



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Master Degree Project in Innovation and Industrial Management

Practicing the Resource Based View: Learning to Play the Song of “Theory in Practice”

A reflective case study on the challenges of formulating an expansion strategy
through the lens of the resource based view

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Master Degree Project No. 2016:52
Graduate School

Abstract

Background and Problem: The resource based view (RBV) has been a central paradigm within management research for more than two decades and it is an accepted theory used to analyze differences in firm performance as well as strategy formulation. However, the RBV has been accused of being too theoretical with practitioners finding it difficult to fully operationalize its concepts, making the RBV difficult to use in practice. Company X is a provider of digital visualization tools for online marketing in the real estate industry and thus needs to formulate an expansion strategy that matches the company's resources and capabilities with the opportunities in the US market.

Purpose: The purpose of this thesis is at its core to reflect on the practical application of the RBV in a real life strategic setting to highlight what potential challenges practitioners face when attempting to operationalize the theory. Since this thesis has a strong emphasis on theory in practice the situation Company X finds it self in presents a good setting to apply the RBV on a real strategic issue, namely a proposed expansion in the US market. The purpose of this thesis has a clear practical component in the actual strategy for Company X as well as a theoretical component in the form of the reflective approach on theory as practice.

Method: The research design of this thesis has two layers, the first of which is a case study of Company X and the application of the RBV in formulating a an expansion strategy. The second layer being a reflective approach that allows the authors to identify challenges of applying RBV theory in practice. First hand data collection has been conducted through a number of interviews with managers at Company X as well as representatives from different stakeholders in the US real estate market. Secondary data has been collected through a comprehensive narrative literature review as well as secondary sources providing additional data on the US market.

Findings: The combined internal and external findings show that Company X has capabilities that can be leveraged within two different sub markets to approach different types of customers. Furthermore, the analysis reveals some gaps in the companies resources stock where recommendations are given for how to close those resource gaps. Additionally the reflection on the RBV in practice allows the authors to identify a number of challenges that emerge when operationalizing the theory in a real business setting. The thesis concludes with recommendations for future research directions within the RBV with the aim to increase its practical applicability.

Acknowledgements

This master thesis has been written during the spring semester of 2016 at the University of Gothenburg, School of Business Economics and Law by Albin Gustavsson and Jonathan Johansson attending the Innovation and Industrial Management Master Program. We would like to thank our supervisor, Johan Brink, for providing guidance and support throughout this process.

Furthermore we would like to thank the company, which in this thesis goes under the name of Company X, for giving us unique access to all key personnel within the firm as well as for hosting us at their headquarter in Bangkok. The employees at Company X provided us with great information regarding the internal processes and resources. A special thank you to Charlie Engel and Matthew Campbell for being so generous with their time and effort spent on guiding us in the strategy development process.

We are also thankful towards all the external interview participants who contributed with great their knowledge on the real estate market in the US.

Table of content

1. Introduction	1
1.1 Background	2
1.2 Research Problem	3
1.3 Research Purpose	4
1.4 Research Questions	4
2. Methodology	5
2.1 Research Strategy	5
2.2 Literature Review	6
2.3 Research Design	7
2.4 Data collection and analysis	8
2.4.1 Internal Data	9
2.4.2 Customers	10
2.4.3 Competitors	11
2.5 Sampling	11
2.6 Credibility of the research	12
3. Theoretical Framework	14
3.1 Internal Perspective	14
3.1.1 The Resource Based View	14
3.1.2 RBV – A Practical Framework	16
3.2 External perspective	17
3.2.1 Customers	17
3.2.2 Competitors	21
3.2.3 Resource Gaps	21
4. Analytical Model	26
5. Empirical Findings	28
5.1 Internal Perspective	28
5.1.1 Products & Services	28
5.1.2 Sales process	28
5.1.3 Production	30
5.1.4 Customer Service and External Relations	31
5.1.5 Experience and leadership	32
5.1.6 Research and Development	32
5.2 External Perspective	33
5.2.1 The Resale Vertical	33
5.2.2 The Rental Vertical	39
6. Analysis	46
6.1 Identification and Evaluation of SCA:s	46
6.1.1 Resources	46

6.1.2	Capabilities	49
6.2	Resource Leveraging	53
6.2.1	The Resale Vertical	53
6.2.2	The Rental Vertical.....	55
6.3	Resource Gaps.....	56
7.	Conclusion.....	58
7.1	Proposed strategy for Company X.....	58
7.1.1	The Residential Resale Vertical.....	58
7.1.2	The Rental Vertical.....	59
7.1.3	Resource Gaps	59
7.2	Reflections.....	60
7.2.1	Future Research.....	60
8.	References	63
9.	Appendix 1: List of interviews	69

Table of figures

Figure 1:	The relationship between Core Assumptions - VRIO Framework - Sustainable Competitive Advantage. Source: Barney & Delwyn (2007)	15
Figure 2:	The RBV approach to strategy formulation. Adapted from Grant (1991)	16
Figure 3 :	The Nested Approach Segmentation Model. Recreated by the authors from Shapiro & Bonoma (1984).....	20
Figure 4:	Illustration of Market Entry Modes (Klug, 2006)	23
Figure 5:	Analytical Model	27
Figure 6:	Overview of Company X's sales process within the Resale Vertical (Authors own elaboration)...	29
Figure 8:	Overview of Company X's sales process within the Rental Vertical (Authors own elaboration) ...	30
Figure 9	Number of transactions of Realtors (NAR, 2015).....	34
Figure 10	Percent website use by agents to display listings (NAR, 2014).....	36
Figure 11	Web-traffic major portals and broker sites, based on data from compete.com	36
Figure 12	Product-portfolio of Company X and 9 other competitors.....	38
Figure 13:	Simplified overview of the Property Management segment (authors own elaboration).....	40
Figure 14:	Summary of information received from interviews with Property Managers.....	41

1. Introduction

The introduction starts with a high level approach to strategy and then narrows down to highlights the main aspects of the resource based view. Furthermore a short description of the case company is made which is followed by definition of the research problem and the purpose of the research. The section ends with the research questions.

Strategy is somewhat of a buzzword within the field of business today. Managers often talk about the importance of having a clear business strategy in order to succeed, but when asked to specify what their strategy is, many managers cannot even provide a straight answer (Collis & Rukstad, 2008). In the 1950s- and-60s, strategy was about thorough planning and then execution in a step-by-step process (Grant, 2013). In those days companies supplied mass markets with products and services, making long-term plans easier to implement due to the supply side power balance (Denning, 2015). However, the power balance has shifted towards the demand side due to globalization, deregulation and the increasing pace of technology development (Ibid). In today's business climate the dynamism of the external environment makes strategic planning increasingly difficult for firms adopting a market based approach, where the industry structure guides strategic choices (Sirmon et al., 2007). The market based approach is also referred to as the industry perspective, or outside-in model and its most famous proponent is Michael Porter and his Five Forces framework (Spanos & Lioukas, 2001).

The lack of focus on the internal assets of the firm lead to a new approach to strategic analysis that built on the work of Edit Penrose in the 1950s and later Paul Rubin in the 1970s (Newbert, 2007) which established a new paradigm within management research called the Resource Based View (RBV) (Wernerfelt, 1984; Barney, 1991; Grant, 1991; Peteraf, 1993). A major problem with the market based approach was the implicit assumption of a stable environment, which does not correspond well with the view that many industries are becoming increasingly dynamic, thus making industry analysis impractical (Barney, 2001). The major difference between the two perspectives lies in how a firm's competitive strategy should be formulated. In the market based approach, strategy should be based on positioning the firm with regards to industry forces, and thus the most attractive market position determines how and where the firm should compete (Porter, 2008). In the resource based view on the other hand, the resources the firm possess is the source of competitive advantage and thus they should determine where and how to compete (Barney, 2001).

Many researchers are of the opinion that today's business environment is more turbulent than ever, which lends support to the idea that the RBV is a more suitable theoretical starting point in strategic analysis (Guo, 2007; Sołoducho-Pelc, 2014; Švárová & Vrchota, 2014). When growing a firm, strategic management is an essential component, and in order to do this successfully there needs to be an alignment of the firm's corporate strategy and its competitive advantages (Švárová & Vrchota, 2014). The RBV can be seen as an antecedent of strategic choices since it provides managers guidance in choosing appropriate corporate and business strategies (Bresser & Powalla, 2012). The main strategic objective of

RBV is to identify which internal resources and capabilities that make up the firms competitive advantage in relation to its competitors, as a basis for strategic analysis (Prithwiraj et al., 2010; Acosta et al., 2011; Barney, 1991). This is an "inside-out" perspective where the activities the firm can perform are a function of the opportunities it confronts and (more importantly) on what resources the organization can muster (Teece, 2007). As Grant (1991) argues; the resources and capabilities of the firm should be central to strategy formulation since they are simultaneously the source of the firm's identity and its primary source of profitability. This link between RBV and competitive strategy is something that several academics have researched and found empirical support for, suggesting that RBV can explain differences in firm performances and strategies (Henderson & Venkatraman, 1993; Mathews, 2003; Jolly, 2000)

However, the RBV has come under fire from academics as well as practitioners. One of the main objections from academia leveled at RBV is that applying the framework is a purely ex post exercise that does not contribute to explanation of how a firms SCA:s develop (Priem & Butler, 2001). As a result of this, the critics of the RBV make the point that the entire concept is too static to deliver the competitive advantage that it purport (Kraaijenbrink et al., 2010). There are also questions raised around the lack of RBV frameworks that can be applied in a prescriptive manner, mostly due to a low level of generalizability since the RBV is concerned with finding the unique assets of the firm (Priem & Butler, 2001; Hinterhuber, 2013; Eisenhardt & Martin, 2000). Despite the critique brought against the RBV, its contribution to management research is undeniable as evident from its widespread dissemination (Acedo et al., 2006). In their review of the main academic critique brought against the RBV, Kraaijenbrink et al (2010) conclude that the concepts stands up well to most of its attackers. Furthermore they state that RBV has the potential to develop further by incorporating new concepts with the aim to become a more complete theory.

Additionally there is a gap between management research and practice, which has been growing despite of more advanced research methods being available today (Guo, 2007). This is due to the research results being difficult to understand for practitioners and the lack of actionable practical guidance provided (Ibid). This critique is consistent from both academics (Hinterhuber, 2013) and practitioners (Guo, 2007), which leaves RBV in a situation where it is difficult to operationalize. In a simulated model testing if RBV is a practical theory it is concluded that it has significant room for improvement and that future research should focus on how the practical applicability should be improved (Arend & Lévesque, 2010). More specifically RBV in practice has been shown to have difficulties in incorporating the competitive environment in the form of competitors and customers (Knott, 2009; Knott, 2015), something which is a necessity within RBV (Barney, 2001; Grant, 1991). In order to bridge this divide between theory and practice, researchers should focus on operationalizing RBV to a larger extent (Hansen et al., 2004).

1.1 Background

Based on the discussion above there is a need for more practical application of the RBV in real life context in order to make it more useful for managers considering strategic issues. One such strategic issue could be a firm's competitive strategy when expanding their presence in an attractive market. This is the

situation that Company X is facing as they are currently in the very early stage of planning how to expand their footprint on the US market.

Company X provides visualization products for the real estate industry that is used to market properties for sale or for rent online. They are working with many of the latest technologies such as 3D animation and Virtual Reality (VR) and are today active on several international markets. Due to their technology intense product offering, new innovations occur constantly, both within the company and from other competitors within the industry. This makes strategic planning complicated as the competitive environment is under constant change and the technology development is fast. Company X is a firm with long experience in the relatively young field of online visualization solutions within real estate marketing.

The real estate industry can be divided into several sub-markets or segments according to different customer markets, product markets etc. One useful distinction which can be made in order to divide the industry into broad sub-markets, is by defining it by its end customers. For example one sub-market can serve the "renter" end customer, while another could serve the "buyer" end customer. The sub-markets can then be viewed as a vertical value chain that services different end customers and Company X's internal organization is set up in accordance to this distinction. Rather than referring to the different segments as vertical sub-markets Company X simply state that they service distinct "*verticals*" within the real estate industry and this terminology will also be used in this thesis. This research project will be set within the context of the two verticals *Rental* and *Resale*. The rental vertical consists of all properties rented with the intention of being the primary residence of the renter (which excludes all types of short term and vacation rentals). The resale vertical consists of existing single-family homes, townhouses, condos or any other type of property that is bought and sold with the intention of becoming a residence. Company X currently has a small presence within the Rental vertical where they service a low number of customers that generates large sales volumes. The company is not active within the Resale vertical in the US market but this is considered the core vertical in the Scandinavian markets where the company is well established. These conditions result in Company X having accumulated a lot of knowledge as well as resources across different international markets. Now that the company is planning to expand their presence in the US market, they need to understand how their existing assets can be leveraged as well as identifying what assets the company is missing in order to compete in the US market. These factors allow for a good opportunity to practically apply the concepts within RBV in order to come up with concrete strategic recommendations for Company X, as well as contribute insight into the applicability of RBV concepts.

1.2 Research Problem

In a dynamic environment the firm's internal assets becomes an obvious starting point when devising competitive strategies. Even though the starting point is focused on the internal environment of the firm, the external environment has to be taken into account. The RBV is a theoretical approach that aims to do just that. However, the practical application of the academic concepts has been problematic for managers

in a real life business setting due to the gap that exists between management research and practice (Gou, 2007).

Company X is currently in a position where they are evaluating their competitive strategy in relation to a proposed, substantial expansion on the US market. The external environment of Company X can be characterized as dynamic with new competitors as well as products constantly emerging. Thus, Company X wants to investigate how their internal assets can be leveraged to expand their presence in the US market.

This setting provides a good research opportunity since it allows for the formulation of a competitive strategy that is influenced by previous academic research as well as a real life strategy development. The situation allows for the exploration of the practical outcome of operationalizing the RBV by presenting the strategic recommendations the theory generates when applied to the case of Company X. It also enables reflection on the challenges of converting the theoretical concepts into a real life setting. These reflections can contribute towards developing the RBV into a more useful tool for practitioners.

1.3 Research Purpose

The purpose of this thesis is at its core to reflect on the practical application of the RBV in a real life strategic setting to highlight what potential challenges practitioners face when attempting to operationalize the theory. As has previously been established by several authors, there is a gap between research and practice. Thus by reflecting on the strategy formulation process through the lens of the RBV this approach will provide valuable ex ante awareness for practitioners as well as practical guidelines for the application of RBV-frameworks. Since this thesis has a strong emphasis on theory in practice the situation Company X finds themselves in presents a good setting to apply the RBV on a real strategic issue, namely a proposed expansion in the US market. The purpose of this thesis thus encapsulates the actual formulation of a proposed expansion strategy for Company X, the process of which will be the object of practical reflection. Put a different way the purpose of this thesis has a clear practical component in the actual strategy for Company X as well as a theoretical component in the form of the reflective approach on theory as practice.

1.4 Research Questions

RQ1: What are the challenges of applying the Resource Based View in practice when formulating a firm's expansion strategy?

The first research question is reflective on the practical application of the Resource Based View, and in Company X an exciting opportunity to study the contemporary application of the theory has been presented. In order to answer the first research question the following, second question is formulated:

RQ2: What could be a suitable expansion strategy for Company X within the Rental vertical and the Resale vertical on the US market when applying the Resource Based View?

2. Methodology

In this section follows a description as well as a motivation of the methodology chosen, which has been used to tackle the research problem and answer the research questions.

In order to answer the first research question, which refers to the practical use of the RBV, a reflective approach has been chosen where a specific case will be the unit of observation. This is a similar approach to the one used by Suomala et al (2014) where they describe their research as having two layers, one underlying case study previously performed by one of the authors and a second reflective layer. The researchers theoretical knowledge allowed them to reflect upon the practical application of theoretical concepts, which enabled them to identify challenges in turning theory into practice. This is also in line with another study with a similar approach where the authors present their thoughts based on logical argumentation derived from academic literature (Fogarty & Rigsby, 2005). Since this approach is reliant on experience and insight into applying theoretical concepts in a real context the authors choose to perform an actual case study where the RBV was applied to the context of Company X. The application of the RBV in this setting is a substantial undertaking and is thus reflected in the second research question, which is more related to the actual case. As a result this thesis has a similar approach to Suomala et al (2014) with two layers but with the added feature of the case study being performed concurrently.

When applying the RBV to such a practical setting, the authors deemed it necessary to involve some other concepts referring to the external environment. This resulted in an analytical model that guided the empirical data collection as well as the analysis of case company and its environment. Based on the empirical findings and the subsequent analysis the second research question is answered by providing concrete strategic recommendation on how Company X can approach their proposed market expansion. The entire process of conducting the literature review, data collection and analysis provides the authors with the necessary theoretical knowledge and practical experience to answer the first research question.

2.1 Research Strategy

When conducting research, it is important to have a clear strategy for how the research should be carried out and what approach to use. According to Bryman and Bell (2011) there are two main strategies to consider, namely quantitative versus qualitative strategy, and the distinction between the two falls mainly in three areas: the role of theory in relation to research, epistemological orientation, and ontological orientation. A quantitative study can briefly be described as a study primarily based on quantification of the research object where the role of theory is primarily deductive (testing of theory), and where the epistemological orientation is based on positivism (a model closely related to natural science). Furthermore the ontological orientation of a quantitative study is in general objectivism, which can be explained as social phenomena that are independent from social actors. A qualitative study on the other hand often has more of an inductive approach, where the objective is to generate a theory from the research rather than testing an existing theory. Furthermore, the epistemological orientation of a qualitative study is often interpretivism, and thus this favor a distinction between natural science and social science as there is supposed to be a subjective meaning of social subjects. The ontological

orientation of a qualitative study is described as constructionism, where there is an awareness of the researcher's own agenda and that the researcher interprets the reality in a way that cannot be defined as definitive. (Bryman & Bell, 2011)

The research strategy for this thesis is based on a qualitative approach, first of all because the intention is to generate strategic recommendations, based on existing theory, for how Company X could formulate their expansion strategy on the US market; the thesis will thus follow an inductive approach to theory. Furthermore, the authors are aware of the subjective context of this research area where it is difficult to obtain reliable quantitative data that can be easily analyzed; instead a large amount of secondary data have been collected and had to be interpreted into a social context. Even if the goal is to gain a definitive assessment of Company's X resources and capabilities that can be the base for the proposed strategy, the capabilities are of such nature that they need to be interpreted and valued into a context of the market and competitors. Therefore the result of the study is dependent upon the author's interpretation of those resources and capabilities, and this assessment cannot be completely objective, instead it was more constructive.

As the purpose of this research is to explore and evaluate the application of theory in a practical setting, a qualitative strategy was most appropriate as it allows for a focus on words rather than quantification of data. Furthermore, the aim is to contribute to the generation of a theory regarding the applicability of the resource based view and also to generate a theory for how Company X can formulate their expansion strategy. For this reason, there is no suitable hypothesis that can be tested and this favors a qualitative approach. Even if the goal is to gain a definitive assessment of Company X's resources and capabilities that can be the base for the proposed strategy, the capabilities are of such nature that they need to be interpreted and evaluated into a context of the market and competitors. To assess the applicability of the RBV in a practical setting, the authors reflect upon the benefits and challenges of the concept. This follows an epistemological approach of interpretivism, as the authors interpret the human action of applying the RBV. The reflection is highly dependent upon the author's own understanding of the theory as well as the empirical findings and the subsequent analysis. The reflection is thus constructive rather than objective

2.2 Literature Review

The literature review is often the starting point for a research project and so it has been for this thesis. When deciding on what type of literature review to conduct, relevance should be given to the specific research problem. There are mainly two broad options to consider when doing the literature review, to have a systematic review or use the narrative approach. The systematic review is supposed to generate a replicable, scientific and transparent process which should generate an unbiased and comprehensive review of existing research within the chosen field. However, this process is often time-consuming and could be too bureaucratic where the focus tends to be too much on the technical aspects of the study rather than on the analytical interpretation of the result. A narrative approach to the literature review is often more suitable when the research strategy is of qualitative nature and the dominant epistemological

orientation is interpretivism, where the objective with the literature review is to gain an understanding for the topic, rather than finding exactly everything written about the topic. Furthermore, when the research is conducted with an inductive approach for the relationship between research and theory, the narrative approach is more suitable, as in this case theory is seen as the outcome rather than the starting point. A narrative approach allows for studies of a broader subject where the rules for inclusion and exclusion of relevant literature are less explicit. (Bryman & Bell, 2011)

The literature review for this thesis was aimed at enriching the authors understanding of the RBV and the theory's role in the area of business strategy. When an understanding for the concept was reached, the authors started to explore its practical applications as well as related frameworks for the analysis of the external environment. For this reason, the literature review is based on a narrative approach where the authors started to explore the RBV but then allowed the empirical data to guide further expansion of the theoretical basis of the thesis. Thus, the theoretical base of the theory was allowed to guide the empirical data collection which in turn was used to expand the theoretical base further. The relationship between theory and research in this thesis is based on an inductive approach where the researcher strive to formulate a theory, rather than to test an existing one, and thus the narrative approach is more suitable. The narrative approach is also in line with the desired qualitative research strategy with interpretative orientation.

The RBV is today a highly explored concept that has been studied for at least 25 years and has generated a large number of articles and research papers. Furthermore, some areas needed to be studied in more detail where the literature contributed with practical guidance, and thus, topics not directly related to RBV are included in the theoretical framework. This broad scope of research was an additional factor making a systematic approach unsuitable. The main critique towards the narrative approach refers to the lack of replicability, as the search for literature can be described as explorative rather than systematic and it is thus not suitable to generate generalizable results (Bryman & Bell, 2011). However, this research project does not aim to accumulate knowledge by adding new concepts to the theory; rather the research aims to generate a better understanding of an established theory when used in practice.

2.3 Research Design

The objective with this thesis is to increase the understanding for the use of the RBV in practice when a firm formulates a strategy for market expansion. This entails considering both internal resources at the firm as well as the market context. For this reason a case study is a most suitable research design as it can be used to understand the particularities of a situation (Bryman & Bell, 2011).

When determining if a case study is a suitable research design three criteria should be fulfilled; 1) the research questions should be concerned with *how or why* a phenomenon occurs, 2) the study should *not* require the researcher to have control of behavioral events, 3) the research should focus on *contemporary* events (Yin, 2009). In this thesis, a reflection is made on the practical use of the RBV when applied on a case that aims to answer a research question that is concerned with *how* a strategy could look like when using existing theories. Furthermore, the research is not conducted in a controlled

environment but in a real world context and it covers a contemporary event that is unfolding as the research takes place. Company X, which is the selected case in this thesis, provided the authors with a fitting context in which to investigate the research question. The company is currently considering an aggressive expansion of its services on a global scale and are thus actively considering the fundamentals of competitive strategy, namely where and how to compete. Both of these key questions are still an open topic of consideration and the top management within Company X is looking for strategic recommendations based on solid academic theories and market data.

The nature of the research problem is to understand a particular application of a theory in relation to practice and thus a case study is suitable as it helps to offer concrete context dependent knowledge, rather than generalizable theories on a higher level of abstraction (Flyvbjerg, 2006). Furthermore, a case study is suitable when the predominate research strategy is qualitative with an inductive approach to theory (Bryman & Bell, 2011), such as this thesis. In order to study socially complex issues case studies are appropriate since this is their main objective (Yin, 2009). In addition to this a case study can be a good approach to exploring existing theory and allow the researcher to challenge it as well as suggest future research directions (Saunders et al., 2007). The case will focus on a single organization and is selected in accordance to Bryman & Bell (2011) assertion that the selected case should be chosen based on where the researcher expect the learning will be the greatest.

One of the most common critiques towards the use of case studies is the lack of generalizability that the design offers. That a single case could not be generalizable to a large amount of firms is difficult to argue against, but this does not mean that the use of case studies should be rejected. As Bryman and Bell (2011) argues, case studies offer a unique opportunity to study a phenomenon in detail and thus help with an understanding of the complexity of the reality. Case studies are also usable for researchers to produce studies of relevance for practitioners and to avoid research that is unclear and untested (Flyvbjerg, 2006). This is particularly relevant in this thesis as several authors have highlighted the difficulties in practically applying concepts within RBV. With the help of case studies, research can visualize the theory and show why certain concepts are of importance and how ideas can be implemented (Siggelkow, 2007). These assertions are in line with the objective for this thesis, to show how the ideas of the RBV and adjacent theories can be put into practice and serve as guidance for strategy formulation.

2.4 Data collection and analysis

The broad scope of this thesis requires several methods for data collection. The primary data was collected through interviews and secondary data was gathered from academic literature, statistical databases, industry reports as well as internal documents at Company X. As this thesis was produced in collaboration with Company X, the authors had good access to key personnel within the company and for this reason interviews were used for mapping out the different resources and capabilities of the firm. When looking at the market that exists outside the firm, first hand data collection proved more difficult to obtain mainly due to two reasons: lack of contacts in the markets and the geographical distance to the market (the majority of the research was conducted from Sweden, while the market of interest is in North

America). For this reason, the primary information regarding the market was largely obtained from secondary sources such as government produced statistics, industry reports from commercial consulting firms and member surveys from industry organizations. However, several interviews in a variety of formats were eventually conducted with different actors in the US market.

Qualitative data is very content rich and it is thus less straightforward to analyze compared to quantitative data, but it is recommended to have some kind of structure when dealing with the data (Bryman & Bell, 2011). A common approach when dealing with qualitative data is the concept of grounded theory, which is a comprehensive framework for both collecting and analyzing data (Glaser & Strauss, 2008). This study is not extensive enough to include all steps of the framework, for example there is no ability to test the developed theories and hypothesis within the given time frame. However, the major tools of grounded theory have been used which includes theoretical sampling, coding and theoretical saturation.

Theoretical sampling refers to the collection, coding, and analyzing of the data which can be described as an iterative process where the phases occur in tandem (Glaser & Strauss, 2008). From this a theory emerges, which controls the further collection of data. Coding is one of the key processes and refers to the breakdown of data into component parts. Coding provides the analyst with a formal system to organize the data which helps to uncover links within and between concepts (Bradley et al., 2007). As the collection of data and the coding of the data is an iterative process, theoretical saturation refers to a state where there is no point in collection of more data to illuminate further concepts and no point in additional coding to fit with the concepts or categories (Glaser & Strauss, 2008).

2.4.1 Internal Data

This research project started with the authors getting an overview of the concepts of the RBV before the data collection process begun. The data collection started when representatives from Company X were interviewed about internal resources and capabilities. The authors possessed little knowledge of the company beforehand and thus unstructured interviews were chosen to let the interviewees freely explain their work and their departments. Unstructured interviews do not follow any interview guides, instead one or a few questions are asked where the researcher makes sure certain topics are covered during the conversation (Bryman & Bell, 2011). Based on the interviews, the respondents' answers were coded in different categories such as what was considered as fact and what was considered as subjective opinions of the respondent. The company's assets were coded into categories of resources and capabilities. This helped the authors to gain further understanding for how the RBV could be used to develop theoretically sound recommendations for how Company X could expand in the US market, which in turn guided the collection of more data about the market. During the data collection process it became apparent that additional resources, currently not part of Company X's assets stock, might be needed to compete on the market, why collection of data and theories regarding acquisition and accumulation of additional resources were added. In terms of saturation, the interviews conducted within Company X reached a saturation point fairly early in the research process. The authors chose to perform the interviews during

the time spent on site at the company's headquarters. The numerous interviews with different departments within the organization were supplemented afterwards by follow up interviews with the two main supervisors at the company, working at the top management and senior management level respectively. This was done in order to ensure that the authors had not misunderstood how the company's resources and capabilities were set up, something which both the supervisors had extensive knowledge about. After the initial meeting with individual department managers, with the addition of the follow up meetings the authors feel confident that the saturation point has been reached.

2.4.2 Customers

Secondary data about customers was retrieved from different industry organization such as NAR (National Association of Realtors), the National Multifamily Housing Council (NMHC), National Apartment Association (NAA), and National Association of Residential Property Managers (NARPM). This helped with an understanding for different types of customers from a high level approach. Respondents from NMHC and NAA were also interviewed through e-mail. Industry reports from IBISWorld contributed with information as a secondary data source. Information regarding portals and Software as a Service providers was retrieved through browsing the website of each portal/firm.

In order to get a more granular breakdown of customers, with the ambition to find personal characteristics of different segment of customers, first hand data was needed. When interviewing industry participants in the US, both the geographical distance and time-zone differences made conventional interviews problematic and thus alternative interview approaches were used in order to collect necessary data. Interviewing by e-mail is an approach that can be used when there is a long distance between the interviewer and the interviewee, and it allows the respondents to answer at a time and space that suits them, ultimately resulting in richer stories (James & Busher, 2006). Even if e-mail interviews lacks the social gestures that is an essential part of face to face interviews, the interviews done through e-mail have other benefits such as the ability to review and modify the questions during the interview process (Reid et al., 2008). Another approach is to use self-completing questioners which can be cheaper and quicker to administrate compared to conventional interviews. This is also an approach that can be more convenient for respondents as they can answer when it suits them and the risk for interviewer variability is non-existing (Bryman & Bell, 2011). The data collection from industry participants was conducted by a mix between e-mail interviews and self-completing questionnaires. One disadvantage with self-completing questionnaires is that the number of open question usually needs to be very limited since respondents generally don't like to write too long answers (Bryman & Bell, 2011). Because of this, questionnaires that included approximately three to five questions to relevant industry participants was sent via email as a way to open a dialogue. Then follow-up questions were sent to those industry participants that indicated a willingness to participate, turning the initial questionnaire into e-mail interviews. One of the disadvantages with these kinds of methods is the uncertainty to know who actually answers the questions (Bryman & Bell, 2011; Reid et al., 2008). In a few instances Company X provided the authors with appropriate contacts but the majority of the interviewees where obtained by the authors.

For the interviews that were conducted outside of the company with representatives from the customer market, the authors cannot claim to have reached a fully satisfactory saturation point. Given the very large population the customer markets represents this is not surprising. In order to increase the credibility of the first hand data collected from the market it was continuously compared to secondary statistical information found in industry reports, industry surveys and government statistical databases. The authors argue that the combination of first hand and second hand data which point to similar conclusion heighten the value of the customer market data.

2.4.3 Competitors

Information regarding competitors was collected mainly through secondary data sources. According to Bryman and Bell (2011) some of the advantages of using secondary data are that it saves time and costs, the ability to get high quality data that spans across large geographical areas and large sample size, and that the researchers get more time for data analysis. However, there are not only advantages with the use of secondary data, and the researcher must be aware of some of the disadvantages when doing so. According to Bryman and Bell (2011) some disadvantages with the use of secondary data is the lack of familiarity with the data (takes time to get sufficient familiarity to make a correct analysis), difficult to control the quality of data, and sometimes the secondary data might lack some of the key variables. As described earlier, the difficulties in obtaining first hand data and the limited time frame for this thesis forces the authors to rely on secondary data for some parts of this research, particularly pertaining to the external environment analysis. As the secondary data was gathered from a variety of sources there is a need for interpretation of the data so that it could help to answer the research question. However, to ensure right interpretation were made the authors always, to the extent it was possible, sought to verify the secondary data by comparing it with the insights gathered from the first hand interviews.

The data collection regarding competitors began with a list being retrieved from Company X with all competitors the firm was aware of, although they had at that point not been properly analyzed. This was complimented by a Google search based on key-words such as "floor plans" "floor plan creation", "online real estate marketing", "real estate photography" and "visual content real estate". Information regarding product offerings, coverage and market price was retrieved by browsing each competitors website. This information was coded and categorized into suitable categories. Competitors were labeled according to product offerings, price and whether they possessed first-hand input gathering capabilities. As this thesis follows a grounded theory approach, where the collection of data and analysis was an iterative process, the analysis revealed what additional data to collect. For example the analysis revealed the importance of access to a photo-network and thus information regarding competitors that controlled a photo-network where identified and coded accordingly.

2.5 Sampling

There are two main types of sampling techniques available for researchers; probability/representative sample or non-probability/judgment sample. For research with a quantitative research strategy a representative sample is required in order to be able to make statistical inferences about the population.

In qualitative research and in particular with a case study design a judgment sample is most often utilized since the objective and research question is seldom meant to be generalizable across a population (Saunders et al., 2007). Sampling in qualitative studies is most often concerned with how the interviewees were selected (Bryman & Bell, 2011) However it is an often cited critique against qualitative studies that they are not transparent enough when it comes to the selection criteria and even the number of interviews that were conducted (Ibid).

In this thesis a number of interviews were conducted both inside the Company X (internal) as well as with different respondents within each vertical (external) in the US market. For the internal interviews the selection of interviewees was guided by our theoretical foundation within the RBV. The objective was to identify Company X’s internal resources and capabilities. In order to do so, access to both top and middle managers across all of the major parts of the organization was deemed necessary. Talking to lower level employees was ruled out based on two reasons; firstly there was a considerable language barrier between the researchers and the local workers which would have required a translator to be present (The authors do not speak Thai), secondly the researchers judged the identification of resources and capabilities as something requiring a level of overview over internal processes, which is more likely found at a management level. This resulted in three interviews conducted with top managers, four interviews with senior managers as well as eleven interviews with middle managers. This large sample of managers at different vertical and horizontal levels of the organization provided the researchers with a good understanding of the companies resources and capabilities.

The external interviews were conducted within each of the two verticals rental and resale. Secondary data collection acted as a guide to identify potential customer segments within each vertical, which was subsequently followed by the authors contacting a number of actors within each segment. For these segments of customers a purposive sample was chosen, which means that the interviewees were selected in a strategic way since they were deemed to be relevant in providing the researchers with data that could help realize the research objective (Bryman & Bell, 2011). In order to get relevant data from these segments the interviewee would need to be a person that decides whether to purchase and/or pays for products like the ones Company X provides or have relevant insight into the marketing strategies of the company they represent. In total four distinct customer segments were identified with each vertical containing two each. In the rental vertical the potential customers are *property managers* and *online rental portals*. In the resale vertical the potential customers are *real estate agents* and *online resale portals*. A complete list of the interviews conducted can be found in Appendix 1.

2.6 Credibility of the research

In order to justify the credibility of any academic research endeavor the study needs to be of good quality. The quality of academic research methodology is commonly measured by the criteria of validity and reliability. These concepts are lifted from qualitative research and as a consequence they are not straightforward to apply in a qualitative study. Therefore many writers argue that these concepts should

not be applied to qualitative studies at all while other maintain that they need to be modified in order to be more applicable (Bryman & Bell, 2011).

Validity is a concept used to argue for if a research project has actually investigated the intended phenomenon as specified by the research question (Bryman & Bell, 2011). It is argued that *internal validity* is a particular strength of quantitative studies since it can allow the researcher to have a prolonged presence within the social context of the phenomenon being studied (Ibid). Thus the researcher will be better equipped to interpret how the context can and cannot be examined by theoretical concepts. In this research the authors spent two weeks at Company X's headquarters in Bangkok with direct access to members of all levels within the organization. This allowed for a deep understanding of how Company X business model is set up and how the organization is built to realize this model. This knowledge allowed the researchers to apply the concepts within the RBV, especially the identification of resources and capabilities, with more credibility. In addition to this, the representatives from within Company X were given the opportunity to provide feedback regarding the interpretation of their internal organization throughout this research project. Thus ensuring the researchers did not misrepresent any factual elements of the organization. For all interviews that were conducted with subjects outside of Company X a brief memo was sent out beforehand, detailing the objective of the research as well as definitions of key concepts to be covered during the interview. This was done in order to let the interviewee get a better understanding of the direction of the research to ensure that both parties were on the same pages throughout the interview. When it comes to the concept of *external reliability*, which is the extent the research can be generalized across other settings, the case study design is considered weak because of the highly context specific nature of the research. However since this concept is lifted from school of quantitative research it is meant to provide statistical generalizability (Yin, 2009). This is not the intention of qualitative research, which is focused on analytical generalization, i.e. where previously developed theories are the template of which the results can be potentially generalized (Ibid).

The other main criteria, *reliability*, is concerned with if the case study is replicable, i.e. if the same research approach was used again, would the findings be consistent with the first study. This is something that is often a problem in the case study design since it is by its very nature very context specific (Bryman & Bell, 2011). This problem can be confronted by making the steps taken during the research as transparent as possible (Yin, 2009). As a result the authors was very conscious to take down detailed notes during all conducted unstructured interviews within Company X and write summaries of the conversation as soon as possible after the interview concluded. For the email interviews that were held with stakeholders in the external environment an interview guide was developed and utilized for each type of stakeholder. The stakeholders were differentiated depending on which type of company they were affiliated with.

3. Theoretical Framework

This section will present the basic tenants of the Resource Based View starting with a brief overview of its rise to prominence during the 1990s. Furthermore the review will cover areas adjacent to the RBV, namely in the exploration of competitors and customers which the internal resources and capabilities has to be put in relation to. The section ends with highlighting the importance of evaluate existing resources and filling resource gaps.

3.1 Internal Perspective

The internal perspective section of this chapter primarily covers the theoretical foundation of this thesis by presenting the Resource Based View and its applicability in strategic analysis. The RBV has an internal perspective in that the firms stock of resources and capabilities should guide strategic choices but as will become evident in the next section the external perspective is also an integral part of RBV.

3.1.1 The Resource Based View

The modern version of RBV was initiated in 1984 when Birger Wernerfelt published “*The Resource Based View of the Firm*” where he sought to highlight the importance of the firm’s internal resources, rather than prevailing market conditions, when firms formulate their strategy. Jay Barney (1991) made the first attempt to formalize the theory by defining its key assumptions; firms are heterogeneous in terms of their resources and capabilities and that these cannot be easily transferred between firms. Barney (1991) also provided the definition of the resources and capabilities that make up the firms sustainable competitive advantage (SCA) and thus should be the basis for the competitive strategy. These resources and capabilities would have to be rare, valuable, imperfectly imitable and non-substitutable. The diffusion of the RBV within strategic management has been very broad since its inception due to many factors such as its compatibility with existing theories and its intuitively sound premise (Peng, 2001). This allows the RBV to act as a compliment to other economic theories rather than trying to replace them (Peteraf & Barney, 2003).

The basic idea of this concept is to identify a firm’s resources and capabilities that by themselves, or more commonly, bundled together make up the firm’s sustainable competitive advantage and based on these decide where and how to compete (Teece et al., 1997; Bloodgood, 2014). However, it is not possible to determine a set of resource which provides universal SCA:s for every firm as resources are context specific (Barney, 2001; Wernerfelt, 2014). Firms must first determine the value of a resource in a specific market context and then apply resource based logic to determine if the resource can be a source of sustainable competitive advantage in that specific context (Barney, 2001).

In order to qualify as an SCA these resources and capabilities need to meet four well-established criteria. They need to be valuable, rare, imperfectly imitable and non-substitutable; these criteria are often referred to as the VRIN framework (Barney, 1991). Barney was clearly influenced by Dierickx & Cool (1989) when he specified these conditions based on the pairs assertion that the firm’s assets stock is strategic to the extent that they are non-tradable, imperfectly imitable and non-substitutable. The

objective then becomes to identify the internal assets that actually fulfill all of these SCA criteria. Barney (1991) defined them as follows: a resource is valuable if it can be utilized to improve efficiency and effectiveness, or put another way; it must exploit an opportunity or neutralize a threat in the firm's environment (This shows that even the early research of RBV recognized the importance of incorporating the external environment). A resource is rare when it is not possessed by any competing firm or at the very least, only a few of competing firms. A resource is imperfectly imitable when it is impossible, or substantially difficult for competitors to replicate. And finally, a resource is non-substitutable when there are no other assets that can fulfill the same, or similar strategic value.

Even though these criteria were established in the early days of the RBV they still make up the essence of how researchers identify SCA:s when analyzing the differences in performance of competing firms (Acosta et al., 2011; Lockett et al., 2009; Newbert, 2007). One of the main critiques of the RBV raised early was that it is a static set of criteria that resulted in a static set of SCA:s that do not sufficiently explain the differences in firm performance (Newbert, 2007; Kraaijenbrink et al., 2010). In other words, the RBV is static in that it does not present any conceptual model of how (Mohamad & Norezam, 2012) or when (Kraaijenbrink et al., 2010) resources and capabilities are developed or how they can be utilized. This accusation has sparked a reaction within RBV that lead to Jay Barney to adjust his VRIN framework slightly to become VRIO (Kozlenkova et al., 2014). The "O" stands for Organization and it is a necessary condition in order to realize the value of identified resources and capabilities, thus turning them into SCA:s. If a resource or capability is deemed to be valuable, rare and imperfectly imitable the company needs to be set up to take advantage of them. These organizational capabilities can include things like reporting structure and management control systems that act as support vehicles for successful exploitation of internal resources and capabilities (Barney & Delwyn, 2007).

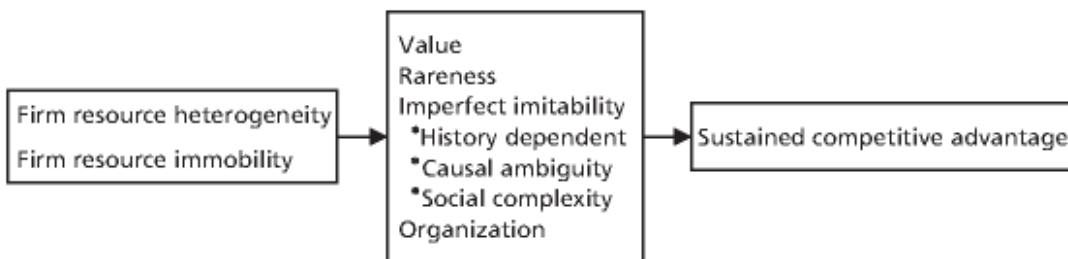


Figure 1: The relationship between Core Assumptions - VRIO Framework - Sustainable Competitive Advantage. Source: Barney & Delwyn (2007)

It is worthwhile to look a bit closer on the imperfect imitability criterion. If a resource or capability is considered to be valuable and rare, RBV classifies it as a competitive advantage (Barney & Delwyn, 2007; Knott, 2009; Hua-Ling et al., 2012). The sustainability aspect of the competitive advantage is determined by the third criterion, imperfect imitability, which Barney (2007) defines as "resources that firms not possessing them can obtain through direct duplication or substitution." A resource can be considered to be imperfectly imitable if one or more of the following three conditions apply to it; 1) the resource was

developed due to unique historical conditions, 2) there is a degree of causal ambiguity in the firms competitive advantage i.e. the link between the firms resources and its superior performance is not understood or only partially understood, 3) when the competitive advantage of a firm is socially complex it becomes hard to imitate with customer relationships, company culture and interpersonal relationships between managers being good examples (Barney & Delwyn, 2007).

This reworked framework still leaves the RBV open to other criticisms. One of the main objections leveled is that applying the framework is a purely ex post exercise that does not contribute to neither explanation or prediction of how SCA:s develop (Priem & Butler, 2001; Hinterhuber, 2013; Eisenhardt & Martin, 2000). However, there is other research that disagrees with this type of criticism and considers RBV and the VRIO framework a good strategic decision making tool. One such study conducted by Bresser & Powalla (2012) predicts the stock market performance of different companies using VRIO and compares the framework with two alternative decision making heuristics. They conclude that the VRIO framework was superior in predicting performance of the companies in the study, which infers that the VRIO framework is a powerful tool when conceiving strategic actions.

3.1.2 RBV – A Practical Framework

One of the first scholars to develop the RBV concept into a practical strategy framework was Robert M. Grant (1991). Even if some new dimensions have been added to the RBV concept, the framework can still contribute to a practical understanding for how to use the concept. Hereafter follows a brief introduction to the model:

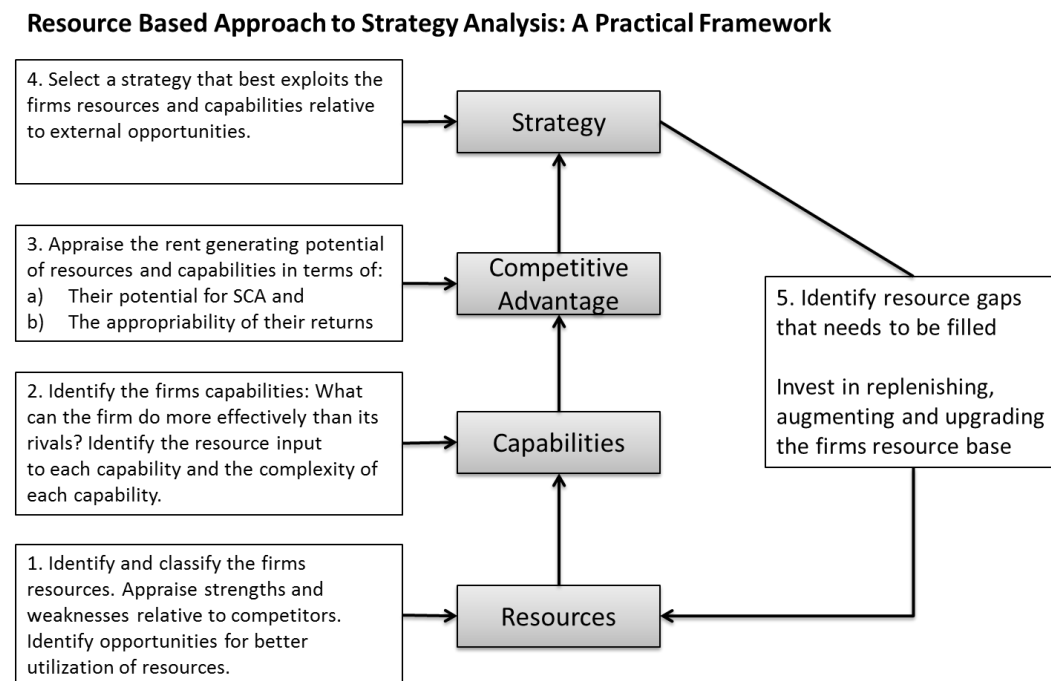


Figure 2: The RBV approach to strategy formulation. Adapted from Grant (1991)

Grant (1991) argues that as a firm’s resources and capabilities should be the basis for a firm’s long term strategy, identifying its resources is the appropriate starting point. When the resources are identified, the next step is to identify the firm’s capabilities which are based on the resources. Capabilities can be explained as a bundle of resources which helps to create value, it is often the capabilities that are the basis for the SCA. Due to the bundled structure of capabilities they can be difficult to identify and many examples exist where firms and managers overestimates their own capabilities resulting in market failure. To avoid such failures it is important to assess the capabilities relative to those of competitors. When the capabilities of the firm are identified their SCA potential needs to be evaluated, in addition to this the rent generating potential of those capabilities needs to be identified. Capabilities can be eroded over time due to depreciation of their value or imitation from competitors, and thus lower the firm’s ability to generate rents from such capabilities. Even if the capabilities are sustainable over time, the firm must identify the appropriability potential of the value that these capabilities can generate.

Grant (1991) argues that after the first three steps, the strategy development is quite straight forward as it should become clear for the firm where their most valuable resources and capabilities are and how they generate economic rents for the firm. The firm should choose a strategy where they make best use of their strengths in response to the opportunities on the market and where they limit their weakness and protect themselves from threats on the market.

The final step in Grant’s (1991) framework is the identification of resource gaps. A firm must continuously develop its resources and capabilities to meet future demand and changes in the competitive environment. This requires strategic direction to give the organization guidance for what kind of resources needed to be developed. This could also constitute a capability of a firm; to be able to continuously develop new resource to maintain and update its competitive advantage.

3.2 External perspective

The previous section has highlighted the importance of internal evaluation of resources and capabilities when developing strategy in the resource based view. However, it stands to reason that an isolated analysis of the firm’s internal makeup will be insufficient when formulating a competitive strategy. The external environment is thus not ignored in RBV and the following section will present some key concepts when analyzing a firm’s environment.

3.2.1 Customers

The first criterion in the VRIN/VRIO framework is valuable. As previously stated a resource or capability is only valuable if it can be utilized to improve efficiency and effectiveness, or put another way, it must exploit an opportunity or neutralize a threat in the firm’s environment (Barney, 1991). This infers that value has to be evaluated in relation to the external market rather than the firm-centric internal perspective associated with the RBV. Barney (1991) pointed this out in his seminal article where he highlighted the complementarity of environmental models and the RBV by stating, *“...environmental models help isolate those firm attributes that exploits opportunities and/or neutralizes threats and thus specify which firm attributes can be considered as resources”*. Despite this there has been a lack of RBV

research that incorporates contextual factors in empirical testing. This is particularly true in the value dimension, where most of the studies that have been attempted, has focused purely on financial aspects of value (Rashidirad et al., 2015). The lack of external focus has been felt in the demand side of the market, namely the customer, which is often a neglected component in RBV (Zander & Zander, 2005). This has been the case even though Peteraf & Barney (2003) attempts to clarify their definition of the value that the RBV is supposed to measure, "...firms with superior resources can deliver greater benefits to their customers for a given cost (or can deliver the same benefit levels for a lower cost). Note that this is a broad view of 'efficiency' in that it is concerned not just with lowering costs, but also with creating greater value or net benefits".

One of the few studies that have incorporated the demand-based perspective is Anders Hinterhuber's *Can competitive advantage be predicted?* (2013). In his article, Hinterhuber aims to add to the RBV in terms of increased managerial guidance as well as its predictive capability by borrowing concepts from research on breakthrough innovations as well as marketing theory. From marketing theory Hinterhuber (2013) points out that the fixed costs of entering a new product market is silently assumed to be zero within the RBV. If allowing this assumption to stand, a firm can identify resources and capabilities that fulfill the VRIO requirements, devise a strategy that leverages them, but still fail in the market due to misjudging the market size from a demand perspective. Based on this an extension of the VRIO framework is proposed that includes a size factor of the addressable market segment which has to be sufficiently *large* to cover the fixed costs of the intended strategy. From innovation research the article incorporates the ideas that customer research should focus on two main premises; firstly identify the actual job that the customer is trying to perform by using your product/service. Secondly, what is the desired outcome for the customer when doing the aforementioned job (Ulwick & Bettercourt, 2008). This results in knowledge about what customer needs that are currently not being satisfied in the market are, and Hinterhuber (2013) extends the VRIO framework by adding this dimension that he calls *Unmet needs*.

This extension of the VRIO framework to become VRIOLU is in line with the original assertion that Barney made in his 1991 article that the RBV works as a complement to, what he called environmental models. This modified framework also attempts to appease one of the main criticisms of the RBV, which is that it does not include a demand-oriented perspective. (Srivastavaa et al., 2001; Priem & Butler, 2001; Zander & Zander, 2005)

3.2.1.1 Analyzing the customers

In order to incorporate the demand perspective, or the "L" dimension of the framework suggested by Hinterhuber (2013), the concept of market segmentation is a good entry point. In a simplified way segmentation can be described as the quest to find out who the potential customers are, how many of them there are and how different groups of customers differ from each other (Kotler & Keller, 2012). Put another way segmentation is concerned with where a firm competes in terms of customer groups, geographic focus and product markets (Grant, 2013).

Customer segmentation is a very common management tool, particularly within marketing where it is considered to be a very important, if not the most important, concept in the field (Weinstein, 2011). Segmentation contributes to strategic management through analysis of market data that will be used to guide strategic marketing decisions as well as tactical execution plans. One practical application of segmentation data is as an internal decision support system on how to allocate resources where they will do the most good (Lee et al., 2007).

Segmentation is an extensively explored field both in practice and academia. Despite this there is no real consensus of what the definition of segmentation actually is, how it should be conducted, when it should be utilized and what the strategic and operational implications the results should have (Mitchell & Wilson, 1998). What variables to include, appear to be the topic that has generated the most debates. Mitchell & Wilson (1998) suggest that whatever variables the researcher or practitioner is considering they should assess the variables appropriateness by asking “*is this useful to understanding customer needs?*” The strong focus on understanding the needs and wants of customers can be seen as one of the two main perspectives on segmentation. The other main perspective is segmentation through demographics (Dibb & Simkin, 1997; Mitchell & Wilson, 1998). While some researchers focus solely on the demographic aspect (Griffith & Pol, 1994) many researchers recommends that some sort of combination of both perspectives is preferable (Shapiro & Bonoma, 1984; Mitchell & Wilson, 1998; Weinstein, 2011). The division between the focus on customer needs and demographics is also referred to as the micro-macro model.

Developing conceptual models that outlines the process of segmentation has been a challenge for academics for many years and there is no real consensus on any best practice approach. One famous model that includes both macro and micro level analysis is the *Nested Approach* developed by Shapiro & Bonoma (1984), which outlines five levels of analysis when it comes to segmentation. They state that it is desirable to start at the macro level and methodically work yourself inwards towards the micro level. This model gives a clear conceptual overview of many of the aspects in market segmentation.

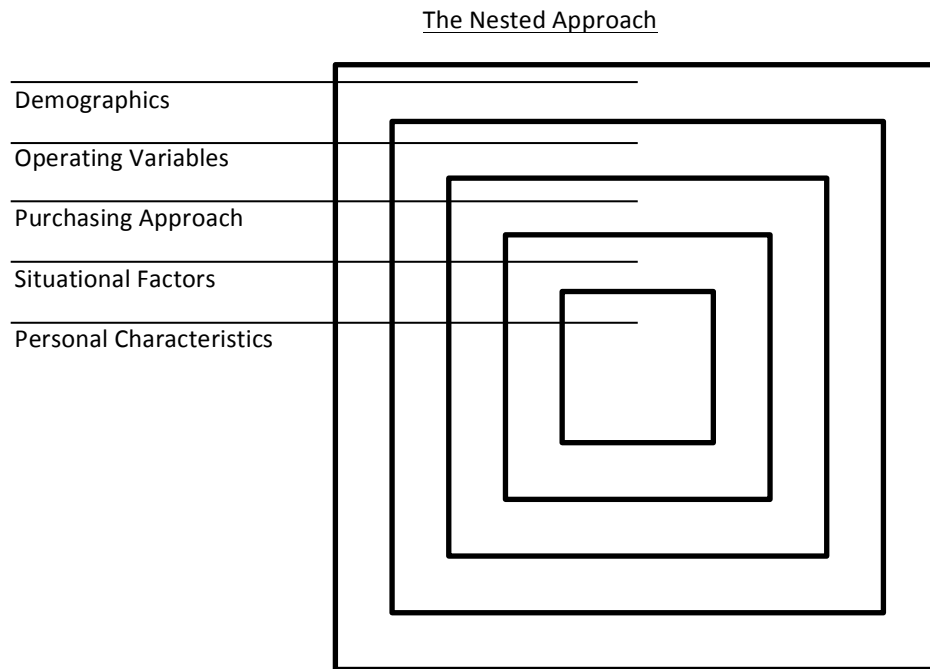


Figure 3 : The Nested Approach Segmentation Model. Recreated by the authors from Shapiro & Bonoma (1984)

The model also comes with suggested variables to investigate at each level:

1. Demographics – industry, company size and customer location
2. Operating variables – technology, user status and customer capabilities
3. Purchasing approaches – purchasing function organization, power structures, buyer-seller relationships and purchase policies/criteria
4. Situational factors–urgency of order fulfillment, product application and size of order
5. Buyers' personal characteristics– buyer-seller similarity, attitudes toward risk and buyer motivation/perceptions

(Shapiro & Bonoma, 1984)

The first steps in the model do not necessarily require first-hand information from potential customers (Shapiro & Bonoma, 1984). In a review of international market segmentation by Steenkamp & Ter Hofstede (2002) they conclude that a majority of the research that included multiple countries relied on secondary data in the initial screening process. The authors cite the substantially higher time and resources commitments necessary for deeper penetration as the primary reason for this. This consideration is no less true when trying to segment a single country market.

3.2.2 Competitors

The second criterion in the VRIN/VRIO framework is rare and this touches upon an important aspect of RBV, namely that the internal resources and capabilities needs to be put in relation to its competitors (Barney, 1991). When firms gather information about their competitive environment it is important to have a good understanding for their competitors, as this impacts what resources and capabilities the firm needs to exploit or maybe develop (Fahey, 1999). In order to have a sustainable competitive advantage the resources of the firm need to be stronger when compared to similar assets held by the competition (Peteraf, 1993; Hinterhuber, 2013; Barney, 1991). A fundamental assumption within the RBV is that firms are heterogeneous in terms of the resources they control, and that some of those resources are not perfectly mobile and thus the heterogeneity among firms can be long lasting (Barney, 1991). This highlights the importance of analyzing the competitive environment when evaluate which resources that are rare. An incomplete or inaccurate view of the market can lead to poor strategic decision making and in worst case market failure (Bloodgood, 2014).

The importance of getting a good understanding of the surrounding environment and contextual factors when conducting strategic analysis cannot be overstated (Pickton & Wright, 1998) as it also influences the first criteria of valuable in the VRIN/VRIO framework. If firms fail to assess their capabilities relative to competitors, the risk of overestimating the value of existing capabilities increases (Grant, 1991). In the same way that the potential value that these resources has to be measured from a customer perspective, strengths of the firm must be measured in relation to its competition (Hinterhuber, 2013; Mathews, 2003; Barney, 1991).

When using the resource based view in strategic implementation the objective for the firm is to gain a sustained competitive advantage. It should thus implement a strategy that makes best use of internal resources through responding to external opportunities and/or neutralizing external threats and avoiding internal weaknesses (Barney, 1991). A basic idea of the RBV is that firms should aim to leverage their relative strengths, and thus pursuing segments of buyers where no competitor are better equipped at meeting a particular combination of customer needs (Wernerfelt, 2014).

3.2.3 Resource Gaps

According to the RBV, resources are the basis for value creation. However, it is not enough with identifying the resources and capabilities followed by the development of a strategy. An important aspect of the RBV is continuous evaluation of existing resources followed by investments to maintain existing and create new resources (Grant, 1991). Authors such as Teece (2007) and Wu (2010) argues for the concept of dynamic capabilities as essential for maintaining competitive advantage when a firm operates in a nonlinear and unpredictable competitive landscape. Dynamic capabilities can be defined as managers' abilities to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Wu, 2010). Dynamic capabilities do fall within the boundaries of RBV since Barney (1991) included the firm's ability to envision potential strategies as well as implementing them, thus essentially making this process dynamic (Knott, 2009).

By developing dynamic capabilities, a firm can increase the chance to reach sustainable competitive advantage as the dynamic capabilities can help the firm not only to adapt to the environment, but also shape the environment through innovation and through collaboration with other enterprises, entities and institutions (Teece, 2007). If the firm only relies on previously accumulated resources, they are not able to generate profits under volatile circumstances (Wu, 2010); instead they need to master the ability to orchestrate the resources depending on how the environment develops (Teece, 2007). With dynamic capabilities a firm is better prepared to be profitable in highly volatile markets, such as high technological markets. Good dynamic capabilities helps the firm (1) sense and shape opportunities and threats (2) seize opportunities, (3) maintain competitiveness through enhancing, combining, and when necessary reconfigure the business enterprise's intangible and tangible assets (ibid).

As a mean to fill resource gaps, acquiring new resources can be an attractive option for a firm trying to reach competitive advantage, without having to develop the resource from scratch. However, acquiring resources might not be that easy because (1) resources takes time to develop in-house, (2) some assets are not tradable, and (3) in an efficient market, a firm have to pay a price for the asset which fully capitalize the rents from the asset (Teece et al., 1997). Simply speaking, resources need to be firm specific in order to be the base for sustainable competitive advantage, and if resources were available on the market everyone would be able to purchase them and thus such resources cannot be the basis for SCA. However, Wernerfelt (2011) challenges this notion as he argues that a firm's cost of acquiring a new resource and/or the value it can generate with this resource depends on the resources already possessed by the firm. Following this argument, resources purchased on an open market can be the base of SCA for firms that possess other resources that can increase the value from the purchased resource, or lower the cost for acquiring the new resource. For example, a firm that possesses a strong brand name can acquire a large customer base cheaper compared to firms that lacks strong brand names (Wernerfelt, 2011). Even if a potential missing resource or capability is not considered a potential SCA for the firm it may still be a prerequisite to reach competitive parity in a market (Barney & Delwyn, 2007). Resources such as this are valuable in the market since they allow the firm to exploit an opportunity, however they are not rare since several competitors are in possession of similar resources (Ibid). The implication of this is that firms need to consider acquiring missing resources when competing on a given market, regardless if this resource can become and SCA or not.

3.2.3.1 Entry Mode

The purpose of this thesis is to develop a strategy for market expansion for which the application of the RBV has been chosen. In order to expand into new customer or market segments, there could be a gap between existing resources and those needed to compete on the market. Some of those resources that are needed might be of such character that the firm moves into a new kind of market, and thus some aspects of entry mode are highlighted.

The leveraging of existing advantages, i.e. resources and capabilities has long been central to entry mode research, which makes the RBV a good fit to add theoretical depth and explanation to the choice of entry

mode (Sharma & Erramilli, 2004). According to Teece et al. (1997) when firms take an entry decision into a market based on the resource view, they should start to look inside the firm and identify the unique resources of the firm and then decide in which market these resources can earn the highest rent. When this market is identified, the firm needs to decide how the rents generated from those assets can be most effectively appropriated. This idea was backed by Peng (2001) who agreed that the RBV provides explanatory power to market entry by leveraging existing resources. In addition to this he points out that the RBV also has the potential to explore entry mode from the perspective of acquiring new resources and capabilities. Furthermore the RBV has the potential to not only explain the choice of entry mode but also clarifies why not all firms in an industry choose the same strategy when entering the same market based on their current set of resources as well as those that the firm are lacking (Ekeledo & Sivakumar, 2004).

The key consideration when entering a new market is, should the firm establish themselves through external market measures or is an extension of the firm's internal structure a better solution, this is commonly referred to as the entry mode choice (Peng, 2001). Entry mode research differentiates between four main types of entry that differ in relation to the resource commitment, level of control and influence in the market desired by the firm. The four categories are divided into two main categories, non-equity and equity based entry modes (Klug, 2006).

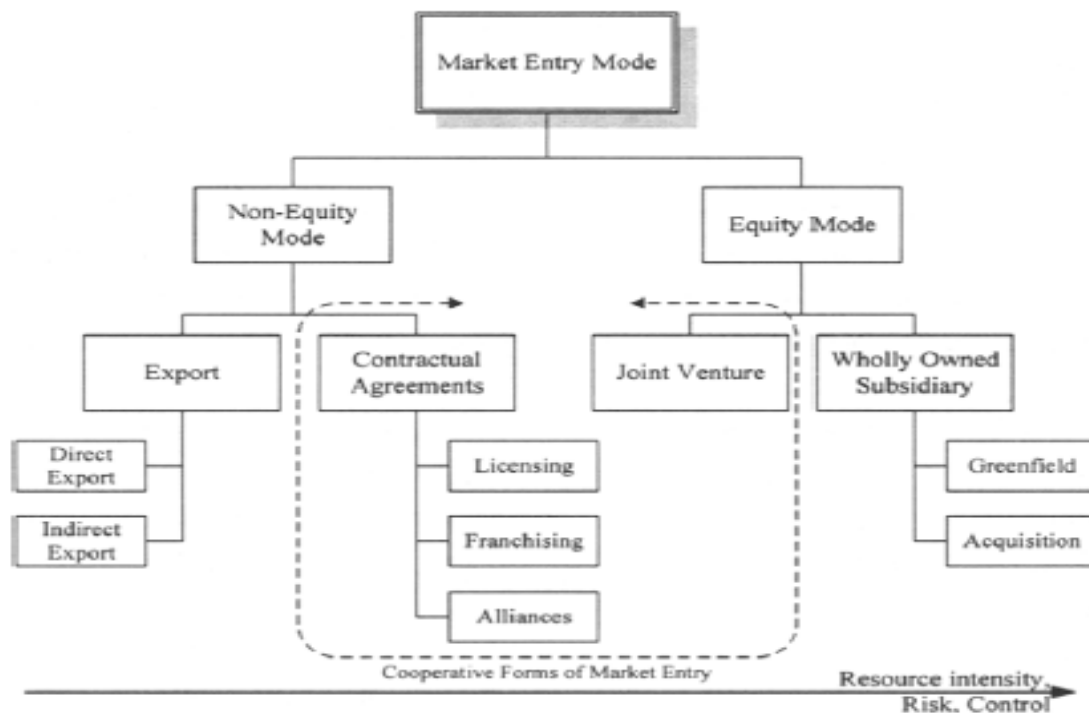


Figure 4: Illustration of Market Entry Modes (Klug, 2006)

The choice of entry mode is to a large extent a cost-benefit consideration. Most researchers agree with the assertion that non-equity modes require substantially less resources than equity modes (Sharma & Erramilli, 2004; Ekeledo & Sivakumar, 2004; Ekeledo & Sivakumar, 2004). The benefit that can be expected is more contested depending on which economic theory is being used to analyze the market entry. From a RBV perspective the intended benefit to be achieved is the transfer of resources and/or capabilities to a new market without eroding their value (Madhok, 1997). Here follows a brief clarification of the different entry modes shown in figure 4.

Non-Equity modes

- **Export:** This entry mode is the least resource-and-risk intense and essentially consists of *direct exports* directly to the customer or an *indirect* export to a partner that then resells the product.
- **Contractual agreements:** Contractual agreements can take the form of *licensing* where the firm allows a partner to use their proprietary asset like a patent or trademark in exchange for a license fee. Another type of agreement is *franchising* which can be seen as a more comprehensive variant of licensing where an entire business system or brand is licensed to the franchise-taker with McDonalds being a good example. When referring to *alliances* in the context of entry modes, it is usually a horizontal alliance between firms that could be characterized as competitors. The motivation for the alliance can be a quest for otherwise unattainable resources of one or several parties in the alliance. Otherwise the motive is to reach a sufficient size by pooling capacity much like the Star Alliance within passenger air fare.

Equity modes

- **Joint Venture:** When the firm enters the market by setting up a separate economic entity in collaboration with one or more local firms where every participating party hold an equity stake in the venture.
- **Wholly owned subsidiary:** This entry mode is the most resource intensive whilst also providing the firm with the highest degree of control. The company assumes full ownership of a subsidiary in the new market. One way to set up this entry mode is through a *greenfield* investment which means building up production facilities and/or sales and marketing offices from scratch. Another option is to *acquire* an established firm, which comes with an already established infrastructure and customer base. (Klug, 2006)

The choice of entry mode comes with several different characteristics depending on how the firm decides to proceed. Klung (2006) summarizes the main differences between the entry modes and these are presented in the table below:

Table 1: Comparison of Market Entry Modes (Klug, 2006)

Criteria/ Entry Mode	Export	Contractual Agreement	Joint Venture	Wholly Owned Subsidiary
Capital & resources requirement	Low	Medium	High	Very High
Risk of market entry	Low	Medium	Medium	High
Transaction Costs	High	Medium	Low	Very Low
Potential earnings	Low	Medium	High	Very High
Time horizon	Short	Medium	Long	Very Long
Duration until market readiness	Very Short	Short	Medium	Long
Required controlling	Low	Medium	Medium	High
Unwanted know-how transfer	Low	High	Medium	Low

Looking more closely at the equity based entry modes, the choice can be directly related to the firm's intangible asset portfolio. If the firm's SCA:s are based on intangible assets they are more likely to go down the route of a wholly owned subsidiary in order to protect their assets. In addition to this the entry mode also offers the chance to gain access to location-specific resources such as distribution channels, suppliers, and local market expertise in the form of labor. An acquisition on the other hand is an attractive option when the firm entering a new market is looking to gain access to location-specific resources that they deem costly, time consuming or difficult to develop in-house. Such resources could be for example technical skills, marketing capabilities, relationships with distributors and suppliers, and perhaps most important, an existing market share (Furrer et al., 2004).

Based on the section on entry modes it is clear to see its potential application within RBV when it comes to formulating competitive strategies. The acquisition or development of resources and/or capabilities is paramount if a company expects to be competitive over time. This is particularly true when the company is expanding its activities in new markets where they may not possess all the resources required to compete successfully. The question then becomes; if the company can obtain these resources, how can this be achieved?

4. Analytical Model

In this section follows a conceptual framework for how the different theories and aspects of RBV are used in the collection and analysis of data in the thesis. The basis for the framework is the practical framework developed by Grant (1991), which is complemented by external perspectives of customers and competitors as well as filling potential resource gaps.

It has been made clear in the methodology chapter that this thesis has been written with an inductive approach to theory since the exact scope of the research was unknown beforehand. Bryman & Bell (2011) states that while in the process of researching a topic, the researchers may encounter unanticipated holes in the original theoretical framework, especially when the research is of the interpretive kind. They go on to say that in such a research context it is not unusual for the researchers to change their view on the theoretical foundation based on the collected data. This is something that the authors of this thesis have encountered since no comprehensive framework exists that aims to tackle the issue of how a potential market expansion strategy can look like. As a result an iterative approach has been adopted when building the theoretical framework in this thesis. Data collection and the theoretical framework have been allowed to influence one another, resulting in several additions to the theoretical framework across the duration of the research project. The framework presented below is meant as guidance for how to practically integrate different aspects of the external environment with the internal analysis when formulating an expansion strategy. The model will be used in this thesis for the two verticals residential resale and rentals, but could potentially be used by firms in similar situations.

The base of the analytical model is Grant's (1991) RBV Strategy Analysis Framework, which has been adapted to into a four-step process. The first two steps are about identifying and evaluating the internal resources with relevance to the market; customers and competitors. As detailed in the previous chapter, RBV starting point is the internal assets of the firm. However, in order to appraise resources accurately they need to be put in relation to both customers and competitors. The first two criteria in the VRIN/VRIO framework, valuable and rare, are evaluated with regards to both customer and competitors. The second step concerns the appropriability of the potential value the firm can generate in the market. From the internal perspective the important thing is to identify the firms SCA:s which is done by applying the VRIO framework developed by Jay Barney.

When the resources and capabilities that can be the basis of SCA for the firm are identified, the next two steps refer to strategy formulation. It is important to find a match between the internal resources in the firm and the external environment to find where the SCA:s can be leveraged. In order to fully leverage the internal resources and capabilities in the market context, some additional resources might be necessary for the firm. An evaluation of potential resources gaps is made if such gaps are identified the framework allows the company to consider how they could go about gathering these missing resources.

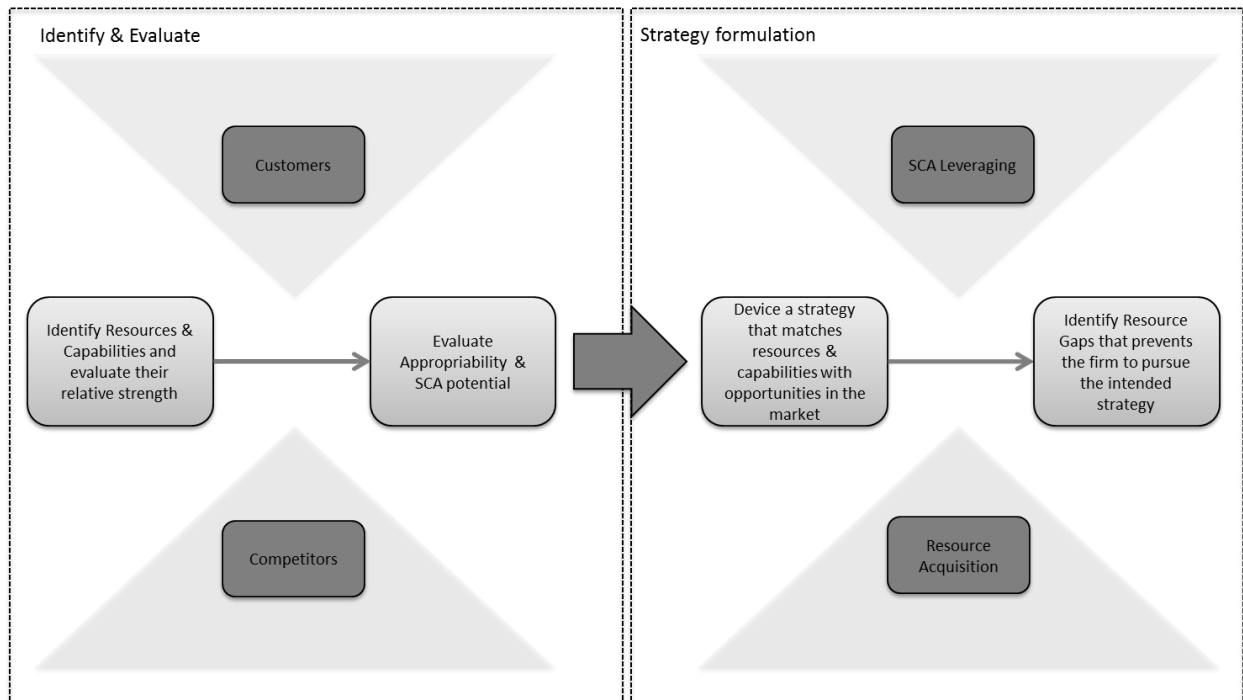


Figure 5: Analytical Model

5. Empirical Findings

This chapter compiles the empirical data that has been gathered throughout this research. Starting with the internal perspective followed by a description of the two verticals, complete with a review of customers and competitors within each vertical.

5.1 Internal Perspective

The majority of the interviews with Company X were performed face to face in at the company's headquarters in Bangkok. In addition to this several follow up interviews were held via Skype with Charlie, Business Development and Key Account Manager for the US market as well as Matthew, the Vice President of International Sales.

5.1.1 Products & Services

In terms of product portfolio Company X is very diversified with many products delivered with high quality and fast turnaround time. The company has three core product that are the main volume drivers in both production and revenue, namely professional photography, 2D floor plans and 3D floor plans (Charlie, 2016). In the Scandinavian markets, where the company is well established today, the company has an extensive network of freelance photographers that are sent out on location. The final product is then delivered to the customer from Company X. The company also has many add-on products that can enhance the visual impact of the core products. Some examples of these products are an interactive furnishing tool that enables a prospect to furnish a floor plan according to their taste, an interior design tool where colors and material on floors, walls, cabinets etc. can be changed, a 360-Panorama where the prospect can click on a room on the floor plan and be placed within a virtual 3D environment of the apartment.

In addition to this Company X also have a number of other products that is currently not used in the verticals covered by this thesis as well as several products in development. Many of the add-on products are patent protected and for the products that are not, including all three core products, the company has instead developed proprietary production techniques (Jim, 2016). In addition to products, Company X has also been attentive to developing market needs on the service side. By listening to their customers the company identified that their agent and broker clients, in their established markets, was experiencing time management difficulties when it came to following up prospects from open houses. Company X, who already had an in house call center, chose to start offering their key clients the service of making the initial follow up calls. This service has received great feedback from the clients and it also creates a deeper relationship and lock in effect between Company X and the clients (Emma, 2016).

5.1.2 Sales process

The sales process differs between the two verticals in one key aspect. The gathering of input material for the rental vertical is today provided by the customers themselves while in the resale vertical Company X is required to collect the material themselves. For the resale vertical the input material consists of unedited photographs and a sketch of the home's floor plan. Company X is not active within this vertical as of today

in the US market but they have extensive experience from resale from the Scandinavian market. For the rental vertical, which today is the only active segment on the US market the input material consists of existing, low quality 2D floor plans that are then upgraded.

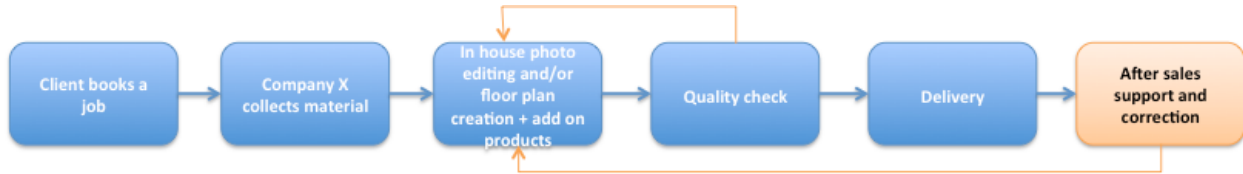


Figure 6: Overview of Company X's sales process within the Resale Vertical (Authors own elaboration)

The customer orders the photo shoot through Company X who then sends out a photographer at the desired time and location. The photographer then sends digital copies of the shoot along with a basic sketch of the floor plan to Company X's production unit in Bangkok. The photos are then professionally edited, floor plans are drawn and add on products are produced (Jonas, 2016). All output material is then sent to a quality screening unit within the production department where the products are thoroughly checked. If the quality is not up to standard, or if errors such as faulty room labeling is detected the products are sent back for correction. If the products pass the quality check they are delivered electronically to the customer (Jonas, 2016). Currently the internal correction rate resulting from quality checks are at 40% while the faulty products that actually reach the customer are only 0.5% (Weerasak, 2016). It is worth to highlight the importance of the second step in the process, which is the collection of input material handled by the onsite photographer. Figure 7 gives an overview of the process in the Scandinavian market where Company X has an established photo network and thus input gathering capabilities. This is something that is currently lacking in the US market.

“Today we do not have the means to enter the resale vertical in the US since we do not have a photo network. Within this segment we need to have a physical person on site since homeowners generally do not have an existing floor plan in their possession. Additionally the main product demanded within the resale vertical is professional photography” (Charlie, 2016).

As previously mentioned the production process for the rental segment only differs in the second step where it is the clients themselves that provide the input material. In the US most property managers (for definition see 5.2.2.1 Customers - Property Managers, p.38) already have basic 2D floor plans, which mean they can simply send in a copy of their existing plans that is then used as input material in production (Jonas, 2016).

Company X presence on the US market is today exclusively concentrated to the rental vertical where they provide visualization tools to large online resale portals where potential renters can search for apartments, the portal then acts as a reseller of Company X's products under their own brand.

“The property managers order their visualization tools from the resale portal and sends in their 2D floor plans to them. The portal then aggregates all of the material they receive and sends us large batch orders. In other words we never deal directly with the property managers, only with the portals” (Matthew, 2016)

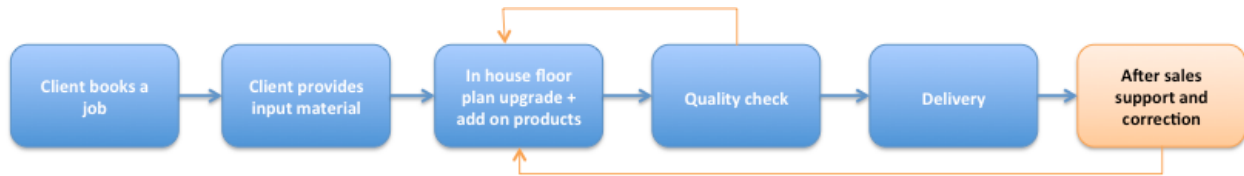


Figure 8: Overview of Company X's sales process within the Rental Vertical (Authors own elaboration)

Although these big portal clients bring in unbeatable volumes the margins are lower than desired and the revenue stream is very concentrated (Matthew, 2016).

Company X has been able to find a way into the US market due to the presence of a customer segment that does not require any input material to be gathered first hand. The question of whether to have a photo network in the US, which would allow Company X to gather input material, has been debated inside the company and is considered a key strategic issue for a potential expansion (Charlie, 2016).

5.1.3 Production

The production department is divided into two main units, the photo editing team and the floor plan creation team. Both of these teams have grown substantially during the past two years and today the production capacity in terms of volumes is among the best in the industry in photo editing and the best in floor plan creation, according to production manager Jonas (2016). The photo editing is both personnel and time intensive since each image needs to be manually edited and the margins on the stand alone photo service are quite low. Therefore Company X uses the photo service as an entry point to potential clients and bundles the product with their other core products, 2D and 3D floor plans (Matthew, 2016). The company captures much better margins from the other core products due to their proprietary production technology. The 2D floor plan production is similar to the photo editing since it requires a member of the production team to manually produce each product based on the input material. However, once this is completed the 3D floor plan and a number of the add-on products can be generated through the company's Automated Production Process (APP). According to the Chief Operations Officer, Håkan (2016) the APP solutions, which were developed in house, have allowed the company to scale up production in a rapid pace in the past and it will allow the company to continually do so in the future. Today the company has a large production capacity and is ready for higher sales volumes. The APP has also lowered the production cost for these products substantially. He goes on to explain that the company is working to develop their APP to include more of their current products as well as developing new products that can be integrated with the APP. The production volumes for 2015 ended at approximately 1.5 million edited photographs and more than 500,000 visualizations mostly consisting of 2D and 3D floor plans (Company X internal document, 2016).

In terms of quality Company X has actively chosen to produce high quality products (Matthew, 2016). The company's in house production allows for a high degree of quality control and in combination with a large full time production staff and the APP solutions they can afford to produce high quality products at a low cost (Weerasak, 2016). The same assets also allow the company to have a very fast turnaround time. The time window the company commits to between receiving the input material, to final delivery is 24 hours. If the customer has any complaints that needs to be corrected this is done within 6-8 hours of receiving the feedback (Jonas, 2016). Company X has also dedicated a lot of time and effort to their onboarding and training of new recruits in the production units. In 2014 it took approximately three months before a new production recruit could be considered fully independent, but this training period has now been reduced to one month (Jonas, 2016). This makes the company more flexible in terms of personnel where it is now possible to scale up faster in case of volume fluctuations but it also makes the company less vulnerable to staff turnover due to employees choosing to leave the company (Weerasak, 2016).

5.1.4 Customer Service and External Relations

Company X has a strong focus on customer service and the entire help desk unit is located at the company's headquarter in Bangkok. The help desk is available in English as well as the native language of all the covered markets in Scandinavia and they operate during the business hours of the respective sales markets. The reason for locating the help desk unit in Bangkok rather than in the serviced markets was to enable customer feedback to be easily communicated throughout the organization. This would allow the customer feedback to trickle down to the Sales and Marketing, Production, and R&D departments (Marcus, 2016). One direct result of this customer centric setup is the previously mentioned follow-up call service to prospective homebuyers that Company X offers to their key clients. The help desk got a monthly customer satisfaction rating of 98.3% in 2015 (Marcus, 2016). In addition to the help desk, the in house call center places outgoing calls to current customers to actively follow up on product deliveries in order to increase the customer satisfaction (Emma, 2016).

In Scandinavia, Company X has established several strong customer contacts, the largest market share and a very well established brand (Archie, 2016). This is something that the company is missing in the US market where they are a largely unknown entity. As previously mentioned the company's presence is within the rental segment and more specifically the rental portals. The strategic importance of the established relationships with the big portal clients is repeatedly emphasized during several of the interviews. According to internal production statistics, more than 200,000 floor plans were sold to this segment in 2015. The continuous volumes as well as past and potentially future upsell opportunities means that considerable time is dedicated to keep these clients happy and R&D resources are spent developing new products aimed at these clients (Charlie, 2016)

In addition to the relationships Company X has built with its customers they have recently gained another significant strategic relationship in their new majority owner. The company was officially acquired by one of the world's largest mass- and digital media corporations. The potential benefits this corporate relationship has is hard to quantify but Company X has been able to successfully enter the Australian

market as a direct consequence of the connections set up by their new owner (Eric, 2016). In the US market there are several potential opportunities that open up. Several of the most well-known news outlets in the country, some of which have real estate advertising, is now available within the same corporate family. Another big opportunity generated by this new relationship is that the new owner also operates one of the biggest online resale portals in the US. An initial meeting has been set up between Company X and the portal, something that the company has not been able to do in the past (Charlie, 2016). In addition to providing business contacts the new owner also brings a strong financial foundation that will help Company X in their planned global expansion. The acquisition also has the added benefit of Company X being able to be associated with a very well-known global corporate brand, which will undoubtedly boost the company's credibility and visibility in the North American market (Matthew, 2016).

5.1.5 Experience and leadership

Company X was founded in 2001 in Sweden and quickly established itself on the market. Since then the company has grown substantially, both organically and through mergers and acquisitions (Company X internal document, 2016). When the company first started in Sweden, they managed to build up their own photo-network; in Denmark and Norway they bought and partnered with established networks and thus experience from various buy, build or partner approaches exists within the firm today (Charlie, 2016). Compared to most of the companies in the industry they are practically ancient having been around since the early days of the online 3D visualizations in the real estate industry (Charlie, 2016). The three founders still retain leading positions within the company, and the high value and experience they bring to the company can be illustrated by the fact that the new majority owner insisted that none of the founders could leave the company within the next two years (Matthew, 2016).

5.1.6 Research and Development

The firm has its own R&D department where they have developed many products that are important in today's competitive landscape. The firm started with only two products, 2D and 3D floor plans, and now has a product portfolio with 12 different successfully commercialized products, all of which have been developed in-house (Jim, 2016). The R&D department have a strong focus on developing new products to meet new and changing customer demands, where some collaboration with outside parties exist (Mathew, 2016). The focus of the current collaboration is on developing a VR-compatible fly through solution of the 3D-floorplans, something that the rental portals have shown an interest in (Charlie, 2016). The interest for VR solutions as a new exciting tool that can be used in the marketing of homes for sale as well as vacant rental units was also discussed during the interviews with both real estate agents and property managers. The company has involved their customer in their R&D efforts in the past with the rental portals being especially active in process to ensure both technical compatibility but also a greater understanding of the end user experience being delivered by the portals to the rent seekers (Matthew, 2016).

5.2 External Perspective

5.2.1 The Resale Vertical

According to NAR (2016), the number of homes sold in the US 2015 was 5,250,000 which is a slight increase from 2014. The vast majority (88%) of the homes sold are single family houses. When a home is sold, generally many different players are involved. Usually a seller of a home contacts a real estate agent (listing agent) to sell the home. A real estate agent is a real estate professional who has passed the real estate license exam in the state in which he or she intends to work. It is the most encompassing of the titles, since it is the starting point for most real estate professionals. Agents are also referred to as real estate associates. A real estate broker has continued his or her education past the real estate agent level and passed the real estate broker license. Real estate brokers can work as independent real estate agents or have other agents working for them. (For the purpose of this thesis both real estate agents and brokers will be referred to as "agents"). The biggest distinction between the two is that a broker can work on his or her own, while an agent or associate has to work under a licensed broker (Lerner, 2014).

When a real estate agent gets a listing, the information about the property is put into a Multiple Listing Service (MLS) database and from there the information is syndicated to different online real estate portals. One of the leading portals, Realtor.com, has a direct relationship with nearly 800 MLS services which results in more than 3 million homes listed for sale on the portal (Move, 2016).

Based on this overview, there are mainly two types of customers that emerge if Company X is to generate significant volumes from the residential resale vertical, namely Real Estate Agents and Real Estate Portals.

5.2.1.1 Customers – Real Estate Agents

Agents are involved in the majority of Home-Purchases (NAR, 2016) and are often the ones responsible for both deciding and paying for marketing efforts for individual listings (NAR, 2014). That the agents are the ones who pays for and decides on the marketing campaign was also confirmed during the interviews with real estate agents, thus making them an attractive segment for Company X. The clients hire a professional in order to listen to the expertise they have to offer and this of course covers the marketing efforts as well.

"Clients tend to take the advice I give them regarding how and where to market the home" (Agent 1, 2016).

It is difficult to estimate how many agents there are in total in the US, but Zillow, the operator of one of the leading real estate portals, estimates in their annual report 2014 that there are in total 1.9 million licensed real estate agents in the US based on numbers from Association of Real Estate License Law Officials. However, far from all of them are active agents working with real estate sales. NAR claims to have 1.1 million members involved in all aspects of real estate were 58% of the members were licensed as sales agents, meaning there is 638,000 licensed sales agents members of NAR (NAR, 2015).

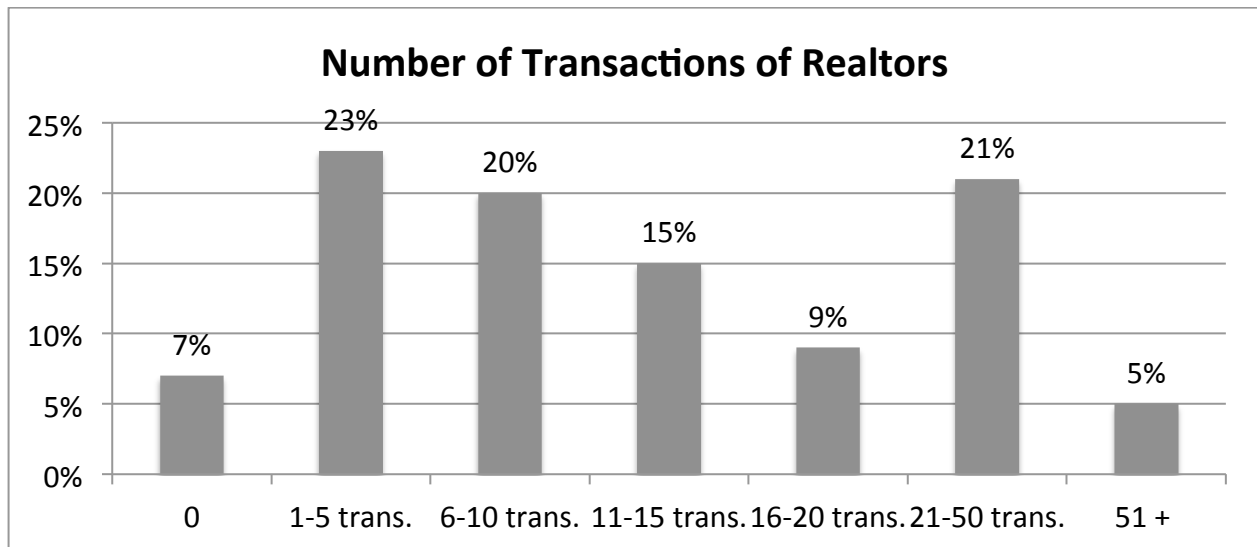


Figure 9 Number of transactions of Realtors (NAR, 2015)

The median number of transactions for a real estate agent is 11 transactions per year (NAR, 2015). The above breakdown of the number of transactions made by the NAR members shows that 50 % of the agents handle 10 or less transaction per year. As can be seen from the above graph, the number of transactions varies significantly between different agents. The interviews conducted with agents in the US market confirmed that there is a large variety in the number of transactions they are involved in on a yearly basis. Out of the nine interviewees, the agent with the fewest transactions was involved 15 transactions in the past year, while the highest performer was involved in 130.

A breakdown of the sales volume in terms of money made by the NAR member survey show that the yearly sales volumes are quite low with 28 % of agents having sales volume below \$550,000. 56 % of the agents have a yearly sales volume that is below \$2 million (NAR, 2015). As revealed during the interviews with real estate agents, the demand for Company X's products is related to the sales volume, the most attractive targets are thus the agents within the higher level of sales volume. Other factors that effects the agents decision to buy digital visualization content includes the price level of the visualization tools as well as the intended target audience of the home. When asked how much money the agents are willing to pay for digital visualization tools, the answers varied a lot, but all of the respondents answer where above the minimum price that Company X has to charge to receive sound margins.

The number one goal of an agent is to sell the property as fast as possible at the highest price and this is something that better online content can defiantly help with (Agent 3, 2016). When asked to specify what other outcomes Agent 3 wanted when purchasing visualization tools he had this to say:

"My secondary goal is to get as many prospected buyers into the house as possible, followed by maximizing the online views. However, I will never get that opportunity if I don't get the seller to agree to list the property with me. So, I greatly improve my chances of winning the listing if I can present a great

marketing plan to the seller, which would include comprehensive visualization and profiling of the property."

The importance of the open house was something that several agents brought up during the interviews. This is considered as one of the most important opportunities the agents have to market themselves. When a potential homebuyer comes to an open house there is a good chance that they are also about to sell their own home in the near future. Having a good marketing strategy with good visual content is likely to impress these potential home sellers (Agent 2, 2016).

Interviews with agents as well as with sales representatives revealed that many brokerage firms have so called preferred partnership programs or approved vendors, programs which could be used as a marketing channel for Company X's products. However, the interviews with agents indicate that those programs are not really valued by the agents and it is still up to the individual agent to decide which marketing products to use. The sales representative at Company X told us that they have been part of such programs before and that they were expensive without generating any sales (Charlie, 2015)

5.2.1.2 Customer – Real Estate Portals

When a homeowner is preparing to sell a home, the most common method is to contact a listing agent who gathers information about the home and creates a listing (NAR, 2016). The listing is then distributed through an MLS-database to several other websites. It is in the interest of both the seller and the listing agent to get the home out to as many portals and websites as possible in order to gain attention for the listed home (Broker 2, 2016). Thus the information of one home can be found on several different websites, including major portals, local portals, brokerage websites and the agents own website. The portals in turn, are striving to have as many quality listings on their site as possible in order to drive traffic to the site (Resale Portal 1, 2016; Resale Portal 2, 2016). This makes it difficult for a portal to earn money on the listing per se; instead the general business model for portals is to sell upgrades to agents. The agents pay portals for enhanced and featured listings as well as advertising of themselves, with the goal of generating leads for the agents (Resale Portal 1, 2016; Resale Portal 2, 2016). The below graph shows where agents display their listings online (the data is from a survey conducted by NAR in January 2014).

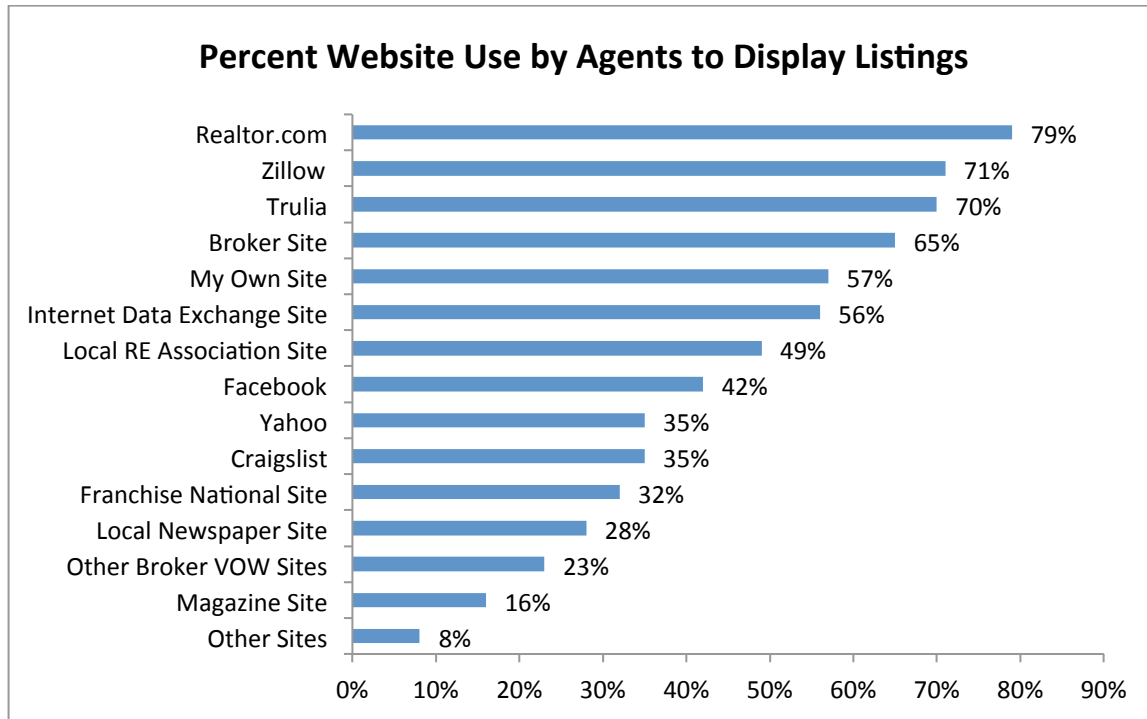


Figure 10 Percent website use by agents to display listings (NAR, 2014)

The top three places to show the listings are also the top three portals in terms of web-traffic. Both Zillow.com and Trulia.com are portals for homes for sale as well as for rent, while Realtor.com is mainly a portal for homes for resale. This is one explanation for the lower number of unique visitors for Realtor.com in comparison with Trulia and Zillow.

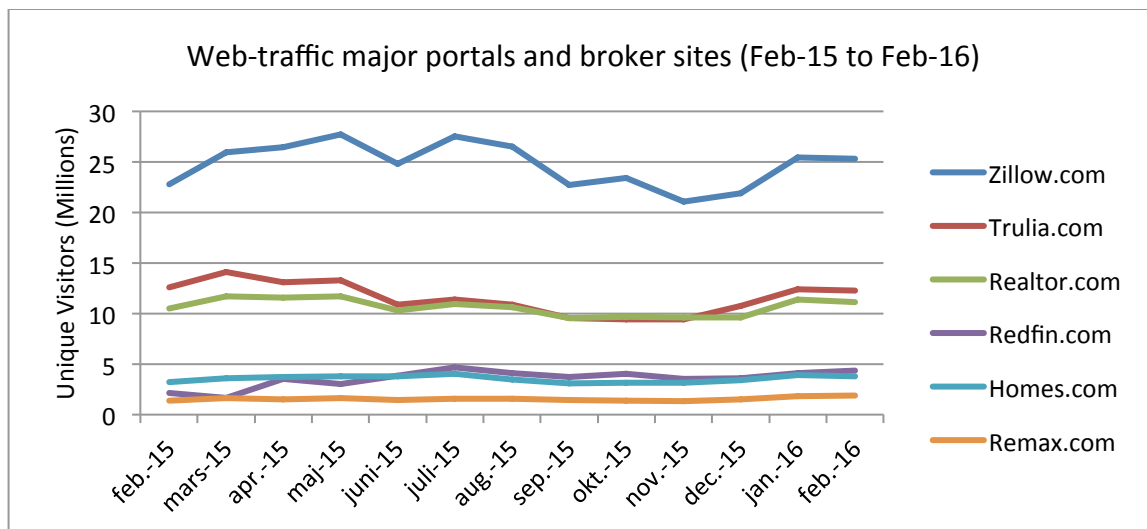


Figure 11 Web-traffic major portals and broker sites, based on data from compete.com

None of the major portal sites for resale offer digital visualization tools today. Their offerings towards agents instead includes the opportunity to include more photos for the listing, featured listing, lead generation (an agent pays for receiving information about potential buyers that have indicated their interest to the portal), appearing on listings in the agents own district or zip-code area etc. (Resale Portal 1, 2016). One of the Portals has just started to offer a do-it-yourself solution for video content (Resale Portal 2, 2016). Even if this is something much simpler and of lower quality compared to Company X's products, it could be an indication that the portals wants to offer visualization tools in the future.

In addition to the large portals, smaller portals exist that specialize on specific states, areas or cities. In general, there are not many of these portals that offer digital visualization tools even if some do. Two portals where identified that offers professional photography. Another portal is operated by a firm that also serves real estate agents and property managers with software services, and thus has floor plans and other products in their offerings.

5.2.1.3 Competitors

There are quite a few competitors that compete on a national level. However, many of these companies are completely reliant on the input material to create floor plans, virtual tours etc. being provided by their clients. Only a select few can actually collect input material on site themselves and this ability arrives directly from having a photo network in place.

For 2D-floorplans (including collection of input material) the price varies a lot between the different competitors and each competitor has a wide price range, where the price usually depends on the size of the property. One competitor based their price on the value of the property, instead of the size. When looking at the price level of 2D floor plans where the vendor does not collect the input material on site but instead rely on the customer to provide this, the price level drops significantly. In this case, there are in general flat prices (same price for all property sizes/values). The aggregate price level on the market today for 2D floor plans leaves room for Company X to offer competitive prices with sound margins.

Companies that compete on national level and offer 3D floor plans as well as collects the input material first hand is very uncommon, only one competitor where identified that had both input gathering capabilities as well as 3D floor plans. When it comes to competitors producing 3D floor plans without input collection, there are large price differences between the different competitors. However, the aggregate price level on the market today for 3D floor plans leaves room for Company X to offer competitive prices with sound margins.

Another product category of interest for Company X is professional photography as the company is interested in offering professional photography in the US market. Within this category, the competitors' prices vary a lot. The prices varies according to size or value of the property and also what's included in the photo package, such as number of photos and quality of the photos. Five competitors with close to national coverage where identified and based on the research conducted, a competitive price for

approximately 20 high quality pictures is priced at a level that is difficult for Company X to match whilst maintain a desirable margin.

Regarding production capacity for the different competitors, it is hard to get any reliable data from secondary sources. However, Charlie claims in an interview that the portal clients chose Company X as they had an advantage in production capacity over the competitors. None of the identified competitor argues for any superior production capacity. However, one large provider of photography services claims on their website that they are currently developing an automated process for producing floor plans, but the status of this development is unknown.

What becomes clear after collection market prices for professional photography, 2D-and 3D-floorplans is that the prices do fluctuate a lot and thus it can be difficult to get a firm grasp of where to position Company X in terms of price and package options. Therefore bundled packages offered by competitors that are comparable to product bundles that Company X could potentially offer have also been identified. The price level of these packages more accurately reflects the customer and product market that Company X is considering to enter and is thus more accurate to consider when comparing potential price points and bundling options to the market.

Looking at what the selection of competitors with input gathering capabilities offer, we can see that once again Company X's breadth of products would allow the company to create very interesting product bundles that cannot be matched by any of the current competitors.

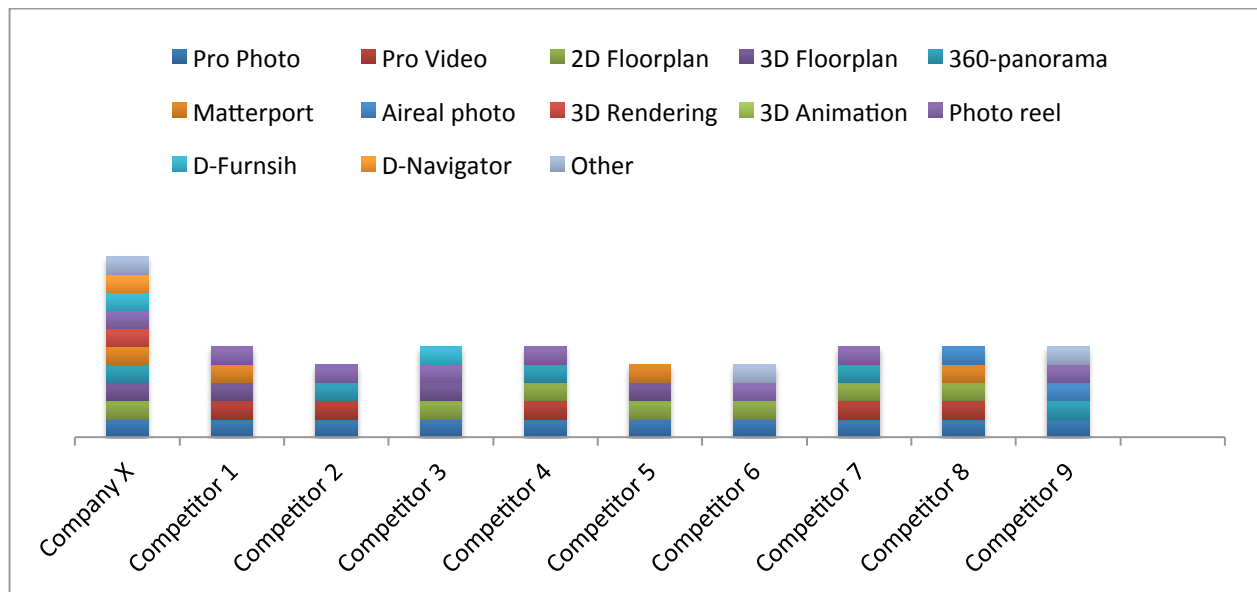


Figure 12 Product-portfolio of Company X and 9 other competitors

Based on the broad product offering that Company X potentially can offer, competitors that offer package including several visualization products where highlighted. The implication of the price retrieved from

competitors is that the market prices on packages with bundled products are still very competitive where bundles that include photography services makes it difficult for Company X to compete with sound margins.

To conclude the empirical findings regarding competitors in the resale vertical, it is clear that there are a large number of competitors but only a few that can offer the broad range of products that Company X could offer if they decide to enter the US market. The price for 2D and 3D floor plan are comparable, or even higher, compared to what Company X must charge in order to achieve acceptable margins. However, when it comes to professional photography, the prices on the market are low compared to what Company X must charge in order to reach adequate margins.

5.2.2 The Rental Vertical

The home ownership rate in the US is 63.8 % (CBRE, 2015), meaning the rest of the population rents their homes. According to data from NMHC (2015), the apartment stock in the US consists of approximately 21 million apartments divided on almost 2 million properties. According to the same data, 13.7 million of the apartments are located in apartment communities with at least 25 apartments per community. Approximately 140,000 such communities exist in the US (NMHC, 2015b) and those are in general operated by a property manager.

There are two main targets that emerge if Company X is to generate significant volumes from the rental vertical. The first customer target is the rental portals. This is where the majority of the Company X's revenue within the rental vertical is generated today. The other big potential is selling directly to the property managers, essentially targeting similar customers as portals today. When residents search for their apartments, 73 % uses at least one rental portal, while 80 % visit a specific community website (NMHC and Kingsley Associates, 2015). The data indicates the importance in the industry of having accurate information about the apartment on both the portal and community website. Even if an apartment is advertised with high quality content on a portal, this does not eliminate the importance of having high quality content on the community website as well.

5.2.2.1 Customers – Property Managers

Property management is a broad term that includes many different services and it is difficult to give a homogenous picture of firms within property management. Some firms in this industry mention property management as its core business while other are vertically integrated real estate firms with offerings across many segments such as investment, development, construction, commercial property management, and residential property management. The most common overlap is between owning and managing properties, 26 of the top 50 property management firms in the US are also among the top 50 property owners (NMHC, 2016).

The term "Property Management" is also a broad term covering many types of services. According to an industry report of the Property Management Industry from IBISWorld (2015), the responsibilities of the firms in this industry relate to the overall operation of a property, including maintenance, rent collection,

trash removal, security and some renovation activities. Many property managers are also responsible for the marketing of vacant units and this is what makes them potential customers for Company X. According to the same IBISWorld report the number of firms in this industry is 217,387. That number includes firms involved in both commercial and residential property management and thus tells us little about the number of firms who are potential customers of Company X (since the company does not sell products to the commercial vertical), but it does indicate the level of fragmentation in this industry. To further highlight this fragmentation, numbers from National Multifamily Housing Council (NMHC, 2016) indicate that there is a very small market share concentration and the five biggest property managers do not even capture 5% of the market put together. The number of firms involved in the industry is not the only factor which makes this segment difficult to frame, according to the interviews conducted with property managers there are several different players that could potentially be involved in the decision of purchasing marketing material. Below follows a simplified overview:

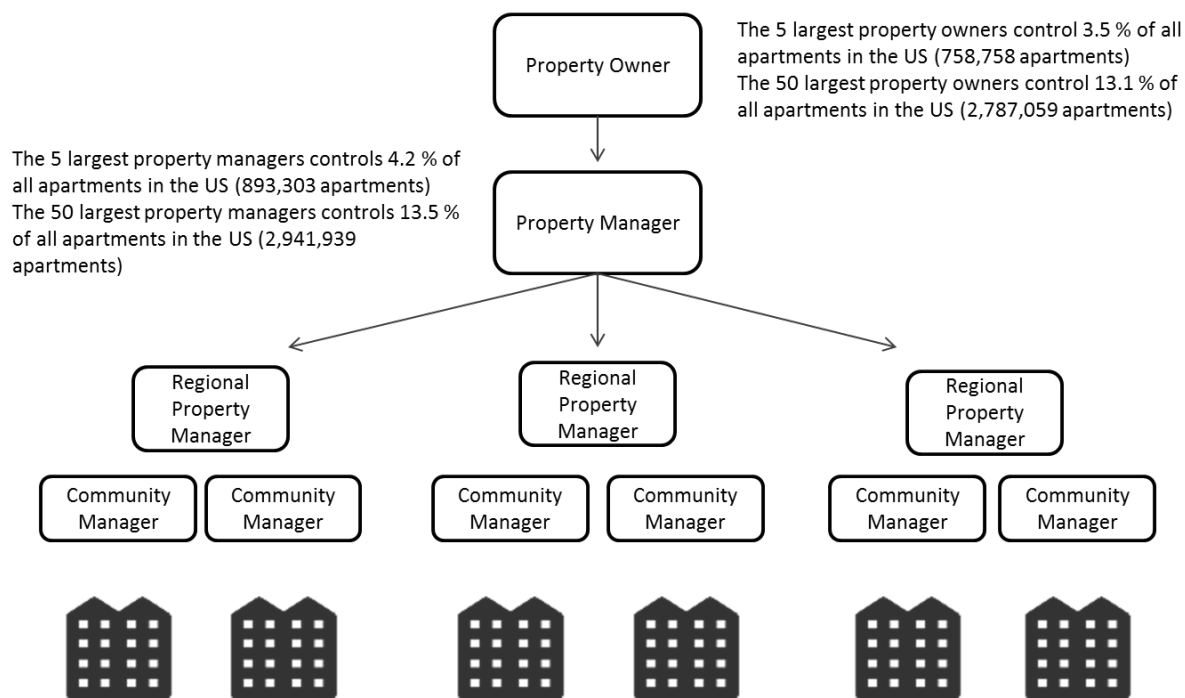


Figure 13: Simplified overview of the Property Management segment (authors own elaboration)

Depending on the specific property management company, any of these plotted players can represent a potential selling point for Company X. The key question if targeting property managers is who actually has the decision making authority when it comes to spending money on marketing vacant units. Based on the interviews conducted with property managers, it is difficult to present a general view for all customers in this segment regarding where advertising decisions are made as this varies by organization. Below follows a short summary of the information provided by the interviewed property managers regarding the industry structure:

Property Owner	Invest in the property. The property owner hires a property manager if this is not conducted in-house. 26 of the 50 largest property owners are also among the 50 largest property managers Can be responsible for deciding the size of marketing budget (not on what products/services to purchase).
Property Manager	Responsible for the daily operations such as maintenance, rent collection and finding tenants. The type of activities performed at this level is determined mainly by the size of the property manager, larger property managers leaves the marketing decision to lower levels. 2/3 property managers reports the decision what products/service to purchase are taken at a headquarter level.
Regional Property Manager	Works for a property manager, usually a regional manager within a larger property management company. Responsible for regional marketing campaigns and oversees a part of the communities operated by the property manager. 1 out of 3 property managers reports the decision what products/service to purchase are taken at the regional level.
Community Manager	Responsible for the specific community and performs the daily operations . Usually have an office at the apartment community and meets the tenants on a day to day basis. In some cases the community manager can influence what products/services to purchase, but form what we found they are not solely responsible for this decision..

Figure 14: Summary of information received from interviews with Property Managers

Number of units under management varies significantly across the industry. Greystar Real Estate Partners LLC, the largest company in the units in the industry, manage 393,097 units while the average number of units managed among the top 50 property management firms are 58,839 units (NMHC, 2016). Many smaller firms dealing with property management are gathered under the National Association of Residential Property Management (NARPM). The average number of units within multifamily for a member firm of this organization is 103 (NARPM, 2015). A large share of the NARPM members manage several single family units for rent as well.

From this overview of firms dealing with property management we can conclude that there are many different types of firms of different size and different areas of focus. Through interviews with the two big industry associations, NMHC and NAA, it was indicated that the marketing spend and strategy does not differ significantly between the very largest property managers and the mid-sized ones. They indicated that the big difference occurs when looking at the small property management firms with 1-10 employees as this type of firms has less resources to spend on marketing.

To understand what content property managers are using when marketing apartment units today, the visualization solutions on several community websites among members of the NMHC were examined. In total 20 firms are represented in the sample, where five community websites per property manager was reviewed. In total 100 community websites have been studied. The result is shown below:

Table 2: Marketing Material on Community Websites

Marketing material used on community websites (NMHC members)	
Photos	14%
Pro Photos	78%
Pro Video	15%
2D Floorplan	77%
3D Floorplan	25%
360-panorama	0%
Matterport	0%
Aerial photo	1%
Photo reel	0%
Furnishing Tool	33%
	N=100

The property managers that were interviewed stated that floor plans and professional photography is an important part of the marketing of vacant rental units. Much of the marketing today takes place online, where digital visualization tools can help improve the impression of the vacant unit for the prospective renter. The main objective when property managers purchase marketing material is to keep vacancy rates as low as possible in order to maximize the return on the property owners investment (Property Manager 3, 2016). Looking beneath the surface level the interviewed property managers all agreed that prospective renters have become increasingly demanding in terms of the information available to them online. This can include a detailed list of amenities, neighborhood information and a lot of visual content. As one of the property managers interviewed expressed it:

The marketing of multi-family rentals is becoming much more digital. It is no longer the "drive by" method where a prospect drives by your community and stops in to tour. They have done their research online and know all of the facts before coming in to tour (Property Manager 1, 2016).

When deciding on what marketing material to use, the property managers interviewed all said that the rent-level of the apartment is the most influential factor (higher rent means more marketing spend). Other factors that influence the marketing spend are the target audience and the available marketing budget.

5.2.2.2 Software as a Service providers

Many firms dealing with property management utilize large vendors that supply them with their operational software as service platforms (SaaS). These vendors are an interesting target for Company X as a simpler way to reach the many actors in the fragmented industry of property management. Company X has done business with two of the biggest SaaS companies in the US, and there are other opportunities within this segment. However, these companies have a large product portfolio where visualization tools are only a complementary product in their marketing solutions. When the sales department in these

companies are pitching their product to potential clients Company X’s products would not necessarily be a priority (Charlie, 2016). The relatively small volumes coming in from the current client in this segment can be seen as an indication of this, even if Charlie mentions that more could possibly be done from his side to generate some larger volumes. What must be highlighted is that if Company X decides to enter this customer market in the rental vertical by going directly to property managers this will also entail competition with these software companies since they also offers visualization tools in their large portfolios.

5.2.2.3 Customers – Rental Portals

Besides marketing rental units at the community websites, a majority of property managers also market vacant rental units on rental portals (NMHC and Kingsley Associates, 2015). Therefore, these portals represent another potential customer segment for Company X to target. This segment can be divided into two broad groups, large nationwide portals and smaller-to-mid size portals that target specific metropolitan areas, regions or states. The main advantage with pursuing portals is that they generate many sales with few sales-points, but with likely lower margins for Company X.

The value the rental portals get from offering visualization tools to their customers (property managers) is significant and fulfills a number of objectives for the portal. The competition between the rental portals is intense and being able to offer the latest visualization tools helps the portal attract new customers (Rental Portal 1, 2016). Looking beyond the obvious objective of attracting new customers, visualization tools also helps create more appealing listings on the portal site which in turn helps drive up web and mobile traffic from prospective renters (Rental Portal 2, 2016). Both of the interviewees from the rental portals also stresses the importance of increasing the “stickiness” of the website i.e. getting prospective renters to spend more time on one listing. They went on to specify that more advanced visualization tools, especially interactive solutions, contribute significantly to keeping the renters on the listings and being more engaged when they are there. As a consequence of this the rental portals are often early adopters of new technology aimed at online marketing and there is currently a big focus on VR-enabled visual solutions which has the potential to have a significant impact on how rental units are marketed online (Rental Portal 1, 2016).

Within the rental portal industry, four corporations control the largest portals and Company X is currently doing business with two of them. All four firms offer some kind of visualization tools, even if the quality of these varies.

Table 3: Overview of Major Rental Portals

RentPath	ForRent	Zillow Group	CoStar
Rentpath.com	Forrent.com	Zillow.com	Apartments.com
ApartmentGuide.com	Homes.com	Trulia.com	Apartmentfinder.com
Rent.com		Streeteasy.com	Apartmenthomeliving.com
Rentals.com		Hotpads.com	
Lovely.com		Nakedapartments.com	
Rentalhouses.com			
NewHomeGuide.com			

In addition to the large portals and the sites they control, there are also a number of smaller independent portals that could be prospective clients to Company X. Compared to the large portals these prospects offer considerably smaller volumes since they do not have nearly as many listings as the big nationwide portals. However, given the lack of big targets in the market, portals like these are a viable target. Besides the volumes, there is also a big difference in the lack of visualization content the smaller portals offer.

5.2.2.4 Competitors

After looking at the competitive landscape for both the Resale and Rental verticals, it becomes clear that it is hard to differentiate between firms targeting one vertical and not the other. However, based on the interviews conducted with property managers we have identified three types of sources where participants in this industry can retrieve visualization tools such as floor plans and professional photography and those are: (1) Firms that specialize in digital visualization tools (similar to Company X), (2) Software as a Service companies, and (3) firms offering full range of marketing services such as website creation, search engine optimization, and web-analytic reports. Even if only the first category of firms considers floor plan creation and professional photography as their core business, all types of firms that offer similar service should be regarded as competitors.

As identified in the resale vertical, competition among firms specializing on floor plan creation and professional photography is extensive. However, only a few of these companies can offer the full package with all three products (2D Floorplans, 3D Floorplans, and Professional Photography). Provided that Company X manages to establish photo capabilities in the US, the company is in a good position to create packages of bundled products that can match or rival any competitor in the market. Within this segment of competitors Company X measures up well both in terms of product portfolio and potential pricing levels.

Many firms dealing with property management utilize large vendors that supply them with their operational software as service platforms (SaaS). Many of these companies offer some kinds of visualization tools, but except from the standard products such as 2D-floorplans, their products are often of lower quality compared to Company X's products. Furthermore, these companies have a large product portfolio where visualization tools are only a complementary product in their marketing solutions. When

the sales department in these companies are pitching their product to potential clients. Company X's products would not necessarily be a priority (Charlie, 2016). If Company X decides to target property managers directly, these companies would also be viewed as competitors.

In addition to this, there are yet another segment of companies that target property managers with a more comprehensive marketing solution. One such company offers both video and photography services to property managers but they also build their websites, generate web analytics reports, provide SEO expertise, and ad-word campaigns. Another competitor that offers website creation also includes a free, yearly photo shoot in their premium package. In addition to the above services, these firms also offer a range of visualization solutions for online real estate marketing. This type of competitor would fall somewhere between Company X and the SaaS competitors in terms of the commitment required from a property manager in buying marketing services.

If deciding to approach property managers directly, Company X needs to be aware that these types of competitors are also out there targeting the same customer base. Even though these companies offer solutions that Company X currently does not, it is important to remember that these products are bundled as a holistic solution which requires a property manager to undertake a comprehensive marketing initiative.

6. Analysis

In the analysis section, the VRIO framework is used to evaluate Company X's internal resources and capabilities. An external analysis of customers and competitors follows to find where the internal resources and capabilities can be leverage. Furthermore, an analysis of potential resource gaps is made where alternatives for how to close the gaps are evaluated.

6.1 Identification and Evaluation of SCA:s

When identifying the internal resources and capabilities of Company X the initial point of exploration consisted of the numerous interviews conducted with representatives from many parts of the organization. Subsequently the authors identified an initial list of resources and capabilities that had become apparent during the interviews. The initial list was then extensively discussed with Matthew and Charlie, representing top management and business development in North America respectively. The reason for this was twofold; firstly the authors wanted to make sure there were no misunderstanding or factual errors regarding the resources and capabilities the firm possessed, secondly the feedback session gave insight into which assets the company consider valuable in relation to potentially expanding in the US market. This back and forth discussion resulted in a streamlined selection of relevant resources and capabilities. The following section will provide a definition of the resources and capabilities followed by an application of the VRIO framework and related theoretical concepts.

6.1.1 Resources

Product portfolio:

Working under the assumption that Company X has access to a photo-network (discussed more in detail later in the analysis), the Company has an extensive product portfolio with a breadth that is unmatched by any of the identified competitors. The large product portfolio gives the company the option to bundle their products in a number of ways that can match or exceed the bundles offered by competitors whilst also allowing the customer greater variety from one point of purchase.

Valuable: The product portfolio in that Company X has can be considered valuable. In terms of competition the company can match all identified competitors on the individual product level within the product markets the company operates in. On a portfolio level the company can chose to create a number of bundling options for prospective customers to choose from or potentially allow the customers to create their own product mix. The products can be considered valuable from the demand side as well, considering the large volumes that was sold in 2015 to the rental portals as well as the interest all interviewed real estate agents showed for these products.

Rare: The products cannot be considered to be rare on an individual level with several competitors having similar products. However the portfolio of products cannot be found at any competitor in the market today. The product portfolio can thus be considered to be rare.

Imperfectly Imitable: It is highly debatable if the product portfolio or indeed any of the products in it are perfectly imitable. However, competitors can most likely imitate them closely if they choose to do so. The

three core products, professional photography and 2D and 3D floor plans are essentially imitable for several competitors. Some of the Company X most technically advanced products would require a lot of know-how to imitate successfully but over time this would not stop competitors determined to achieve this goal. In addition Company X does have rival products within every category (although not offered from one single competitor). This means that there are substitutes available in the market that to a varying degree resembles the products offered by Company X.

Organization: Company X partly fulfills the criteria of being organized to exploit their product portfolio. They have the established processes in place to be able to produce large quantities of their products and on the Scandinavian markets they are able to deliver them to customers in an efficient way. The large customer base in Scandinavia that continuously makes repeat purchases is an indicator of the organizational capability. On the US market, the organization can manage large bulk orders from portal clients, but they lack the ability to deliver these products in an efficient way to other types of customers.

Automated Production Process:

The APP is a proprietary production technology that allows for significant cuts in both production cost and production time.

Valuable: The APP solution the company has in place brings a lot of value to the company since it increases the efficiency of the production process substantially. The APP allows Company X to produce large quantities at a lower cost and higher speed than the vast majority of the competition. From the demand side, the APP solution brings the most value to the big Rental portals since it allows the company to satisfy their need for large bulk orders that can be produced with short lead times and with consistent quality.

Rare: The rareness of the APP appears to be substantial in the market. Only one competitor has been identified as currently working on an automated production solution. No competitor has been identified as being able to handle the large volumes currently being produced by Company X and there is a strong likelihood that the APP solution is a key contributing factor to this.

Imperfectly-Imitable: The APP is a proprietary technology that requires a great deal of insight into internal production techniques to copy. It is judged to be highly unlikely that any competitor will be able to replicate the exact process and extend it to include several products in the short term. However based on the interview with a representative from the IT and R&D department at Company X where he pointed out that this type of technology tends to diffuse throughout the industry within a few years (Jim, 2016). He went on to say that other firms could create different versions of the APP solution employed by Company X, as long as they have skilled IT engineers on their staff. In terms of substitutes for the APP the only other alternative is to employ a substantially larger production staff. While this is possible in theory it would be associated with substantial cost disadvantages.

Organization: Company X has the organizational structure in place to capitalize on the advantages being generated through their APP. The technical infrastructures to handle large bulk orders, as placed by their portal clients, are in place both on the inbound and outbound sides of the production. The administrative

support in order handling and delivery for smaller orders, as placed by individual agents, also goes through the APP.

Strategic customer relationship with rental portals:

These long-running and deep relationships is what has allowed Company X to get significant volumes from the US market despite only having a very small presence there.

Valuable: The relationship that Company X has with their big rental portal clients in the US is a long-term relationship with continuous purchases being made. The relationship can be considered to work similar to a partnership in that Company X has provided several new products to the rental portal clients that were developed specifically for them, although there is no explicit partnership agreement in place. The products Company X supplies to the portal clients aids them in attracting more customers i.e. property managers as well as consumers i.e. renters to their site.

Rare: In the product markets Company X competes in, very few competitors has been uncovered as having any major portals as clients. Out of all the competitors researched in the market, none had any discernable product offerings directed towards the portal segment. What is also known is that Company X is the sole supplier of visualization solutions to two out of the four largest portal networks (Charlie, 2016).

Imperfectly Imitable: The specific relationships that Company X has with their rental portal clients can be argued to be imperfectly-imitable since they take a long time to develop and are thus historically dependent and additionally these relationships are socially complex. Based on competition it is not a prerequisite to have portal clients to be a supplier of visualization tools for the real estate industry. It can be argued that the getting a large enough customer base consisting of other types of customers such as agents or property managers would be a good substitute to having portals as clients.

Organization: The nature of selling visualization tools to a rental portal can be characterized by large initial volumes when the portal is on-boarded followed by lower continuous volumes. Company X has been shown to have the production capacity to handle the continuous volumes but more importantly they also have the ability to handle the large bulk orders that occurs at the beginning of the business relationship. Additionally Company X is well aware of the importance of maintaining the good relationship with the portal clients and has three key account managers assigned to them; one for operational issues, one for business development as well as access to the VP of International Sales for strategic issues. This attentiveness and open line of communication has been instrumental in Company X's previously successful attempts to develop and sell new products specifically to the portal clients (Charlie, 2016).

The new majority owner relationship:

This relationship is in its early stages of development but there are several potential benefits that can be generated through this resource.

Valuable: The value the new majority owner brings to Company X is hard to quantify due to the new nature of the relationship. In the brief period since the acquisition went through, Company X has been able to launch their services in the Australian market, which was greatly facilitated by introductions and corporate connections provided by the new owner. It is expected that the new owner will be able to make

similar contributions if Company X expands in the US market. There have already been some initial steps taken to this aim with an initial meeting set up between Company X and one of the biggest resale portals in the US, also owned by the same corporation (Matthew, 2016). In addition to business networking the corporate brand of the new owner will likely add to Company X’s visibility and credibility.

Rare: Within the majority owner’s portfolio of companies, Company X is the only firm within the digital visualization industry. The industry is still quite young and the fact that a big corporation enters the industry by acquiring Company X, is a confirmation that the products the company provides has been proven to generate value within the industry and that this value has potential to grow in the future (Matthew, 2016). To date no other big players in the digital real estate industry has acquired a digital visualization provider but it is not unthinkable that this will happen in the future (Charlie, 2016).

Imperfectly imitable: Company X was acquired based on their experience, proven success in the market and trust in the top management team (Matthew, 2016). From a competitive standpoint the reasons behind the acquisitions will likely be hard to imitate since there is a great deal of causal ambiguity behind the factors that has led to this. The acquisition process is also socially complex since interpersonal relationships and trust was an important contribution to the completion of this deal (Matthew, 2016).

Organization: Since the specific opportunities this resource will present are partly unknown, it is exceedingly difficult to identify whether Company X has the organizational capabilities in place to act on all potential opportunities. It can be argued that the new owner would not have acquired Company X if they were not convinced that the new relationship has the means to realize potential value. The primary concrete opportunity is that of the resale portal that is now within the same corporate family as Company X. If a deal were to be made for the company to start delivering visualization products to a resale portal (rather than the current portal clients who are active within rentals) there are several important administrative assets that need to be added to Company X (Charlie, 2016).

“I think the administrative support and order handling would differ substantially between a rental portal and a resale portal, and if we were to land a major resale portal as a client we would need to adapt to that. In terms of production I think we are fine but everything else would likely need to be revised (Charlie, 2016).

6.1.2 Capabilities

Production capability:

The production capability of Company X consists of several resources that are bundled together in a way that they complement and enhance each other. One of the most important resources, the APP, has been covered separately above. In addition to this Company X production capabilities consists of their human resources in terms of a skilled and experienced production staff and production managers. The company also has developed their production recruit training which makes it possible for a new production unit staffer to be considered automatous after one month, which is down from three months just two years earlier (Jonas, 2016). There is also a high degree of flexibility in terms of production volume. During peak

seasons the company has access to a pool of part time production staffers that can be brought in on short notice (Weerasak, 2016). In addition to this the company has recently set up its first outsourcing production agreement, which allows Company X to utilize their outsourcing partner for photo editing services when the volumes are high. This allows the company to allocate their internal production staff more efficiently (Håkan, 2016). The different resources result in a production capability that can claim to be:

- *Low cost and fast*, mainly due to the APP enhanced by the experienced staff.
- *Of high quality* due to the process itself which only lets through 0.5% defective products to the customers. The skilled production staff is also a strong influence on the quality.
- *Flexible* in terms of production volume where the company can gain access to extra capacity through their pool of part time workers and their new outsourcing option.

Valuable: The production capability can be considered very valuable since it allows the company to capitalize on the sales opportunities in essentially any market, the US included, in a cost efficient, timely manner. The production capabilities allow the company to deliver value to their customers in terms of offering a range of demanded products at a competitive price, with a high quality and turnaround time.

Rare: There are some difficulties in assessing the rareness of Company X's production capabilities without having a similar level of insight into the competitors' organizations. From the competitive analysis none of the identified competitors on the US market are judged to possess the production capabilities that can match the combination of the volume, speed and quality that Company X provides. This is in line with the assertions of Company X themselves, that consider their production superior to any known competitor, as revealed in a number of interviews.

Imperfectly imitable: Replication of Company X's production capabilities would present great challenges to any competitors willing to try it. Without substantial insight into the product processes there is a great deal of causal ambiguity as to how this capability actually functions, which can even be said to be true within the company.

"Even though I have been with the company for eleven years I am pretty sure I would not be able to fully explain or build up a similar process somewhere else" (Matthew, 2016).

The technical and process knowledge as how to construct a production process that balances the tradeoff between volume, cost and quality as efficiently as Company X currently does have evolved during several years. There is a great deal of path dependency through small incremental improvements such as the in-house new recruit training but also radical improvements like the introduction of the APP solution in the current production capability.

Organization: It can be argued that the company is currently organized to fully exploit its production capabilities. In the interview with the COO, Håkan (2016) it was highlighted that the company had focused a lot of attention on quality and scalability of the production process in the past year and that this has led

to significant improvements. He went on to explain that there is a great deal of confidence in their production capabilities and that now the company needs to focus on bringing in sales volumes.

Customer Relationship Management capabilities

Company X's CRM capabilities have a solid foundation in the help desk unit that managed to reach a customer satisfaction rating of more than 98% in 2015. The company also places great strategic value in the feedback from its customers, which was one of the main reasons for placing the help desk at the company's headquarters in Bangkok. This has resulted in a direct expansion of the company's services with the in house call center now being available for their key clients within resale. This generates added value for the customer but also creates a lock in effect since Company X is now integrated in the sales process of the customers that utilize this service. The customer centric attitude of the company is also visible at a higher level of the company with the setup of providing clear point of communication for the key customers. This is illustrated by the allocation of three separate key account resources divided by operations, business development and top management. This setup has been particularly fruitful with the rental portal clients where several successful up-sells have been made in the past. Some of the up-sells have been products specifically developed towards these clients, which underlines the attentiveness of Company X when it comes to finding new solutions for their clients. The company's CRM capabilities can thus be characterized as a combination of tangible resources such as their help desk and in house call center units but also as a company mindset of placing the customer in the center when developing new solutions.

Valuable: This capability has been incredibly valuable in terms of customer retention as well as being the basis of the capitalization of products. It has also provided valuable insight to the R&D efforts of the company, which has enabled them to create new products and services. It is evident that the company's CRM capabilities have been received well in the market due to their long-standing relationships with key customers both in the Scandinavian market as well as the rental portals in the US.

Rare: The tangible resources that are building components of this capability are not in of themselves rare. However, the recognition of the importance of customer relations and its impact not only on sales but also product and service development is a stand out fact at Company X. Much like the Production capability the degree of rareness is problematic to properly evaluate without a high level of insight into the internal structure of the competitors.

Imperfectly imitable: Allocating resources into building a help desk or a call center will likely result in better CRM capabilities. However this does not mean that it will be easy to match the performance of Company X with the very high customer satisfaction rating or developing the skills necessary to actually collect, interpret and then operationalize feedback from the customers. It can be argued that the customer centric approach of Company X is a part of the company culture and it is thus path dependent since culture takes time to develop. It is also causally ambiguous from the outside since it is unknown what affect, if any, customer input has on a new product launched by Company X. There is also a great deal of social complexity involved in this capability since it requires several different departments within the company to identify and share customer feedback in a meaningful way. The social complexity also

extends to the relationships outside of the company boundaries, particularly with the large clients that have assigned key account managers. Besides keeping the customers satisfied from a customer service perspective the key account managers are instrumental in soliciting actionable customer feedback and involving the customers in product and service development.

Organization: Company X is set up well in order to exploit the advantages that the CRM capabilities provide them with. This has been clearly demonstrated by their customer retention as well as the successful development of new products and services that has largely been guided by customer feedback and/or involvement.

Expansion capabilities

Valuable: Company X has been led by its three co-founders since its inception in 2001. Since then the company has developed into a market leader in digital visualization solutions for real estate. The growth the company has gone through speaks to the value that the top managers have been able to bring to the company. Under their guidance Company X has gone through a substantial merger with its biggest rival in 2008 as well as two large acquisitions of smaller competitors in their expansion from Sweden to the other Scandinavian markets Norway and Denmark (Company X internal document, 2016). Even though mergers and acquisitions have been important most of the company's growth has been organic. Up until recently all of the products and services have been developed in house, sales and marketing sites have been set up in each serviced market, production has moved from Sweden to Thailand and a vast photo network has been built from scratch in Scandinavia (later supplemented by the acquisitions). The accumulated experience and solid track record within Company X is undoubtedly valuable.

Rare: As previously been mention in this thesis the industry that Company X is active in is still very young and the company is considered as one of the first entrants (Matthew, 2016). When it comes to knowledge and experience within the industry few, if any competitor, can compare to the Company X.

Imperfectly imitable: Gathering both experience and knowledge obviously requires time and it has a strong degree of path dependence. It is certainly possible to recruit skilled people that can provide both of these qualities to some extent. However, the likelihood that any of the co-founders would switch to a competitor is judged to be very low. In addition Company X also has non-compete agreements that prevent employees to work for competing firms within two years of leaving the company (Birgitta, 2016). There is also a degree of causal ambiguity from the outside (and to some extent from the inside) how the experience and knowledge in the company aids their expansion capability. A strong element of social complexity is present, both inside the company and in the external relationships the management team has built over the years. This makes it difficult to predict how this capability would work in a different organizational context.

Organization: The company is well organized to exploit their considerable expansion capabilities. All three co-founders are still with the company in the leading positions and as previously mentioned the recent acquisition of Company X was conditioned on all three founders staying with the company. Additionally the company has put in place a solid production platform that can be scaled in relation to the company's expansion into new markets. Past acquisition processes has been well documented and the

company has learned a lot from both positive and negative experiences in these deals and the incorporation of other organizations into Company X (Matthew, 2016). The administrative knowledge and tools are also present to build a photo network from scratch in a new market (Charlie, 2016).

Table 4: Summary of VRIO analysis

Resource	Valuable	Rare	Imperfectly Imitable	Organization	RBV perspective
Product Portfolio	✓	✓	X	✓	Competitive advantage
APP	✓	✓	X	✓	Competitive advantage
Customer relationships (Portals)	✓	✓	X	✓	Competitive advantage
Majority Owner	✓	✓	✓	X	Competitive advantage
Capabilities	Valuable	Rare	Imperfectly Imitable	Organization	RBV perspective
Production capabilities	✓	✓	✓	✓	SCA
CRM capabilities	✓	✓	✓	✓	SCA
Expansion capabilities	✓	✓	✓	✓	SCA

Based on the application of the VRIO framework a number of resources and capabilities that can be characterized as competitive advantages as well as SCA:s have been identified. Following the analytical model presented in chapter 4 the next step is the strategy formulation which will leverage the internal resources and capabilities of Company X to respond to opportunities in the market.

6.2 Resource Leveraging

In the theory section of this thesis it has been emphasized that a firm need to choose a strategy where they make the best use of internal resources in response to the opportunities it confronts and where they limit the weaknesses and protect themselves from threats on the market (Grant, 1991). The firm must also choose a strategy where they can leverage their internal resources and be competitive relative to other firms (Bloodgood, 2014; Wernerfelt, 2014). The VRIO framework developed by Barney has been used to identify the internal resources and capabilities at the firm. However, only looking inside the firm is not enough when deciding upon the strategic direction for the firm (Grant, 1991; Bloodgood, 2014) and therefore a market analysis has been conducted to find an external fit with the internal resources. In order to find out who the customer are, segmentation is a good tool to use as it could be used to identify needs and wants as well as different demographics of potential customers (Shapiro & Bonoma, 1984; Mitchell & Wilson, 1998; Weinstein, 2011). From a high level, different groups of customers have been identified, such as agents and portals within the resale vertical. For the rental vertical portals and property managers where identified

6.2.1 The Resale Vertical

Within this vertical agents have been identified as a potential customer segment that is engaged in online real estate marketing. The size of this potential customer segment is substantial with more than 600.000 real estate sales agents being registered members of the National Association of Realtors and more than 1.1 million real estate licenses granted as of 2014. With approximately 5 million homes being sold every

year in the US market, 89% of which are sold by an agent the opportunity to sell digital visualization tools to this segment appears very attractive.

When looking at the internal resources of Company X we can see that they have the resources and capabilities needed to produce 2D and 3D floor plans at a low cost with high quality and fast turnaround time, something which is attractive for the real estate agents as revealed through several interviews with this customer segment. In addition to this, all interviewees expressed an interest in trying Company X's more advanced products in the future. What is also of importance is the ability of Company X to offer a value proposition that meets the less obvious needs of agents. These needs were primarily touched upon in the interview with Agent 3 who indicated that maximizing online views, attracting people to open houses as a networking opportunity, and marketing the agent himself are important considerations, besides selling the property at the highest price. The products that Company X offer can help to serve those needs, and for the core products, 2D and 3D floor plans, the competitive analysis has revealed that Company X will have no problem pricing their products at a competitive level.

These conditions present an opportunity for Company X to leverage their comprehensive product portfolio (although not an SCA, the business is built around selling the products) as well as their production capabilities. The product portfolio has been shown to be valuable in the eyes of the customers and its breadth is currently unmatched by any lone competitor. The production capabilities the company possess allows for high quality products being delivered with a fast turnaround time, with competitive prices in relation to the market.

Besides agents, the resale vertical also has another potential customer segment worthy of consideration, namely resale portals. These portals can be seen as an aggregation point of agents online marketing so selling digital visualization tools through a resale portal would provide an extremely efficient sales channel. Much like the already established relationships with portals within the rental vertical, the potential volumes generated through a single sales point could be substantial. For reference, realtor.com which is the third biggest resale portal in terms of web traffic claims to have 3 million active listings on their site (Move, 2016). In terms of potential size of the portal segment it is limited to a handful of large portals with national coverage which means significantly few sales opportunities when compared to selling directly to agents. What is also worth pointing out is that none of the larger portals within the resale vertical offers any sort of digital visualization tools at the time of writing, which is a substantial difference compared to portals in the rental vertical. Successfully targeting one or several resale portals would mean that these customers would need to make significant adjustments in their business model.

Given that the portals in the resale vertical is unfamiliar with selling digital visualization tools, the process of acquiring a customer within this segment is likely quite long and will require a lot of collaboration and trust between both parties. Even though there are significant obstacles in the way, the opportunity to sell large quantities through a single point of sale is one that cannot be dismissed. Company X has an important resource that can be leveraged that should give the company an advantage in capitalizing on this opportunity. This resource is the new majority owner relationship which gives Company X unique

access to one of the biggest resale portals in the US. This resource should go some way towards mitigating some of the expected obstacles such as the need for a long-term relationship, close collaboration and trust, when winning a resale portal client. In addition to this, the CRM capabilities of Company X will be of great importance and will need to be leveraged to their full extent when going after a key target such as a resale portal. Finally, the production capability of Company X makes them a good fit for clients, such as portals, that generate large sales volumes that still needs to be delivered with a fast turnaround time and a high quality.

6.2.2 The Rental Vertical

This is the vertical where Company X has a presence in the US market by virtue of their established key clients in the form of two of the top-four rental portals in the market. The established customer relationships with these two key clients have been identified as a competitive advantage for Company X and it is already being leveraged successfully in the market. Even though these portals are already long-term clients of Company X, there are still potential opportunities to further exploit this resource. It was revealed in interviews that both of these clients have in the past purchased new products developed by Company X, specifically for them. This has lead Company X to start working on new products, which they hope will attract new purchases from the current portal clients. As an example of this development, the R&D efforts that focus on the new VR-technology can be mentioned. In this effort the companies CRM capability will be a valuable asset since it has a proven track record in assisting not only a good customer relationship but also a key component in developing new products and services. This can be illustrated by for example the in-house call center service offered to key clients in the Scandinavian market as well as the successfully commercialized new products that have been developed for and sold to the rental portals in the past. Successfully leveraging the CRM capability in combination with the customer relationship resource provides a good opportunity for Company X to deepen their involvement in this customer segment.

The product portfolio that Company X currently possesses can also generate significant volumes from the rental vertical in other customer segments. This would entail bypassing the portals and sell products further downstream, to the property managers themselves. As outlined in the empirical findings, the property managers have marketing content on their own websites, where Company X's products can provide value in terms of enhanced marketing material of vacant units. From the interviews with property managers it has been gathered that the primary goal when buying marketing material is to keep the vacancy rate as low as possible. But the product portfolio can also be leveraged to satisfy the demand for more information from the prospective renters that the property managers cater to. The exact number of property management companies that operates in the US market is unknown. What is known however is that there are more than 20 million apartment units in the US distributed across almost 2 million properties (NMHC, 2015a), which makes it a very sizeable market. In terms of direct competition, Company X has an advantage with the large product portfolio in combination with the production capability, which makes it possible to offer low cost, high quality products, with short delivery time. Much like in the resale vertical Company X would have no trouble matching the price levels offered by direct

competitors. However, if Company X chooses to target this customer segment they need to be aware of other types of companies also competing to sell digital visualization tools to property managers. The SaaS companies active in this customer segment is one such competitor type that provides a turnkey solution for property managers with service offerings that covers the entirety of property management operations, which includes marketing of vacant units. In addition to the SaaS companies there are also specialized marketing firms, targeting property managers with a more comprehensive marketing solution that Company X currently offers. Even though these other types of competitors offer a more complete service than Company X there is still an opportunity to leverage the product portfolio and the production capabilities to create a more flexible and less costly solution for property managers.

6.3 Resource Gaps

As Grant (1991) points out; a firm needs to continuously evaluate and develop new resources to fill resource gaps. The market that Company X operates in and where they are planning to expand can be expected to encounter new innovations and new types of competition due to the technology intensive environment. As an example of this the expectation that VR-technology will enter the real estate industry on large scale can be mentioned. Furthermore, some of the major resale portals have started to offer do-it-yourself solutions for video creation, while a competitor is exploring new technologies for automated floor plan creation. To operate under such volatile circumstances requires the firm to focus on developing dynamic capabilities (Teece et al., 1997). Wu (2010) emphasized the managers' abilities to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities also include the ability to innovate and collaborate with other enterprises, entities and institutions (Teece et al., 1997). Today Company X has an active collaboration with a competitor to develop the product "Live 3D", a tool that can automatically convert the 3D-floorplans to become VR-enabled. There is also an active collaboration between the company and its customers. For example the R&D-department works intensively to develop other VR-enabled products that can be marketed towards the rental portals with an ongoing dialogue between Company X and their current rental portal clients. These examples illustrate that Company X are currently operating with a dynamic mindset which is advocated by authors within the field of dynamic capabilities. Being responsive to the dynamic nature of the environment by developing dynamic capabilities is aimed at preparing the company for future unknown challenges. However, sometimes a resource gap can be more obvious and be a concrete issue in the present.

Today, Company X does not have any ability to offer photography services in the US as they currently lacks access to a photo-network. The lack of photo-network also affects the ability to sell floor plans within the resale vertical. As explained by Charlie, Key Account Manager for the US, in general the home owners does not possess any 2D-floorplan that can be used as input material and instead the input material for floor plan creation needs to be collected onsite, which is best performed by a photographer. Furthermore, a photo-network would contribute to the ability for Company X to offer the full range of their product portfolio and also offer competitive product bundles which can be expected to be in demand from the market, considering the common use of professional photography. Based on this it is of

high strategic importance for Company X to get access to a photo network if they wish to enter the resale vertical. A photo network is something that would bring value to the rental vertical as well since there is a clear demand for professional photography when marketing vacant rental units online. A photo network cannot be considered to be of equal strategic importance within the rental vertical since the research conducted in the market has shown that property managers can provide the input material required for production themselves.

It is evident that a clear resource gap in the form of a photo network exists in the resale vertical. Since this resource would also add value to the rental vertical, it is worth considering how the Company X could go about acquiring this resource. As explained by Klug (2006) there are four modes of entry strategies for a firm to consider when entering a market; exports, contractual agreements, joint venture, and fully owned subsidiaries. Photography services are not possible to export, as a physical person needs to be sent to the location, and thus the three other modes are left for Company X to consider. Contractual agreements and Joint Ventures both require collaboration with another party, with the latter being more resource intensive and takes longer time to establish (Klug, 2006). Based on the market screening conducted during this research process, potential candidates for both options operates on the market today. Interviews with Charlie also revealed that some initial discussion have been taken with potential partners to explore possibilities for potential contractual agreement where Company X would utilize the photo network of an established player for a fixed fee per photo shoot. Another option is a fully owned subsidiary which could be achieved through acquisition of an established firm or through building a photo network as a greenfield investment. Again, players with the necessary resources which could be potential acquisition targets exist on the market and it is thus a question of available resource at Company X when deciding whether to partner, buy, or build to achieve access to a photo-network. The expansion capability that Company X possess has great potential to be leveraged at this stage since they have experiences of building photo networks from scratch (Sweden), partner with existing photo network (Denmark) and acquire photo-networks (Norway) and the people that led those initiatives are still within the company. The experience and knowledge of all three options still exist within the firm.

As Wernerfelt (2011) argues, a firm's cost of acquiring a new resource and/or the value it can generate with this resource depends on the resources already possessed by the firm. Clearly, the production resources that Company X possesses are a good complement to a photo-network as this contributes to the ability of offering competitive product bundles. Furthermore, Company X possess the internal infrastructure to operate a photography network on other markets and based on interviews within the firm, this resource can be transferred to the US market as well. In addition to above, Company X has access to capital through its majority owner if the firm can motivate the investment. Based on this it is clear that Company X possesses both the resources needed to acquire and manage a fully owned subsidiary in the US and thus this should be the long term goal. If no suitable acquisition target can be found, a fully owned subsidiary is still a viable option as the company could build their own network. However, a fully owned subsidiary could potentially take long time to set up before it's ready for the market (Klug, 2006).

7. Conclusion

The conclusion constitutes of two parts, where each part is devoted to one research question. The first part of the conclusion leaves recommendations for the expansion strategy for Company X, and thus answers the second question. This is followed by the second part, which reflects upon the case of Company X and by this aims to answer the first research question of the challenges in using RBV in practice. This is also followed by suggestions for future research that can improve the practical use of RBV.

7.1 Proposed strategy for Company X

The resource based view has been used to answer the research question, “what would be a suitable expansion strategy for Company X within the two segments of rentals and resale on the North American market?”. The resource based view has been used to analyze the firm’s internal resources and capabilities followed by an analysis of customers and competitors within the two verticals, with the objective to find where and how the resources and capabilities can be leveraged. Four internal resources were identified with none of them ending up fulfilling all aspects of the VRIO-framework. However, combining several resources into capabilities allowed us to identify three types of capabilities that fulfill the VRIO requirements; and these can thus be the base for sustainable competitive advantage. The capabilities that fulfill the VRIO criteria are the production capability, the CRM capability and the expansion capability.

A basic idea of the RBV is that firms should aim to leverage their relative strengths, and thus pursuing segments of buyers where no competitor are better equipped at meeting a particular combination of customer needs (Wernerfelt, 2014). As a consequence, customers and competitors has been analyzed, leading to the following recommendations that can serve as a direction for how Company X should manage their market expansion on the North American market.

7.1.1 The Residential Resale Vertical

Several of Company X’s resources and capabilities can be leveraged to generate revenues from the residential resale vertical. Looking at the first type of customer, the agents, the resource of a broad product portfolio is of significant value for this segment and no competitor seems to be able to match a competitive price. Furthermore, the production capability that Company X possesses can help to produce the products in a short period of time, with high quality and at low cost, which makes it even more attractive for the agents as they strive to increase the value of homes sold. The visualization tools that Company X offers are also a way to help serve other needs of this customer segment, such as maximizing online views, attracting people to open houses as a networking opportunity, and marketing the agent himself.

However, the segment of real estate agents is a very fragmented vertical that can be difficult to target directly. Instead Company X needs to leverage other resources and capabilities in order to reach sales volumes. The relationship with one of the major real estate portals through its majority owner is one resource that can be leveraged in order to reach a large number of agents effectively. To sell the products through a real estate portal is likely to require a close collaboration with the portal, and here Company X

can make use of their CRM capability, which has proven to be of significant value in other strategic relationships.

The strategy for Company X within this vertical is thus to target real estate agents, but in order to reach them in an efficient way, the company should aim for a collaboration with one of the major portals that share the same owner as Company X.

7.1.2 The Rental Vertical

Company X's resources and capabilities can also be used to generate revenues from the rental vertical. Of major importance within this vertical is the production capability, where the ability of fast production with high quality and low cost has led to established relationships with two out of four major rental portals in the US. The resource of established relationships can be leveraged to generate even more revenues from the existing portal clients and the production capability should be leveraged when Company X strives to sign additional rental portals as clients.

As an alternative to the rental portals, a strategy is to target the property managers directly. In this case Company X can leverage its resource of a large product portfolio as property managers strives to have updated marketing material on their website to rent out vacant units faster. Furthermore, the production capability can be leveraged in this segment as well. The mid-sized and larger Property Managers have a large number of units under management and it is thus expected that they would order large volumes if deciding to purchase visualization tools.

7.1.3 Resource Gaps

Some resource gaps were found during the analysis. The importance of access to a photo-network has been mentioned several times through this report, especially as it is necessary with access to a network in order to collect input material for the residential resale vertical. Furthermore, a photo-network would allow Company X to offer its full range of products, which is of competitive advantage. With the production resource and CRM capability the company is well prepared for both photo-editing and managing of a photo-network. In order to get access to a photo-network, Company X should leverage its expansion capability that can be used for build, buy or partner with an existing network. As experience from all three options exists within the firm, it is a question of time frame for what alternative to choose. Due to the importance of a photo-network within the residential resale, it is suggested to start with a contractual agreement with one established player in the short term. In the longer term, a fully owned subsidiary is recommended as this allows for higher degree of control from Company X's side.

With a photo-network in place, Company X is able to compete efficiently within the two verticals. However, the technology development within this industry is fast and the existing portal clients have shown an interest for more advanced and VR-enabled products. The long-term volumes from rental portals can be expected to be lower than when they were first signed, as the portals now have a library of visualization tools for their established clients. Instead, the future growth of sales from the existing rental portal clients is expected to steam from new more advanced products, something the portals already are

showing an interest for. Therefore, the company needs to continuously work with development of new products and make use of dynamic capabilities. The CRM capability and the resource of established client contacts can be leveraged to develop new products in collaboration with outside parties and customers, something which is of importance to remain competitive.

7.2 Reflections

In the course doing this research project we have gained some insights into the challenges of applying the theoretical concepts within the Resource Based View, which we believe is valuable to share in this final section of our thesis.

When it comes to the identification and evaluation of resources and capabilities there are challenges that stems from the all-encompassing definitions of resources and capabilities within the RBV. Resources were easier to isolate on the one hand but they could not be shown to be SCA:s. On the other hand the capabilities could pass the VRIO criteria with greater ease, but the isolation of a capability proved more problematic. Drawing the boundaries of what a capability is proved complicated since many different assets contribute to its output and the interconnectedness between these assets are not always obvious.

We have also encountered the problem that other researchers such as Kraaijenbrink et al (2010) have highlighted with the difficulty in incorporating external factors into the RBV strategic analysis. Looking specifically at the VRIO framework we have found the evaluation of the rareness and imperfect imitability criteria the most difficult to evaluate. An assets such as the Production Capability identified in this thesis relies almost exclusively on internal assets and the same level of insight into a competitor's organization is not feasible, thus making rareness ambiguous in some cases. There is a great deal of subjectivity that goes into applying the VRIO framework and practitioners should be aware of this. The lack of sufficient information on the external environment was always a big obstacle when applying the VRIO framework. This was a particular problem in the case of Company X where the competitive landscape is made up of Small and Medium sized Enterprises (SME:s) on the US market. SME:s in markets such as the US are not required to share much information such as annual reports or financial statements, thus making the collection of consistent information more difficult.

One aspect that is not as dependent on external factors is evaluating whether the company is organized in a way that allows it to exploit their competitive advantage. Barney & Delwyn (2007) describe this as possessing the right complementary resources and capabilities. Although it can be simple to point to the fact that the company is currently set up to take advantage of their resources we have encountered two challenges when applying this SCA criteria in practice. Similarly to identifying capabilities, it is difficult to draw clear boundaries for what constitutes a complementary resource or capability and which internal assets they explicitly support. Secondly it is sometimes difficult to evaluate this criteria in a prescriptive manner due to the, at times hazy boundaries. This means that this criteria easily fall into the ex post trap where it is becomes easier to analyze good and bad cases of organization with hindsight but very difficult when formulating a future strategy.

7.2.1 Future Research

Looking more to the future in terms of the divide between research and practice that exists within RBV we believe that the VRIO framework needs to evolve further to produce more practical guidelines. Researchers such as Hinterhuber (2013) have expanded the framework to cover more dimensions in the

form of size of the market opportunity and customer needs. However, such instances of the evolution of the framework are focused on keeping it universally applicable. From a practitioner standpoint it may be more useful to make the framework narrower in the sense that different versions are generated to fit within certain contexts. For example, how does the framework adapt to a context where the competitive landscape is comprised of SME:s contra large corporations. Or how does its application change across industries such as retail, manufacturing or services?

Additionally the scope of the framework in terms of the amount of information required to perform strategic analysis could benefit from some clarification as well as flexibility. RBV research remains silent on when the information gathering can be judged to reach a sufficient saturation level, making excessive data collection, or conversely, deficient collection a risk. More flexibility on the other hand refers to guidelines on how to get a good alignment with the objectives of the research or business project. The scope of the framework should have a degree of flexibility, which is guided by what the researchers hope to get out of the project. One possible way to achieve this flexibility may be to incorporate other related research fields in RBV with the aim to produce clearer practical guidelines. In this thesis flexibility has been added by the inclusion of the Nested Approach model of customer segmentation by Shapiro & Bonoma (1984), which could easily be flexible in relation to the project at hand by allowing the researcher to push as far into the "nest" as he or she feels necessary. Incorporating other such established frameworks that provides more practical guidance can be a good way forward.

Being attentive of the external environment is certainly very important for any company and in doing so they will likely find gaps in their stock of resources and capabilities. This is especially important in dynamic environments, like the one Company X is involved in. The concept of dynamic capabilities has been incorporated into this thesis with the conclusion that Company X does work in a way that indicates that they do indeed possess some dynamic capabilities. Even though concept of dynamic capabilities is considered to be a branch of RBV, the disconnection between the two may not be a positive thing. This thesis has attempted to unite the two strands in a practical setting but more research is required to better understand in what degree the concepts are compatible and where they are not. One specific area where we believe that dynamic capabilities has potential to add valuable insight into the RBV is when evaluating the organization criteria in the VRIO framework. As previously mentioned we find the framework lacking in guidance of how to evaluate the future applicability of the current stock of complementary resources and capabilities. What can almost be seen as a certainty is that the demands on the organization will change in the future and the company's ability to reshape their internal assets to meet these dynamic demands could be better explored by incorporating dynamic capabilities better in the VRIO framework. Resource gaps do not have to be an unknown entity that is predicted to emerge in the future. They can exist in the present and be very concrete and when entering new geographic, product or customer markets they can become very visible. The inductive approach of this thesis was especially useful when it became apparent that Company X would need to have access to a photo network to compete within the resale vertical. This allowed us to deepen our practical application into the latter stages of RBV based strategy formulation by exploring how Company X could go about filling the resource gaps. This was explored by incorporating concepts from entry mode research which provided practical guidance for how analyze different alternatives resource acquisition. This extension of the Grant's original framework served us well in this research project since the setting of the case is a market expansion. Whether its application is useful in different research contexts needs to be further explored.

We agree with researchers such as Gou (2007), Arend & Lévesque, (2010) and Knott (2015) that the RBV needs to be more practically applicable in real world business contexts. In our opinion further developing the key frameworks within RBV, such as Grant’s strategy analysis and the VRIN/VRIO framework, by incorporating related fields of research in a creative way is they way forward if the RBV is to become more applicable in practice. This thesis has been an attempt to do just that and our hope is that RBV in practice continues to be imaginatively explored in the years to come.

8. References

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9. Appendix 1: List of interviews

Internal Interviews				
Interviewee	Role	Type of interview	Number of interviews	Date
Anders	Project Manager	Unstructured interview, face to face	1	2016-02-08
Zahar	Marketing assistant	Unstructured interview, face to face	1	2016-02-08
Archie	Senior Marketing manager	Unstructured interview, face to face	1	2016-02-08
Birgitta	HR Vice President	Unstructured interview, face to face	1	2016-02-09
Erik	Business Development	Unstructured interview, face to face	1	2016-02-09
Fredrik	Senior Sales & Business Intelligence Manager	Unstructured interview, face to face	1	2016-02-10
Jonas	Production Manager	Unstructured interview, face to face	1	2016-02-10
Weerasak	Senior Production Manager	Unstructured interview, face to face	1	2016-02-11
Sherry	Digital Imaging Manager	Unstructured interview, face to face	1	2016-02-11
Johan	Digital Imaging Manager	Unstructured interview, face to face	1	2016-02-12
Anna	International Product Manager	Unstructured interview, face to face	1	2016-02-12
Marcus	Senior Customer Service Manager	Unstructured interview, face to face	1	2016-02-15
Fredric	Inside Sales Manager	Unstructured interview, face to face	1	2016-02-17
Emma	Call Center Manager	Unstructured interview, face to face	1	2016-02-17
Håkan	COO & Vice President	Unstructured interview, face to face	1	2016-02-18
Jim	IT & Research and Development	Unstructured interview, face to face	1	2016-02-19
Charlie	Business Development & Key Account	Unstructured interview, face to face	6	Several
Matthew	Vice President of Sales & Marketing	Unstructured interview, face to face	4	Several



External Interviews				
Agent 1	Selling agent	Email interview	1	2016-03-02
Agent 2	Selling agent	Email interview	1	2016-03-04
Agent 3	Selling & Buying Agent	Email interview	1	2016-03-07
Agent 4	Selling & Leasing	Email interview	1	2016-03-07
Agent 5	Selling agent	Email interview	1	2016-03-09
Agent 6	Selling agent	Email interview	1	2016-03-10
Agent 7	Selling agent	Self-filling questionnaire	1	2016-03-11
Broker 1	Selling Broker	Email interview	1	2016-03-16
Broker 2	Selling Broker	Self-filling questionnaire	1	2016-03-16
Property Manager 1	Marketing Manager	Email interview	1	2016-03-24
Property Manager 2	Marketing Manager	Phone interview	1	2016-03-25
Property Manager 3	Marketing Manager	Email interview	1	2016-03-25
David, NAA	Vice President Membership & Affiliate Services	Email interview	1	2016-04-04
Caitlin, NMHC	Director, Research NMHC	Email interview	1	2016-04-05
Resale Portal 1	Vice President of Marketing	Email interview	1	2016-03-14
Resale Portal 2	Senior Director Business Development	Email interview	1	2016-03-15
Rental Portal 1	Director of Web Product Development	Email interview	1	2016-04-04

