be a part of the product or service and not to be left behind. If we revisit the illustration but from a perspective where the product or service is so great that the end-user is in fact willing to pay for the service right from the start, we notice that the illustration radically changes forms (illustrated in figure 15)

Figure 15 How product quality effect the monetization dilemma applied to revenue streams over time

Having a product that users are willing to pay for will not lead to fewer people signing-up, at least not significantly fewer people, especially if the product/service is of a such a high quality that people who do not use it are being left outside. So while many of the respondents recognised that starting to monetize too early might harm the user base, having a truly great product (that is being monetized) is likely not to harm the growth trajectory.
Another important finding, also related to the product, is that the revenue model by no means should be regarded as a separate entity from the business model as a whole. The different revenue models presented in this chapter are all viable models for monetizing Internet platforms but none of them should be approached as an independent entity but rather as an integral and interlaced element of the business model and the overall business strategy.

This thesis also highlights the fact that very few Internet ventures are Internet platforms from the very beginning of the development, regardless of if they are able to monetize from the start or not. Muzellec et al. (2015) as stated, argues that it is more common for Internet platforms to focus on the end-consumer in the beginning of the business model lifecycle and that it is likely that, with time, focus is shifted towards B2B customers. While the underlying reasoning made sense to many of the respondents, few were willing to unconditionally accept this as a single truth. First of all many of the respondents argued that they had experienced an increasing amount of Internet ventures who monetize their service/product from the start. Secondly, many of the respondents did not recognize the shift towards monetizing the B2B side the older and more developed the company becomes. As Eisenmann et al. (2006) point out pricing two- or multi-sided platforms is a complex issues where both sides willingness to pay and growth trajectory needs to be taken into consideration. What this also means, according to the findings, is that the two- or multi-sided market knows no constant state, but rather a model that constantly needs to be experimented with and optimized.

The aspects of Muzellec et al.’s study that does seem to be confirmed by the findings in this study is that becoming a two- or multi-sided platform is perhaps more common when starting as a B2C focused single platform, rather than transforming into a multi-sided-platform from being a B2B facing single sided platform.

Muzellec et al. (2015) also talk about reaching equilibrium during the maturity phase i.e. where both B2B and B2C customers are served (this is what Muzellec et al. define as the B2B&C model). Several of the respondents echoed the opportunity of combining revenue models directed towards different customer segments. Especially the combination of the subscription based revenue model and the advertising based model, something that also (Rapp 2008) highlights as common. This interplay between subscription and advertising was perceived especially useful in the sense that some of the more negative elements of the advertising model, such as how it clutters the user
experience, could be used to drive end-consumers to another type of revenue model such as e.g. a premium subscription where you for a slightly higher fee can get rid of the annoying elements of the advertising based revenue model.

Though possible, most Internet ventures do not start collecting a fee from the end user directly from the start, but rather try to attain a significant amount of users by offering the product for free. Like Beuscart & Mellet (2008) point out this has to do with two important aspects. Firstly the competition amongst Internet ventures is fierce due to low or non-existing entry barriers and low development costs. This means that regardless of what product or service one is developing, it is likely that there is a similar product or service being offered for free or partly for free. The second important element to take into consideration is that the chicken-and-egg dilemma is particularly strong among Internet ventures i.e. companies are always going to have a hard time attracting more users if the service or product does not already have a significant amount of users. Offering the service or product for free is one way of circumventing or limiting the chicken-and-egg dilemma and trying to maximise the network effects.

There are several circumstances under which Internet platforms shift focus from growth towards monetization. One of these should not however be venture capital firms and angel investors who push for a shift in focus, according to Muzellec et al. (2015). While many of the respondents concluded that different investors also within the venture capital and angel investment industry approach monetization from several different perspectives, a large majority of the respondents argued that the willingness to move from growing to monetizing has to come from within the company in order to be genuine. The primary objective of the investor should instead be guiding the companies and providing insight to some of the common pitfalls related to monetization, what has worked well previously and what has not worked well as well different options for monetizing.

Circumstances however that do affect the shift from growth to monetization are resources, quality and state of the product or service, capital market and industry peers. Throughout this thesis monetization has been approached as a strategic and thoughtful process, but the findings have also shed light on the fact that depending on the state of the resources starting to monetize is something you have to do (in order to survive), rather than something you carefully can start experimenting with. As has been emphasized in this chapter, the state and quality of the product is also a key determinant for when it is possible for an Internet company to start monetizing.
Regardless of what revenue model or revenue logic is applied, monetization will only be successful if customers are willing to use, and preferably pay for your product. Finally the capital market also to some extent dictates the outlooks for receiving funding and thus being able to approach monetization methodologically rather than from a survival point of view. Industry peers, if applicable also shape the expectations of investors and therefor indirectly expectations for potential future revenue streams.

6.2 Managerial implications

This thesis provides managers with an up-to-date terminology on business models, revenue logic and revenue models in addition to categorisation on some of the most widely used revenue models for Internet platforms, thus answering the question how Internet platforms shift from growth towards monetization. There are a few important take-away especially for managers.

Firstly it is worth noting that monetization should not be approached as something completely unrelated to the product or service. The product and service is in fact crucial for the success of the monetization efforts: a popular and functional product that customers do not want to miss out on is the foundation for any monetization efforts.

Secondly, monetization should be approached in a similar way as any other element of the business i.e. through constant experimentation, improvement and optimization. One of the underlying circumstances for shifting from growth towards monetization is that companies, due to lack of resources are forced to start monetizing simply to survive. If and when that time comes, managers ought to be prepared i.e. it is never too early to start experimenting and thinking about monetization.

There are several upsides to operating as an Internet platform. It is however worth noting that reaching a platform status and being able to serve two (or more) distinct groups of customers takes time and is no easy task. Platforms are also famous for being fiercely competitive. This thesis outlines a handful of revenue models useful when shifting from growth to monetization. Each revenue model should however be approached from the premise of your own company. There are no shortcuts to monetization and it is likely that finding the optimal revenue model will require both iteration and experimentation. It also might be worth considering to combine two or several revenue models since both previous research and the findings of this thesis
highlight how many revenue models such as e.g. the subscription model and the advertising model mutually support each other and provide additional security.

6.3 Assessing the trustworthiness of this study

The trustworthiness of this study will be assessed based on Wallendorf & Belk (1989). According to Wallendorf & Belk (1989) the trustworthiness of a study should be based on the following five criteria: credibility, transferability, dependability, confirmability and integrity. This thesis is assessed by each criterion in the following section

6.3.1 Credibility of the study

Credibility is an assessment of how credibly the results of the thesis have been produced i.e. that the constructs of reality studied, where studied in an adequate and believable way.

I argue that the constructs of reality have been studied in a credible way. I have used a significant amount of previous research in order to pinpoint what previously has been studied regarding this topic. All qualitative interviews were also conducted in accordance to recommendations based on e.g. Silverman (2013), Patton (2014) and Saunders et al (2009). All six interviews were audio recorded and transcribed, interview notes where taken during the interviews and data was analysed according to Spiggle’s (1994) data manipulation methods.

6.3.2 Transferability of the study

Transferability is an assessment on how transferable this study is i.e. if the study was conducted with different respondents or in a different context.

The purpose of this study was to understand how Internet platforms monetize. The sample was small but chosen based on purposive sampling and the sample included only so-called information rich cases. This is however a qualitative study, which generally has a lower degree of transferability and the sample size was rather small, despite covering investors from both Europe, Asia and North America. It is also worth noting that all respondents where men, so repeating this study on only women might have a different outcome. It is however worth noting that the venture capital industry is known for having a very low percentage of women at partner level, only 4.2 % of
partner-level venture capitalists are women (Primack 2014), so in that sense the sample used was quite representative. Conducting this same study from an entrepreneurial perspective rather than from an investor perspective is also likely to have yielded different results, at least to some extent. It is also worth noting that five out of six respondents were interviewed by phone or through Skype. Conducting similar interviews again but face-to-face might yield different answers despite all precautions taken to ensure reliability (such as establishing a personal connection prior to the interview).

I conclude that the transferability of this study is low to medium.

6.3.3 **Dependability of the study**

Dependability refers to whether the findings could be repeated if the study was conducted in the same (or similar) context with the same (or similar) respondents. I argue that I have taken the necessary means to ensure proper documentation such as e.g. the interview guide so conducting the study again on the same (or similar) respondents in the same (or similar) context are likely to yield similar results. I argue that the dependability of this study is medium to high.

6.3.4 **Confirmability of the study**

Confirmability refers to that the conclusions made are done on as neutral and objective grounds as possible.

Previously in the thesis I concluded that a certain degree of subjectivity might be seen in the thesis due to the fact that I personally work within the consumer facing Internet industry and especially with how and when Internet ventures monetize. Despite this there are now monetary diligence traps related to the outcome of this thesis so there has been no reason for me not to report the findings in a neutral and objective way as possible.

I argue that the confirmability of this thesis is medium to high.

6.3.5 **Integrity of the study**

Integrity, according to Wallendorf & Belk (1989) is the final criteria for assessing trustworthiness. Integrity refers to what extent the respondents have told “the truth”
and not e.g. fabricated data such as fabricated data that is not true. All six respondents participated in the interviews voluntarily without compensation and I see no reason why they would have answered any of the questions in an untrue way. The topic of monetization is not very sensitive and none of the respondents focused on any e.g. detailed financial data that might harm any of the respondents if it ended up in the wrong hands. The interviews all had more of a conceptual focus to it rather than specific, potentially sensitive details about specific companies. The identity of the respondents has also been "anonymized" in addition to any examples used in the interview that might have jeopardized the anonymity of the respondent.

I argue that the integrity of this thesis is high.
7 CONCLUSION

It is important to understand that there are no shortcuts to monetization. Both previous research and the findings of this thesis highlight the importance of hard and tenacious work in order to find and implement the right revenue model.

Internet ventures in different stages of development approach monetization from different perspectives. Sometimes it is a matter of choice and other times ventures are forced to start monetizing in order to survive.

We can conclude that the circumstances that affect when Internet ventures are able to shift from growth to monetization include a company’s own resources, quality of product, general capital market and industry peers. We can also conclude that the decision for shifting the focus from growth towards monetization does not and should not come from the investors but rather from within the company in order to be as genuine as possible.

There are four revenue models relevant for monetizing Internet platforms. These are the subscription based, the advertising based, the transactional based and the utility based revenue models that all have both up and downsides to them. One strategy for shifting from growth towards monetization is combining several of the revenue models since in many cases they might be mutually beneficial. Important to note is also that the revenue model should go hand in hand with the product or service and not be approached as a separate entity.

This thesis was conducted as a qualitative research study digging into the underlying reasons for the circumstances under which and how Internet platforms approach monetization. Approaching the topic from a quantitative point of view might however lead to further insight on e.g. how long it typically takes for Internet ventures to reach revenue streams in addition to some of the circumstances presented in this thesis being quantified. A quantitative case study could also help determine which revenue model is best, in terms of absolute revenue or profitability. As concluded earlier this thesis does not focus on the pricing of Internet platforms. As Eisenmann et al. (2006) argued pricing is still a crucial element in the success of two- or multi-sided platforms. While this study primarily has looked at underlying logic and models for pricing, studying the actual price of e.g. freemium models is a topic recommended for further research.
Intäktsskapande på konsumentinriktade Internetplattformar

Inledning

Facebook, Instagram, Twitter, Snapchat och Pinterest är alla exempel på välkända Internetföretag som under de senaste åren nått stor succé världen över. Dessa företag har alla kunnat förhäva sig med prominenta investerare, skyhöga värderingar och explosionsartad tillväxt på en global skala. Tjänsterna och produkterna som företagen erbjuder är väldigt populära världen över och används dagligen av miljarder människor. Enligt flera måttstockar är dessa företag väldigt framgångsrika. Twitter och Facebook har sedan en tid tillbaka noterat sig publikt och kan idag också presentera höga och stadiga intäktsströmmar, men så har fallet inte alltid varit. Instagram som förvisso relativt nyligen köptes av Facebook har först nyligen introducerat sin reklamtjänst och har praktiskt taget fram tills dess vuxit och existerat utan intäktsströmmar. Hur är det möjligt att Internetföretag som Instagram, Pinterest och Snapchat under en längre tid kan operera utan någon evident intäktsmodell och hur hållbart är det egentligen?


frammarsch har lett till en rad nya möjligheter för företag och har också ändrat hur företag gör affärer.

Internet har också fört med sig nya typer av företag. Idag kan två- eller flersidiga plattformar anses vara den nya normen bland företag som är verksamma på Internet (Muzellec et al. 2015; Osterwalder & Pigneur 2010; Bakos & Katsamakas 2008). Utmaningarna som två- och flersidiga plattformar möter är också mycket mera mångfacetterade än de utmaningar som enkelsidiga företag ställs inför (Evans 2009)

Affärsmodeller är ett område som det sedan 1990-talet har forskat mycket i. Trots det centrerar en stor del av litteraturen kring den eviga frågan som berör hur en affärsmodell skall definieras och en stor del av forskningen är väldigt konceptuell till sin natur. Dessutom konstaterar ett flertal studier (George & Bock 2011; Sainio & Marjakoski 2009) att termen affärsmodeller genom tiderna använts felaktigt och som en synonym till t.ex. intäktsslogik och intäktsmodell. Plattformslitteraturen är ett annat område som upplevt ett uppsving i och med frammarschen av informationsteknologi och Internet, men det finns fortfarande rätt begränsat med information om just specifikt intäktsslogik och intäktsmodeller. Mycket av forskningen kretsar kring prissättningen men det finns relativt lite skrivet om just konstruktionen, logiken och modellerna kring hur intäkter skapas på två- och flersidiga plattformar (Bakos & Katsamakas 2008)

**Syfte**

Syftet med avhandlingen är att förstå hur Internetplattformar närmar sig intäktsskapandet. På basis av avhandlingens syfte eftersträvas det att följande forskningsfrågor besvaras:

- Under vilka omständigheter skiftar Internetplattformars fokus från tillväxt till intäktsskapande?

- Hur skiftar Internetplattformar sitt fokus från tillväxt till intäktsskapande?

Det är viktigt att förstå intäktsslogik och intäktsmodeller hos Internetplattformar från många synvinklar. Dels p.g.a. att intäktsskapande hos Internetföretag i många avseenden skiljer sig från mera traditionella företag inom t.ex. detaljhandeln, men också för att kunna ge klarhet inom ett akademiskt område som präglas av en viss förvirring, såväl när det kommer till affärsmodeller som två- och flersidiga plattformar.
Genom att besvara frågan under vilka omständigheter Internetplattformar skiftar sitt fokus från tillväxt till intäktsskapande, samt hur de genomför detta, kan avhandlingen ge insikter till anställda inom Internetplattformsbranschen, men också värdefull information till aspirerande entreprenörer om hur centrala intressenter, som t.ex. investerare, närmar sig utmaningen. Trots att intäktlogik och intäktsmodeller har utvecklats under de senaste tio åren, och allt flera företag erbjuder sina produkter/tjänster gratis (åtminstone under en viss tid), är det utan tvekan fortfarande så att intäktsskapandet är ett viktigt element hos företaget. Denna avhandling eftersträvar således att ge mera insikt i hur Internetplattformar skapar intäkter.

**Presentation av tidigare forskning**

Litteraturöversikten består av två huvudsakliga områden: affärsmodeller och plattformslitteratur. Stycket om affärsmodeller kan ytterligare delas in i hur affärsmodeller kan definieras, hur intäktlogik och intäktsmodeller relaterar till affärsstrategi och affärsmodeller samt företagets intäktsströmmar ur ett livscykelperspektiv. Tidigare forskning inom dessa områden behandlas kort i följande stycke.


I denna avhandling har jag valt att definiera en affärsmodell i enlighet med hur Osterwalder & Pigneur (2010:14.) definierar en affärsmodell d.v.s. ”någonting som beskriver den logiska grunden för hur en organisation skapar, levererar och fångar värde” (egen översättning).


Det är också viktigt att förstå att denna avhandlings syfte inte är att presentera den mest optimala intäktssmodellen utan snarare att förstå olika typer av modeller, samt den underliggande logiken hos dessa.

Clemons (2009:19) å andra sidan argumenterar att intäktsströmmar på Internet kan skapas inom tre huvudsakliga kategorier: försäljning av fysiska produkter via Internet, försäljning av virtuella ting och försäljning av tillgång (till något).

Denna avhandling fokuserar i huvudsak på s.k. två- eller flersidiga plattformar. Konceptet är egentligen inte nytt men har upplevt ett uppsving tack vare Internet. I en två- eller flersidig plattform skapas värde genom interaktion mellan två specifika (olika) kundgrupper. Ett särdrag för två- och flersidiga plattformar är just att värde endast skapas ifall båda kundgrupperna är delaktiga. Detta är intressant p.g.a. flera olika orsaker. För det första relaterar detta starkt till vad forskare (Caillaud & Julien 2003; Mas & Radcliffe 2011; Parker & Van Alstyne 2005; Rochet & Tirole 2003; Salminen 2014) kallat för ”hönan eller ägget”-dilemmat. Vad dilemmat i sin enkelhet betyder är att användare inte är villiga att ta del av servicen eller tjänsten p.g.a. att andra användare inte tar del av servicen eller tjänsten. Ett klassiskt exempel på ”hönan & ägget”-dilemmat är telefonen. Ju flera användare som använder telefonen, desto värdefullare blir produkten, men ifall det endast skulle finnas ett fåtal personer med tillgång till telefon vore tjänsten inte särdeles nyttig vilket i sin tur antagligen skulle leda till att få användare skulle vara villiga att skaffa sig en telefon för att ”ingen använder telefon”.

Ett koncept som relaterar till det s.k. ”hönan & ägget”-dilemmat är vad Salminen (2014) definierar som dilemmat med intäktsskapande (egen översättning). Dilemmat med intäktsskapandet har att göra med hur avgifter påverkar slutkonsumenternas vilja att ta del av en tjänst eller service. Ifall produkten kommer med ett pris är det svårare att locka flera kunder jämfört med att produkten eller tjänsten vore gratis. Detta i sin tur kan leda till färre användare, vilket i en två- eller flersidig plattformskontext i sin tur påverkar den andra sidan av plattformen.

Följande koncept beskrivs antagligen lättast med ett exempel. Låt oss säga att ett socialt nätverk uppbär en avgift för att kunna ta del av nätverket. Enligt dilemmat som presenterades ovan, finns det en risk för att detta leder till att färre kunder tar del av det sociala nätverket. Detta i sin tur leder till att det sociala nätverket inte är så intressant för företag som är villiga att reklamföra sina produkter/tjänster åt användarna av det sociala nätverket, i och med att det totala antalet deltagare i nätverket fortfarande är relativt lågt. Detta i sin tur leder till färre intäkter från just den delen av den två- eller flersidiga plattformen. Färre intäkter från ena sidan av den två- och flersidiga plattformen måste i sin tur leda till att intäkterna tas från den andra
sidan av plattformen, d.v.s. medlemmarna i det sociala nätverket. Detta leder till att man hamnar tillbaka i ruta ett och tvingas uppbära en avgift från slutkunderna, vilket i sin tur kan leda till att färre kunder är villiga att ta del av det sociala nätverket o.s.v.

Denna konceptuella modell kan naturligtvis också ses från det motsatta perspektivet d.v.s. att ett gratis socialt nätverk lockar fler kunder än ett socialt nätverk som uppbär en avgift. Fler kunder i sin tur leder till ett socialt nätverk som är intressantare för företag som är intresserade av att reklamföra sina produkter/tjänster, vilket leder till flera intäkter som i sin tur gör det möjligt att också fortsättningsvis erbjuda det sociala nätverket gratis till slutkonsumenten. Just detta element, att ena sidan av den två- eller flersidiga plattformen subventioneras av den andra sidan, är ett särdrag för två- och flersidiga plattformar.


Den första fasen, d.v.s. den embryonala fasen är en fas var intäktsströmmar typiskt är obefintliga och fokus hos företaget ligger på att utveckla produkten eller tjänsten. Det kan finnas planer på hur företaget potentiellt i framtiden planerar att skapa

I den tredje fasen, d.v.s. tillväxtfasen har företaget lyckats samla på sig en lämplig grupp användare, vilket i sin tur gradvis har lett till att inte bara slutkonsumenterna utan också företag fått upp ögonen för företaget. Vad som särskiljer denna fas, och är ett centralelement i Muzellec et al.:s teoretiska modell, är att under denna fas sker ett rätt så drastiskt och plötsligt skifte av fokus mot att börja skapa mera intäktsströmmar. Muzellec et al. argumenterar för att detta fokusskifte specifikt beror på att Internetföretaget sökt extern finansiering och att trycket att börja skapa intäkter specifikt kommer från investerarna. I och med att också övriga företag öppnat upp ögonen för företaget sker också ett visst skifte i fokus så att mer fokus läggs på just företagen i den flersidiga plattformen och inte på slutkonsumenterna.

I den sista fasen av Muzellec et al.:s teoretiska modell, mognadsfasen, strävar företagen efter att nå en typ av jämfört där såväl slutkonsumenterna som affärskunderna täcks av företagets värdeproposition. På ett sätt blir slutkunderna en del av värdepropositionen gentemot affärskunderna och att handha och bibehålla slutkunderna reflekterar direkt trovärdigheten hos affärskunderna. Intäktsströmmarna växer fortfarande, men stabiliseras något och kommer i huvudsak från affärskunderna.

Det är flera element och påståenden i Muzellec et al.:s forskning som är centrala för denna avhandling. För det första så påstår Muzellec et al. att ett skifte från tillväxt gentemot skapandet av intäktsströmmar allt som ofta sker p.g.a. att venture kapital investerare involveras och har det som krav. För det andra noterar Muzellec et al. att Internetföretag typiskt börjar med att erbjuda sin produkt/tjänst gratis åt slutkonsumenten för att undvika “hönan & ägget”-dilemmat som behandlats tidigare. Sist men inte minst indikerar Muzellec et al.:s forskning att Internetplattformar över
tiden tenderar att flytta sitt fokus från slutkonsumenten gentemot potentiella affärskunder, i alla fall, då det kommer till att skapa intäktsströmmar.

Val av metod och genomförandet av undersökningen


Data till denna avhandling har samlats in genom semistrukturerade djupgående intervjuer. Semistrukturerade intervjuer ger forskaren möjlighet att sondera svar d.v.s. låta respondenterna förklara och bygga på sina egna svar (Saunders et al. 2009:324). Saunders et al. (2009:324) har också funnit att det i de flesta fall är mera sannolikt att respondenterna är mera villiga att ta del av intervjun i och med att de relativt fritt har möjlighet att reflektera över ett ämne utan att behöva skriva ner någonting. Dessutom finns det en möjlighet för forskaren att få ytterligare respons och i viss mån en personlig försäkran av respondenterna att ämnet är relevant, och eventuell återkoppling på t.ex. forskningsfrågorna eller syftet med avhandlingen (Saunders 2009:324).


De sex respondenterna valdes på basis av deras breda erfarenhet då det kommer till intäktsmodeller och hur Internetplattformar skapar intäkter. Urvalet är homogent p.g.a. att alla sex respondenter antingen har ett förflutet i eller arbetar för tillfället inom venture kapital och affärsängelinvestering. Jag argumenterar för att detta urval är meningsfullt i och med att respondenterna således har erfarenhet av en rad olika intäktsmodeller samt hur intäktsskapande implementeras på olika typer av


Resultat

Det finns en viss sanning i att företag måste avväga mellan tillväxt och intäktsskapande, konstaterade majoriteten av respondenterna. Dels p.g.a. att företag i slutet av dagen ändå bedriver verksamhet med begränsade resurser. Ett flertal av respondenterna hade också egen erfarenhet av detta genom deras egna portföljbolag eller bolag som de tidigare varit involverade i. I många av dessa fall var det just så att intäktsströmmar var en essentiell del av produkten redan från början men ganska snabbt kunde man konstatera att det skadade tillväxten. Specifikt upplevdes detta stämma överens för konsumentinriktade företag där en stor del av värdet i företaget är beroende av nätverkseffekter. Trots det noterade ett flertal av respondenterna att det nog är möjligt att involvera intäktssströmmarna från dag ett, men att det a) inte är så vanligt och att b) det är en väldigt svår kombination. Överlag konstaterade respondenterna att det är en såväl svår som känslig fråga för många entreprenörer.

En av respondenterna, respondent Delta, konstaterade att valet mellan tillväxt och intäktssströmmar egentligen är en funktion med tre komponenter. För det första
konstaterade respondenten att det är en funktion av vad för tjänst eller produkt som utvecklas. Överlag konstaterade alla respondenter att frågan om att skapa intäktsströmmar är väldigt företagsspecifik. För det andra upplevde Delta att det är en funktion av företagets egna resurser; d.v.s. stundvis kan företaget vara illa tvunget att ge sig in på att skapa intäktsströmmar i och med att det inte finns några tillgångar. I detta avseende kan valet mellan tillväxt och intäktsströmmar egentligen ses som något entreprenörer ibland är illa tvungna att göra, istället för att vara ett explicit val de kan göra. Slutligen upplevde Delta att det är en funktion av den allmänna kapitalmarknaden. Tillgång till kapital hos investerare, samt hur och i vilken takt övriga (liknande) företag skapar intäkter, påverkar företag som söker investeringar.

För att summera konstaterade majoriteten av respondenterna att det nog är för enkelt att konstatera att det al.ltid måste ske en avvägning mellan tillväxt och intäktsströmmar, men i många fall, specifikt hos konsumentinriktade företag, är det ofta så.

En annan orsak som presenterades till varför ämnet upplevs så klurigt var att när företag väl börjar skapa intäktsströmmar kommer förväntningarna alltid vara att det i nästa steg bör skapa mera. Därför konstaterade ett flertal av respondenterna vikten av att a) köra för fullt då företaget har en intäktsmodell som upplevs vara fungerande men också b) fortsätta att experimentera. Alla respondenter konstaterade att de entreprenörer de påträffat nog ofta har en idé om hur de planerat skapa intäkter, men den idén kan vara väldigt grov och behöver finslipas rätt mycket.

Företag måste experimentera med en rad olika intäktsmodeller. Jag tror det finns väldigt få entreprenörer där ute som tror att någon intäktsmodell är 100 % skottsäker

Respondent Bravo

Förutom det experimentella tillvägagångssättet som respondenterna rekommenderade att entreprenörer har, lyfte ett flertal också fram förståelsen om att det inte finns några genvägar då det kommer till intäktsmodeller, utan att hitta rätt intäktsmodell kan ta förvånansvärt lång tid.

Respondenterna lyfte i huvudsak fram två intäktsmodeller: reklam och olika typer av prenumeration. Fördelen med modeller av typen prenumeration upplevdes vara att det är om möjligt den mest stadiga och minst riskfyllda intäktsmodellen. Nackdelen upplevdes vara att det al.ltid är en utmaning att få slutanvändaren att stå för en
kostnad speciellt då det i dagens värld i de flesta fall finns en mängd liknande tjänster eller produkter som erbjuds gratis.


Alla respondenter argumenterade också för, till skillnad från vad Muzellec et al. (2015) argumenterar, att drivkraften bakom att börja skapa intäkter s.g.s. alltid måste komma från företaget och inte investeraren. Respondenterna var väl medvetna om detta och poängterade också att investerare är människor och inte maskiner, d.v.s. det finns väldigt olika syn på när och hur företag bör skifta sitt fokus mot att skapa intäkter. Trots det menade majoriteten av respondenterna, att för att försöken att skapa intäkter skall vara genuina måste initiativet komma från entreprenören. Respondenterna upplevde att investerarens huvudsakliga uppgift är att bidra med insikter och information om vad som fungerat och inte fungerat på basis av tidigare erfarenheter.
Avslutning & konklusion


Utöver det önskar jag lyfta fram Vikten av att utveckla en bra produkt framför att stirra sig blind på vilken intäktssmodell som vore mest optimal: som det konstaterades i resultatektionen är dessa i allra högsta grad relaterade och för att få användare, såväl sådana som använder produkten gratis som sådana som eventuellt är villiga att betala för den måste produkten eller tjänsten vara väldigt bra. Därmed kan jag dra slutsatsen att intäktsskapande ingalunda borde ses som ett separat element utan något som borde hänga nära samman med t.ex. produktutvecklingen. Det är också viktigt att inse att det inte finns några genvägar till intäktsskapande.

Slutligen kan det konstateras att Internet har gett individer möjligheten att med relativt låga kostnader bygga produkter/tjänster som i ett ögonblick kan nå ut till miljontals människor runt i världen. Dessa relativt låga produktionskostnader leder i sin tur till att det kan vara värt för ett företag verksamt inom Internetbranschen att erbjuda sin tjänst gratis, åtminstone till en början, för att kunna locka till sig en kritisk massa av användare som i sin tur sedan kan hjälpa till att transformera företaget till en två- eller flersidig plattform, där också en annan kundgrupp kan serveras och bidra till intäktsskapandet. Därför är det också värt att konstatera att två- och flersidiga företag i
allt större utsträckning tävlar med liknade tjänster som erbjuds gratis vilket gör intäktsskapandet hos två- och flersidiga Internetplattformar till en svår löst ekvation.
REFERENCES


APPENDIX 1

Interview guide

Background (~5 min)
Can you please give a short introduction on who you are?
Can you briefly introduce what company you are working for?
What type of investments do your company focus on?
What's your area of expertise?
What's your estimate on how many companies you've been involved investing in? How much have you invested in these?

Intro (~5 min)
What are some of the issues ventures face when trying to generate revenue, from your experience?

R1: Under what circumstances do Internet platforms shift their focus from growth towards monetizing their audience? (~15 min)
Does ventures you've been operating with usually have an apparent revenue logic (from the beginning)?
How do entrepreneurs approach the dilemma?
Do you think the revenue strategy is an intuitive strategy? Why/why not?
When would you say that a shift from growth to monetisation takes place?
Who are the stakeholders that, in your experience, drive a shift in focus?
In your experience, do different VC's approach monetization from a different perspective? Why?

R2: How do Internet platforms shift their focus from growth towards monetising their audience (~15 min)
What kind of revenue models are there for Internet platforms? What kind of downsides are there to a subscription based revenue model? What are the upsides?
What kind of downsides are there to a advertising based revenue model? What are the upsides?
Are there any upsides/downsides to combining different revenue models?
In what ways have you seen business models evolve, over time?
Would you say that Internet platforms in generally tend to shift their focus towards the B2B side? Why/How come?