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Business Report

BUSI-1692

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Introduction

The workplace and organisational culture of companies worldwide are experiencing revolutionary change. While traditional offices are in decline, coworking space within offices are experiencing a global boom. Coworking space is defined as a neutral space where people from different companies, freelancers and entrepreneurs can rent space to go to work. Coworking space offers the same basic amenities and facilities as the more traditional office, for example, WIFI and internet, printing equipment, canteen and break out areas and meeting and conference rooms (DropDesk, N.d.).

KY Workspace is a new start-up company that seeks to capitalise on the global workplace's shifting landscape. Research suggests that now is perhaps the most exciting and interesting time to launch this company as the world emerges from the pandemic. Work arrangements and workplace culture have experienced an enormous change with remote work and coworking space, leading the world to rebuild.

News outlet Pr newswire (2020) states how the ''global coworking spaces market is expected to decline from \$9.27 billion in 2019 and to £8.24 billion in 2020'' – a compound annual growth rate (CAGR) of -12.9%, primarily due to COVID. However, the market is expected to ''recover and reach \$11.52 billion in 2023 at CAGR of 11.8%''. Therefore, KY Workspace is positioned perfectly to take advantage.

It can be seen from the graph that from 2015 through to 2020 there is steady and stable growth of people searching for ''coworking'' until the COVID pandemic hit when searches dramatically decline. However, as the world gets to grips with the pandemic, searches begin to recover and increase sharply. (Risio, 2020)

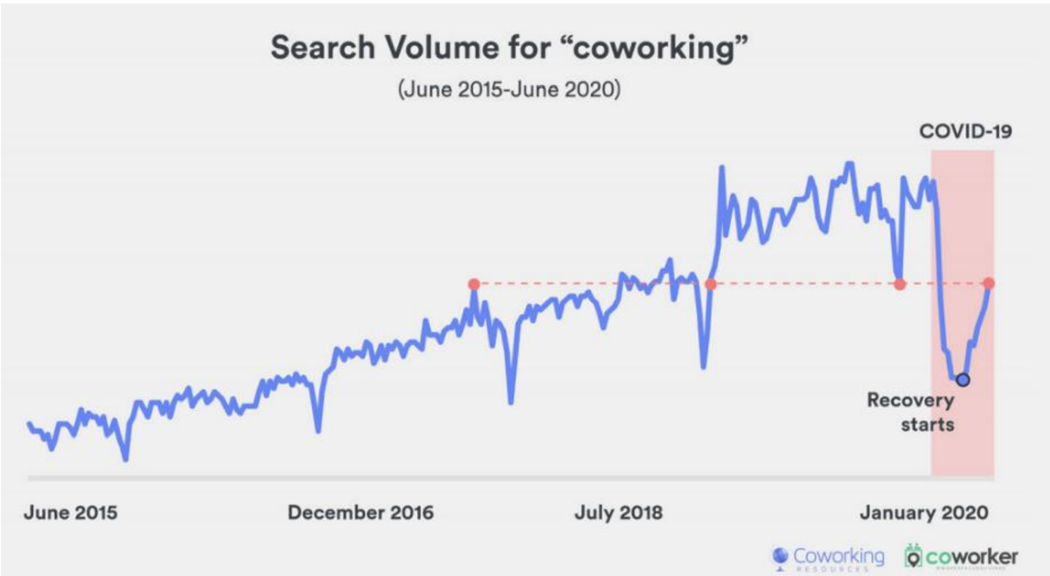

Figure 1: Highlights the trend in searches for ''coworking''

KY Workspace plans to offer coworking space like the competitors in this sector. Fully serviced open plan working area, on-site gyms, breakout and socialising areas, cafes, and bistros. In addition to the main workspace, there will be limited on-site accommodation for those that need to stay over in the city for work purposes.

The aim is to create the most flexible workplace to suit the new way of working for big corporations and entrepreneurs, connecting people from several companies and industries with different skill sets in one neutral building. With flexibility at the core of the business, it is ready to serve the ever-growing number of workers that want flexibility in their next role. As Burnford (2019) suggest, the flexible working arrangement is evolving, with 92% of millennials prioritising flexibility in their next part. Furthermore, coworking space growth is directly stimulated by new start-ups' development. In 2019, the global new start-up economy was estimated at $3 trillion, a 20% increase from 2017 and 2018 (Pr newswire, 2020).

Identifying the Business

KY Workspace identified this opportunity after recognising that post-pandemic work arrangements will look considerably different to how they were before. While initially there were concerns of how a business built on community and socialising could work in, and after a pandemic, the idea is now gaining ground and even becoming more appealing to more prominent firms because of one major factor - flexibility. Many firms are choosing not to renew long-term leases, but instead reducing costs and risks with shorter-term flexible space agreements while economic uncertainty still looms (Cushman & Wakefield, 2020). Moreover, in the post-pandemic world, the statistics reported in Risio (2020) suggest that coworking space will become the mainstream style of working with the majority of demand coming from larger firms and enterprises as they look to decentralise the workforce.

The Business's opportunity and opportunity capture

The founders of KY Workspace recognise that disruption or market imperfections must occur for opportunities to arise. In sensing the possibilities for this business, KY Workspace proceeded to scan the environment for factors that could affect the business's viability. These factors are economic, political, financial, cultural, social, and legal.

Furthermore, Kuckertz et al (2017) summarises six activities relating to capturing and exploiting the business idea. These activities are: "developing a product or service, acquiring human resources (HR), planning the business, understanding customers and the market, gathering resources, and setting up the organisation". The activities are defined as follows.

1. Developing a service – innovative deconstruction of current products or services, create and test new, react to feedback.
2. Acquire HR – Search for employees and build an entrepreneurial team to follow through with the opportunities.
3. Business planning – create a business plan based on the business model and document it.
4. Understand customer and market – discuss and identify needs of the customer, assess customer acceptance of the product or service.
5. Gather Resources – build a network and get investment from investors, governments, family, and friends.
6. Set up the organisation – set the organisation up using a correct and formal structure

The Business Start Up and Networking

KY Workspace is a new start-up firm where the founding members are not related. All members bring their skillset, knowledge, qualifications, and connections and therefore, allocation of tasks and responsibilities will be given according to one's strengths and weaknesses. This is referred to as human capital and, in business terms, classified as a worker's "economic value" by Kenton (2020). However, human capital alone is not sufficient for successful internationalisation and firms should build and take advantage of the social networks available to them. According to Durda and Ključnikov (2019), social networking is vital for acquiring important resources, including finance, knowledge, skills, contacts, and experience within the sector. Furthermore, (Woo, Abosag and Kwak (2011) finds that most previous studies confirm that trust, learning, and commitment in foreign markets result from building networks and relationships with key business players in the foreign market.

The Business Funding

Funding of KY Workspace will be from venture capital investors. Venture capital provides financial investment and other forms of investment such as managerial, technical, and expert advice in the sector and access to professional networks (Hayes, 2021). Although there are many benefits of investment through venture capital. KY Workspace is fully aware that it is not without risk and usually involves some form of negation regarding the exchange of equity or shares. It is, therefore, imperative that the KY Workspace research the most appropriate investment company to support this venture.

Business Expansion

Choosing new markets to enter must be done with specific considerations in mind. According to Sarathy (n.d.), there are several factors that can influence the choice of need. They include competitor levels, saturation in the business sector, product or service lifecycle, growth rates and entry barriers.

KY Workspace will initially exist in the United Kingdom and expand internationally. The current landscape is promising. Currently, there are nearly 20,000 coworking spaces worldwide, with an increase predicted to over 40,000 by the year 2024, with almost 5 million people working in a coworking space, a rise of 158% in comparison to 2020 (Risio, 2020).

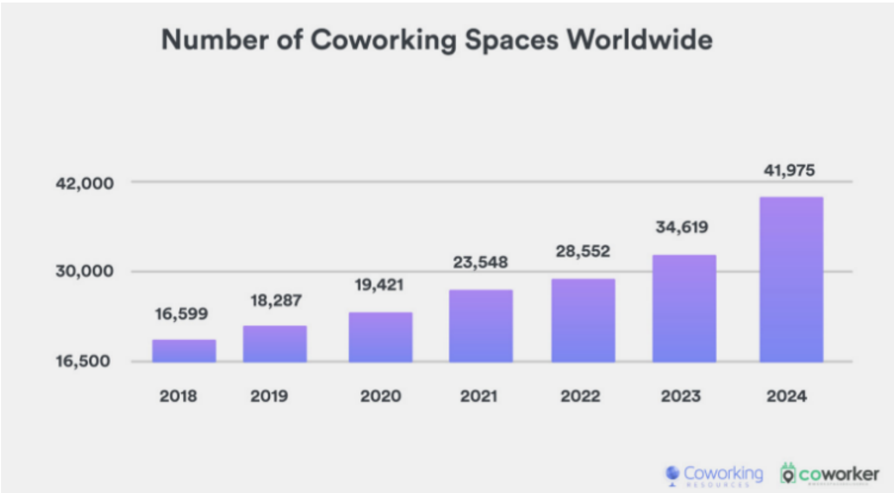

Figure 2 : Number of Coworking spaces worldwide

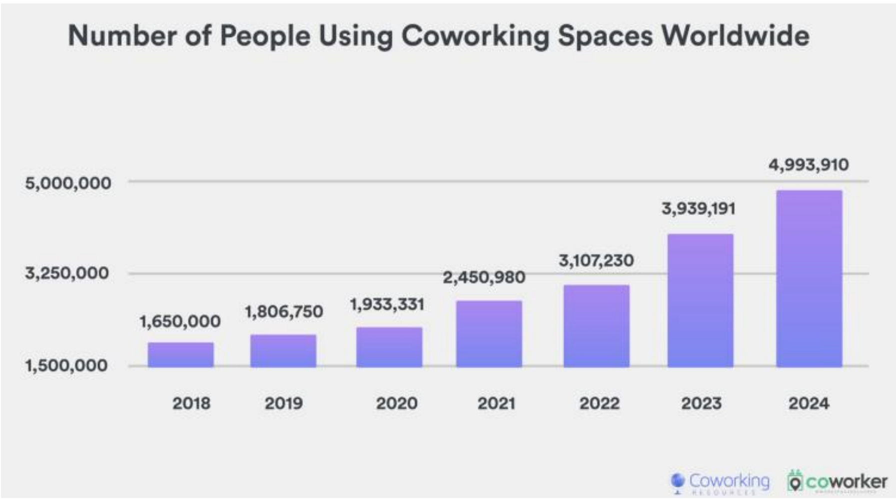

Figure 3 : Number of people using Coworking spaces worldwide

The United States leads market share followed by India and the UK. Fastest growth is taking place in the US, India and then Germany and Canada. In addition to operating in the United Kingdom, in the shorter term, KY Workspace will expand into Canada, Germany, and Australia. These markets account for over 10% of current coworking space (Risio, 2020).

Country	Number of Spaces	World Share
United States	3,762	18.30%
India	2,197	10.69%
United Kingdom	1,044	5.08%
Spain	939	4.57%
Germany	791	3.85%
Canada	617	3.00%
Australia	590	2.87%
Mexico	508	2.47%
Japan	411	2.00%
Brazil	393	1.91%

Figure 4 : Top 10 Countries by number of coworking spaces

Target Markets

As mention previously, Canada is among the fastest-growing markets for coworking space. Therefore, the first target market to enter is to be Canada, specifically the two major cities, Toronto and Vancouver. Currently, only 1.4% of Toronto's office space is dedicated to coworking space. Meanwhile, it is 3% in Vancouver, indicating there is room for growth. Besides, 38% of office space growth was dedicated to coworking spaces from Q1 20127 to 2020 (Yardikube, 2020). Furthermore, Starr (2019) reports a 303% growth in the flexible office space in the five years leading to 2019, representing an increase from 1.5 million ft2 in 2014 to 6.1 million ft2 in 2019.

Secondly, KY Workspace will enter the Australian market. Although not one of the fastest-growing markets, Australia's coworking sector is enjoying tremendous growth and has enormous potential. Demand for flexible office space in Australia is rising rapidly. 2017 to 2018 saw demand from larger businesses (businesses with 15 and more staff) rise 105%. Furthermore, businesses are drawn to this model because of the flexible terms. While traditional office space may require up to 10 years lease commitment, coworking companies offer leases for less than 24 months (reference 13). Moreover, by the year 2030, coworking is estimated to account for approximately 12% of commercial office space, with the market predicted to be worth AUD$ 122 billion (Alison, 2019).

Finally, KY Workspace will enter the German market. Again, as mentioned previously, Germany has one of the fastest-growing markets for coworking space. Demand in the sector was recorded at 79% in Q1 of 2019, demand grew by 20% in the second quarter of 2020. Furthermore, Germany has the third-largest market share in Europe, just behind the United Kingdom and France (Allwork, 2020).

Entry Mode

According to Sarathy (n.d.), a lack of entry barriers, explicit knowledge, and time pressures in combination with market similarities, the need for control over intangible factors, and positive financial resources motivate firms to set up new subsidiaries in foreign markets and build from the ground up. Therefore, KY Workspace's preferred method of entry into each market is greenfield investment (GI). It is perceived that GI is a net positive method as the advantages outweigh the disadvantages.

Advantages	Disadvantages
High level of control over business	Barriers to entry
High level of control over the quality of service	Location costs
Control over brand image	

KY Workspace perceives the coworking market as an oligopoly because of a low number of organizations that control a significant market share. Consequently, the entry barriers are high due to the advantages that our competitors have because of their scale. Furthermore, oligopolistic markets have a level of interdependence among the firms inside the market (Rosenberg and Halloran, 2014). Oligopolistic reaction theorizes that since a few large firms control an oligopoly, it is critical that, in the case of KY Workspace, the firm reacts strategically and effectively in response to movements by the few large firms that have power. Failure to do so can have significant consequences, even putting the company's position within the market at risk.

KY Workspace will also consider the Uppsala model in transformation and expansion. Johanson and Wiedersheim-Paul (1975) studies how firms develop and expand according to the domestic market and foreign target market's psychic distance. Psychic distance refers to differences in markets such as language, politics, culture, business practices, development, etc. Therefore, it is assumed that when expanding, the natural target market would be the geographically closest market as the psychic distance is likely to be minimal. There are, however, some exceptions, for instance, England, Australia, and the USA. The Uppsala method also highlights four steps in foreign market entry. Firstly, the firm should have no regular export. Secondly, exports would be through a third party or agent. Third, establish a foreign sales subsidiary, and finally set up the host country's service or manufacturing.

KY Workspace seeks to enter the target markets based on the theory and concept. The table below summarises the information relating to the organisation's entry, expansion, and competitors.

Country	Competitors	Entry Mode	Psychic Distance
United Kingdom	-WeWork -Regus -Knotel -Spaces (IWG) -Impact Hub	Domestic Country Establish Network	Short
Canada	-WeWork -Regus -Knotel -Spaces (IWG) -Impact Hub	Greenfield Establish Network	Short
Australia	-WeWork -Regus -Spaces (IWG) -Impact Hub	Greenfield Establish Network	Short
Germany	-WeWork -Regus -Knotel -Spaces (IWG) -Impact Hub	Greenfield Establish Network	Short

Marketing

KY Workspace 's market segment will target freelancing, or remote individual, entrepreneurs and startup teams, and small to medium enterprises (SMEs) as these are the current highest users of coworking space. The graph below highlights that the most common demographic using coworking space is SMEs and startups, indicating an industry shift to accommodate firms with 50-100 staff or employees requiring a more flexible working arrangement (Konya, (n.d).

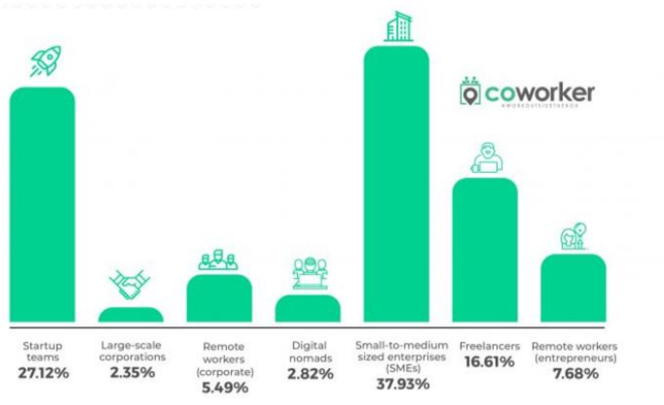

Figure 5 : Most common demographics of coworking space users

Recommendations for marketing and advertising are outlined by Coworkingresources (2019). Initially, KY Workspace employs a 3-step advertising and marketing plan to promote and advertise it. First, the use of a high-tech, user-friendly website will display everything a potential customer might want to know. For example, the pricing structure, facilities available and workspace locations. The website will also contain links to social media pages. Therefore, the second step is advertising on social media and is a critical part of the plan, and here a live feed is updated to engage with and provide social media users with the most up to date and relevant content and counter the presence of our competitors. This also includes campaigns, for example, Facebook ads. Finally, KY Workspace will host engagement events to interact with and meet potential customers and not limit this to just networking events but diversify this experience.

Intellectual Property Protection

To protect the intellectual property of KY Workspace, copyright will be used to protect the ideas of the business, for example image or video creation for advertising purposes, programs or software developed for trading and the layout, design and content of the company website (The company warehouse, n.d). The use of trademark is another way to prevent unauthorised use of the business name, logo or design by another firm with a similar name, logo or design in the same business sector or industry. In addition, effective trademarking can help the consumer remember and distinguish the company brand and its service from the competitors (trubic, 2021) . Furthermore, Library British (n.d.) highlight the importance of protecting any unique business idea, service or products to prevent them being used by competitors, which would result in slow growth, loss of revenue and profits and ultimately loss of market share. It is also important to monitor whether infringements occur on our intellectually property as this is not done automatically.

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