

**INTERNATIONAL CO-WORKING SPACES: VIETNAMESE MARKET
ENTRY PLAN**



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ABSTRACT

Co-working spaces have spreading around the world at an unprecedented rate. Asian mega cities with the rise of the knowledge economy and growing population have become attractive markets for co-working space operators. With such great opportunities for market expansion, Campfire Collaborative Spaces – a co-working space in Hong Kong also expresses interest in the Vietnamese market.

The primary goal of the thesis is to arrive at an understanding of how to enter the Vietnamese market as a foreign co-working space, through the combined knowledge from the literature review and empirical research. The author is attempting to address cross-cultural differences and similarities between Hong Kong and Vietnam. The author proposes, in the Vietnamese co-working context, that 1) the market of co-working spaces is still in its early stage; 2) marketing communications should be focused on educating consumers through online platforms; 3) localization in aesthetics and adaptation to business cultures is required.

Keywords co-working spaces, services marketing models, co-creation of value, Vietnamese market entry for co-working spaces.

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1 INTRODUCTION

The shift into the knowledge economy and fast development of digital technologies have brought in new concepts in the workplace in recent years, for example, remote working and freelancing. Alongside with that is the booming of co-working spaces which has been seen across countries and continents. According to a study, there are currently 35,000 flexible spaces worldwide, comprising a global market worth of 26 billion dollars (Amador, 2019). In the Asia-Pacific region, the growing population and rising economies also create more opportunities for co-working space companies.

In the same vein, Campfire Collaborative Spaces (hereafter referred to as Campfire) – a network of shared spaces based in Hong Kong is looking to expand into other markets. With the economic progress seen in Vietnam, its rising population and quite similar cultures with Hong Kong, on top of results from pre-research, there seem to be great opportunities for co-working space operators in the Vietnamese market. As a result, the Vietnamese market entry plan for a foreign co-working space company has been chosen as the subject of the thesis, with the commissioner being Campfire Collaborative Spaces.

1.1 Aims and limitations of thesis

The primary goal of the research is to gain an understanding on how to enter Vietnam's co-working market as an international co-working space provider. Practical knowledge in areas such as competitiveness, customer awareness, the possibility of partnership and potential challenges is also expected to be provided in the result.

With the goals of the thesis in mind, the central research question is: How to enter the Vietnamese co-working space market as a Hong Kong-based co-working space company.

The objectives set for the thesis are three-fold:

1. Assess the development stage of the co-working industry in Vietnam.
2. Identify the potential challenges that international companies might encounter when entering the Vietnamese market.
3. Provide practical suggestions in the market penetration plan for a foreign co-working space company.

Despite the author's background from Vietnam and experience in working at a co-working space company, the thesis has potential limitations in terms of time and resources. Firstly, the ideation and conduct of thesis

research are under time constraints. Additionally, it should be mentioned that access to data and other resources are also limited.

1.2 Structure of thesis

The thesis includes an introduction, literature review, theoretical framework, desktop research, empirical research and conclusion part. The introduction presents the research question and research objectives as well as the limitations of the thesis. The next section provides a comprehensive picture of the commissioner and their needs. Chapter 3 presents contextual research through research models such as SWOT, PESTEL, etc and an interview, which is also the secondary research in the report. Chapter 4 is a literature review on the co-working space concept in respects such as development history, characteristics and business models. Chapter 5 analyses different marketing models based on the findings from the previous chapter. The empirical research describes the implementation of research methods and process of research design, data collection and data analysis. The final chapter provides a summary of the research results, then draws conclusions and suggestions.

Table 1 describes the structure of the thesis and the main purpose of each chapter for reader's easier navigation.

Chapter	Name	Description and purpose
Chapter 1	Introduction	General introduction about thesis goals and limitations
Chapter 2	An overview of Campfire Collaborative Spaces	More details about the company for a better understanding of the commissioner's needs
Chapter 3	Contextual setting	Secondary research to gain an overall understanding of the co-working space industry in Vietnam
Chapter 4	The concept of a co-working space: a literature review	An academic study of the definition of co-working space to identify its characteristics
Chapter 5	Theoretical frameworks	An analysis of different marketing models for the co-working space concept
Chapter 6	Empirical research	Comprised of qualitative and quantitative to gather data on Vietnamese customers

Chapter 7	Conclusion and recommendations	A summary of the results of thesis research and proposal of marketing strategies for the commissioner
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Table 1. Structure of thesis

2 AN OVERVIEW OF CAMPFIRE COLLABORATIVE SPACES

Campfire is a Hong Kong-based network of shared spaces in the fields of work, live, learn and play. The company owns eight flexible spaces for rent in Hong Kong (Campfire, 2019). Established in 2016, the company's mission is to "democratize good products for every ambitious entrepreneur, artist, or visionary with a dream" by offering shared offices, serviced apartments and flexible educational venues as well as indoor kid playgrounds (Campfire, 2019).

Hot desk	1950 HKD per month
Fixed desk	3850 HKD per month
Private Offices	4950 HKD per month

Table 2. Pricing of Campfire Wong Chuk Hang location (Campfire, 2019)

Accordingly, their product portfolio is diversified with three categories of product offering: co-working space, co-living space and co-educational space with incorporated kid play areas. As of April 2019, there are currently seven co-working spaces provided by Campfire, which makes a significant contribution to the total revenues. This is partly because of the recent exponential rise of co-working spaces in many countries (JLL, 2016) and the company's marketing efforts focused on the co-working category.

From the author's experience in working at Campfire, digital marketing and offline marketing play an equally remarkable role since Hong Kong is a highly international and tech-savvy market. Over the course of three years, Campfire has built its social media presence with 4000 followers on Facebook, 2000 followers on Instagram and almost 6000 subscribers on the website blog. In addition, close collaboration with local agents is of

crucial importance to reach the local and more conventional customer segments.

The SWOT analysis of Campfire (see Table 3) gives more useful insights into the company's current position in the market as well as its possible competitive advantages.

It is from the author's knowledge that Campfire has a strong brand presence in Hong Kong despite it being a highly competitive and saturated market. The unique strength of Campfire lies in its branded industry-focused features such as creative studios and 3D printing machines.

However, like every other start-up company, a lean team with limited resources is one of its main weaknesses which leads to insufficient market research and product analysis in the face of such a fast pace of development.

The increasing number of highly populated urban areas has been a great opportunity for co-working space operators as demand for workspaces is continuously rising. In addition to that, Vietnam's welcome attitude towards international collaboration and direct foreign investments provides considerable opportunities for foreign companies looking to enter the market.

Nevertheless, there are also inevitable challenges with fierce global and local competitiveness in megacities around the world. Regarding the Vietnamese market, it has been noted that consumer taste is highly subject to change.

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Expertise in the real estate market • Strong brand image in Hong Kong • Industry-focused feature 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Lean team and limited resources • Insufficient market research and product analysis
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Rising property market in high populated cities • Vietnam's openness to foreign investment and international collaboration • Campfire's expansion into co-living, co-learning business models. 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Fierce global and local competition in megacities • Quickly changing customer taste (Mc Kinsey, 2010)

Table 3. SWOT analysis of Campfire

As the growth of co-working spaces has shown no sign of slowing down around the world (Knight Frank), it is both the author and commissioner's belief that the immense significance of the co-working space product category will remain the same. For this reason, research for business development for the co-working product category is crucial for the commissioner in terms of brand development and business expansion.

Vietnam was chosen as the destination country due to the author's depth of understanding of the local market as a Vietnamese and the fact that the Vietnamese market for co-working spaces is booming in recent years, accounting for a mere three percent of the office rental market. Yet, this percentage is lower than the average rate of five percent reported in other markets. (Vietnamnet, 2018). Therefore, Vietnam is anticipated to have potential untapped market possibilities for co-working space providers.

However, it cannot be denied that foreign companies are faced with certain difficulties in many aspects such as culture, legal systems and language when entering the Vietnamese market. For Campfire, the presumed obstacles lie in cultural and language barriers. The main language of marketing communications in Hong Kong is English, due to the internationality of the country. However, localization in Vietnam in terms of language choice would be a challenge. With that in mind, thorough and insightful market research plays a significant role in formulating Campfire's market entry plan and practical marketing recommendations.

3 CONTEXTUAL SETTING

With the acknowledgement that there are industry-related differences to a varying degree in different country settings, it is warranted that the Vietnamese local context is closely studied and reviewed. The contextual setting of a co-working space in Vietnam in areas such as market competitiveness, consumer trends, general business environment, and cultural traits is analysed as follows.

3.1 The macro-business environment in Vietnam

In Vietnam, the political situation is known to be quite stable. The government holds a supportive view of foreign direct investments and the tax rates for business are usually considered low by foreign companies.

Recently, Vietnam ranks 34th in the world with a growth rate of 6-7% (World Economic Forum, 2018). The purchasing power of consumers in Vietnam is among the fastest-growing in Southeast Asia (Nikkei Asian Review, 2018), partly because of the low interest rates in personal financing services (Asian Blockchain Review, 2019).

The Vietnamese society also holds a neutral attitude towards Hong Kong, as opposed to China, as the original country of product. Most notably is that millennials account for 91 per cent of the Vietnamese co-working space users, which is much higher when compared to the global average rate of 67 percent (Vietnamnet, 2018). However, Vietnam is still considered a low-tech market with 20 to 30 years behind the world's average technological development (Vnexpress, 2016). In the past few years, environmentally friendly movements have taken the attention of Vietnamese young generations, requiring special attention from brands in the market.

Nevertheless, in spite of the Vietnamese government's support for international cooperation, lack of transparency and bureaucratic procedures are among the difficulties experienced by foreign companies on top of local currency exposure (Allens, 2017).

Political	<ul style="list-style-type: none"> • Foreign direct investment is encouraged and supported • Low tax rates
Economic	<ul style="list-style-type: none"> • Purchasing power of consumer: fastest growing in Southeast Asia • Low interest rates with prospering personal financing services to increase spending • Economic growth of 6 - 7%, rivalling China, ranking 34th in the world
Social-cultural	<ul style="list-style-type: none"> • Young population capable of different English levels, from conversational to proficient (expats, young professionals) • Quite neutral attitudes towards Hong Kong (origin of country as an element in branding) • Millennials account for 91 percent of clients in Vietnam's coworking spaces, much higher than the global average rate of 67 percent.
Technological	<ul style="list-style-type: none"> • Still a low-tech market, approximately 20 or 30 years behind the world's average
Environmental	<ul style="list-style-type: none"> • Similar climate to Hong Kong • High air pollution • Environmentally friendly movements
Legal	<ul style="list-style-type: none"> • Lack of transparency and clear guidelines for foreign companies • VND currency exposure

Table 4. PESTEL analysis of Vietnamese market

3.2 The level of competition in the Vietnamese co-working space industry

Because of the rapidly rising real estate market in Vietnam which makes it increasingly more inaccessible and the low level of popularity of the co-working space concept, it is considered difficult to enter the industry. Nevertheless, the case is different for global and local real estate companies who own advantages in terms of resources.

Co-working space operators usually have a highly diverse customer portfolio which reduces the risk of centralized buyer power. On the contrary, the bargaining power of suppliers is considered high due to the upward trend in co-working space and high occupancy rate.

Regarding substitutes products to co-working spaces, public libraries, cafés and working from home remain viable alternatives for freelancers. However, this does not apply to small businesses or start-ups having needs for a physical office.

Currently, there are a few global players in the field such as WeWork and the Hive, while local competition is still in the early stage since their competitive advantages are not based on inimitable features such as brand image and community yet.

Threat of new entrants (Low)	<ul style="list-style-type: none"> • High barrier to entry because of the nature of the real estate market and the lack of familiarity with co-working space concept. • Global real estate companies, however, can enter the industry easily thanks to their available resources.
Bargaining power of buyers (Low)	<ul style="list-style-type: none"> • Due to diverse customer portfolio from individual freelancers to start-ups and SMEs as well as increasing demand.
Bargaining power of suppliers (High)	<ul style="list-style-type: none"> • Uptrend rent, rising demand with a high occupancy rate.
Threat of substitute products (Medium)	<ul style="list-style-type: none"> • Working cafes and Work from home for freelancers; however, for start-ups or small companies, co-working spaces remain an attractive option.
Rivalry among existing competitors (Low)	<ul style="list-style-type: none"> • Competition is in the early stage with only a few global players (the Hive, WeWork) and not based on unique features such as brand and community yet.

Table 5. Porter 5 forces analysis of co-working space industry

3.3 A cross-cultural comparison between Hong Kong and Vietnam

Even though Hong Kong and Vietnam are both Asian countries with assumingly similar cultures, awareness of their cultural differences has an important role in the planning and implementation of marketing activities (Erramilli, 1990).

According to Hofstede, culture is defined as “the collective programming of the mind distinguishing the members of one group or category of people from others” (Hofstede Insights, 2019). The cross-cultural framework by Gert Hofstede (2017) which is also referred to as 6D model analyse and compare national cultures in 6 dimensions reflecting preferences for one approach over another.

Power distance refers to how power is distributed within the society and the level of inequalities that are accepted by that society. Next, Individualism addresses the question whether people think of themselves as we or I. The third dimension is Masculinity which examines the society’s preference between success and accumulation of wealth and the quality of life. Uncertainty Avoidance is the fourth dimension which is used to measure the people’s degree of comfort in dealing with an unknown situation. The next measurement is Long-term orientation, referring to how society manages their relationship with the past and whether they focus on the present or the future. Finally, Indulgence dimension identifies a nation’s tendency to pursue personal gratifications or restrain from them.

It is also noted that the cultural assessment of a nation is relative to another (Hofstede Insights, 2019), which should be taken into consideration to gain meaningful insights from the comparison.

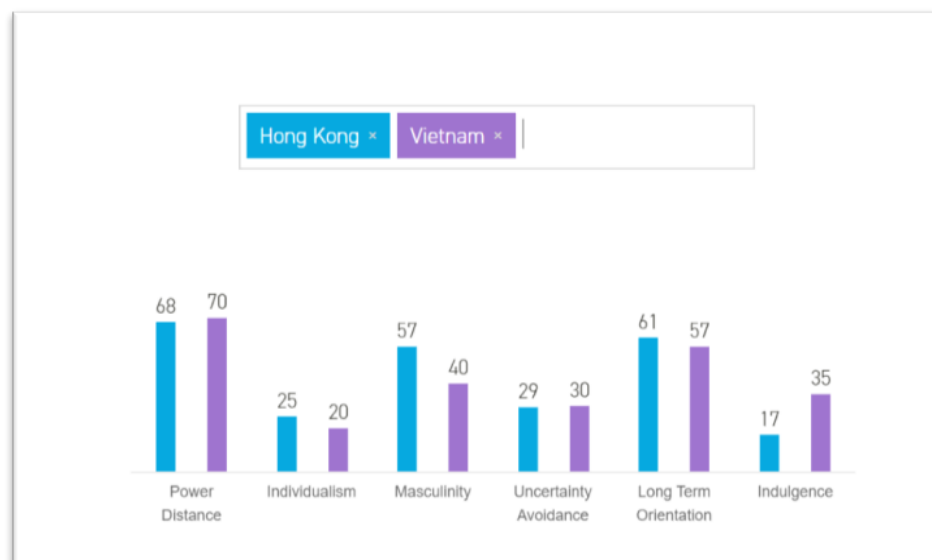


Figure 1. Cross-cultural comparison of Hong Kong and Vietnam (Hofstede Insights, 2019)

As can be seen in Figure 1, both Hong Kong and Vietnam score similarly (with the difference points under 5) in dimensions such as Power Distance (High), Individualism (Low), Uncertainty Avoidance (Low) and Long Term Orientation (High), which can be explained by their shared history of following Confucian values. This means that Cantonese and Vietnamese societies have strong hierarchical order and unequal distribution of power.

They also show a propensity for Collectivism values where individuals are expected to prioritise the group benefits and take care of their families. Their low scores in Uncertainty Avoidance and high scores in Long Term Orientation demonstrate that people are relaxed with unconventional ideas and ambiguous situations while thrifts and efforts to be well-prepared for the future are encouraged.

The two dimensions where Vietnam and Hong Kong show noticeable divergence are Masculinity (difference of 17 points) and Indulgence (difference of 18 points). Vietnam is considered a Feminine country where the quality of life and caring for others are important values, while Hong Kong has strong Masculinity orientation, emphasizing success and accomplishment over work-life balance with the longest working hours in the world. Regarding the Indulgence dimension, even though both countries are considered as Restrained societies in this dimension, Cantonese individuals' level of self-indulgence is much lower than the Vietnamese. This means Vietnamese society, in general, allows more fulfilment of personal desires compared to Hong Kong.

Such cultural gaps provide a clearer and better understanding of what is counted as value for the local consumers, which has an instrumental impact on the community management and value co-production of co-working space users.

3.4 Potential for collaboration with local landlords

In order to identify the specific opportunities and difficulties in cooperation with local property developers, the author conducted an interview with a Vietnamese landlord based in Ho Chi Minh City. The result gained from the interview is aligned with the universal acceptive attitude in the society found in previous research.

For better communication and acquisition of information, the questions were written and asked in Vietnamese. The interview was semi-structured and lasted 90 minutes. It was conducted online through Skype with note-taking activities during the process. The interview started with small talk

and background information with an attempt to provide the interviewee with a clear understanding of the aim of the issues being discussed. The semi-structured interview allowed for more flexibility to gather more insights during the discussion.

The interviewee has personal ownership of a 3-floored property of 80 sq. meter, which has a maximum capacity of 60 tenants. The interviewee has heard of the concept of co-working space before through participation at an arts gallery. Their understanding of co-working space is that it has more to offer besides office space, including feelings of belonging to a community and office amenities such as coffee and wifi.

They also expressed interest in collaborating with a co-working space operator with the reasons being the smart use of space, innovation in space design and most importantly, the benefits of a longer-term lease than normal office rental contracts. The openness to cooperation with co-working space companies also comes from the lack of industry experience.

When asked about the driving forces behind the rise of co-working space, the interviewee pointed to the Vietnamese start-up community as a major influence in the co-working spaces in Vietnam. Since 2015, the start-up scene has been heating up, driving up the need for more workspaces for smaller companies and individual entrepreneurs. From 2018, the price of office rental property has been doubling, which signals high demand for affordable solutions to workspaces in Vietnam.

With reference to the booming of start-ups in Vietnam, the interview participant believed that start-ups in fields such as creative, tech, marketing, etc could be the potential customer segments. Additionally, it was also noted during the interview that university students would be an unexplored group of potential customers due to their rising spending power and the upwards trend for working outside the house. However, it might be more difficult to engage traditional enterprises in the co-working environment, partly because of their establishment in the market.

As a property owner wanting to open a co-working space, the setback mostly lies in the lack of awareness of co-working concept. Besides, the high investment costs associated with central locations and space design according to Vietnamese taste are among the most common obstacles for future international co-working operators in Vietnam. Another point added by the interviewee is that the competitive advantages of the incumbent Vietnamese co-working spaces have not been clearly identified and communicated, which indicates the possible difficulty in the configuration of the unique value proposition.

While the interviewed property owner remained open and welcome towards foreign co-working space developers, there are also certain concerns regarding the collaboration.

The first issue mentioned is the lack of control of recruited tenants, which might be explained by the personal ownership of a property. Other concerns include the plans for maintenance of property alongside with renovation work on newly built properties. Cultural clashes and miscommunication were also listed as inevitable issues between a local property owner and an international co-working space operator.

The most important factor according to the interviewee is clear development plans. The credibility of the co-working space provider and a solid understanding of the co-working space model are also crucial elements that lay down the framework for the cooperation. In addition, practical details such as lease terms also have a role in forming a partnership with the local property owners.

3.5 Analysis implications

By use of the analysis models (listed above), an overall picture of the macro-environment in Vietnam and its co-working space industry on top of its differing cultural traits has been achieved. The knowledge from SWOT analysis of Campfire provides a general understanding of the company's position, which contributes to the input for the market entry recommendations.

It can be temporarily concluded that the advantages that Campfire enjoy in entering the Vietnamese market lie in the highly attractive co-working space market and their fairly similar cultures in addition to the open and supportive policies towards foreign companies.

Furthermore, Campfire's previous experience in expanding into new markets with Asian origins and expertise in the co-working space business would comprise a competitive advantage against its local and global rivalries. As seen from the cross-cultural analysis, the anticipated attitude of Vietnamese customers is generally open and receptive towards new products. The same perspective is also seen in Vietnamese real estate specialists and owners with an awareness of the recent co-working trend.

Nevertheless, as Vietnam would be the first non-English speaking country with a low level of internationalization in the commissioner's portfolio, the disadvantages are mainly country-specific. The obstacles identified through market research are the language barrier and legal procedures besides building customer loyalty considering their quickly changing taste.

4 THE CONCEPT OF A CO-WORKING SPACE: A LITERATURE REVIEW

4.1 The definition of a co-working space

In view of the rapid development of co-working spaces, a growing body of literature has grown up around the theme of co-working spaces, trying to provide a better understanding of its nature and exponential growth. There is a consensus among researchers that the rise of the knowledge economy and availability of ICT technologies have a pivotal role in the quick expansion of co-working spaces (Kojo & Nenonen, 2017).

According to Gandini (2015), co-working spaces are workspaces with available services shared mainly by freelancers from different specialties, who mostly work in the knowledge industry and have the possibility to work remotely. The key differentiating value of co-working spaces lies in their possibility for social interaction and networking opportunities between the users (Gandini, 2015). This is partly because of the isolation and loneliness experienced by remote workers as they tend to work alone in a highly digitalized workplace (Spinuzzi, 2012). Pratt (2002) supported the same view with the observation that co-working space is also the middle way between working in a traditional office and working from home.

While there is no doubt that those definitions present the concept of co-working space in light of its history of evolution, it is worth noting that they are also driven from the perspective of a co-working space user, more specifically as an individual worker viewing the benefits brought by co-working spaces.

However, it should be recognized that the user case of co-working space is no longer constrained to individual freelancers, considering a major influx of small to medium-sized enterprises and large corporations recently. The highlighted features of co-working spaces such as flexible terms in addition to location in central areas have grabbed the attention of both big companies and small businesses (Aecom, 2014).

For large enterprises, the benefits offered by co-working spaces are improved productivity for their employees, better human resources retention, enhanced branding and a work environment conducive to collaboration and innovation (Jacobs, 2019). Therefore, it is safe to say that for all of its users, from individual freelancers to big enterprises, social interaction and community activities are a crucial make-or-break element of co-working space.

Furthermore, as the concept of co-working space is directly related to the knowledge economy where such skills as communication, problem-solving and creativity are essential. Co-working spaces through social interaction can provide a work environment facilitating the learning of such soft skills. (Bilandzic & Foth, 2013).

Besides social interaction, the researched and marketed advantages of co-working spaces include intentional design with warm hospitality and lowered costs as well as reduced environmental impact (van Meel, Martens, & van Ree, 2010).

Types of co-working spaces can be categorized according to the target audience, operating mode, relation to other organizations, and size (Fuzi, 2015). As mentioned above, the target audience for each co-working space can vary greatly, contributing to its unique ambience.

4.2 The business model of a co-working space

Although there has been an increasing interest in efforts to define and trace the progress of co-working spaces (Kojo & Nenonen, 2017), much of the research has been up to now descriptive in nature. From the commissioner's point of view, it is of paramount importance to gain a more in-depth and exhaustive understanding of co-working business models and business characteristics.

There are different ways for organizations and companies who are also known as co-working space operator or co-working space provider to configure the business model of a co-working space. According to Bouncken, Clauß, & Reuschl (2016), the types of co-working spaces can be categorized into commercial, corporate and public co-working spaces.

While for commercial co-working spaces, their main revenue stream is offering work and social spaces, infrastructure and amenities as well as services, co-working spaces in the case of a corporate operator are considered as an external source of profits by renting out their available workspaces in addition to their core business model. In contrast, public co-working spaces are made accessible to everyone and usually sponsored by governmental bodies or education institutions, hence not-for-profit.

In more detailed research by Kojo & Nenonen (2016), commercial and non-commercial co-working spaces can be further categorized into different business models with the corresponding level of accessibility. Commercial co-working spaces include third-places, co-working hotels and shared studios. While third-places are accessible to everyone, co-working hotels are open only for hotel customers and shared studios only serve its paying members. On the other hand, the non-commercial type is separated into public access such as libraries, semi-public access such as collaboration hubs and private access, for example incubators.

In accordance with Bouncken et al (2016), there are four core layers of value creation for co-working spaces:

- Infrastructure: offices, desks and chairs, etc
- Additional space offerings: co-living spaces, housing, etc

- Services: virtual office, coaching and training, facilities management, etc
- Access to network: contacts, job openings, projects of incumbent firms, etc

The commercial co-working spaces use a variety of payment models with the most common one is monthly subscription or monthly membership fees when users of co-working spaces are allowed access to their office spaces and amenities for a certain period of time (Gassmann, Frankenberger, & Csik, 2014). With membership fees, co-working space operators can configure different levels of membership from basic to premium by addition of varying factors such as great location, special interior and access to exclusive community activities (Bouncken et al, 2016).

Another model also adopted by co-working space developers is one-time payment for single use of services, for example, one-day ticket, printing or meeting rooms. Food and beverages in the social space can be one-time payment or included in the membership package depending on the layers of value creation of each co-working space (Bouncken et al, 2016).

4.3 Co-working space: which business sector?

Co-working spaces have also drawn a fair amount of attention from the real estate industry, in particular, the office rental sector. It is often dubbed as the 'future of office space' by global real estate companies like JLL (2016) and Knight Frank.

While co-working spaces share the fundamental features with serviced offices in that they both provide office rental services, co-working spaces as mentioned above give businesses higher flexibility in contract terms and more sophisticated interior design, complemented with warm hospitality (Harris, 2015). Therefore, even from the real estate perspective, the business model of co-working spaces is viewed as offering a service rather than only square meters (Bates, 2011).

Although co-working spaces, as analysed above, have many differentiating features which can be classified as service, the shared attributes between a co-working space and a real estate property also deserve due recognition. One of the specific characteristics of the real estate market is the uniqueness of each property in physical and geographical terms. In addition, properties are hard to market and not liquid because they are durable products (unlike perishable consumer goods).

Table 6 provides a critical analysis of co-working spaces according to the five characteristics of services, which is essential to a full understanding of its business characteristics. It can be seen from the comparative analysis that co-working spaces share most of the service attributes, including lack

of ownership, variability, perishability and user participation, with the exception of intangibility. While a co-working space user cannot own the community and the rented space or have a similar experience elsewhere, they can actually see and touch the infrastructure such as desk and chairs, interior design, etc.

Services	Co-working spaces
Lack of ownership	You cannot own the ambience and community of the office as well as the interior design of the rented space.
Intangibility	You can see and touch office infrastructure and amenities while community is intangible
Variability	Each property is unique, physically and geographically, each co-working space has a unique ambience and community
Perishability	Co-working spaces membership can't be inventoried
User participation	Customer co-creates the value delivered in the community

Table 6. Characteristics of services in co-working spaces

In addition to gaining attention from the real estate sector, the relation between hospitality and co-working spaces is also the centre of heated discussion among co-working experts. In an article published by Global Coworking Unconference Conference (GCUC, 2018) as co-working space is becoming a more attractive business sector, hence the increasingly fiercer competition which requires a higher level of personalization and additional values. This is when hospitality service becomes an integral and differentiating part of the value proposition (See Figure 2). In a similar vein, factors such as hospitableness and excellent customer service in the hospitality sector are worthy of focus and efforts for development in co-working spaces (Coworking Resources, 2019).

Moreover, innovative pricing models comparable to hotel booking systems have been used by co-working spaces. This is because of the fact that the co-working space rates can fluctuate from month to month according to demand for offices. Users can go on an online platform to check out hot desks or private offices prices and book immediately, increasing the transparency in office spaces while keeping supply and demand in check (Zen, 2016). In the commissioner's case, hospitality seems inevitable considering the level of competition between co-working spaces in Hong Kong.

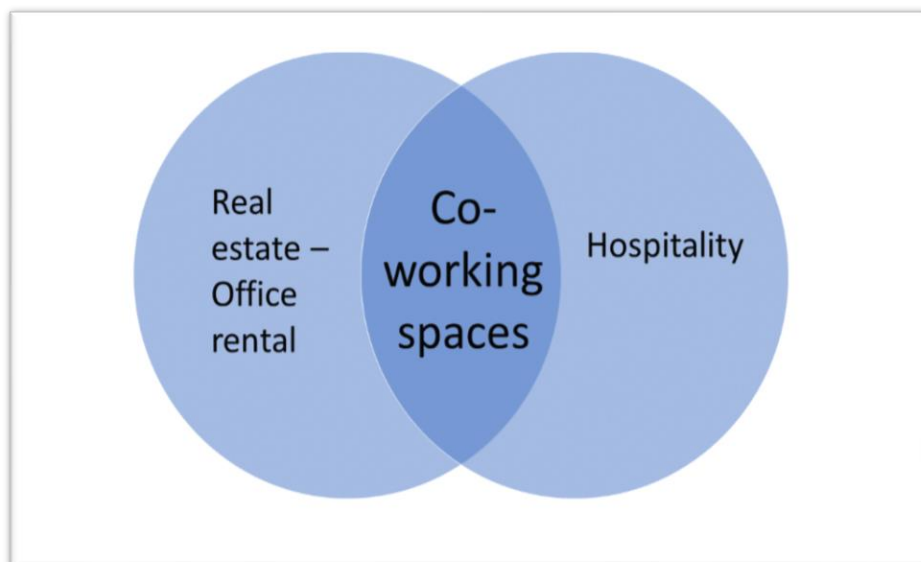


Figure 2. Co-working spaces: real estate or hospitality

By close and thorough overview of definitions of co-working spaces and their business models from multiple perspectives, including users, providers and property developers, it is apparent that the concept of co-working space revolved around offering a desirable work environment as a service instead of a merely brick-and-mortar office. Furthermore, there has been a noticeable trend among co-working operators to provide services akin to hospitality in order to create competitive advantages.

The recognition of co-working space as a service business carries significant marketing-related implications for the business owner. Due to factors such as intangibility and inseparability (also known as user participation), service firms are more likely to choose high-control foreign market entry mode such as direct investment in order to guarantee service quality (Blomstermo, Sharma, & Sallis, 2006).

This observation is supported by multiple research findings by different authors such as Erramilli (1990) and Sarathy (1994). In a recent business analysis report by CBInsights (2019), the co-working giant WeWork's quick expansion into other countries around the world is also backed by direct investment.

Therefore, it is important at this stage to clarify that while the choice of market entry mode seems obvious for the commissioner, decisions regarding marketing models depend on each individual company and specific destination country, and thus remain to be made.

5 THEORETICAL FRAMEWORKS

As mentioned previously in part 4, it should be noticed that market entry mode is not among the decisions to be made due to the understanding that the commissioner's entry mode is direct investment, which is also common with enterprises in the service sector (Blomstermo et al, 2006).

Although there are a few marketing models with unique advantages and drawbacks designed for a serviced-oriented business like a co-working space, it is noteworthy that the combination of different models enhances the level of thoroughness and comprehensiveness in forming marketing strategies for co-working spaces, hence the choice of 7Ps marketing mix, Services Marketing Triangle and co-creation of value framework as below.

5.1 7Ps marketing mix

7Ps marketing mix was developed for the service economy, based on the well-known 4P marketing mix model of Product, Price, Place and Promotion with additional three Ps (Hanlon, 2018).

In general, 7Ps marketing mix is targeted for service economy as opposed to commodity economy where elements such as co-creation of values by customers and employees and tangibility are absent, hence the added People, Process and Physical Evidence.

Nevertheless, the traditional 4Ps have been under criticisms in failure to address the service-centric elements. In the book *Services Marketing* (2016), Christopher Lovelock and Jochen Wirtz also analysed the differences between service and commodity industry to arrive at the consequences in marketing strategies for service businesses.

The challenges identified in marketing activities for services include (Wirtz & Lovelock, 2016):

- Possibility of losing customers due to its perishability attribute
- Time might greatly affect customer satisfaction
- Difficulty in service evaluation and quality control
- Hard to differentiate and compete
- Satisfaction is subject to behaviours of both staff and customers
- Consistency and reliability of service is hard to maintain

According to Popovic (2016), the 4Ps marketing mix is more production-oriented definition of marketing than service-centric. It is also conceded that the mix does not take into account the unique characteristics of services (Goi, 2009) and does not allow for personalization of the marketing activities (Constantinides, 2010). As a result, there requires a certain level of adaptation of 4Ps marketing mix for the distinct elements of service sector. Table 7 provides the contextualized 4Ps of the traditional marketing mix for the co-working industry.

Product	<ul style="list-style-type: none"> • Service concept is to provide flexible office rental service with curated amenities and communities.
Place and time	<ul style="list-style-type: none"> • The distribution of services can only be physical, requiring customers' time and presence at the premise. • Therefore, the location of co-working spaces and the level of convenience of transportation are crucial factors in creating customer satisfaction.
Price user costs	<ul style="list-style-type: none"> • Costs for customers are more than just monetary price of monthly membership fees. • The non-monetary costs for co-working users can be time spent travelling, costs of transportation, mental efforts in learning and using the services, etc.
Promotion and education	<ul style="list-style-type: none"> • Customers also have an instrumental role in creating values in co-working models: • Educating customers to go through the service process from inquiry to usage of space to claims of benefits and perks. • Shaping customers' awareness in how they can actively involve in community activities and gain more benefits from co-working spaces.

Table 7. Adapted traditional 4Ps for co-working spaces

Furthermore, three new elements have been added, namely People, Process and Physical evidence in order to form a more customer-centric marketing approach, which is better suited for services (Wirtz & Lovelock, 2016).

Process element addresses the fact that *how* things are done is as or even more important as *what* are done. As customers are usually involved in the production of services and influenced the quality of service, creating a gap between input and output (Wirtz & Lovelock, 2016). In fact, customer participation in the creation of value is a crucial factor of co-working spaces in that it contributes to the space ambience as well as the community network offered by co-working space operators. For this reason, customer co-creation of value will be explained in more details in part 4.3.

The People element highlights the interaction between the frontline staff and customers as a significantly influential factor in customer satisfaction, leading to the encouragement for employee training and motivation. It is also noteworthy that with customer being a co-producer of service, other customers' behaviors also impact the one's feelings about service delivery. (Wirtz & Lovelock, 2016)

Physical evidence also has an instrumental role to co-working spaces since tangible features such as infrastructure, amenities and interior design are a core layer of value production (Bouncken et al, 2016). Curated facilities with intentional design also serve as physical cues for customers' impression of service quality. Tangibles like sounds and smells should also be taken into consideration to shape the user experience and expectation towards the co-working spaces.

5.2 Services marketing triangle

Services marketing triangle is a model used for visualization of the interlinks between the key forces which are company, employees and customers (Bitner, Brown, & Meuter, 2000). While 7Ps marketing mix provides a customer-centric breakdown of the marketing factors, this model places emphasis on the effective coordination among the three players, namely customers, companies and employees in creating, promoting and delivering the services (Zeithaml, Bitner, & Gremler, 2010).

On the left side of the triangle is the relation between the company and the employees which is also called "internal marketing". The management department in companies through appropriate training and incentives will enable staff to provide satisfying services to customers, which holds similarity with the People element mentioned above.

On the opposite side of "internal marketing" is "external marketing" which refers to the traditional marketing activities from the company's end to promote the services and shape customers' expectations. Then on the bottom is "interactive marketing", where services are jointly produced by both customers and the staff (Bitner, Brown, & Meuter, 2000). This joint creation of service value is also outlined in the Process element of the 7Ps marketing mix.

However, Baker & Magnini (2016) argues that there is a significant disconnect between services marketing and hospitality marketing, which deserves more field-specific marketing models for its own uniqueness. This view is supported by Khan (2019) in an article in reference to the review of the hospitality industry and academic research on the field. Therefore, the constituency model by Baker and Magini (2016) addresses the usually neglected fact in hospitality management that customer needs can vary highly according to personal preferences, hence a higher level of customization.

Furthermore, the three marketing stages, namely planning, implementing and controlling proposed by Kotler are also included in the adapted triangle model based on the statement that all marketing initiatives for interactional, external and internal marketing require planning, execution and comparing the results with planned goals (Kotler & Armstrong, 2016).

In the modified triangle, “customers” are changed into “target market segments” with the acknowledgement that differing co-existing customer cohorts can increase or diminish the service quality. From the standpoint of external marketing, customer segmentation is also a key player in deciding revenue management strategies in the hospitality context. (Baker & Magnini, 2016)

Other constituents of the services marketing triangle are changed from “employees” to “frontline service providers” and from “firm” to “management” in an effort to better clarify the driving forces of interactional marketing and external marketing. (Baker & Magnini, 2016)

5.3 Customer co-creation of value: a conceptual model

As repeatedly highlighted in various marketing models such as 7Ps marketing mix and services marketing triangle, it is apparent that customer participation is an indispensable part of service-oriented marketing efforts as well as co-working space marketing management. In the past years, customer co-creation of value has warranted a considerable amount of attention in the academic literature.

According to (Grönroos, 2008), despite their abilities to create value independently as observed by Storbacka & Lehtinen (2011), customers need to more initiatives from service suppliers to become actively involved in the production of services.

Storbacka, Payne, & Frow (2007) in their research paper with the focus on managing co-creation of value activities from the service provider perspective has developed a conceptual framework for value co-creation. The framework is based on the Service Dominant logic concept developed by Vargo & Lusch (2004) that places the main emphasis on the use of resources and processes to create value propositions.

Accordingly, the co-creation value framework is comprised of three main types of processes:

- Customer processes – where customers learn their roles in the relationship and use available resources to create value
- Supplier processes – where organizations learn about customers and facilitate collaboration between customers and staff to create value

- Encounter processes – where customers and frontline staff meet to co-create value

The framework also attempts to demonstrate the interrelation between customers and service providers by the use of arrows in customer processes and supplier processes. In the customer processes, learning occurs during their experience of the interaction with the company. This later would have an impact on how customers participate in the encounter processes. Similarly, it is indicated through the arrows in supplier processes that with more input from interaction with the customers, organizations would be more likely to be able to design the relationship experience that provides more co-creation opportunities for the customers.

Furthermore, the comprehension of different types of customer learning based on which marketing communications are tailored is also crucial for companies. The three components of customer experience include emotion, cognition and behaviour, creating an influence on the overall customer experience.

From the supplier's part, learning means gaining more knowledge about the customers in many aspects like expectations, experiences, etc. However, even though most organizations have considerable knowledge about their customers, the remaining primary issues are how to keep in mind the big picture of various customer segments and the effective application of their knowledge.

The supplier processes require a more active and supportive approach, including co-creation opportunities, planning the experience, execution and finally evaluation. It is beneficial for both participants that customer processes are taken into consideration in order to designate a customer journey plentiful of co-creation opportunities with readily available support for them.

Storbacka et al (2007) also listed three main categories of opportunities for co-creation of value. The first type is creating room for co-production of value by technological breakthroughs. The advance of technological devices and services such as mobile apps, portable devices, interactive billboards have made reaching and interacting with customers borderless and instant.

Secondly, companies could seek co-creation opportunities in changes in industry logics. An example provided by Storbacka et al (2010) is how IKEA has disrupted the furniture industry by gaining more control over the manufacturing process, from design to manufacture to display.

The third approach to co-creation opportunities lies in the customer-related changes, such as preferences (Storbacka, Payne, & Frow, 2007).

Recent years has witnessed the uprising trend of personalization and customization in terms of communication with customers and the product itself.

Like the relationship design part, planning, implementation and measurement revolve around the customer experience in that planning for marketing activities should be from the customer point of view and the performance indicators should be chosen to reflect customer experience during their engagement activities with the company (Storbacka, Payne, & Frow, 2007).

Overall, the co-creation value framework provides a breakdown of the interactive points between customers and service providers which carries practical implications for the management. Firstly, not only tangible elements but intangible elements should also be incorporated in the development activities and product design. Secondly, customer touchpoints can be categorized into types and analysed to optimized for co-creation opportunities for customers. Similarly, suppliers can use resources and processes to “teach” and involve customers more.

5.4 Marketing-related implications for co-working space industry

It should be pointed out that while the chosen marketing models have both advantages and limitations, they complement each other and provide a thorough and applicable framework for marketing strategies for co-working spaces.

In terms of the process of value production, the co-creation of value framework offers an innovative and practical way for co-working suppliers in their creation and delivery of services. Regarding the coordination and management of marketing efforts, the services marketing triangle gives a breakdown of the marketing constituents with meaningful managerial implications. On the other hand, 7Ps marketing mix presents a comprehensive and detailed approach to marketing activities. For those reasons, the marketing implications below will be presented according to the 7Ps mix model, with People element replaced by the services marketing model and Process replaced by the co-creation of value model (see Figure 3).

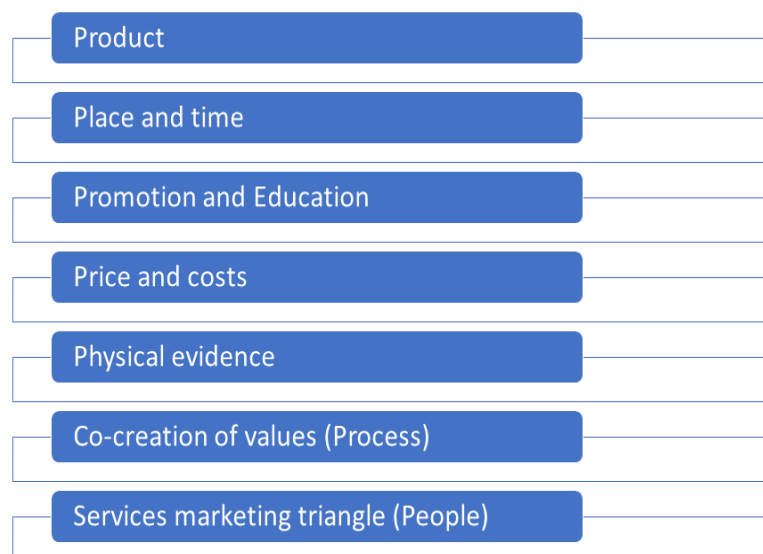


Figure 3. Combined marketing models for co-working spaces

Product: For most co-working spaces, having a clear and concise value proposition is crucial in creating product differentiation. The 4 layers of core values for co-working include both tangible and intangible elements (Bouncken et al, 2016), both of which should be designed in a purposeful and creative way.

Place and time: In the specific case of co-working space, physical presence is always required, and location is of greater significance compared to time. However, as both time and location are both subjective to individual users of co-working space, it is reasonable that co-working operators gain a deep understanding of their customers.

Price and user costs: Deviating from the conventional pricing methods, co-working spaces have been adapting and implementing the pricing methods used in the hospitality industry due to the unpredictability and volatility of supply and demand. However, costs other than monetary price for co-working space users are transportation costs, time spent commuting, negative experiences such as inconveniences and unwanted sensory experiences.

Promotion and education: In markets where co-working space is still a relatively new concept, educating customers is an essential part of promotion. Pricing models and product options should be communicated effectively and compellingly to minimize customer efforts in learning. Co-working space providers should "teach" customers how to go through the service process in different ways, such as website blogs, welcome manuals, frontline service as well as community platforms.

Physical evidence: Although there are many levels of physical evidence for a co-working space, the consideration and adaptation to local taste are essential. Companies can create physical evidence in infrastructure and interior design, take-away items such as merchandise and marketing materials, sensory experiences like background music, smells and level of noise, etc.

Co-creation of value: In the 7Ps marketing mix, process refers to the creation and delivery of services to customers, while the notion is expanded beyond the interaction between customers and frontline staff in the services marketing triangle. However, with customer participation being a pivotal role in customer experience and customer satisfaction, the co-creation of value framework is considered most applicable and practical for co-working space business owners.

- *Customer process:* learning about co-working spaces through social media, event participation or physical location, trial experience, decision to become a member, usage experience in community activities, perks claiming, work productivity, etc.
- *Supplier process:* product design (interior design, membership-based, perks and benefits involved, terms of contract, pricing, etc), community management, external marketing, learning from customer feedback.
- *Encounter process:* mobile applications, connected platforms and social networks, etc. Personalization in communications such as monthly newsletter, blogs and social media as well as product configuration in terms of perks and benefits.

Services marketing triangle: Similar to the process element, people refer to the interaction between customer service and users, while the services marketing triangle gives a clearer picture of the people forces in play. The implications for co-working space are two-fold. Staff recruiting and training activities facilitate a smooth and efficient relationship with customers in their daily usage of co-working spaces. Proper recognition of the varying needs of differing customer cohorts is key to winning product design and successful service delivery. This is highly relevant to co-working spaces where different groupings of co-working space users can add or detract the core values, hence influence each other's experience.

6 EMPIRICAL RESEARCH

The empirical research part consists of three sections that address the research methodology which is quantitative research. The topic of the thesis, the research question and research objectives were taken into consideration when the decision on the research method was made.

The role of empirical research is two-fold. The results of empirical research would be valuable input for the specification of the practical recommendations, which are based on the theoretical frameworks. Additionally, the outcome gained from this part also provides a realistic picture of the co-working space industry in Vietnam.

6.1 Research methodology

In order to provide the rationale behind this choice of two methods, it is necessary to refer to the research question and research objectives.

- Research question: How to enter the Vietnam co-working space market as a Hong Kong-based shared space operator?
- Research Objectives:
 - Assess the development stage of the co-working industry in Vietnam (customer awareness, landlord and property developer's openness and level of competition).
 - Identify the challenges in terms of legal, finance and culture that international companies encounter when entering the Vietnamese market.
 - Provide practical suggestions in the market penetration plan for a foreign co-working space company.

It is apparent that the arrival at the answer to the research question requires input from the Vietnamese local consumers. Practical information such as user motivations and customer expectations are of great value to the commissioner. For this reason, the chosen research methodology is a quantitative method.

The quantitative analysis is based on percentage and numerical terms, consisting of different statistical calculations in order to draw inference both individually and collectively (Krishnaswami, 2010). Therefore, quantitative research has an instrumental role in forming one's understanding of the Vietnamese market and consumer trends.

However, there are a few limitations in the empirical research regarding the time and reach of the audience. As the author is working under a restricted timeline with limited resources, hence the scale and size of the research conducted.

6.2 Quantitative research

The purpose of this quantitative research is to further segment the Vietnamese customers which is recommended by the Hospitality services marketing triangle in demographic and behavioural terms.

6.2.1 Survey design

The online survey form was chosen to conduct quantitative research due to its advantages in easy access and spread. Similarly, to the interview, considering the aim of quantitative research to gather more knowledge about Vietnamese consumers, the survey was designed in Vietnamese in order to increase the accessibility for the target audience.

The survey questions were structured so that the opinions and experiences of both co-working space users and non-users are fully captured. There are three main parts of the online survey, with the first section being demographic information.

Questions 1 and 2 with multiple choice answers refer to the respondent's age and occupation, which gives demographic insights into the audience. The choices for question 2 are divided into four main categories, namely freelancer, employee, business owner and other. This is in order to provide a basis for customer segmentation. Considering the distribution channels of the survey, it is highly likely that "Other" indicates student or currently unemployed.

In order to separate the audience into two groups of those who have heard about co-working spaces before and those who have not, question 3 is a yes/no question which attempts to assess the level of popularity of co-working spaces among Vietnamese consumers. This question is designed so that if the respondent chooses "Yes", they will move on to the next section which asks about their source of information as well as experiences with co-working space if applicable. However, if the answer "No" is chosen, the survey will proceed to a separate section starting from question 12.

From this point onwards, the survey participants were introduced to the open-ended questions. Question 4 asked the surveyed about their sources of information to generate an overall understanding of reach channels in the local market for co-working space developers. In the same vein, the next questions from 5 to 8 explored the consumers' frequency of use, usage incentives and their experiences with co-working spaces. The answers gathered from such questions would provide customer insights that facilitate the formation of the marketing strategies.

The following section in the survey questions attempts to compare the significance of varying elements to the customers. While question 9 asks the respondents to rate their favourability towards tangible factors like location, interior design and intangible factors like flexibility and social interaction in their co-working space experiences, question 10 addresses users' level of concern with certain elements of co-working spaces. Question 11 evaluates customer satisfaction by the likelihood of recommendation on the scale from 1 to 10.

The group of survey participants unfamiliar with the concept of co-working space was directed to question 12, skipping the questions between 4 and 11. There is a brief explanation of co-working spaces before this question, then on the scale from 1 to 10, the respondents would rate their readiness to try out co-working space services.

6.2.2 Data collection

The platform used for the online survey was Google Forms which is dynamic and user-friendly. This platform allowed for grouping survey respondents and directing them to separate targeted questions. Its analytics tool was also helpful in providing a general picture of the survey results.

With the aim of reaching the largest sample possible, the author designed the survey in Vietnamese and posted the survey in many Vietnamese community Facebook groups, including university students, entrepreneurs and young adults.

Under time restraint, the survey was distributed over a period of 2 weeks and gained 120 responses.

6.2.3 Data analysis

After closing the online survey form, the author downloaded the responses into an Excel file in order to perform data analysis. A rough percentage calculation according to demographic categories was conducted, followed by the tabulation of different variables, for example, occupation, marketing channels and frequency of use.

The scoring of favourable and unfavourable factors in co-working spaces is also analysed for further information on customer preferences in the local context.

With the patterns identified from the data analysis process, the author then proceeded to create a visual presentation of the results through charts and graphics.

6.2.4 Survey results

With the total number of respondents of 120, 82% are between 18 and 24 years old while 25 and 44 age range accounts for 16%. 45 years old and older accounts for 1.7% of the survey participants (see Figure 4).

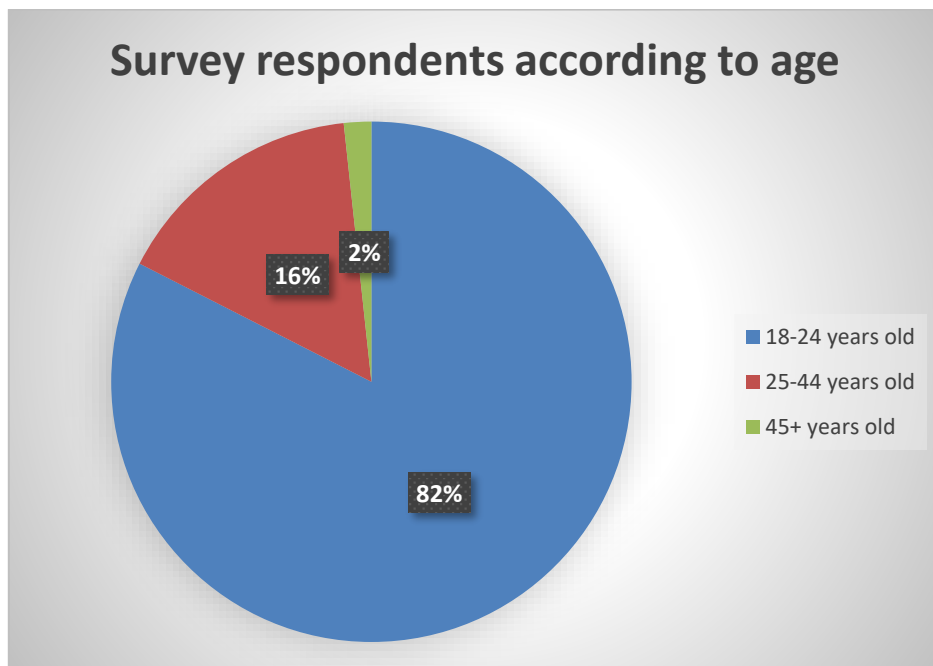


Figure 4. Survey respondents according to age

55% of survey participants chose Other in the Occupation question, which can be understood as unemployed or students (with or without part-time jobs). 19.2% are freelancers, comparable to 20.8% being a full-time office employee. 6 respondents are business owners, which makes 5% of the total survey participants. (See Figure 5)

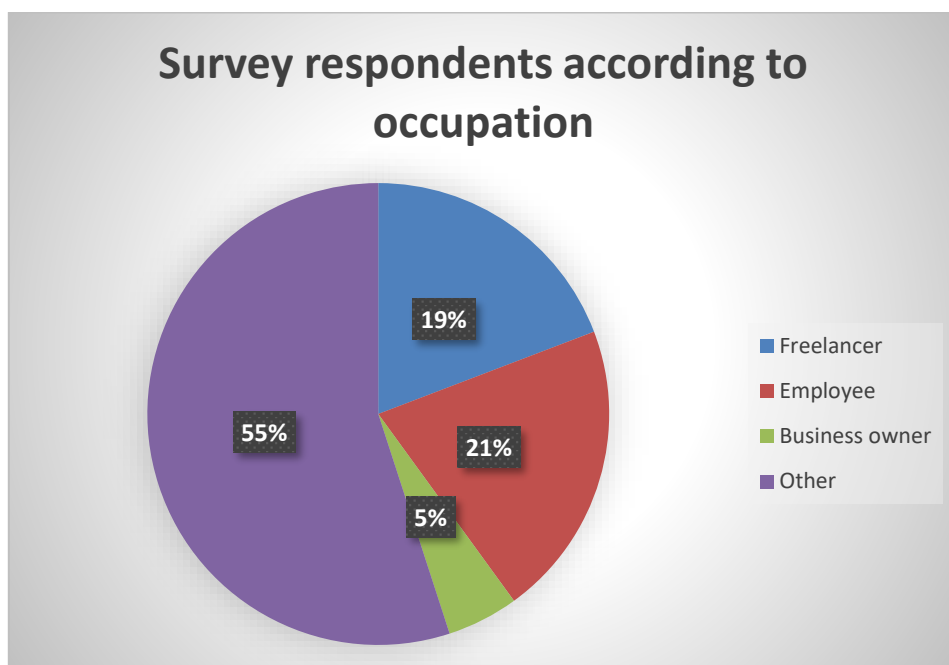


Figure 5. Survey respondents according to occupation

56.7% surveyed have heard of co-working space before while 52 participants, comprising 43.3% had no familiarity with the co-working space concept (see Figure 6). The 52 respondents then were directed to the introduction page of co-working space and then asked about willingness to try on the scale from 1 to 10. 100% fell between score 5 and 10, signaling a high degree of openness to new products with 34% saying that they would try it out.

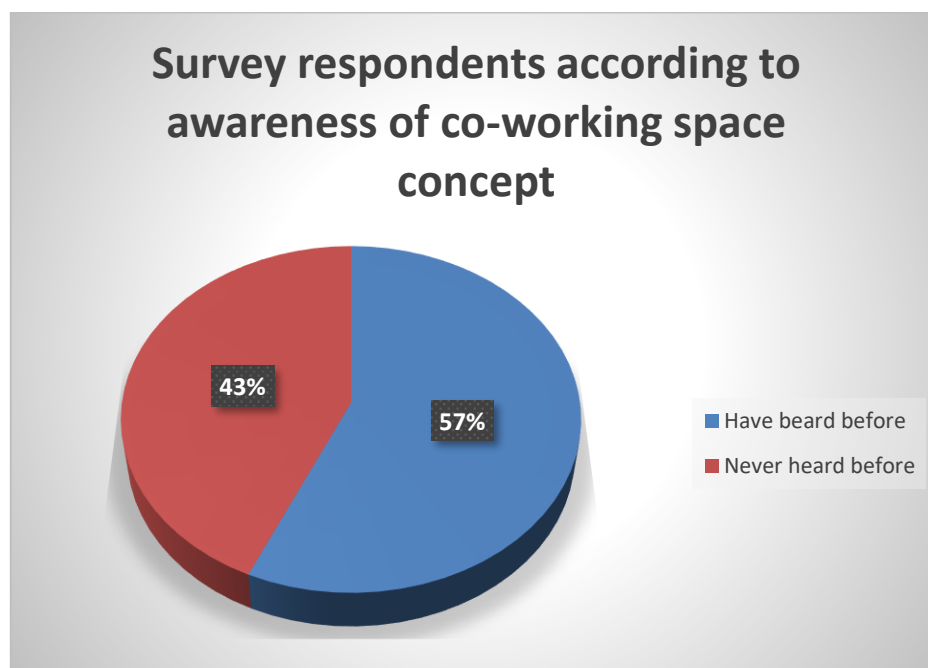


Figure 6. Survey respondents according to awareness of co-working spaces

Out of the 68 surveyed who have known the co-working space concept, 48.5% heard it from social media, followed by event participation (20.6%). 23.5% claimed that they learnt about co-working spaces through acquaintances and friends (see Figure 7). Of the business owners, 66.67% have heard of co-working spaces, mainly through event participation or word-of-mouth channels.

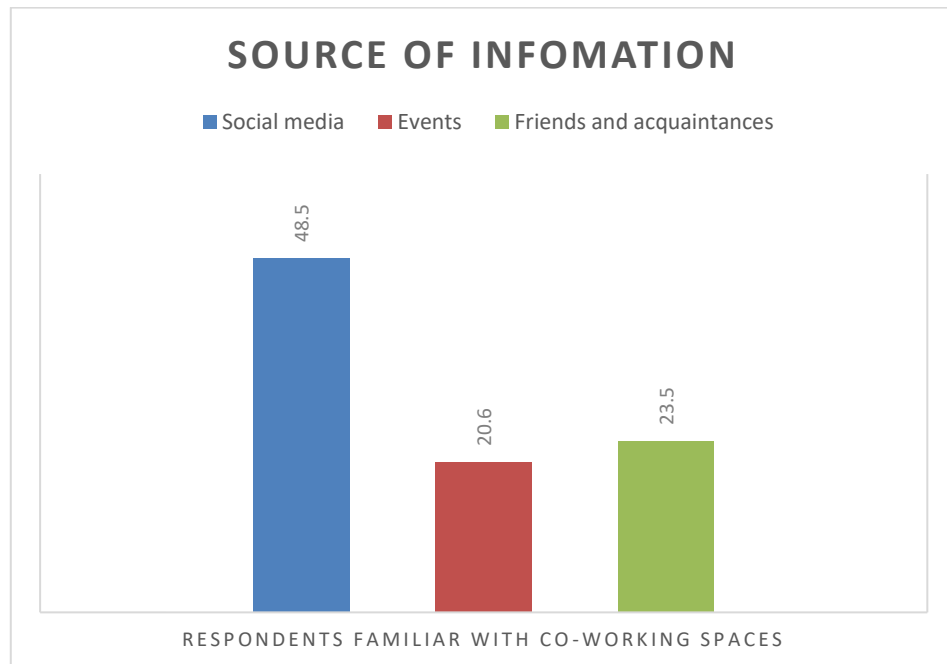


Figure 7. Source of information

Regarding the frequency of use (see Figure 8), 50% have used co-working space once or twice which is almost as high as the percentage of participants who have heard about co-working spaces. However, only 5.9% are active members of co-working spaces in Vietnam. 16.2% said they used co-working spaces sometimes and 27.9% that have never used co-working spaces before.

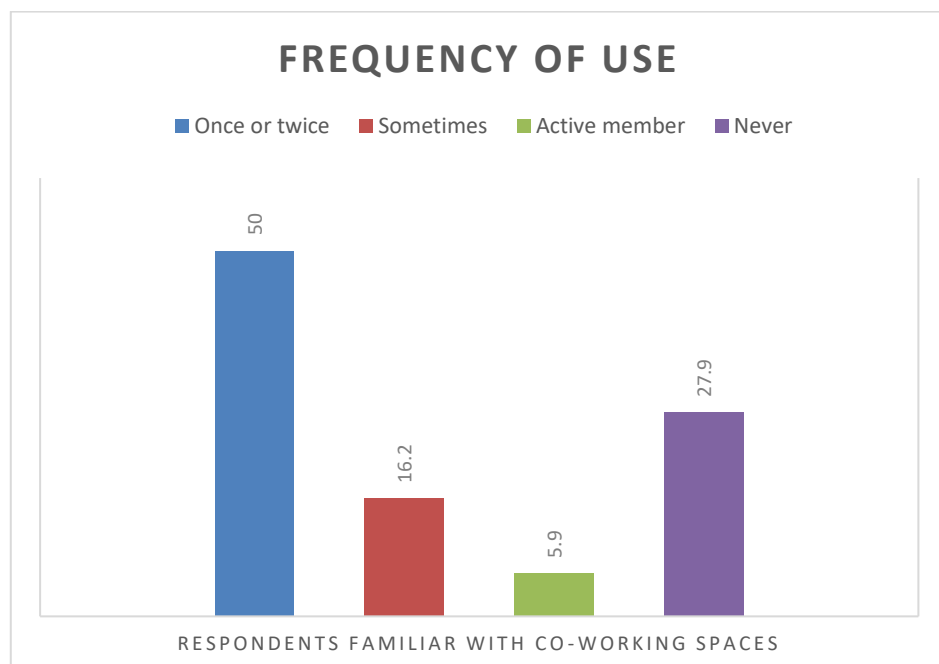


Figure 8. Frequency of use for co-working spaces

For the open-ended question concerning their motivations behind using co-working spaces, the most popular answer is aesthetic and creative space design (31%), followed by event attendance (24%). Curiosity and community vibes are also mentioned by roughly the same percentage of 13%. Word of mouth accounts for 6% of the marketing source for co-working space uses. Other incentives which account for 13% include affordability and ease of use for small businesses and start-ups.

With regards to question 7 about the perceived benefits of co-working spaces, the recorded responses are quite diverse, with the most common being intentional space design (29%) (see Figure 9). The second most mentioned benefits are networking opportunities (19%) and increased creativity and productivity (19%). Other perks perceived by co-working space customers are flexibility (13%) and added values such as wifi, drinks, meeting rooms, etc (10%). 9% of the answers mentioned affordability and ease of use for small companies.

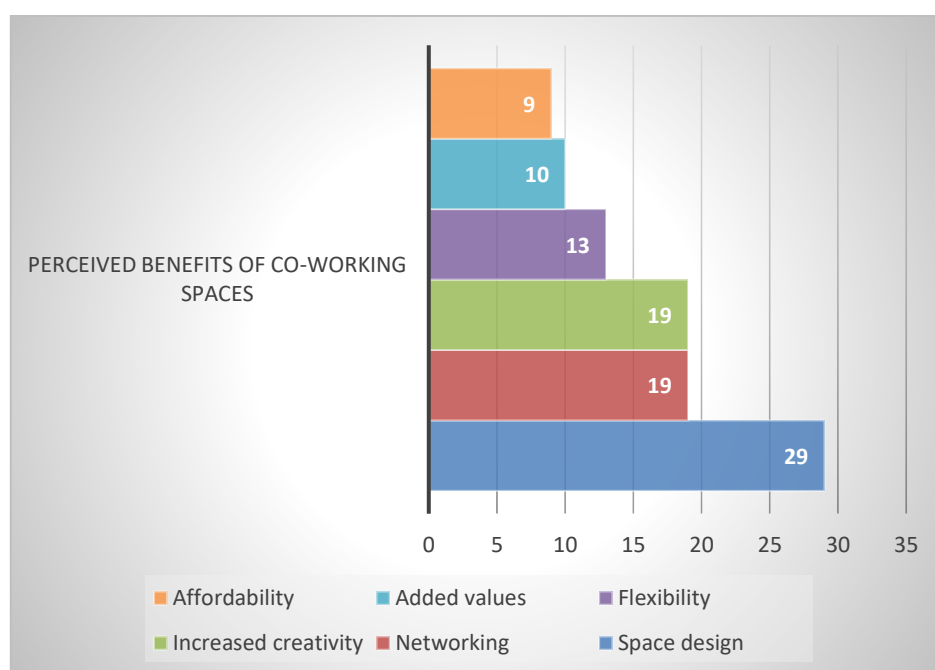


Figure 9. Perceived benefits of co-working spaces

When asked about users' concerns about co-working spaces, distraction due to the level of noise and crowdedness ranks highest at 43% among the answers. However, a good 22% of survey participants are completely satisfied with the co-working spaces. Other issues mentioned include lack of safety, low privacy and poor amenities (see Figure 10).

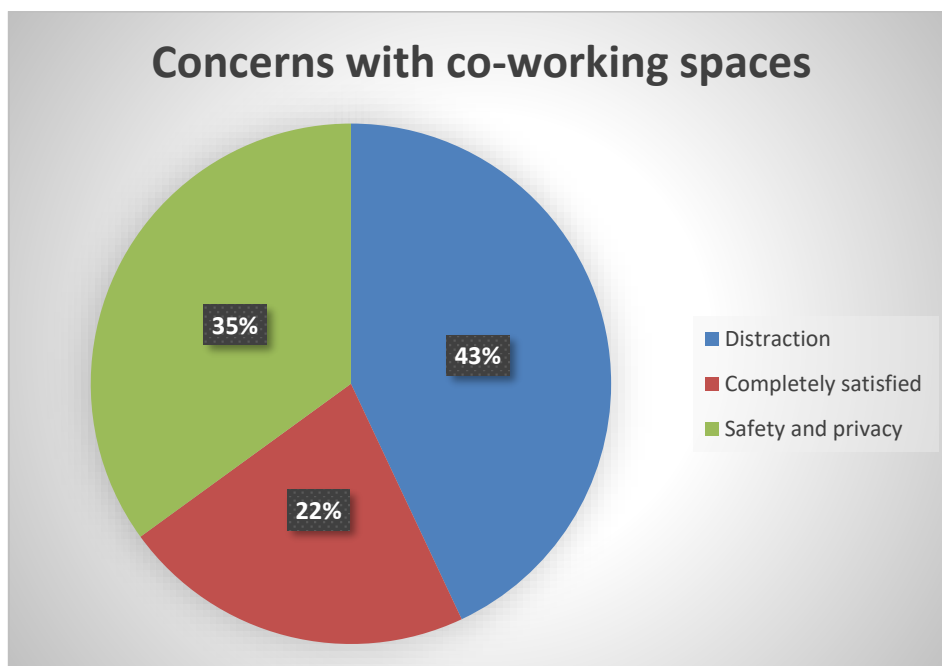


Figure 10. Concerns with the use of co-working spaces

Question 9 asked survey respondents to rate the importance of features of a co-working space on the scale from 1 to 10, with 1 being the least important and 10 being the most important. In the bar chart (see Figure 11), scores from 8 to 10 are categorized as “Very important” while from 1 to 4 are “Not important”. “Quite important” means scores ranging from 6 to 7, with 5 being neutral.

48.5% said that quality of service (coffee, wifi and amenities) is the most crucial factor of co-working space (score 10). A large 38.2% rates affordability as the most important factor, with 23.5% and 22.1% scoring 9 and 10 respectively. Flexible contract is rated as the next most important feature with 27.9% scoring 10 and 27.9% scoring 8. As far as the location is concerned, 26.5% rated its importance as 8 points, closely followed by 25% rating location as most important.

Meanwhile, community activities and networking activities rating scores are evenly distributed between 5 points (13%) and 10 points (19%), with a minority of 8.8% thinking this factor is the less or least important. Similarly, brand association ranks quite low with 14.7% rating it as the least important feature.

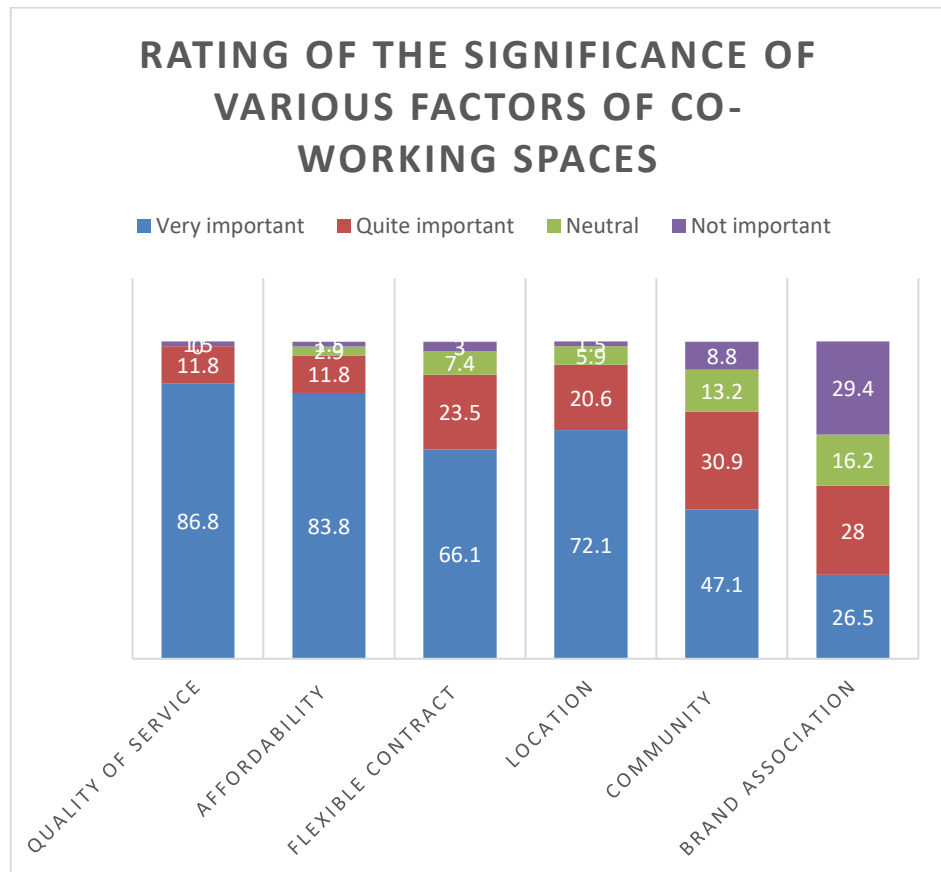


Figure 11. Rating of the significance of various factors of co-working spaces

A similar pattern can also be spotted in question 10 where 44.1% is most concerned about the quality of services, scoring 10. This is followed by issues regarding price which concerns 22.1% at point 10 and 29.4% at point 8. Nevertheless, the scores for ease of learning and co-working operator credibility are evenly distributed in the range between 1 and 5, making them the least worrying factors for Vietnamese customers. (See Figure 12)

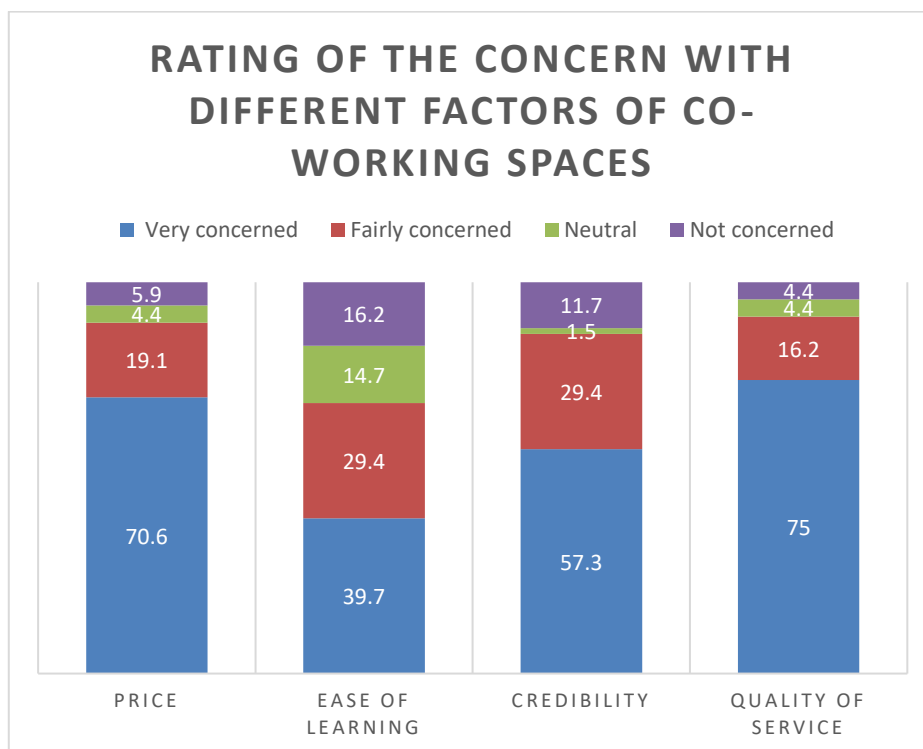


Figure 12. Rating of the concern with different factors of co-working spaces

Finally, 85.3% score between 6 and 10, meaning that they would recommend co-working spaces to others.

6.3 Discussion

Regarding the results of the interview, although the level of popularity of co-working space concept and the competition in the local market is still low, the interviewed landlord has shown willingness and embrace towards the new concept of space rental. Nevertheless, the concerns regarding collaboration with a foreign operator are mostly cultural and communication-related.

On top of that, the challenges facing international co-working space companies when entering the Vietnamese market lie in the drastically rising real estate market and adaptation to the local aesthetics.

In respect of the survey results, the patterns which can be observed in the data analysis provide highly useful directions in terms of customer segmentation and marketing channels for co-working space companies.

Customer segmentation

In the survey data, respondents with differing occupations have reported distinctive concerns and incentives towards to use of co-working space.

consequently, the customer segments can be divided into three types, namely business owner, freelancer, employee and students.

Freelancers have tried co-working spaces, but none are active members, with their main concerns being high prices. 50% of the business owners with knowledge of co-working spaces are current co-working space customers. Their main motivations are affordability and need for event space, while the only main concern is distraction. Most of them learnt about co-working spaces through event participation rather than social media like other user groups.

For fulltime employees, 47% have heard about co-working space but never tried. The main motivation for them to use is because of required meetings or events attendance with perceived benefits being network outside own company. However, the main concerns for this group are poor amenities, too much distraction and the lack of privacy.

With the Others cohort, interestingly only 29% have not used co-working space before and the main incentive for using is curiosity. The perceived benefits for this group of assumingly students with extracurricular activities or studying are well-designed space and creativity.

Channel effectiveness

As gathered from the survey, the marketing channels for co-working spaces are social media, word of mouth and event participation. Social media is the most effective channel to increase awareness about co-working spaces, accounting for 39% of the responses (see Figure 13). This is followed by event attendance with 29% and recommendation comprising of 27%. However, in terms of customer acquisition, event participation has the highest conversion rates across frequency of use.

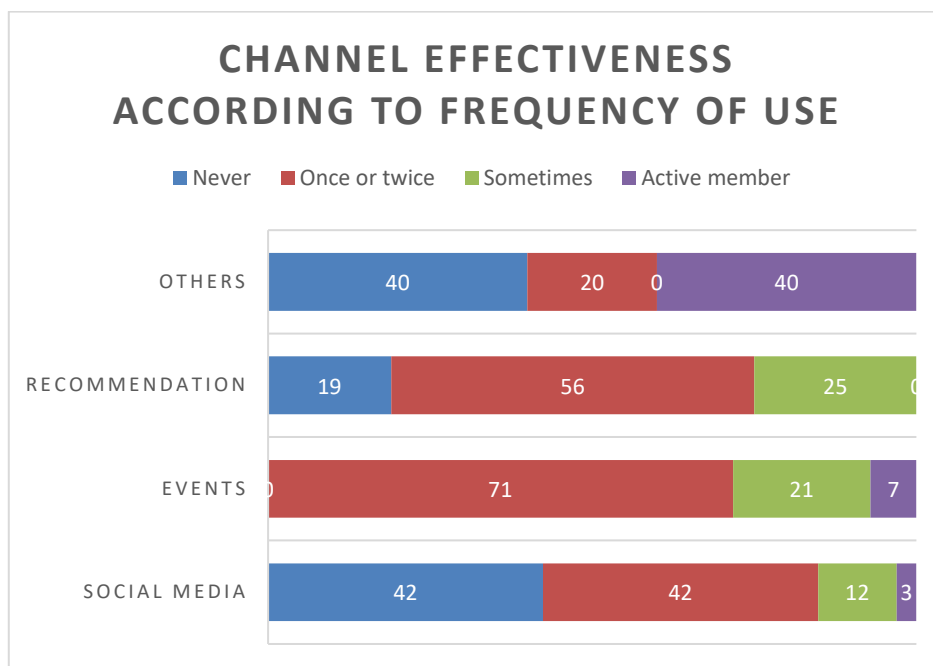


Figure 13. Channel effectiveness according to frequency of use

Overall, it can be seen that the quantitative and qualitative research has generated meaningful data which helped provide answers to the research question. The interview results confirmed the ongoing trends in the co-working industry in Vietnam and offered insights into the realistic work process and local mindsets for co-working space providers. On the other hand, the statistics gained from the survey corroborated conclusions drawn from the desktop research with practical knowledge on the localized marketing activities.

7 CONCLUSION & RECOMMENDATIONS

This chapter describes the recommendations and practical steps to enter the Vietnamese market as an international co-working space company as well as proposes areas worthy of further research in the future.

7.1 Conclusion

In summary, it has been shown in the data gathered from the contextual research, which was confirmed by the empirical research that Vietnam is a highly potential market for co-working space operators with a high growth rate. As the development of the Vietnamese co-working space market is still in its early stage, the level of competition and differentiation between co-working space brands is relatively low compared to other highly competitive markets such as Hong Kong and USA.

In addition, Vietnamese governmental welcome policy towards direct foreign investments also brings more opportunities for foreign co-working space developers. Co-working space is still a fairly unfamiliar concept to customers and property developers. Despite that, both show openness and willingness to try out co-working spaces.

The results from the quantitative research are also aligned with the identified implications from the theoretical frameworks, despite some minor changes. In terms of product configuration, it was found that the local consumers placed more focus on the tangible elements, most importantly space design and interior design.

This also leads to the fact that in the context of the Vietnamese market, there remains a great amount of education in product promotion as only a minor percentage of users derived benefit from networking and community activities. It was highlighted from the research result that differing customer cohorts had different concerns as well as motivations when it comes to the usage of co-working spaces, requiring a higher level of personalization and customization as outlined in the services marketing triangle model.

Nevertheless, contextualized marketing is subject to certain variances. In the co-working industry in Vietnam, it was gathered from the research that while time and place are of crucial importance to service-centric enterprises, Vietnamese consumers have a strong and consistent preference for quality of service over location. Similarly, the perceived concerns are more about possible distraction and lack of privacy rather than the hidden costs such as transportation and ease of learning.

7.2 Recommendations

As a result of the empirical and theoretical research, the recommendations for international co-working space companies looking to enter Vietnam's market are as follows.

Firstly, while the fast growth of co-working spaces has been associated with the start-up community development and the rise of entrepreneurship, it has been found in the research that university students in the Vietnamese market due to their increasing demand and spending power also show potential in co-working space services such as day pass, event venue and meeting spaces.

In terms of product design, it is important to bear in mind that the incentive for product trial is more emotional rather than rational. Vietnamese users are motivated to try out new experiences out of curiosity and aesthetic satisfaction. However, the density of the co-

working space users and noise level should be under control in order to minimize the negative experience.

Thirdly, the centrality of location is of lesser importance for local customers compared to affordability and quality of services, even though prime location can be the key differentiator for co-working spaces. At this point, it is worth noting that even though Vietnamese consumers are more likely to try out new experiences from emotional incentives, the process of customer conversion, in contrast, depends more on the price-value ratio. This can be explained by the concentration of creative and marketing, professional services and trade sectors in the city centre, while other businesses in technology, manufacturing and wholesaler are usually based in the outer areas. Therefore, co-working space developers are advised to take business fields of the target customers into consideration when it comes to the choice of location of co-working space.

Regarding promotion, with social media being the most effective channel for improving brand visibility, it is recommended that co-working space operators build their social presence on platforms which are popular in Vietnam such as Facebook, Instagram and LinkedIn. Although the observation is common across different product categories nowadays, the implications in the co-working context are slightly different. With efforts in facilitating communal communication on digital platforms, the benefits are not only online visibility but also brand community, which later turns into brand advocates.

It is also suggested that the marketing communications are available in two languages, Vietnamese and English for wide reach and effectiveness in “teaching” customers through the service process and in collecting and responding to customer feedback.

The Vietnamese local taste also requires adaptation in space design and décor. As the perceived benefits of co-working spaces include feelings of creativity and inspiration, the design and infrastructure of co-working spaces should create a working environment reflecting that. Equally important is the incorporation of the traditional details into the workspaces. In addition, environmentally friendly merchandise with purposeful design such as tote bags, notebooks and water bottles are increasingly popular in Vietnam, which should also be taken into consideration.

Finally, for foreign co-working operators entering Vietnamese market, it is of vital importance to first build trust with partners like landlords and authority officials. With likely challenges in legal procedure, co-working space company may benefit from the support and assistance of an intermediary consulting agency.

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APPENDICES

Appendix 1

INTERVIEW QUESTIONS

Question 1. Have you heard about the concept of co-working space? Would you consider doing it yourself? Why and why not?

Question 2. What do you think are the factors influencing the co-working industry in Vietnam?

Question 3. Who are the main customers of the co-working space, in your opinion?

Question 4. What are the practical challenges that co-working space operators might encounter in Vietnamese market?

Question 5. Would you consider collaborating with foreign co-working space developers wanting to enter Vietnamese market? Why and why not?

Question 6. What would you require from foreign co-working companies looking to partner with you?

SURVEY QUESTIONS

Question 1. Your age group

- 18 - 24
- 25 - 44
- 44+

Question 2. Your occupation

- Freelancer
- Employee
- Business owner
- Other

Question 3. Have you heard of co-working space before?

Question 4. If yes, how did you hear about it?

Question 5. How often do you use co-working space?

- Never
- Once or twice, but not anymore
- I'm an active member

Question 6. What made you first try using co-working space?

Question 7. What do you like about co-working space?

Question 8. What do you dislike about co-working space?

Question 9. On a scale from 1 - 10, please rate the factors of co-working space according to its importance to you:

- Location
- Quality of service
- Price
- Social interaction
- Interior design
- Flexibility
- Brand association

Question 10. On a scale from 1 - 10, please rate the factors you are most concerned about coworking space:

- Price
- Quality of service (wifi, coffee, frontline staff)
- Ease of learning
- Credibility

11. On a scale from 1 - 10, would you recommend co-working space to someone else?

12. On a scale from 1 - 10, would you try this type of shared office in the future?