An International Comparison on Coworking Companies Using Case Study Approach

by

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Submitted to the Program in Real Estate Development in Conjunction with the Center for Real Estate in Partial Fulfillment of the Requirements for the Degree of Master of Science in Real Estate Development

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ABSTRACT

Coworking industry has achieved rapid development during recent years. People increasingly realize that coworking is far beyond a revolutionary office model which changes traditional office structure into a more flexible and creative working environment. The Coworking industry now plays a transformative role in real estate industry and technology development. It is also viewed as an important motivating factor for entrepreneurship. The "coworking" concept has deep impact on the "work-live-play" lifestyle for professionals. WeWork and International Workplace Group (IWG) are two world's leading coworking giants which have significant market and geographical presence in all main markets. However, these two multinational coworking companies are not monopoly in the market. A growing number of local coworking companies have become strong competitors. Although the recent decade has witnessed robust growth of coworking industry, systematic comparison study on coworking companies is still limited in both the academia and the industry. My thesis makes an early attempt to conduct an international comparison on some coworking companies in three main markets: U.S, China and Europe from three dimensions: expansion strategy, financing, and supporting role to entrepreneurs and enterprise clients. The first section of is to examine WeWork and IWG's development and operation across those three main markets. For the second section, I select one leading coworking company in each market to critically evaluate their market practice and business strategy using case study approach. After that, a discussion on key differences among these three coworking firms is performed. Additionally, I propose some possible explanations for their variations in three comparison metrics across different companies and markets considering market factors, organizational value, geographical features and government policies. Two strategic decisions for the coworking industry are discussed: 1) whether coworking compang should lease the space or partner with landlords and then provide coworking services? 2) entrepreneurs or corporate clients, which customer segment should be the business focus of cowering industry? The financial crisis experienced by WeWork in late 2019 re-emphasizes the importance of these two decisions. This thesis contributes to international comparative study on coworking firms and provides some implications for the future sustainable development of this industry.

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Title: Research Scientist

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I. Introduction and Background

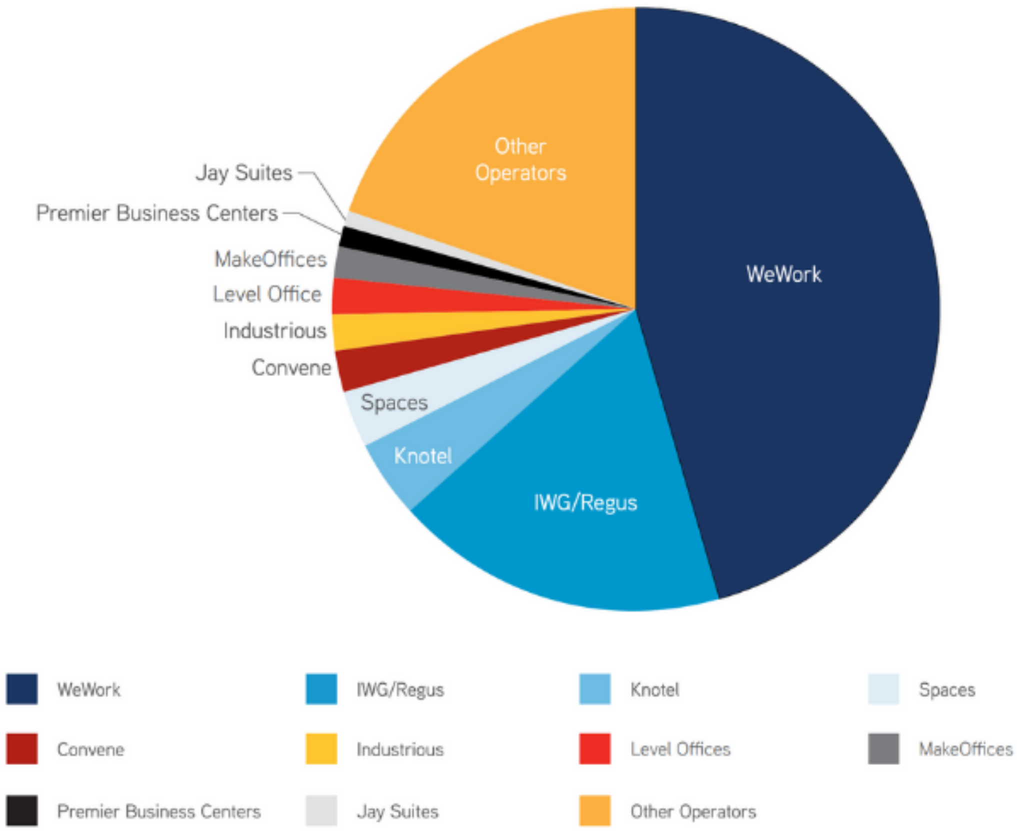
CoWorking industry has experienced significant development during recent years. Many academic researchers and industry experts have conducted studies on this field. However, the majority of existing work focuses exclusively on either general trend of coworking industry or a few coworking giants such as WeWork. Insufficient research attention is paid on smaller but fast-growing coworking players. Even for coworking giants, I fail to see that any published work decomposes their development process across different continents in a comparative manner. Because of information availability and business impacts, most coworking research put efforts on the U.S and UK market, thus ignoring coworking presence in developing economies. CoWorking has become a global business and is changing the way of working and living on an international scale at an astonishingly rapid rate . CoWorking giants' growth in developed countries cannot tell the full story of this industry. Experience from smaller coworking companies in different regions is invaluable.

Figure 1: Number of Coworking Spaces Worldwide Across Years

My thesis makes an early attempt to conduct an international comparison on coworking companies from two dimensions. For the first dimension, I briefly summarize and compare the development of two world's leading coworking companies WeWork and IWG (International Workplace Group) in three major coworking markets: U.S, China and Europe (UK and EMEA region). The second dimension focuses on more micro level. I select one influential coworking companies in U.S, China and Europe respectively and then conduct a very detailed case study [1]on each of them. The comparison process from both dimensions consists of three key metrics: expansion strategy,

[1] Figure 1:https://www.business2community.com/workplace-culture/what-impact-will-weworks-fall-have-on-coworking-02272620

financing strategy and supporting role to entrepreneurs and enterprise clients. Also, the geographical scope of these dimensions is consistent, both covering U.S, China and Europe.



[2]**Figure 2: Coworking Market Global Players**

This thesis has three fundamental contributions to the coworking literature. First, I systematically summarize and compare the development of WeWork and IWG, two largest coworking giants, in three largest coworking market: U.S, China and Europe. Most existing work tend to discuss them as a whole rather than explore variations of their growing process across different markets. Based on my research, these two multinational coworking companies do customize their business strategies for a specific market so as to compete with local players and play a more effective market role. Moreover, WeWork and IWG adopt a different institutional approach for international comparison. It is important to take contextual factors into consideration when studying cross-national coworking companies. Second, my thesis makes an early attempt to conduct comprehensive case studies on three fast-growing and influential coworking companies in those three main coworking markets. All these three companies are among top coworking players in their home market and are still accelerating its expansion for a larger market share. More importantly, since these companies entered the coworking industry later than WeWork and IWG, they have been working on offering innovative and unique product mixing for the market to differentiate themselves from coworking giants. Since they receive smaller venture capital investment than coworking giants, they have proposed and practiced some creative business

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[2] Figure 2: https://www.cretechiotnyc.com/coworking-sector-is-ripe-with-opportunity/

models to achieve comparable expansion rate without great exposure to financial risks. To some degree, these smaller coworking companies are more representative of the current dynamics of the coworking industry. WeWork's looming financial crisis this year warns the business world of potential "coworking bubble" and the re-emphasizes the importance of balance between rapid expansion and financial risks. It is crucial for the coworking industry's future sustainable development to understand their business models and strategies. However, limited research has touched this area and my thesis fills this gap. Last but not least, my thesis collects and analyzes current industry practice in expanding coworking companies' business activities from simply providing physical coworking space to much broader range of products or services. Such practice is increasingly gaining popularity in the coworking industry and represents a future direction. How to better define the role of coworking companies in the real estate industry and the whole business world, and what transforming role they can play in future world economic development is a meaningful question. Three smaller coworking companies discussed here are leading players in the evolution from a pure coworking space provider to a transformative role in real estate and emerging tech industry. I summarize and evaluate their explorations and successful experience, which can provide some implications for later more sophisticated work on this topic.

II. Literature Review

The rapid development of the coworking space industry encourages a growing body of journal articles and case studies on it. This literature review will discuss coworking spaces from four dimensions. I start by briefly reviewing the development process of coworking spaces, and discussing several concepts and business models defining coworking spaces. Then I discussed determinants of co-working space location choice confirmed by empirical studies in developed countries and China comparatively. After that, how coworking spaces can contribute grassroots innovation and entrepreneurship will be evaluated. Last but not least, I will analyze existing research on financial and operation risks of co-working spaces and “co-working” bubble.

2.1 The introduction of coworking spaces

Waters-Lynch, J. & Potts, J. (2017) defined coworking spaces as shared office environments that a heterogeneous group of workers (rather than employees of a single organization or industry) pay to use as their place of work, to engage in social interaction and sometimes collaborate on shared endeavours. Coworking spaces are usually operated by third parties (either small private firms or non-profit organizations. So coworking spaces is basically a third party place. Coworking spaces typically charge a monthly fee for access to the workspace and accompanying services, similar to gym memberships and other club-like arrangements. The relationship between coworking tenants and hosts is more similar to a member in a community.
Fuiz (2015) defined coworking spaces as “a flexible, shared, rentable and community-based workspaces occupied by professionals from diversified sectors”. He stated that the main purpose of coworking spaces is to encourage collaboration, creativity, idea sharing, networking, and socializing.

Coworking spaces creates a open-space work environment which is the middle ground between working from home and traditional office environment (Ross, P & Ressia, S., 2015). It offers an alternative to these two working locations. Jones et.al (2009) though coworking space is a great solution for growing ranks of independent workers want to escape private home and work in cafes to maintain interaction and productivity. Baiely & Kurland (2002) Ross, P & Ressia, S. (2015) make differences among these three working-modes clear before the rapid development of coworking spaces. Working from home actually only changes the working location to save employees’ commuting time and provide a more comfortable environment. It basically requires people to work virtually with others from the same organization. Working in traditional spaces is to have a face-to-face collaboration with people affiliated with the same company. Working in coworking spaces is also having a face-to-face collaboration with colleagues. But “colleagues” here are not necessarily in the same organization. They can be other members in the coworking space. Additionally, collaboration within the coworking spaces is more self-initiated and driven by common interests, rather than institutional requirements. Uda (2013) further defines the co-working as “a way of working in which individuals gather in a place to create value, while sharing information and wisdom by means of communication and cooperating under the conditions of their choices. To sum up, people in coworking spaces have much discretionary in choosing when, where and how they work individually and collaboratively (Ross, P & Ressia, S., 2015). Land et.al (2012) defined the emergence of coworking space as a logical extension of neo-liberal labor market deregulation.

Bouncken, R.B & Reuschi, A.J. (2018) made a detailed classification on this market from three aspects: users, providers and building form & operation. Self-employed professionals, freelancers and start-ups are viewed as targeted tenants of most coworking spaces (Mariotti et.al, 2017, Gandini 2015). Besides that, dependent contractors and consultants also use coworking spaces. Most coworking space workers are in the innovation-driven and knowledge-intensive industries (Foertsch 2011). Typical providers of coworking spaces include coworking space firms, a public institution (e.g chamber of commerce or library), universities, and general companies of which main business is not in coworking market. Noticeably, these providers may not own the office building but rent the building from owners through a long-term contract. Space design, interior, flexibility of opening hours, place are common classification features in terms of building form & operation.

Employees' desire for a more flexible and collaborative working environment and startups' need for more affordable working space with short leasing term are two important social drivers for the co-working space development. Andrade, Ares & Susrez & Giret (2013) think the development of information and communication technology is also an important motivating factor for the emergence of co-working spaces. DeGusman & Tang (2011) captured a "co-working" phenomenon as reflected by the double of both the number of coworking spaces and people working in coworking spaces from 2012 to 2013, only one year period. King and Ockles (2015) predicted that the number of coworking spaces would rise to 12000 in 2018 and the number of professionals working in coworking spaces will rise to 1 million globalwide. According to Statista, there will be some 22,400 coworking spaces worldwide by the end of 2019. Coworking in the United States has gained popularity during recent years. In 2017, there were over 4,000 coworking spaces in the U.S. This number is predicted to increase to over 6,200 by 2022. In 2017, there were about 1.18 million people who worked in coworking spaces worldwide. In the United States alone, there were 542,000 people working in coworking spaces in that year. Manhattan was the largest coworking market in 2018, with Regus and Wework play a dominant role in this market.

Benefits brought by coworking spaces must be large enough to explain its rapid expansion. Land et.al (2012) pointed out that coworking spaces is best for short-term projects and enables companies to secure cheap but creative labor in market without a long-term formal employment contract. Ross, P & Ressia, S. (2015) stated that it can potentially reduce the number of locally-based people. Also, enhancing the social interaction between workers in different organizations to create potentials for future innovation and entrepreneurship is a frequently cited benefit of coworking space (Hyde 2003, Spinuzzi 2012). Parrino (2013) and Capdevila (2013) both emphasized the knowledge transfer in coworking spaces and recognized it can generate similar knowledge dynamics to that in Silicon Valley. Spreitzer et.al (2015) listed three reasons why we should embrace coworking spaces: company view sharing working space as an effective way to tap into new ideas; employees value the flexibility and autonomy of coworking. Coworking can reduce real estate costs and provide employees with more workspace options. Waters-Lynch, J. & Potts, J. (2017) argued that working in coworking spaces be superior to working from home because social isolation will cause psychological harm and reduce productivity. DeGuzman & Tang (2011) provides a more comprehensive comparison to highlight benefits and necessity of coworking spaces: people longs to escape confines of cubicle walls, gets bored by isolation and distraction from working solo at home and sense much inconvenience of working at public venues.

They suggested that coworking spaces provides a perfect solution here to maximize productivity and social interactions by integrating the best elements of a social space (social, energetic, creative) with the best elements of a working space (productive and functional). Daskmag (2012) implemented a survey to investigate user experience of coworking spaces. He found that improvement of productivity and increased size of social networks are two largest benefits reported by respondents. Orel (2014) actually found that the largest benefit of coworking spaces should be " creating an environment that encourages innovation and represents a promising solution to reviving the economy". Moriset (2013) shared a similar opinion that regarding coworking spaces as potential "serendipity accelerators" to break isolation and find a convivial environment to collaborate in the rapidly changing business world.

The business model of coworking spaces evolved from convenience sharing to collaborative community-building with its rapid expansion (Mitev, n. et.al, 2019). The "community" term is increasingly used to describe the coworking space model. But Rus, A, & Orel, M. (2015) grants a new meaning to coworking communities compared to the traditional concept of "community". More specifically, they argued that that coworking spaces not only share some similar features of communities such as sharing, belonging, reciprocity and trust, but also embraces openness to new people, new ideas, innovation, and to other communities. More importantly, they concluded that valuing the heterogeneity / diversity and reliance on a modern organization structure that differentiates it from traditional communities. Waters-Lynch, J. & Potts, J. (2017) proposed the concept of "micro social economy" to describe the model of coworking spaces rather than "community" because the latter term affords little explanatory and predictive power for emergence of coworking spaces. They borrowed an opinion from Emami 2012 that the process that independent workers within the same coworking spaces collectively figure out what to do next and with whom in the rapidly evolving business world is a social activity. And they further argued that in the entrepreneurial context, social learning is a more useful overarching model. Spinuzzi (2012) extracts two conceptual configurations of coworking spaces based on the agreement that coworking spaces is a community: the Good Partner model and the Good Neighbours Model. The former model puts more emphasis on collaboration of members working on the same project. The latter posits that people "work together alone" but collaborate for the community.

2.2 Location choice of Coworking spaces

One main research question answered by my thesis is what kind of buildings and districts will be favored by coworking space firms in site location choice. Limited empirical research is done in this field but some existing studies provide meaningful implications to capture the pattern of site choice. Weijs-Perree, M. et.al (2019) analyzed user preferences for coworking spaces and found that a workspace with inspiring environment and affordable accommodation attracted people. Also, results from a mixed-multinomial logit model show that accessibility and atmosphere/interior are most important considerations in the site choice. More specifically, accessibility to car and public transit, a semi-open layout and a homelike interior appeal to coworking space users' preference. Capdevila (2013) found that a coworking space closer to residential districts or near a more central and accessible location is preferred by users. Remoy and Van der Voordt (2014) also emphasized the importance of accessibility of the location by public transit, bicycle and car. However, their empirical findings deny the significant effects from facilities/services such as reception and hospitality, events and diversity in supply spaces although these factors are viewed to help enhance the sense of community in coworking spaces. (Fuiz, 2015) found that a building having a combination of open and closed workspaces for various functions is a good choice for coworking space. The mix of both standard and coworking spaces is desirable. Because such interior design is expected to reduce noise and protect privacy for workers. Sykes (2014) informal meeting and event spaces in the building can add value to coworking spaces. But their research findings also show that some premium facilities such as bard and fitness centers are not valued by coworking space workers. Merkel(2015) and Capdevila (2013) find more parking spaces will facilitate the coworking space site decision.

Kojo, I. & Nenonen, S. (2016) summarized 6 coworking space typologies: public offices, third places, collaboration hubs, coworking hotels, incubators and shared studios. Mariotti, I. et.al (2017) examined the coworking spaces' location patterns and effects on urban form in Milan. Their observations demonstrate three location determinants for coworking spaces: the high density of business activities, the proximity to universities and research institutions, and the accessibility to a good local public transportation network. Additionally, coworking spaces in Milan are usually located in areas far away from the city center to secure low rents and enough vacant space. Neighborhoods with a higher proportion of immigrants and communities with many former industrial or commercial buildings usually have a larger number of coworking spaces.

Coworking space development and its contribution to entrepreneurship will be another important component of this thesis.China is launching the nationwide "grassroots innovation and entrepreneurship" campaign and coworking spaces is viewed by governments as an effective channel to promote innovation economy. Since China's coworking space development is guided by a mix of planning and market economy, It is meaningful to explore the location choice of coworking space in China. Some previous studies done by Kenny and Patton (2005) and Zook (2008) confirmed that closeness to banks and venture capital firms are important factors for entrepreneurship clusters. Also, because a strong governmental role in startup development, geographical proximity to major governmental offices such as the Development and Reform Commission, the Technology Bureau and the employment service center are important characteristics of many coworking spaces (Wang et.al 2017). Similarly, coworking spaces in China also tend to be close to universities, research institutions, and metro stations. It is worth noticing that most coworking spaces in China choose to locate near the city center (within the inner grid), which is different from the case in U.S. Coworking space developers in China do not view cheap rent and large vacant office space as the two most important considerations in location choice. Instead, they value the spillover effects in capital, talents, information and public infrastructures. Noticeably, few coworking spaces are located in the CBD but they are usually pretty close to the city center (Wang, B., & Loo, B.P., 2017). One reason behind that is many coworking spaces receive subsidies from governments and enjoy the rent count. Besides the government subsidy, some coworking spaces in China also cooperate with some large state-owned enterprises and universities to transform their old warehouses, dorms and office buildings into coworking spaces. State-owned enterprises in China usually occupy large lands and buildings. Coworking space clusters developed in Shanghai No.1 Cotton Mill vacant buildings and coworking spaces in Beijing Shougang Steel company old industrial site are two prominent examples.

2.3 Coworking space and Entrepreneurship

As discussed above, about 20% of people in coworking spaces are entrepreneurs and the majority of them are independent professionals. Also, one major benefit of coworking space is to encourage collaboration, creativity and entrepreneurship. Whether coworking spaces can really enhance entrepreneurship require more empirical efforts but little academic attention is paid to it(Van Rijnsoever & Steinz, 2014). But some existing literature can provide some implications.
Marx (2016) emphasized the importance of coworking spaces as a new paradigm of work for entrepreneurs. He recognized the coworking space's role to contribute to the positive development to startup scenes in current dynamic ecosystem. Fuzi (2015) conducted an empirical study in Wales, UK to find that coworking spaces really promote entrepreneurship in regions with little entrepreneurship though "creating the hard infrastructure particularly designed in such a way that the soft infrastructure necessary for entrepreneurship also emerge". Waters-Lynch et.al (2017) thought that coworking spaces created a more pleasant environment which enables people to find people, ideas and resources necessary for start-ups. Burret and Pierre (2014) suggested that coworking spaces' working environment can help enhance people's social skills and gradually formed the "network effect". Fabbri (2015) confirmed the "labeling" and "window" effect: coworking spaces can not only facilitate knowledge transfer but also make it easier for entrepreneurs to find partners.

2.4 Risks of Coworking spaces

The failure of WeWork's IPO and budget crisis it is currently involved remind people of examining financial and operation risks of coworking space provides. It is crucial to check the robustness and sustainability of coworking space business models. Moriset (2014) firstly proposed the concept "coworking bubble". He expressed serious concerns on coworking space providers' prevalent exploitation for branding, marketing and business purposes. Mariotti, I. et.al (2017) recognized that coworking space was definitely not risk-free and pointed out several operational issues worth further investigation by integrating discussions from several previous studies. First, we could not deny the fact that most coworking spaces were leased to knowledge, creative and digital production which had very low profitability(Gill and Pratt, 2008; Grugulis and Stoyanova, 2011). Under such circumstance, coworking spaces may only be a remedy for those firms who cannot afford higher rents, instead of a place encouraging and facilitating innovations. Also, the low profitability of these industries expose coworking spaces to great uncertainties in the business development process. Florida (2002) also doubted the overenthussiasm on the degree to which coworking spaces can accelerate innovation. Second, it is very likely that coworking spaces become a comfort zone for skill-intensive elites rather than socialize the effects from improved productivity. Third, coworking spaces intercept a loose work modality that is located between collaboration and cooperation on the one hand and competition in the other hand (companies cluster in the similar industry) (Mariotti, I. et.al 2017). Also, some news articles discussed some risks for coworking space tenants such as thefts and data/privacy leakage. A case study written by William Wheaton (2019) discussed whether coworking can work. Three equilibrium conditions in the coworking market are listed: CoWorking service providers must be able to pay at least as much for space as traditional company occupancy in order to acquire it from landlords; Then CoWorking providers have to rent that space at a part time or hourly rate to (relocating) corporate tenants that is higher than the full time rent they pay landlords for it - in order to operate a viable business. This rent differential can be less only to the extent they are successful at keeping space continuously occupied through hoteling; The higher rent they charge for part time occupancy must be less than the corporations were originally paying for full time space. Hence lower occupancy costs per worker. This article pointed out that coworking spaces are very likely to get impacted by risks associated with rental income because the short leasing term and high risks of tenants. Additionally, term mismatching is serious in the coworking industry. Coworking space provides signed a long lease with building owners but lease the space separately to small companies in a much shorter term, which is the same as "maturity mismatching" in the Great Financial crisis.

Benefits of coworking spaces: financial upside: not only focus on WeWork (do a deep dive on Regus. Landlord did not treat them as financially risky. Longer free rent period, more tenant concessions, WeWork get more. All tenants within the same building.

III. Comparison Framework

The comparison framework used in my thesis consists of three parts: expansion strategy, financing and supporting role to entrepreneurs and enterprise clients.

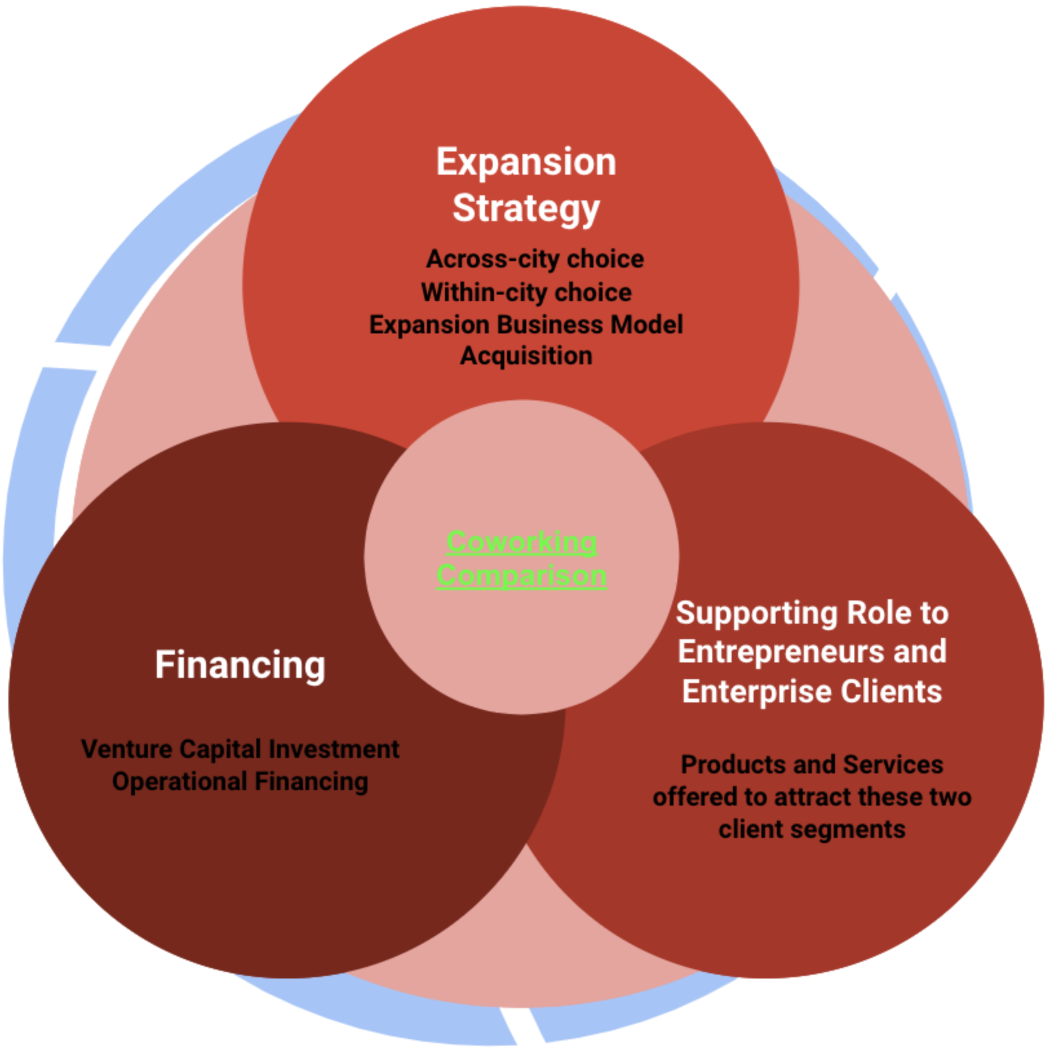


Figure 3: Comparison Framework (Conceptual Model)

I start by analyzing the expansion strategy of these coworking companies. A general development trend and expansion rate will be introduced. Then I will analyze the pattern of their across-city and within-city expansion choice. The expansion into several key cowering markers will be discussed respectively. After that, I will validate why some factors become common considerations in location choice for different coworking companies and provide some possible explanations for any variations. The next sub-metric is building selection. More specifically, what type of buildings these coworking space providers favor and why, whether the building type preferred varies in different stages of the development process and gets aligned with the company's overall strategy, and future trend in building selection are three questions to explore. After presenting their city, location and building selection, company-specific business model used to support expansion strategy will be analyzed. Since most leading companies are framing themselves beyond a coworking space provider by enlarging the business activity scope, I will also discuss the providence of new products or services for each cowering case selected in my thesis. Critical evaluation of whether such diversification strategies could promote overall business performance follows. Finally, I briefly discuss whether the cowering company has acquired some smaller players in the coworking industry and whether the acquisition can enhance their market presence.

Next, I evaluate financing strategies of each coworking companies in detail. I introduce all necessary information for each fund-raising round including investor composition and relationship, financing structure, total funding size, each investor's contributions. time to close the series, and the main usage of acquired financial capitals. The relationship between each series of funds raising and the following expansion decision is also explored, as well as how the new financing influenced the company's business strategy. Depending on information availability, I evaluate current operational financing situation and profitability from main business for a few companies. How do they balance funding from venture capital, corporate loan and operational revenue will also be explored. Venture capital financing section has much more detailed and organized information than the operational financing section because of limited disclosure of financial reports.

After analyzing different providers' expansion and financing strategies from a comparative perspective, I will evaluate their roles (positive or passive) in facilitating entrepreneurship and innovations from two dimensions: infrastructures and services. The cowering industry has increasingly realized the large business potential of targeting at corporate clients which need a more flexible but still decent working space. A growing number of coworking companies, especially those leading ones, have started to attract enterprise clients by providing customized office products or services. So I discuss the supporting role to enterprise clients for each coworking case in comparison to their role in promoting individual entrepreneurship. Potential benefits and risks of different client focus (entrepreneurs vs enterprise clients) are also examined. These two sections can formulate a coworking company's client strategy. It is necessary to include both of them into discussion since whether entrepreneurs or enterprise clients is the main customer base has become an effective classification scheme for coworking companies. This is a crucial strategic decision to make for most coworking players. The decision outcome will have deep impacts on their expansion and financing strategy, as well as product design.

IV. International Comparison for WeWork and IWG

4.1 WeWork Development Across Three Markets

WeWork makes its open floor plan more appealing to young professionals and provide value-added activities and amenities such as craft beers, pingpong tables and annual camping retreat etc. To some degree, WeWork wants to define the globally standardized coworking space environment which put great emphasis on Western culture by keeping its interior space homogeneous.

[3]**Figure 4: WeWork Global Coworking Locations Distribution**

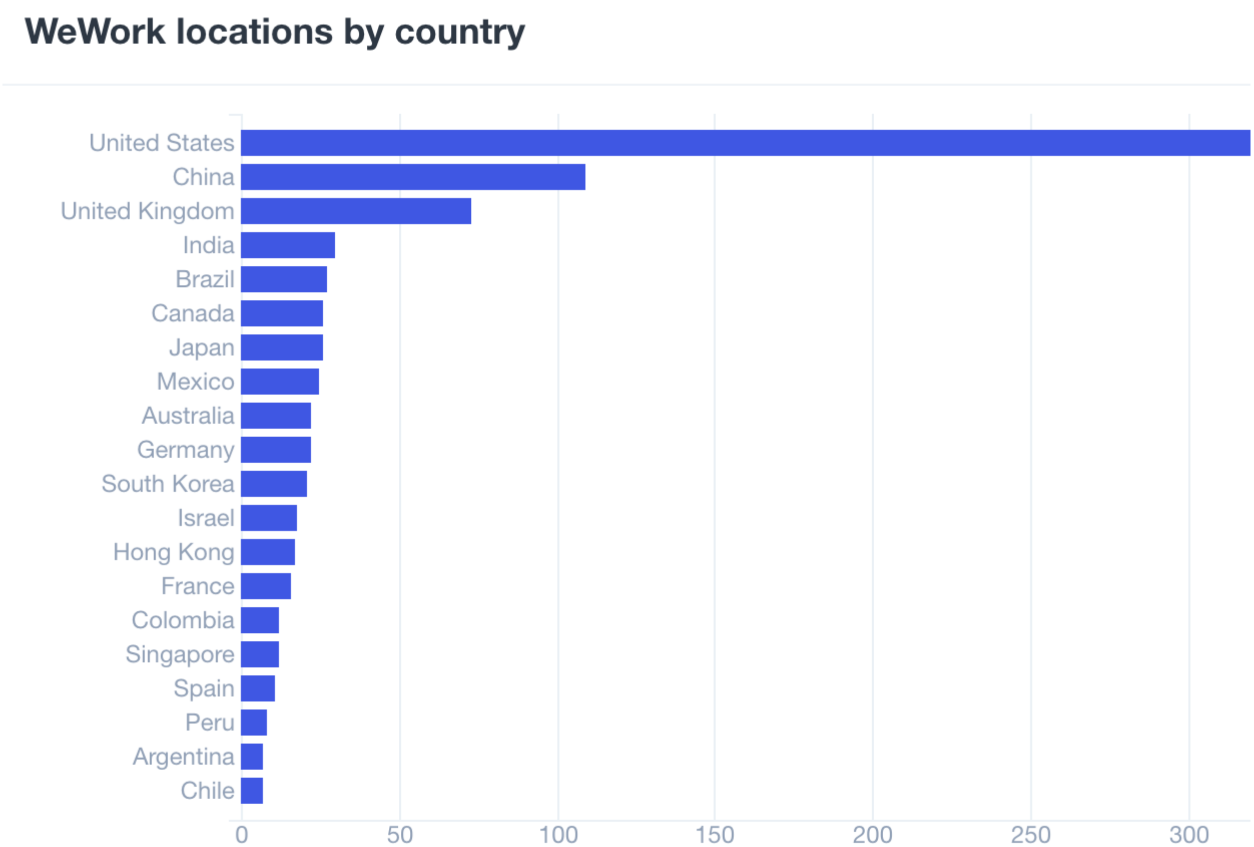
SInce there have already been numerous case studies on WeWork in the United States, I choose not to discuss specifically on Wework's development in this market in my thesis. Instead, I put emphasis on the China and European market for the international comparison.

According to a report by Qianzhan, China is well on the way towards becoming the world's largest coworking space market. The total square foot increases by 400% from 2016 to 2018, reaching about 167 million in 2018. WeWork cherishes the Chinese market, as indicated by mentioning "China" for 173 times in We Company's prospectus. WeWork found a joint venture called "ChinaCo" with Softbank, Hony Capital and Trustbridge to expand its business in China. WeWork, owning 59% of ChinaCo's shares, is the sole operator of business in Greater China. Since its establishment in 2017, ChinaCo has opened WeWork offices in 125 buildings across 12 cities in China, which accounts for 15% of WeWork's total locations. Revenue from Chinese market takes about 5.5% of the total in 2018, almost doubling the level in the previous year. Property and equipment takes up 5% of the total.

WeWork has been suffering from high vacancy rate and operating costs in Chinese market. While local players tend to compete with WeWork by offering coworking space with a much more reasonable costs. WeWork usually choose prime locations in Chinese large cities to open

[3] Figure 4: https://media.thinknum.com/articles/wework-pricing-shows-volatility/

coworking spaces, leading to high leasing and operating costs. [4]As pointed out by Liu Chengcheng, the CEO of Kr space, WeWork China's expansion strategy in China is CBD-driven instead of client-orientated. So its operation requires much funding to sustain. Most WeWork spaces need to achieve at least 65% occupancy rate to break-even. But according to Nikkei Asian Review, the average occupancy rate of WeWork in cities such as Shenzhen is only around 40%. After the delay of IPO, WeWork temporarily holds its 2021 expansion plan in China. This decision does not influence coworking spaces scheduled to open in 2020.



[5]Figure 5: WeWork Locations By Country

Coworking space companies usually offer a few tiers of memberships -- hot desks, dedicated desks, private offices, office suites and customization. Hot desks members have access to shared workspace and floating seating. Dedicated desk members have their own dedicated desk where they leave their belongings. Private offices and office suites are more expensive and some small startups rent suites for their teams. Customization is usually for enterprise clientele, who may have over 500 employees. Local competitors in Chinese market tend to choose less central locations and non-class A office buildings to open coworking spaces, and tend to spend less money in interior design and amenities. So they achieve great price advantage over WeWork. To survive in

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[4] https://www.sohu.com/a/135864681_649048
[5] Figure 5: https://media.thinknum.com/articles/wework-pricing-shows-volatility/

this market, WeWork China has to push itself to the "high-end market" and office more customized offices to institutional clients.

WeWork maintains its building leasing strategy in China, which means that it firstly rent the office space from landlords then transform it into coworking spaces, finally lease to individual or institutional clients. But such business model is very demanding for cash flows, exposes WeWork to financial risks, and limit the expansion rate. WeWork operation in China faces a complex of economic and political risks. It not only faces much fiercer local competition, but also needs to struggle with much more institutional barriers than in other countries. WeWork has a loosen control over its Chinese division's management team. Chinese law puts a more stringent constraint on length of lease and WeWork has to follow regulations such that allowing government scrutiny of data storage and security during operation. Such regulations are rare in other countries.

Besides expanding its own business, WeWork also acquired a local coworking space and business incubator provider "NakedHub" to serve business at different sizes. As a multi-national coworking space provider, WeWork plays an intermediate role in providing offices space to foreign companies newly entering China (e,g Lululemon) and provides working space for some emerging Chinese companies (e.g Mobike and Didi) which plan to expand its business through its global network.

Currently, WeWoro concentrates in mega-cities in China: Beijing, Shanghai and Hongkong. It plans to expand its business into key second-tier cities (e.g Xi'an, Shenzhen, Suzhou, Hangzhou, Xiamen, Chengdu, Nanjing, and Wuhan). These cities include central cities in Mid and Southwest China, and coastal cities. WeWork's new round of expansion into these cities represents its ambitious step in Chinese market. WeWork Asia managing director, Christian Lee, told the media that WeWork will continue its expansion in China because credible growth and innovation there. [6]

WeWork founded its Chinese division in 2017. Shortly after July 2017, it gets $500 millions venture capital in the Series A and another $500 millions in the Series B to accelerate its expansion. Main investors for its Chinese expansion include Trustbridge Partners, Temasek, SoftBank, SoftBank vision fund and Hony capital. [7]WeWork seems to be quite successful in issuing shares or debts for financing in Chinese market compared to local competitors who heavily relies on corporate loans and asset-backed securities. Softbank plays an influential role in injecting capital into WeWork's divisions (ChinaCo, JapanCo, PacificCo) in Asia through SBWW Investments Limited. [8]

In 2018, Greater China region contributes $99.53 million to its total revenue, which is only lower than what U.S and U.K market contributes. But according to the IPO prospectus, WeWork stated that the China region brought down the overall contribution margin in the six months that ended June 30 by 3 percentage points. It also loses $900 million in the first half of 2019 for Chinese market. WeWork faces challenges in future expansion in China because the decelerated economic

[6] https://asia.nikkei.com/Business/Startups/WeWork-halts-China-expansion-as-it-struggles-to-fill-offices
[7] https://www.wework.cn/press/?p=112
[8] https://www.ft.com/content/b5104854-f6ac-11e9-a79c-bc9acae3b654

growth and rapidly increasing competition from local players. Main local competitors include Ucommune, Nash Space and Kr Space. WeWork partners with a local real estate firm Shanghai Huge Enterprises, a subsidiary of an investment firm Legend Holdings to lease and open new coworking spaces in Shanghai. Goldman Sachs plays an advisory role in WeWork's expansion in China. According to the review by the Financial Times, WeWork China occupancy figures indicates poor performance in several key cities in the country. WeWork locations in Shanghai, where it has installed 43,600 desks, had a vacancy rate of 35.7 per cent in October. In Shenzhen, where the company has 8,000 desks, 65.3 percent were vacant, while 22.1 per cent of the group's 8,900 desks in Hong Kong sat unfilled. The company was also expanding in central China, with multiple offices in Xi'an. There, it suffered a vacancy rate of 78.5 per cent.

WeWork launched a series of value-added services such as customized office space interior design catering to enterprise clientele since it started business in China. WeWork China also allow its institutional clients to reserve working space for any time period through WeWork global network. Such services enable WeWork to double its enterprise customer volume and revenue from enterprise clients contribute about 30% of its increased revenue month over month. Meanwhile, WeWork accelerated its progress in playing a more active role to support startup business in China. In June 2018, WeWork brought its new business line called WeWork Labs in West Nanjing Road, an expensive business avenue in Shanghai. Welab is quite similar to business incubators or innovation spaces. [9]Some industrial experts doubt the growth of its first Welab in China because of concerns such that Shanghai has witnessed too many innovation spaces and incubators emerged during recent years and startups may not afford high rents in such a popular business district.

Different from Welab operation in other countries, WeWork puts great emphasis on building local social networks through cooperating with existing market players in launching Welab in China. Main reason is that "social network" (guanxi) is a significant determinant of business success in China. Roee Adler, global head of WeLab, told the media that WeWork would cooperate with several local innovation space providers and industrial giants to jointly operate Welab business line. [10]Moreover, WeWork would hire a lab manager for each Welab in China. Desired candidates for this role should be local residents who has rich experience and good connections with venture capital firms or entrepreneurship-related institutions. Local partners take charge of screening startups who applies to become Welab members. Main selection criteria include ideas, business models, financing situations etc. In addition, WeWork and local partners will work together to provide cloud-based services, mentor training, legal advisory, workshops, recruiting and marketing events within WeWork global community for Welab members.

Startup business can enjoy Welab supporting services by paying about $300 per month per personnel. Welab will not require them to share the ownership of business. In China, Welab targets at startups which are during the very initial stage of development. All accepted Welab members will automatically become WeWork members, which means they will have access to all WeWork services with a much lower costs. However, innovation-driven economy and venture capital industries are gradually cooling down in China, based on some private equity reports and annual

[9] https://www.jianshu.com/p/2c3b68d9e2e5?utm_campaign
[10] https://www.wsj.com/articles/wework-parent-weighs-slashing-its-valuation-roughly-in-half-11567689174

reports from Zhilian Zhaopin, main China online job platform. The launch of Welab in Chinese market at this time period may not be as promising as expected.

In European market, WeWork now has about 50 locations in London alone and has been opening coworking spaces from Manchester to Moscow. WeWork faces stiff competition from its rival IWG Plc and many local coworking space providers. A Colliers International Group Inc. report finds that the number of serviced and coworking spaces almost tripled in Europe during recent 5 years. The report also states that WeWork and IWG take up 78% of flexible work-space in European market. By the end of 2018, WeWork has about 600,000 square meters of office space in Europe market. In the UK alone, WeWork has about 35000 members by the end of 2018.

WeWork established a company called WeWork International for European market expansion in 2014. It is a UK-registered holding body which monitors internal costs for WeWork's European operations including payroll, marketing and start-up expenses not directly linked to buildings. WeWork entered London market in 2014. In the following years, it successfully convinced many investors that its branded fashionably relaxed office design, emphasis on community-building, and monthly payment flexibilities would achieve great success. [11]WeWork now operates about 50 properties in London, becoming the city's largest private sector office tenant. London is now WeWork's second largest market, only behind NYC, according to a JLL report. [12]

Blackstone Group's The Office Group and Germany's Design Offices are two most significant local competitors of WeWork. WeWork's business in Europe initially concentrates on a few large cities, especially Amsterdam and London which are top coworking space market in the world. But WeWork expands quickly in cities such as Berlin, Paris and Rome. One constraint for WeWork's expansion in Europe is that the innovation-driven industries are less developed in many cities. However, recent statistics show that nearly half of Euorpean workers are self-employed, temporary contract, and part time, which indicates the great coworking space market potential. WeWork International Limited increased its holding of coworking spaces in UK by about 50% (39 sites) in 2018. Moreover, dozens of projects are in the pipeline. It now owns 61 shared office locations in the UK. Expansion in other major European cities are also well in progress, especially in Germany. [13]

Revenues at WeWork International Limited rose 90.3 per cent to £35.8m during 2018 but administrative expenses — which include rent, staff and other costs — increased more than fourfold to £109.8m, which pushed up losses. Staff costs at the holding company, which account for a majority but not all employees in the Emea region, more than doubled to £39.5m as a hiring spree accompanied the group's expansion drive. WeWork said the company was "a services holding company that primarily exists to hold centralised set-up costs for UK and European operations, and receives revenues only as a small percentage of building profits, collected as a management fee". "Its financial performance is therefore not a representation of the health and profitability of the overall UK business," the group said.

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[11] https://www.bloomberg.com/news/articles/2019-05-01/wework-s-european-expansion-faces-growing-competition-before-ipo
[12] https://www.us.jll.com/en/views/snapshots/los-angeles-snapshot-5-29-19-jll
[13] https://fortune.com/2019/09/22/wework-london-brexit-ipo/

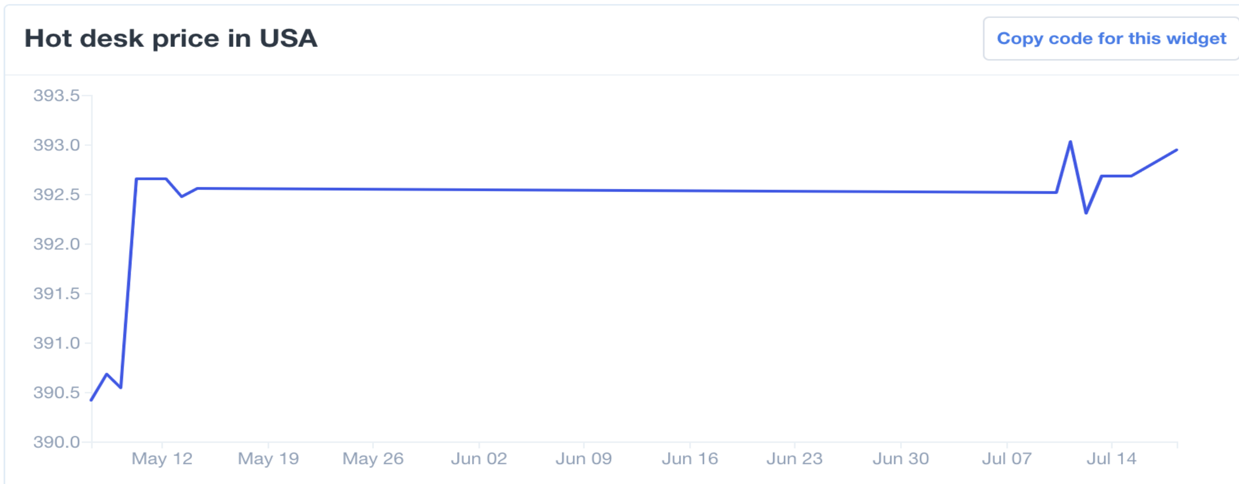
WeWork China mainly relies on venture capital investment. However, debt is a significant portion of WeWork's financing in Europe. Lenders for WeWork in Europe include banks, credit funds, and real estate debt brokers. A lot of lenders in Europe has nearly reached their allocation limits for WeWork, which makes them more cautious towards WeWork-related loan decisions. Some banks in Europe increasingly felt more reluctant to enlarge their exposure to a single company.

Regarding operational financing, existing WeWork locations in European are profitable and the average occupancy rate is 80%. Revenue in 2018 doubled the level at 2017, reaching about $1.8 billion. WeWork's internal costs in European business previously filed consolidated accounts as part of the entire WeWork group. However, the structural change in the parent company now separates internal costs from Europe out. [14]WeWork International is charged a large amount of management fee expense by We company to exchange support services.

WeWork's European business almost triples its loss up to 32.3 million pounds in 2017 compared to the previous year (11 million pounds). However, its UK market revenue doubled because of rapid expansion in London's market. WeWork international now has taken more than 3 billion [15]pounds lease over the next two decades. Costs have risen considerably as the company keeps acquiring new spaces. For WeWork International, staff costs almost tripled to 18.6 million pounds in 2017. Occupancy and infrastructure costs increased by 60% to 41.3 million pounds and rent rose by 52.8 percent to 54.8 million pounds in 2017.

Losses at WeWork International Limited, WeWork's main European holding company, rose by 10-fold in 2018 relative to the level in 2017. The company's rapid and large scale expansion in London and other major European cities is one major cause for such great loss. Its losses shot up to £75.9m in 2018 from £7.6m in 2017, according to accounts filed with London's Companies House. [16]Subsidiary companies used for individual sites also filed accounts showing that three WeWork venues, all in London, were profitable — but these accounts did not provide details of staff costs. The profitability of WeWork's individual sites is a vexed question. Rett Wallace, founder of the analysis firm Triton Research, has accused the company of failing to divulge the unit economics of its office locations in pre-IPO documents filed in August. A subsidiary company that holds the lease for Moor Place in the City of London, one of WeWork's largest sites with 3,200 desks, more than doubled pre-tax profits to £3.7m in 2018 from £1.6m a year earlier.[17]

[14] https://www.cityam.com/weworks-european-operational-losses-skyrocket-amid-london-boom/
[15] https://www.bloomberg.com/news/features/2019-03-29/wework-s-rapid-growth-has-some-lenders-cautious-over-rising-debt
[16] https://www.linkedin.com/feed/news/weworks-uk-expansion-pays-off-2255609/
[17] https://www.bloomberg.com/news/articles/2019-10-11/wework-investors-window-into-u-k-business-obscured-by-accounts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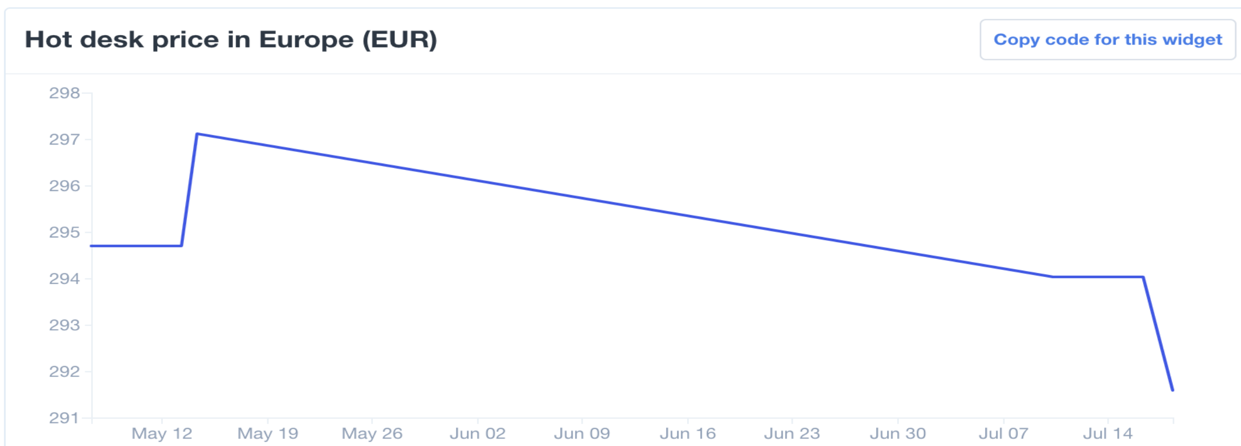
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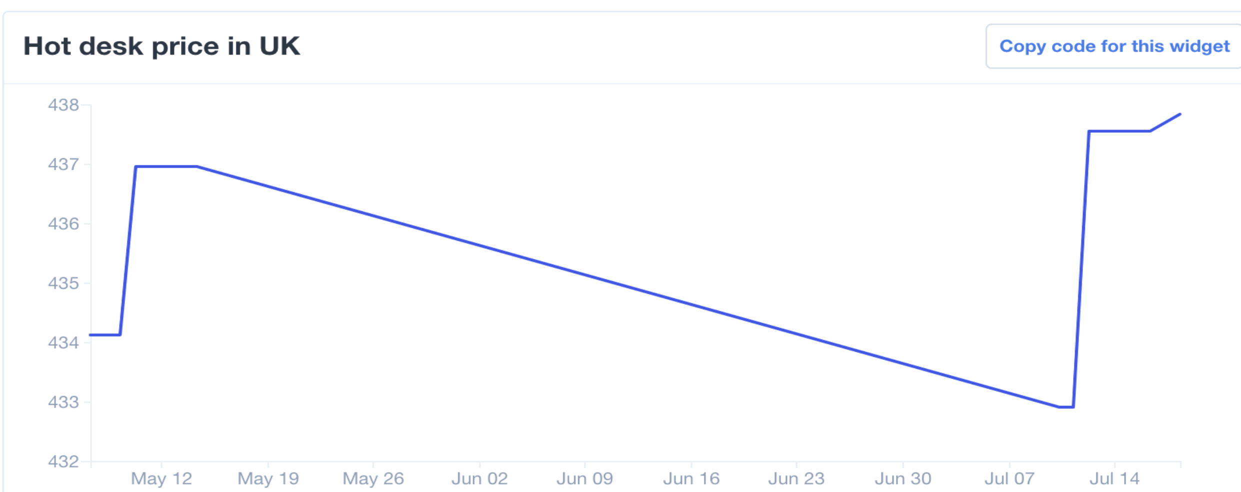
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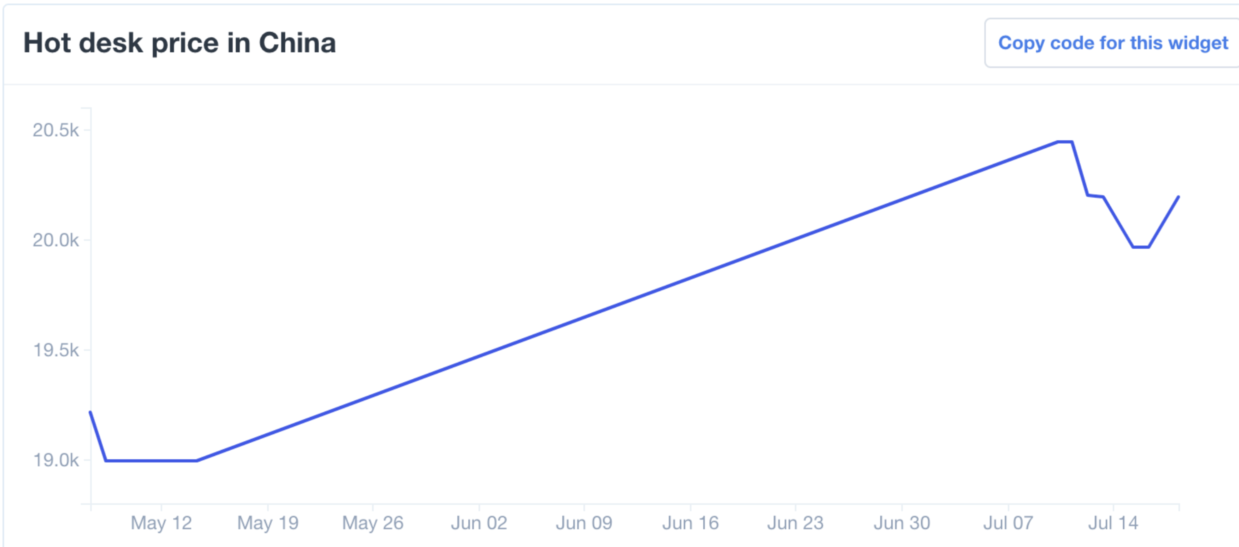

[18]**Figure 6: WeWork's Hot Desk Price Across Different Markets**

[18] Figure 6: https://www.bloomberg.com/news/articles/2019-10-11/wework-investors-window-into-u-k-business-obscured-by-accounts

4.2 IWG Development Across Three Markets

Corporate clients now make up about a third of WeWork's customers in Europe. Regus usually chooses class A office buildings in the CBD. Typical customers of Regus China include divisions of cross-national firms, short-term project team of large enterprises, small and medium sized enterprises with strong purchasing capacity, and business professionals.

It is hard to find details of Regus expansion plan in China. But as indicated by Conna, the number of Regus spaces increase from 70 to 100 in 2013, a pace which far exceeds other markets. China has become Regus's fourth-largest market. The Regus network in China now covers 30 cities and provides businesses with easy access to this fast-evolving market. Spaces and Regus are expanding their base at a host of up-and-coming business hubs around the continent. To meet the growing demand of flexible working spaces in these regions, Spaces is expanding into countries where more firms are looking to spread their wings, or where global corporates are aiming to gain a foothold in the rapidly developing region.

Spaces has expanded to 13 sites in 40 locations across Asia, opening its first offices in Jakarta (WTC 3) and Hanoi (Belvedere), with additional sites in Manila, Bangkok, and Taipei. The company will also open its first site in Kuala Lumpur in July and has signed for its first site for Penang in the cultural hub of George Town at the historic Standard Chartered Bank Buildings. Regus is expanding into new sub-markets and Asian cities, such as Hsinchu and Taichung in Taiwan, Selangor, and Penang in Malaysia and Bali and Surabaya in Indonesia.

IWG's Spaces has a more comparable size with WeWork in market size than IWG's Regus business unit, a serviced office provider. IWG, owners of Regus and Spaces brand, has a market cap at 2.2 billion pounds, much lower than WeWork. But it has more office locations in Europe than WeWork and has a better financial performance. In the following part of this section, I first summarize IWG's expansion and financial performance during recent 5 years in three regions: America, Europe (EMEA & UK), and Asian Pacific from a comparative perspective. Then details of IWG's expansion and operational financing in each regional market for each year from 2015 to 2018 will be discussed specifically.

America is the IWG's largest regional market, no matter in terms of number of spaces or total revenue. U.S market, is not only the most influential contributor to the company's market share and growth in America, but also the company's biggest national market worldwide. IWG has maintained a stable revenue growth and physical expansion in U.S. Its major expansion strategy in U.S market during recent years is to opening new spaces in secondary and tertiary cities and stably enlarging its market share in several metropolis. IWG initially worked towards enlarging its geographical presence in Latin America area by entering many small and medium sized countries and expanding in Mexico and Brazil, two largest Latin-American national market. But this area did not achieve expected performance, especially those two largest national markets. So IWG has to decelerate its expansion in Latin-America and try to find effective market solutions. However, the main reason for the weak performance is slowing economy and unsatisfying doing-business environment, which IWG hardly change. Overall speaking, the sharing economy still needs a long way to gain the popularity and prosperity in Latin-America market, which further cast a shadow over IWG's development there.

For the European region, I will analyze IWG's development and performance in EMEA and the UK market separately, which is consistent with the classification scheme applied in IWG annual reports. EMEA has proven to be the market with the most rapid expansion and most stable performance during recent years. IWG keeps broadening its geographical coverage in EMEA region by entering small and countries (especially those in Middle and Eastern Europe) and adding more spaces in different major cities of some large countries within EMEA, which enable the EMEA area to be the second largest regional market for IWG. Spain, Germany and France are "star" national markets in EMEA. Such large scale expansion did not weaken the market performance in EMEA, as indicated by growing revenue, a good gross profit margin, and high average mature occupancy rate. But for most countries in EMEA market, IWG concentrates its holdings in first-tier cities and has not significantly entered smaller cities. Noticeably, IWG has a mixed development performance within EMEA area. It achieved stable expansion and robust revenue growth in Southern and Northern European countries, but kept facing challenges in Russian and Middle East markets due to unfavorable economic environment, security issues and uncertainties of international politics. As a result, IWG holds much more cautious attitudes towards adding new spaces in these two markets. "Partnering deals" increasingly becomes an important channel for IWG to speed up its expansion process without inducing considerable costs in EMEA. Small acquisitions was an additional channel for IWG to accelerate expansion process in EMEA during earlier stages. Since 2017, about 30% of new IWG working spaces in EMEA have been established through partnering deals.

IWG has been experiencing a challenging situation in the UK market. The expansion process is further complicated by UK market regulations and the company's own business strategies for improving financial performance. Regus brand had been expanding quickly in the UK until 2015. But from 2015 to 2018, IWG actually reduced the number of operating working spaces in the UK from 347 to 341. But such reduction does not necessarily mean a bad thing. One major institutional constraint faced by the company is the ruling of UK Competition and Market authority. IWG had to close some working spaces to reduce its market share, thus preventing the monopoly and help create a more inclusive business environment. In 2016 alone, IWG closed 28 working centers in the UK. However, this ruling indirectly provided IWG a good opportunity to dispose some under-performing centers and further enhance the competence of leading centers though the integration. In the following years, IWG kept selectively closing down working spaces with low occupancy rate and negative revenue growth, which significantly reduced its overhead costs. Meanwhile, IWG made large investments in renovating and repositioning existing working spaces, and opening some well-equipped working centers appealing to enterprise clients. It also acquired Basepoint, a local flexible working space provider, in 2017 to further diversify its product portfolios in the UK. IWG further divided the UK market into London market and the rest of the UK(outside London) market when making expansion decisions. Instead of adding more new spaces, the company has been consolidating its holdings, simplifying the product complex, and focusing on mid-to-high-end clients in the London market. Such expansion strategy, to some degree, helped IWG avoid significant loss and maintain a stable occupancy rate in the over-supplied London market. At the same time, IWG expanded quickly in the rest of the UK market by adding new spaces in regional centers catering to local office needs. Acquisition of some local coworking space providers also accelerated the expansion process. To sum up, the UK market is not a fast-growing market in IWG global portfolio. The company adopted a "lean" strategy in the London market and a "localized" strategy in the rest of the UK market to enhance its presence.

Asian Pacific region is viewed by WeWork, the global rival of IWG, as an emerging market with great potential demand. Asian Pacific has been featured with strong economic growth and rapid development of innovation-driven economy during recent years. IWG, although recognizing these marketing fundamentals, adopts a more cautious and conservative expansion strategy in this region. After 2016, IWG significantly decelerated its expansion in some major Asia Pacific countries such as China, Japan and Australia. But these countries are still major drivers for IWG's regional expansion. Through franchising programme, IWG also gradually expanded its market base in Hongkong, Taiwan and some south-east asian countries. IWG currently operates more than 300 coworking spaces in Great China and Southeast Asia. IWG now expects further consolidation in Mainland China coworking sector. For example, it sold 14 Taiwan office locations to TKP for 22.7 million pounds and granted the buyer the right to use Regus and Spaces brand. As repeatedly mentioned in annual reports. IWG has been watching carefully for Asian Pacific market and plans to maintain a more conservative expansion strategy at the current stage. But IWG agreed that Asian Pacific market has a promising prospect and economic growth in some main countries was sustainable. As a public company, IWG put more emphasis on profitability instead of simply achieving quick expansion to attract venture capital. One possible motivation for its tempered expansion in Asian Pacific market is avoiding the great loss induced by the burst of "coworking" and "emerging economy" bubbles. Franchising programme should be an increasingly important channel for IWG's expansion in this regional market.

Regus opened 180 locations in America in 2015 by expanding the business into most parts of this continent. U.S was the dominant driver for this growth. Regus expanded its business into secondary and tertiary markets in U.S. Moreover, Regus also achieved a significant expansion in Mexico and Brazil at the same time. IWG saw an improvement of business performance in Mexico and Brazil after recent economic struggles. By the end of 2015, Regus held 1140 locations in America.

Regus added 183 new locations to the EMEA region in 2015. It held 736 locations in total with 82491 working stations by the end of 2015. Regus exhibited mixed market performance in Europe, although overall performance is good. It achieved significant expansion in Spain. However, it faced challenges in Russian market because of renegotiation of rental agreements.

Starting from several years ago, Regus increased market share in the UK mainly through acquisitions of smaller working space providers. And acquired business started to contribute to mature business revenue in the UK in 2015. Additionally, Regus opened 45 new working spaces in the UK during 2015, adding its holdings to 347 in this country. The number of working stations in the UK experienced a small increase (from 60037 to 65721) but available inventory increased by 3% because of the decrease of the occupancy rate. Regus accelerated its expansion in regional locations in the UK to enhance its market presence in large cities in 2015. Noticeably, IWG opened its first coworking location for Spaces brand in London in mid 2015 and this space had already achieved stable occupancy by the end of that year. [19]

Asia Pacific became Regus's fastest growth region. 146 new working spaces were added to the market, increasing the total amount to 545. Average number of working stations increased from 58911 to 78751 in one year, making Asia Pacific the second largest market for Regus.

IWG opened 231 new locations in 2016. Its expansion decelerated compared to 2015 to cope with increased global economic and political uncertainties.86 new IWG locations (including both Regus and Spaces) were added to America region in 2016. After the acquisition of Spaces in 2015, IWG put more emphasis on enlarging the presence of Spaces by expanding this product line to more parts of America geographically. By the end of 2016, IWG now held 1212 working space locations in America. Average mature occupancy rate was 2.2% lower than a year before.

IWG added 80 locations in EMEA region in 2016, adding the total holdings in this region to 794. Some of these 80 locations were opened through small acquisitions. The mature occupancy rate rosed by 2% to 78.5%. IWG experienced a spatially imbalanced development in EMEA. It expanded in Southern and Northern Europe and achieved stable performance. However, IWG faces a challenging environment for expansion in Russia and Turkey because of weak economic conditions and tensions in international relations.

It is worth noticing that IWG did not expand but reduced its working space holdings in the UK market in 2016, a totally different pattern compared to all other regions. The reason was that IWG, subject to ruling of UK Competition and Market authority, had to dispose and consolidate some working spaces to create a more equal market environment. As a result, IWG opened 11 new locations but closed 28 existing locations, reducing its total holdings in the UK from 347 to 330.

IWG intentionally tempered its expansion in Asia Pacific although it still expected a sustainable growth in this region. This company only added 54 new working spaces in Asia Pacific in 2016, only one third of the level in 2015. Mature occupancy rate was constantly around 78%. IWG witnessed a growth of business in HK and India. Its share and performance in Japan market was stable compared to 2016. Since the company faced a decline in financial performance for China and Australia market, it decelerated its business expansion in these two markets in 2016.

IWG opened 65 new spaces in America region, adding the total holdings to 1265. U.S market alone contributes 36 new locations and had 1007 holdings. U.S was the focal point of IWG'S expansion in America. Latin America market contributed to one third of new opennihing. However, such contribution was made by business expansion in some small Latin-America countries. Large markets such as Mexico and Brazil still suffered from a weak performance. IWG's expansion in Canada saw a strong recovery compared to 2016. [20]

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[19] http://investors.iwgplc.com/~/media/Files/I/IWG-IR/reports-and-presentations/2016/2016-03-01-regus-plc-consolidated-report-and-accounts-2015.pdf

[20] http://investors.iwgplc.com/~/media/Files/I/IWG-IR/reports-and-presentations/2017/2016-full-year-results-report.pdf

In 2017, IWG achieved the largest expansion in EMEA across all regional markets. It opened 136 new flexible working spaces in EMEA in one year and added the Iceland, Azerbaijan and Gibraltar market to its global portfolios. By the end of 2017, IWG held 909 working locations in EMEA region. With 136 more working locations opened, the mature occupancy rate still increased by 1.4% from 75.9% to 77.3%, indicating a strong demand for flexible working space in EMEA. 56 new locations were added to the UK market in 2017 and most of them were outside the London market which experienced a significant decline in that year. IWG ended up with holding 313 working spaces in the UK market. 31 out of 56 new locations were acquired from Basepoint, a local coworking space provider in the South of England. According to IWG annual report 2018, this acquisition enhanced its competence in the UK market by adding a brand into IWG, diversifying product types and price choice, and enlarging its geographical presence in the rest of the UK (excluding London) market. 58 new IWG working spaces were added to the Asia Pacific market in 2017, increasing its total holdings to 638. Japan, India, China and Australia contributed the most to this expansion. Mature occupancy rate increased by 1.2% to 72.1%. [21]

IWG experienced a slower expansion in America market in 2018 with 59 new locations added. Spaces brand accounted for 34 of them. 25% of these new spaces were established through partnering deals. By the end of 2018, IWG held 1284 working spaces in America.

Rapid and large-scale expansion was still the main theme of IWG's business in EMEA in 2018. 148 new space locations were opened, adding the totals to 1013. About 29% of new locations were established through partnering deals. IWG selectively closed some under-performed UK working spaces in 2018. At the same time, the company built some high-quality working centers catering to the high end market and renovated some existing centers for repositioning. Finally, IWG added net 27 new locations to the UK market in 2018. About half of them were Spaces locations. Large investment had not received prominent market response: mature occupancy rate declined from 71.6% to 68.8%. IWG opened 65 working spaces in Asia Pacific market in 2018, 23 of which were Spaces product. About half of new spaces were operated through partnering deals. IWG finally held 683 locations in this market at the end of 2018. [22]

Since IWG operated as an integrated entity in various regional markets, it makes and implements financing strategy at the group level. In contrast, WeWork established companies with global investors or local companies to operate business in each regional market. As a result, regional WeWork companies have some discretion in financing. In addition, IWG put more emphasis on debt financing relative to equity financing.

IWG relied on external debt financing in 2015. Its net debt position at the end of 2015 was 190.6 million pounds. More specifically, IWG issued debt securities worth 210 million pounds which consisted of 165 million pounds three-year notes and 45 million pounds five-year notes. Additionally, the company extended and amended 320 million pounds Revolving Credit Facility expiring in 2020. These two debt financing channels contributed 474 million pounds to IWG. In the 2015 annual report, IWG pointed out its A- rating for long term debt and A1 rating for short

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[21] http://investors.iwgplc.com/~/media/Files/I/IWG-IR/reports-and-presentations/2017/annual-reports-2017.pdf
[22] http://investors.iwgplc.com/~/media/Files/I/IWG-IR/reports-and-presentations/2019/consolidated-report-and-accounts-2018.pdf

term debt created some potentials for additional debt financing in the future. Based on IWG 2015 consolidated cash flow statement, its net proceeds from issuance of loans was 383.2, repayment of loans is 330.5, and acquiring 24.5 million pounds by issuing shares.

Since IWG targeted at a less capital-intensive growth and generated a considerable amount of cash flow from the operation, the company reduced its net debt to 151.3 million pounds in 2016. It also paid 43.3 million pounds dividends and spent 38.6 million pounds in repurchasing shares. Its capital structure became more prudent in 2016. In the middle of 2016, IWG further extended and amended its key Revolving Credit Facility by 180 million pounds to 500 million pounds, with a one year extension of maturity. By using financing from this facility, IWG paid out 210 million pounds debt securities issued last year. In 2016, IWG gained 599.8 million pounds net proceeds from issuing loans. Its net cash flow from financing activities was -152.1 million pounds, about 134 million pounds lower than that in the previous year.

IWG almost doubled its net debt in 2017, from 151.3 million pounds in 2016 to 296.4 million pounds in 2017. The company also paid 48.5 million dividends and repurchased shares worth 51.1 million pounds. Its Revolving Credit Facilities still provides some space for additional debt financing. Its net proceeds from issuing loans was 651.6 million pounds and repayment of existing loans was 558.8 million pounds. The net cash flow from financing activities was -2.6 million pounds.

IWG considerably increased its net debt from 296.4 million pounds to 460.8 million pounds in 2018 after doubling its net debt in 2017. Banking partners provided great support to IWG by increasing Revolving Credit Facilities to 950 million pounds and further expanded the expiration date. During this year, the company spent 53.7 million pounds in paying dividends and 40.2 million pounds in repurchasing shares. Its net proceeds of issuing loans was 644.3 million pounds and repayment of loans was 467.4 million pounds. Net cash flow from financing activities in 2018 was 84.9 million pounds.

IWG achieves the highest operating revenue in terms of both absolute value and percentage share in America market. But IWG suffered from a weak revenue growth in UK because of competition from local companies and excessive supply in the market. Rapid development of innovation-driven economy in Asia promotes the prosperity of coworking space market. Asia's contribution to IWG total annual revenue increased from 9% in 2007 to 16% in 2017. The occupancy rate ranges from 70% to 80% across continents.

Regus mature revenues in America increased by 3.9% to 712.1 million pounds and the average occupancy rate was 83%. The company maintained a stable financial performance in 2015. Its operational revenue increased by 5.5% compared to the previous year, amounting to 321.2 millions pounds. Average occupancy rate of Regus in EMEA countries ranged from 77.6% to 79.4%, indicating a strong market performance. UK market reported a good performance. Mature revenue rose by 3.7% to 352.9 million pounds, even higher than the revenue contributed by the whole EMEA region.

In Asia Pacific market, Regus's revenue from mature business increased by 3.9% to 239.1 million pounds. Although Regus experienced most rapid expansion in Asia Pacifii, main business revenue did not increase at a comparable rate. Main revenue growth driver is lower relative REVPOW market. Rapid expansion did not lower the occupancy rate. The average occupancy rate is 85.4% in this region, 7% higher than the 2014 level. Regus started to expand its business to secondary and tertiary cities in China using capital-light deals in 2015 and closely watched any potential opportunities. The company looked forward to enlarging its presence in China because Chinese economy still maintained robust growth when the global economy slowed down.

Americas contributed most (about 40%) to Regus 2015 mature business revenue and its profit contribution was the highest (189 million pounds), almost tripling the contribution from Asia Pacific. However, mature gross margin was quite consistent across America, Europe and Asia Pacific, ranging from 25-28%. Asia Pacific had the highest gross margin.

Compared to the level one year ago, mature revenue of IWG declined by 2.2% to 826.2 million pounds. But total revenue increased by 4.8% to 923 million pounds. After the decomposition of revenue by sub-regions, U.S market reported a better financial performance than expected, which to some degree mitigated weak performance in Mexico, Brazil, and Canada. Weak currency, economic recession, and challenging market conditions were several factors leading to weak market performance of IWG business in these countries. Gross profit margin for America market decreased by 1.5% in 2016 (24.3%-22.8%).

EMEA region also witnessed a 2.2% decline in mature revenue in 2016, down to 406.9 million pounds. Similar to America region, EMEA saw a 5% increase in total revenue, up to 476.8 million pounds. Despite a slight decline in mature revenue, mature gross margin increased by 1% from 24.6% to 25.6%, making gross profit rose by 2%. IWG accounted this improvement in profitability for reduction in overhead costs. IWG maintained a more robust financial performance in the UK. its mature revenue in UK only declined by 0.7% in 2016 and gross profit margin remained at 23.4%. Mature occupancy rate did decline by 5%. But the reason was that IWG chose to increase prices and inventory in certain UK locations. Total revenue from the UK market increased by 2.9%. Reduction of working spaces in UK required by the market authority reduced the total revenue but improved gross profit because of higher operational efficiency and lower overhead costs.

Similar to America and Europe market, IWG experienced a decline in mature revenue (2.7%) but larger increase in total revenue (10.6%) in Asia Pacific market. However, its gross profit margin stayed constant. IWG experienced a decline in revenue for China and Australia market. Exposure to natural resources was cited by IWG to explain slow-down in these two large markets.

IWG experienced a 3.8% growth for open center revenue and a 2.9% increase in total revenue for America market. The total revenue for U.S market was 819.6 million pounds. Its mature revenue remained constant compared to 2016. Gross profit margin decreased further in 2017, down to 19.2%. Average mature occupancy rate stayed around 75%.

For EMEA market, IWG increases it revenue from all operating working spaces by 7.7% to 533.4 million pounds and total revenue by 6.7% in 2017. However, its mature revenue declined by 1% in 2017 to 486.1 million pounds. Gross margin declined by 1.4% to 21.7%. Financial performance of IWG varied across different EMEA countries although the overall performance was good. In the main European continents, Netherlands, Germany, Italy, Ireland and Israel were markets positively contributing to EMEA performance. However, IWG suffered from weak performance in France and Switzerland. Russian and Middle East market kept a challenging environment for IWG growth. Most national markets in EMEA reported an improved financial performance in the second half of 2017 than the first half, indicating a signal for accelerated growth. Compared to EMEA market, IWG experienced a slower growth in operating revenue. In the UK market, its revenue from all operating centers and total revenue increased by 4.8% to 425.8 million pounds and by 2.9% to 440 million pounds respectively. But the mature revenue declined by 2.9% to 398.2 million pounds in 2017, the largest decline among all regional markets. More specifically, London market and the rest of London market reported a significantly different financial performance. In the rest of the UK market, operating revenue exhibited a stable growth with the significant expansion across years. But in the London market, mature revenue decreased considerably, especially in the second half of the year. Average transaction size kept decreasing in the London market and market demand declined. The weak performance from London market drew down the mature gross profit margin by about 4% in 2017 and the mature occupancy rate down by 3.5% to 72.1%, the lowest level across all regional markets.

In the Asia Pacific market, IWG saw a 5.1% growth in revenue from all operating centers (379.3 million pounds) and 2.2% growth in total revenue (383.2 million pounds) in 2017. Asia Pacific market exhibited a much slower growth rate in operating revenue than EMEA market. One possible reason was IWG hold a more cautious attitudes in this market. Mature revenue declined by 0.6%, with some recovery seen in the last quarter. Gross profit margin rose by 1.7% to 21.2%, only behind the EMEA market.

IWG Revenue from all operating centers and total revenue in America market continued robust growth (12.8% and 9.8%) in 2018, both of which exceeds 1 billion pounds. Mature revenue also increased by 6.6% to 961.7 million pounds. Strong market growth brought a considerable growth in gross profit margin up to 21.6%, the second highest across all regional markets. the U.S market, the core of America market, generated 883.7 million pounds revenue (over 80%) alone and contributed greatly to gross profits. Additionally, Canadian market continued to grow after the recovery. However, IWG still failed to find effective solutions to boost its financial performance in the Latin America market, especially two largest national markets Brazil and Mexico. IWG tried to adopt repositioning strategy in this sub-market but the effect was weak.

EMEA market exhibited the strongest growth rate in 2018 among all regional markets. Revenue from all operating centers, total revenue, and mature revenue increased by 20.7%, 17.1%, 7.2% to 617.9, 630.8, and 527.1 million pounds respectively. Even more promising fact was that gross profit margin also increased by 2.7% to 24.3%, the highest level among all regional markets. Main European continents achieved overall good performance. France and Switzerland market recovered. Italy and Germany market continued strong performance. Russian market, where IWG had struggled for several years, exhibited some positive responses to market and management actions taken before. However, IWG faces unfavorable market conditions in Nordic countries and Middle East. IWG continues to struggle with challenges in the UK market.

Revenue from all operating centers increased by 5.2% to 425.6 million pounds and total revenue remained unchanged. Worse than, mature revenue declined by 3.5%, with a slight recovery in the second half. To tackle with declining performance in the UK market, IWG restructured inventories, renovated existing spaces and invested heavily in personnel training. All of these investments added significant costs and brought gross profit margin down by 6% to 13.1%, almost half of the level in EMEA market. But UK market exhibited positive growth in the last quarter in 2018, although the growth rate was slower than that in other regions.

Asia Pacific market also reported a significant growth in 2018. Revenue from all operating centers, total revenue, and mature revenue increased by 13.3%, 10.3%, and 4.5%. Total revenue amounted to 412.2 million pounds. Several major national markets in Asia Pacific all provide positive contributions to the overall performance. IWG achieved an over 10% growth in both Japan and Hongkong market. Revenue grew at a faster pace in the first half of 2018 than the second half in both China and Australia market. However, IWG faced business decline in India and Singapore market. Gross profit margin rose by 0.9% to 20.7%.

IWG significantly developed its enterprise client portfolios during 2018 by improving its national networks and product offerings to cater to the demand of enterprise clients. As indicated in IWG 2018 interim results, the largest enterprise client of IWG occupied 100 IWG working spaces in 32 different countries. Most enterprise clients used over 100 IWG centers in total. Some of them were in one country and some occupied spaces in multiple countries. IWG put emphasis on growing partnership with enterprise clients to deliver high quality global services.

IWG has been a partner with Google on providing global working spaces for 18 years. In UK market, IWG providing productive office environment to BT by customizing floor designs and enabling access to shared amenities. In the Netherlands, Regus tailored a whole floor exclusively for Nike to create a new working environment which could enhance collaboration and productivity.

IWG tailor their service terms and product mixings to satisfy the need of various clients ranging from large enterprises, small and medium sized enterprises, startups and freelance individuals. For large enterprises, IWG usually made one or more floors exclusively for them and customize office design into a format consistent with corporate culture. IWG also creates business agility which allows corporate customers to scale up or down their business according to market changes. For multinational enterprises, IWG also provides global working space solutions for them because it holds over 3100 locations in 1000 towns and cities across the world. For small and medium sized enterprises, IWG provides them with cost-effective but high-quality sites close to target clients and markets. The company also provides a wide range of flexible work space choices to SMEs to fit their aspirations. SMEs can enjoy reliable and non-intrusive services from IWG shared spaces, which eliminated the need to hire non-core staff. Moreover, IWG enables SMEs to have access to the latest office technology with 24/7 technical support and business-class infrastructure. It also provides meeting spaces either in the working space this SME is based on or in any drop-in centers worldwide.

IWG provided comprehensive services to startups to encourage entrepreneurship and innovations. The company aims to help entrepreneurs focus on their main business and enjoy benefits from excellent IT, security and telecommunication services in a professional environment. Specific services tailored for startups include: cost-effective, fully equipped spaces that help you punch above your weight for heightened credibility among clients, prospects and employees; flexible leases, with minimal lead times and no set-up costs; reliable service support that frees entrepreneurs to concentrate on getting their venture off the ground; a clear and compelling upgrade path that can cater for your needs at every stage of development; access to virtual office services that give you the freedom to work wherever you need to; the opportunity to work in inspiring spaces which align an appealing vibe with a corporate standard of quality and service; constant innovation and R&D from a committed flexible workspace provider; the chance to brainstorm with and learn from other businesses. For freelance individual employees, IWG provides an affordable and professional working environment and regularly organize networking events for them to meet people sharing the similar vision. Freelance individuals can also have access to latest technologies and rights to reserve meeting spaces.

V. Continent-specific Case Study (You+, Talent Garden and Industrious)

5.1 You+ Youth Hostel

You+ Youth Hostel is an ecosystem which integrates coworking space, coliving space, incubator and public entertainment space. “Lifestyle, Home and Community” are three key concepts of You+ business model. Coliving space plays a “platform” role in You+ community. The core of this ecosystem is coworking space customized for young entrepreneurs. You+ attracts young professionals and entrepreneurs through providing them with affordable and decent working and living space, and then providing value-added services and products to facilitate communication and cooperation among individual tenants.

[23] **Figure 7: You+ International Youth Hostel Community**

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[23] Figure 7: https://www.archdaily.com/884644/you-plus-international-youth-community-shenzhen-officeproject

A. Expansion Strategy

An analysis on You+ ‘s current location/site choice patterns and expansion plans is conducted. Most You+ communities are located in the first or second tier cities in developed regions of China. You+ community has entered all three largest metropolis in China: Beijing, Shanghai and Guangzhou and Shenzhen. Guangzhou is the city with the most You+ communities. The first You+ community was opened in Guangzhou and now the company operates 8 communities there. 4 communities are opened in Shanghai, 3 in Shenzhen but only one community was opened in Beijing. The density gap between Guangzhou and Beijing cannot be effectively explained by the fact that the first You+ community was opened in Guangzhou. Because You+ entered Beijing market quickly after its initial success in Guangzhou. Also, You+ community in Beijing is the one getting most media coverage and visited by top leaders in the central government. Some market and policy factors account for such gap. Compared to Beijing, Guangzhou enjoys significantly lower office rent and housing price, which provides You+ a more reasonable leasing and renovation costs. Additionally, numerous coworking and coliving space providers cluster in Beijing since it is a designated pilot city for the national “mass innovation and entrepreneurship campaign” and is featured with rich technology, governmental and financial resources. It is certain that You+ face a much fiercer and competitive market environment in Beijing, resulting in a relatively small market share. In terms of policy factors, Beijing city government has increasingly tightened the control on urban planning and change of zoning during recent years. Since You+ often gets involved in building renovation and zoning adjustment process, planning policy environment is definitely not desirable for You+. In contrast, Gunagzhou city government gives more autonomy for coworking and coliving space development during the acquisition and renovation process. Last but not least, Beijing government plays a more powerful role in intervening the coworking and coliving market than government in other first-tier cities. More specifically, Beijing has built several large-scale “coworking + coliving” projects to accommodate entrepreneurs. The most famous example is multi-phase Chuangke Hostel in Wenquan Town, Haidian District. Such projects can provide comparable services and spaces to entrepreneurs in a more central location but with a lower price because of heavy government subsidy. Another example is that the central government encourages some state-owned industrial giants to transform parts of their industrial, office and dorm buildings into coworking and coliving spaces for entrepreneurs after their relocation. These large-scale projects absorb a significant share of market demand, leaving a smaller market share for private players. Shanghai is a market-orientated city in China and You+ expanded quickly there in spite of a late entry. However, You+ proposed a new coworking community in Jingan District, Shanghai but got rejected by the planning agency because of zoning and security concerns. This may be a signal for the You+ decelerated development in Shanghai in the near future. Moreover, Shanghai fall behind in innovation-driven economy during the national entrepreneurship campaign relatively to Beijing and Shenzhe and the city remained a financial center. This economic factor leave a shadow on You+ future expansion in Shanghai. But You+ has a much brighter future in Shenzhen, a star city featured with innovation and high-tech development in China. Since Shenzhen is geographically close to Guangzhou, You+ achieved rapid development in Shenzhen after it creates some successful stories in Guangzhou. Also, most Shenzhen tech clusters are located in districts with relatively low housing and office rent. Shenzhen government also encourages transformation of old buildings to enhance the livability and attract young talents. All these factors create a favorable environment for You+. Now it operates three You+ communities in Shenzhen and some additional ones will open next year after the completion of renovation.

You+ also operated one or two communities in some second-tier cities including Suzhou, Hangzhou, Chengdu, Tianjin. Common features of these second-tier cities include high economic development level and strong emphasis on innovation-driven industries development. Considering geographical patterns, most second-tier cities are near one of first-tier cities and play an important role in Yangtze Delta or Pearl Delta regional economic development. The only exception is Chengdu. But Chnegdu is the economic center of southwest China and Chengdu city government has been sparing no efforts in promoting innovation economy and attracting tech talents to overcome geographical disadvantages. You+ now planned to expand its business in Northeast China and has selected Dalian as a potential starting point. However, Northeast China, characterized as the center for heavy industries, has been suffering from economic downturn during recent years and facing serious challenges in turning to innovation economy because of talent loss. The 'real" expansion of You+ in Northeast China is questionable. Noticeably, You+ also open one community in Foshan, a third-tier city in south China with average presence of innovation-driven economy, which is obviously against its selection rule. I find two reasons behind this exceptional case: first, Foshan is within the Great Guangzhou area and some startups are relocating to Foshan for much lower living costs. Second, governmental officials from an innovation district in Foshan strong encouraged You+ to open a community there and provided some preferential policies.

Based on talks and interviews with the founder of You+ Yang Liu, You+ should only consider Top 10 cities in China to enter. But this list is ranked by number of young entrepreneurs without local hukou (Chinese Household registration system), rather than by GDP level. Meanwhile, cities with high concentration of recognized national universities and relatively high proportion of young talents with international experience will be further given priorities. Overall speaking, according to expansion strategy introduced by the senior management team, You+ will primarily focus on four first tier cities and try best to enlarge its presence in different districts within the first tier cities. Additionally, You+ will choose to enter some developed second-tier cities with the potential to enter the first tier, including cities like Wuhan, Chongqing, Xi'An etc. However, You+ tend to hold more conservative attitudes towards common second-tier cities and may not open business there in the near future. You+ real practice is roughly consistent with its across-city expansion strategy.

Regarding within-city location choice, You+ communities favor places with good public transit accessibility. Moreover, You+ put strong emphasis on the richness and diversity of surrounding amenities and supporting services including shopping malls, high-tech industrial park, hospitals, universities and research institutions and tourism destinations etc. However, You+ do not exhibit any preference on closeness on governmental institutions serving the "mass entrepreneurship and innovation campaign". It is worth noticing that You+ aims to build a closed ecosystem for young entrepreneurs although it values transit accessibility. So You+ tend to choose a stand-alone buildings in an independent site. Such sites are usually well connected with nearby sites but they have little shared space with each other.

You+ never bought but lease properties and maintains asset-light structure, which gives its more flexibility and reduces its exposure to market or financial risks. You+ experienced several changes in its building decision strategy in different development phases. Because of limited capital and weak brand reputations, You+ can only leased some industrial warehouses and transformed them into a mix of coworking and coliving spaces during the initial stage. After the initial success and injection of venture capital in 2014 and 2015, You+ started to lease some former student housing and vacant office buildings. And then it spent a significant amount of money in renovation and adding various public amenities. However, the year of 2016 has witnessed a considerable change in the coworking/coliving dynamics. Lots of private real estate developers, branded hotels and state-owned enterprises entered this market and expanded quickly with the strong capital support. You+ chose not to directly compete with them. Instead, it turns to "joint operation" strategy to sustain its expansion. Co-players in the "joint operation" usually include real estate developers, government institutions and individual landlords. Real estate developers build new properties based on You+ interior design proposal. After that, You+ takes charge of leasing and operation. Moreover, some local governments invited You+ to transform some existing buildings into a coworking/coliving complex within the industrial park to attract more young entrepreneurs. You+ then renovated buildings and took charge of property management with government subsidies. In the last case, You+ proposed a design proposal and individual landlords themselves transform the internal structure of buildings into a typical You+ community. You+ did not participate in the renovation process and will operate the built community once finished.

B. Financing
You+ adopts asset-light strategies but still needs large amounts of capital for leasing the building, transform and renovate internal spaces, and purchase facilities and supplies for coworking/coliving space usage. You+ does not choose to take corporate loans from its beginning. You+ co-founders sold their own houses and used proceeds as equity to lease and reframe its first community in Guangzhou. Also, it is hard to attract venture capital investment in the initial stage because You+ has not proven its success and its business model is not clear. With the absence of corporate loan and venture capital during the very early stage, You+ could only buy a disused industrial warehouse in Guangzhou and transform it into a small community with both coworking and coliving space with its limited equity. After it gained success in the first community and receives great comments from young entrepreneurs, You+ started to receive massive media coverage and the attention of venture capital firms. You+ quickly received A round and B round venture capital investment in 2014 and 2015. Capital injected in Round A is about 15 million dollars and fund acquired in Round B doubled. Investors for You+ include tech companies, vc firms, angel funds, private equity firms and even real estate developers. The injection of 15 million dollars from XiaoMi, a leading tech giant focusing on electronic products in China, enabled You+ attracted much more social attention and You+ entered a rapid development stage. You+ is currently working through C round and the estimated amount of money to raise has already exceeded 400 million dollars.

It is worth noticing that You+ made the first attempt to work with a Peer-to-Peer companies to securitize its leasing contracts and package them into a fixed-income financial products. Investors can get 10% dividends on an annual basis and there is no lower bound for invested amount. This financial innovation gained popularity quickly and many You+ tenants also became investors of this fixed-income products. However, many Peer-to-Peer companies went bankrupt during recent years in China and governments are tightening the control of this industry. As a result, You+ now give up this innovative financing channel.

As mentioned in the expansion strategy section, You+ has been focusing on "joint operation" with different institutions since 2016. Such business model adjustment also significantly influence operational financing structure. You+ provides two revenue-sharing choices for partners during the joint operation. For the first one, You+ fully manages and operates a community. By subtracting salaries, training and performance assessment expenses from the operation revenue, It charges 5% of the remaining revenue based on base price and share the price premium equally with partners. The reason why You+ only charges 5% of revenue calculated from base price is that usually it can make the real leasing price at least 15% higher than the base price by providing value-added services, facilities and amenities. For the second choice, You+ still evenly share the price premium with partners. However, instead of charing 5% of operational revenue, it now charges a fixed price per square foot. The common feature of these two models is that You+ heavily relies on price premium from value-added activities and services, which is usually 20-30% of gross revenue based on information shared by You+ CEO. These value-added amenities and activities including dinning halls, fitness center, mini-cinema, bars, fruit stores, start-up roadshows, pitch, dating events etc. In my view, this part of revenue is uncertain, which may expose You+ to operation finance risks when the market fluctuates.

C. Supporting Role to Entrepreneurs and Enterprise Clients

YOU+ community targets grassroots entrepreneurs and freelance workers. By integrating coworking, coliving, dinning and social & entertainment space together, It creates an ecosystem which provides solutions for four main challenges faced by young entrepreneurs in large cities: where to find working places, where to live, where to make friends and where to find partners. Then these entrepreneurs can better concentrate on their work without wasting much time in some unnecessary activities. Additionally, You+ tend to consider young entrepreneurs first in the applicants pool and intentionally admit talents working on different segments in the supply chain of entrepreneurship system. More specifically, You+ would proportionally admit tenants working on any one of the following sectors: technology development, marketing and venture capital. Such leasing system make it easier for entrepreneurs to make personnel composition more complete and cluster people with different backgrounds, which may increase the probabilities of success. To further facilitate communication and cooperation among tenants, You+ community managers would build several Wechat groups for tenants classified by their stated interests and hobbies. At the same time, You+ routinely organize group events to let young entrepreneurs working and living in the community talk with each other.

You+ also embeds a startup incubator in the coworking space. It will help entrepreneurs organize monthly roadshows. Moreover, You+ occasionally invites fund managers and successful businessmen into the community for a talk with young entrepreneurs which gives them a good opportunities in having a close communication with potential investors. Small and free workshops for entrepreneurial management and finance are sometimes organized. Several startups successfully acquired venture capital within the You+ community. However, some journalists found that some entrepreneurs complained that You+ failed to provide any really valuable supporting services to entrepreneurship compared to innovation spaces outside, and monthly roadshows tend to make people in the coworking space feel hard to concentrate on their own work. It is risky to directly link several startups' successful stories with You+ services. However, You+ makes some innovative attempts in how coworking spaces can play a more active role in promoting entrepreneurship.

You+ communities have not leased any coworking or coliving space to large entreprises at the current stage. However, some field investigations show that some small and medium-sized firms applied for becoming You+ tenants on behalf of a group of their employees in order to provide working stations and shelter for them at a reasonable costs. Some of such firms event want their employees to find talents they need within the You+ communities after they become You+ tenants.

You+ creates two sub-product lines for two different customer segments. YOU+ International Youth community targets at white-collar workers, freelance employees, young investors who prefer a different working/lifestyle and want to expand their social networks. You+ Youth Startup community targets young entrepreneurs and talents working for startups who look forward to communication and collaborations with potential partners. The former product line will provide a better coliving space and a more flexible and smaller coworking space. The latter one usually have a small living space but quite large and well-equipped coworking space. The startup community puts more emphasis on the coworking space function, although both two product lines are an ecosystem integrating coworking and coliving spaces. Regarding the tenant composition, 50% of them are young entrepreneurs, 10% are venture capital investors, and another 10% are journalists and freelance columnists.

Since You+ targets young professionals and entrepreneurs as tenants for coworking and coliving space, it also customize the marketing and leasing strategy in a way appealing to those young talents. You+ focuses on online marketing to attract tenants in three ways. First, it cooperated with several most popular digital portals where people search for shared working spaces or rental housing to put advertisements and detailed introductions of You+, which allows it to target right people as much as possible. Second, You+ deliver advertisements through social media and video platforms extensively since most users of these applications are young people in China. The third way is "indirect marketing". You+ posted some beautiful stories which happened within their ecosystem in Weibo (Chinese Twitter) and Wechat (Chinese Facebook) . Typical cases include several young entrepreneurs working and living in a successfully found a startup and got favored by venture capital; a leading venture capital firm or a famous businessman invested in You+; the number of young You+ tenants became lovers and their love stories. Such event marketing proved to be effective in motivating potential customers learn more about You+ in an unintentionally way.

Besides attracting new customers through online platforms, You+ also tries to retain existing tenants and enhance customer loyalty from two dimensions. The first dimension is to create well-equipped public space and facilities such as fitness centers, public kitchens, movie rooms, video game studios etc. as value-added services for tenants. The second dimension is to build online social groups and organize various off-line group activities on a weekly basis. Both dimensions facilitate communication between individual tenants and form a social network within You+ communities. Once tenants establish their social network and enjoy public amenities in You+, they should be less likely to move and are more likely to introduce their friends to You+.

You+ has a unique and disputable set of criteria to select tenants, which is rarely seen in other coworking/coliving space providers. You+ will not accept people over 45 years old, people already having kids, and people showing little passion in social activities. Additionally, You+ will strictly control the male/female proportion of admitted tenants. Such criteria receives lots of criticism and is viewed as an unwise way to shrink customer pool. However, according to You+ internal report, this admission criteria clearly define desired tenants in You+ communities and makes people who self-categorizes into this group much more confident to meet people with common interests and vision if they choose to live in You+, leading to an increased customer volume.

Noticeably, tenants in You+ are not only customers, but also play a "manager" role in property management. You+ encourages tenants to found a self-management committee. This committee involves all tenants and can make decisions on some specific issues such as whether You+ should be a pet-friendly committee and whether the food delivery is allowed to enter the office or living space.

You+ gives tenants some degree of discretion in designing and renovating their coliving and coworking space, which lowers its interior decoration costs and enhances its attractiveness. Also, most leasing transfers within the You+ community are conducted through the "tenant referral system", which eliminates the brokerage fee and reduce the vacant time after a lease expires. Any tenant referral will also need approval from tenant committee to ensure people living in You+ communities share similar vision and interests.

5.2 Talent Garden

[24]**Figure 8: Talent Garden**

[24] Figure 8: https://talentgarden.org/about/

A. Expansion Strategy

Talent Garden is Europe's leading innovation platform and coworking network for digital innovation. It was founded with the aim of creating an ecosystem that would connect, support and grow the best startups and communities in technological and digital arenas and contribute to the professional development of future global innovators. The company's mission is to create local, vibrant, globally connected campuses that empower digital and tech communities. According to the talk of TAG founder David Dattloi, TAG's core philosophy is based on fostering innovation, embracing diversity, and tapping into the creative potential that is the lifeblood of the startup and the freelance economy. The company aims to scale to help digital talents achieve their potential and enter new markets, with ambitious growth aspirations

Talent Garden was founded in Brescia, Italy in 2011, a small city in North Italy. It is defined as an innovation hub and coworking system focusing on the digital industry. Talent Garden now operates 23 campuses accommodating 3500 professionals in 18 European cities and 8 countries. These 8 countries include Albania, Austria, Denmark, Italy, Ireland, Lithuania, Romania, and Spain. Tenants of TAG include startups, freelancers, SMEs and corporates(designers and marketing companies), with a concentration in digital-related industry. Talent Garden started by operating as a coworking space provider, but enlarged its scope to innovative education and networking events in 2015. Also in this year, Talent Garden announced that it would build 50 new campuses by 2018 although it was a big challenge. However, TAG failed to achieve such great expansion in last 3 years.

Talent Garden, different from competitors in the coworking industry, focuses its business on digital innovation and education. It aims to cluster young talents with the vision in digital technology industry, then equip them with technical or business skills, and finally develop an innovation community in its collaborative coworking spaces. TAG innovation campus is composed of smart working spaces, innovation school, fab-labs, relaxation areas, TAG cafes, event spaces, meeting rooms and classrooms.

[25]**Figure 9: Talent Garden Coworking Locations**

At a very early stage, TAG expanded to some small cities with low office rent in the domestic market. From 2011 to 2013, TAG established 7 coworking campuses in four Italian cities including Brescia, Bergamo, Padua, and Turin, providing working spaces for over 100 startups. Talent Garden opened its first coworking campus outside Italy in early 2015 and quickly stepped into the global market with three more campus in the following year. For example, it expanded into the capital city in two Eastern European countries: Albania and Romania. By mid 2017, the company had held 17 coworking spaces and served over 1500 tech professionals. At that time, it covered five European countries: Italy, Spain, Albania, Romania, and Lithuania).

While the world's leading coworking space providers usually put their business focus on international metropolis such as London and New York, TAG has been expanding in smaller cities in Southern and Eastern Europe to create a tech network. The company will continue to concentrate on secondary and third tier cities and spread into more small and medium sized countries in European continent. Its expansion strategy favors "up-and-coming" cities in North and Eastern Europe, instead of major capital cities. Main reasons for such expansion strategy include that tech startup communities could grow faster in these affordable and inclusive cities and that TAG could fill the market gap in coworking industry instead of spending huge amounts of money to enter oversupplied market in metropolis. By popping up in smaller cities, TAG can avoid operating in an expensive base and cater to demands from startups which may not have sufficient capital to survive in large cities.

[25] Figure 9: https://talentgarden.org/

Talent Garden's expansion strategy is driven by its overall business strategy which exploits the innovation potential in smaller European cities, create local ecosystem for entrepreneurs in their countries of origin where they grow at an affordable costs but still connect with the industry and the world. Its founders state that the vision of TAG is to mix big summit organization, innovative coworking and education to create a unique model that will accelerate the "Second Tech European Ecosystems" that are outside of major European cities.

As mentioned above, Bucharest, Romania was chosen by TAG for international expansion at an early stage. Since December 2014, TAG worked with The Freelancers' Association in Romania in preparing for launching a coworking campus in Bucharest. After two years' efforts, TAG Bucharest acquired EUR 1400 investment and obtained significant support from two local partners Telekom Romania and Banca Transilvania. In Mid 2017, TAG successfully launched the TAG Bucharest campus. This campus was located in the Universal Palace, one of the most vibrant and modern buildings in Bucharest city center. TAG chose Eastern Europe and Romania for early international expansion because TAG witnessed strong growth in innovation industry there and Romania was a remarkable example with over 1.6 million freelancers and 230000 IT specialists. Another reason was that expanding into Eastern Europe was less expensive.

The company wishes to enter Germany-speaking countries at the beginning of its globalization process. In early 2017, TAG opened its ever largest international coworking space called Talent Garden A1 Telekom Austria in Vienna. The company obtained strong support from local institutions such as A1 Telekom Austria, Raiffeisen Zentralbank and the Vienna Chamber of Commerce and Industry when establishing this campus. Reasons for choosing Vienna to kick-start the Germany-speaking region are a rapidly growing digital innovation ecosystem in the city (startups account for one third of annual new jobs created), an incredibly positive feedback from existing corporate partners and the public sector, and encouraging support and close cooperation from local co-founders. Veninaire, a local venture capital firm specializing in digital transformation and high-tech innovation, is an important fund partner of Talent Garden in launching the Vienna campus. Noticeably, Instead of adopting small acquisitions of local competitors or franchising deals like other coworking space companies, Talent Garden choose to involve different players not limited to the coworking industry in expanding business and localize operation. Local players could be in financing, research, tech and even public/government sectors. Such joint-venture system not only makes it easier for Talent Garden to acquire and renovate physical coworking spaces, but also integrate resources necessary for business success in advance. The 44 million Euro dollars funding further boosts Talent Garden's expansion in Europe. The company plans to open 20 new coworking spaces within the next 3 years with a strong emphasis on European market. With this strong financial support, the company plans to accelerate its expansion in the Nordic region.

Talent Garden now operates more than 10 coworking spaces in its home country Italy. After the successful expansion in small and medium sized Italian cities during the first three years, TAG announced the opening of TAG Milano Calabiana in Milan, a space of over 8500 square meters that aims at becoming the point of aggregation for digital entrepreneurs and creative talents of Europe in Italy. This TAG Milan campus was one of the largest cowering campuses in Europe with big flexible and event space, and a TAG innovation school for training digital professionals and entrepreneurs. The building chosen by TAG for Milan campus was originally a historical print shop and then renovated as a showroom. It was formally an industrial building but was transformed by TAG using collaborative design and latest technology. Obviously, TAG adopts a different within-city location choice strategy from that used in large foreign cities. The company tends to choose the most central district or areas with rich talent and academic resources for foreign expansion. However, it becomes much less selective on building choice when expanding to large domestic cities. From my perspective, three possible reasons can account for such difference. First, TAG wanted to make Milan Campus a large-scale hub for digital entrepreneurs in Europe. So it need to consider the tradeoff between scale and price. A similar-sized space in central areas of Milan may be too expensive. Second, TAG had already gained some reputation and popularity in domestic market through its operation in some small cities before the establishment of Milan campus. So It was not necessary for the Milan campus to locate in an expensive district in order to gain social and business attention. The last one is that most talent and entrepreneurial resources cluster in capital (or large) cities in those Eastern and Southern countries where innovation ecosystem has not formed. So opening a new campus in central area of a capital city is one of the best ways for TAG to get most media coverage and realize high occupancy rate in its initial international expansion.

The company puts a special focus on Spain market by planning to build several new innovation campuses in Madrid and Barcelona central area since 2015. In March 2015, TAG opened its first Spanish campus in Barcelona city center. TAG viewed Barcelona as “one of the most important multicultural cities in the world for innovation and entrepreneurship”. So It chosen Barcelona as the first step in Spain. Before the launch of this campus, TAG operated 10 campuses in some southern and eastern Europe countries and 6 new campuses were in progress. The Barcelona campus became an integral component of TAG’s global network.
Motivated by the success of the Barcelona campus, TAG Madrid campuses were opened in May 2019 and all of them clustered in central districts of Madrid. Market statistics show that 32% of Spain tech companies cluster in Madrid, which makes the city an innovation hub for Spain. So TAG expanded to this city to connect the innovation community there with global network. According to media interviews with Isabel Salazar, the TAG Country Manager in Spain, Spain is a big priority in TAG’s expansion plan and the company would accelerate its expansion in this country in the next few years. Following the opening of Madrid campus, TAG will open another new campus in Barcelona in 2020. But TAG’s expansion in Spain will not be limited to these two large cities and the company will still consider smaller cities for next step expansion because entrepreneurial communities are also growing faster there.

TAG raised 12 million Euro dollars funds at the end of 2016, which continued to support its expansion in Europe, especially English-speaking countries. Before this funding round, TAG had owned 17 coworking locations throughout Europe, serving for 1500 professionals and 500 companies. But in the following year, TAG chose Ireland instead of the UK to establish its first innovation campus in English speaking countries. The company partnered with Dublin City University in building this new campus holding over 350 work spaces, an innovation school, a large event space and a Italian themed cafe. DCU would also share its education and business resources with members within TAG campus and work with TAG in operating education programs of the innovation school. In 2018, Talent Garden partnered with Dublin City University finally opened this innovation campus in Dublin to connect Ireland startups with the evolving global market. TAG DCU campus got completed in September 2019. Before making this expansion decision, TAG is considering two potential locations: one is DCU campus in Ireland and the other one is a location in London. After several rounds of market feasibility analysis and business negotiations, TAG thought that the DCU campus was a better option to create an innovation community and better matches the company's vision to establish a "secondary ecosystem" outside metropolis. TAG realized that DCU shared very similar vision with it and were impressed by the entrepreneurship culture in campus. Also, Dublin has already been the HQ for some global tech companies. Political reasons such that Brexit and Ireland would be the only English-speaking countries after the UK exits also make DCU a more favorable choice. However, this business decision does not mean that TAG showed less interest in the UK market. TAG would considering further expanding in Ireland and entering the UK market in the near future.

Talent Garden made a joint venture with Rainmaking Loft to more effectively expand the business in Denmark. Rainmaking Loft is a big local coworking space provider in Copenhagen. TAG has 51% ownership after acquisition. The joint-venture with Rainmaking community embarks TAG's entry in the Nordic region. This expansion plan in Nordics is an important part of Talent Garden's long-tern international growth strategy. TAG now jointly operates four coworking spaces in Copenghen with Rainmaking and equips each space with a TAG Innovation school. David Dattolio, the CEO of TAG, recognized that the partnership with Rainmaking delivered a thriving innovation platform in the Copenhagen ecosystem and the wider Nordic region. TAG keeps looking for more cities in the Nordic region and actively search for local partners for joint venture. Currently, TAG is scouting several city ecosystems in Denmark and the whole Nordic region for expansion such as Aarhus, Malmp and a few other potential destinations.

TAG plans to open at least 20 international coworking spaces within the next five years and expand the coverage and scope of its innovation school. This expansion plan includes opening new locations in Madrid and Barcelona, further expanding in its home market, significant development in Nordic countries, launching business in Germany-speaking countries such as Austria and France, enlarging market base in Ireland and the UK, and finishing a special campus project in San Francisco to prepare for entering U.S market in the future. The vision of TAG is to create a "second tech ecosystem" outside large European cities such as London, Paris and Berlin. Some key countries of TAG's interests for the next expansion step include Germany, Israel, Benelux and the central and eastern Europe region.

I will summarize Talent Garden expansion process since its foundation here. In terms of business activity expansion, Since 2015, TAG has expanded its business activities from only providing coworking spaces to a unique model of working space services, innovative education and networking events (mainly though TAG licensee SIngularityU Summit brand across Italy, Spain and Switzerland). Starting from 2018, the company keep exploring working with tech or financial industry giants to design training programmes and recruiting events to further enhance the innovation ecosystem it aims to build. Considering the geographical expansion, Talent Garden has experienced four stages since its establishment in 2011. During the first three years, TAG expanded at a stable pace in the domestic market. Instead of choosing large Italian cities, it chose to open business in secondary and tertiary cities similar to its hometown Brescia instead of large cities. During this period, TAG was also planning to open U.S market but failed . After spreading in several domestic cities and rececing some market recognition, TAG opened a much larger coworking campus in the large Italian city: Milan. For the second stage, TAG still focused on European market but became more ambitious with the Euro 12 million fundings . It chose some

Eastern, Southern and Northern European countries for its early international expansion. Noticeably, TAG tended to only open campus in the capital city or the second largest city in these countries, rather than entered smaller cities as it did in the home country. Spain and Romania are two typical examples. In the third stage, TAG has become one of Europe's largest coworking company and received Euro 44 million dollars. So the company significantly accelerates its global expansion process by entering more developed economies in Europe such as Ireland, Germany and France and Nordic regions. At the same time, It reached the U.S market by establishing the San Francisco campus to connect European innovation ecosystem which it has been building with the global entrepreneurial network and the world's most developed tech community. In the fourth stage, TAG is expected to expand into more small countries in the CEE region, the last market gap in the European continent, enlarge its geographical presence in large European countries, stabilize the operation in U.S and prepare for further expansion.

For the outside-European market, TAG is currently planning a new campus in San Francisco for 2020, representing Talent Garden's expansion outside European continents. TAG will expand its presence in U.S to better connect European tech community with global tech ecosystems and cross-national venture capitals. Talent Garden made a joint venture with CDP, an Italy-based national promotion institute in establishing this TAG innovation campus. This innovation hub is expected to provide an effective channel in guiding business venture resources in Silicon Valley to Italy and the whole European tech ecosystem.

Actually, San Francisco is not the first campus in U.S Talent Garden has planned. As early as the end of 2013, TAG announced that it would open the first international campus in NYC. At that time, TAG was only founded for less than two years and focused on Italian domestic market. Elio Narciso,a TAG partner in NYC, said that TAG had a dream to launch a TAG ecosystem in every city in the world. David Dattolil, the founder of TAG, viewed Low Manhattan as a desirable location for TAG's first international campus after talking with many potential investors for TAG US expansion during his visit to NYC in 2013. He and the local partner Elio Narciso participated in a competition called "Hire + Expand in Lower Manhattan" and presented their business plan to build an international campus in NYC to accommodate global startups. They entered the finalist and but did not become the big prize winner. However, TAG management team still continued its plan to open a coworking campus in NYC as a bridge between U.S and Europe digital innovation community. They defined the role of this NYC campus as the lab for European companies to test U.S market and for American startups to explore collaboration opportunities with European firms. According to its initial plan, TAG NYC campus would include coworking area with 100 working desks, a Startup hotel, a Italian cafe, and a Digital Academy.

However, TAG did not finally open this NYC campus. Little information is publicly available for the change of this international expansion plan. In my view, some possible explanations are listed. First, Talent Garden gradually formed its business strategy that creating a "secondary innovation ecosystem" outside metropolis soon later this NYC announcement. Obviously, opening the first international campus in the largest metropolis is inconsistent with this overall business strategy. Additionally, financial constraint is a challenge for TAG at that time. Acquisition and operation cost in Manhattan is significantly higher than that in small Italian cities. TAG may not have sufficient funds to support this expansion. Since TAG was still in seed round financing in 2013, the size of its financial capital for business expansion is not comparable with that after 2017. Last but not least, some coworking global players such as WeWork and Regus were accelerating their expansion in NYC to serve rapidly growing innovation industry. Within such market environment, it was hard for TAG, a small Italy-based coworking space provider at that time, to compete with industrial giants. Although the failure of the initial try, it is very possible for Talent Garden to successfully establish the San Francisco with strong financial support and international branding at this time. The success of SF campus may be a stimulator for TAG expansion in U.S market.

For the next stage, Talent Garden is also looking at the CEE region and Africa to replicate its successful business models to create innovation ecosystem. TAG chooses these areas for expansion because the company observes great potential for entrepreneurship there. And it also finds that the innovation industry is underdeveloped in these places since the lack of international connections and limited tech/business training resources.

It is worth noticing that Talent Garden define “good markets” differently from many other coworking space providers. Large coworking companies such as WeWork and Techhub usually choose cities already having the cluster of startups, sufficient financial resources and talent pools. Those companies prefer “mature market” where they can enjoy spillovers from existing innovation ecosystem so that they can quickly achieve stable occupancy rate even with rapid expansion. This is the typical consideration during the expansion process in the coworking industry. Investors usually require quick expansion and robust financial performance simultaneously. As a result, most coworking companies hold conservative attitudes towards small cities in developing economies and are unwilling to spare efforts in exploring market without significant entrepreneurial environment. However, Talent Garden adopts a different approach in identifying markets for expansion, TAG puts greater emphasis on the potential instead of existing conditions of the innovation industry by examining local talent resources, policy environment, and industry base. Once selecting markets with good potential, TAG would work with local players from different sectors to let local talents realize their potentials for entrepreneurship and enhance their capabilities to launch a startup through technology/business education, supply of flexible and collaborative office environment, and networking events. To sum up, TAG tries to create markets in cities with great potential instead of competing for shares in mature markets during the expansion process.

B. Financing

TAG, founded in 2011, has went through several funding rounds. The company is now in the late growth stage. Owners of TAG are mainly venture capital firms an accelerators. According the valuation conducted by Dealroom.co in March 2019, TAG is worth Euro 176-264 million. As a private company, TAG has limited obligations in disclosing its operational financing information. Based on the information from Gruenderallianz website, TAG's revenue from main business was Euro 4.3 million in 2016 and rose by 105% to Euro 8.8 million in 2017, Before that, TAG achieved a 300% year-over-year revenue growth rate in 2015. All available information implies that TAG has sustained a robust revenue growth. But I fail to find any clues on the profit margin and related.

Thanks to a 30 thousands euros investment in the seed round, TAG started its business in late 2011. One year later, the company received another investment amounting to 100 euro thousands. These two seed round investments supported TAG's expansion in Italian domestic market and a few Eastern Europe countries. However, by the end of 2015, TAG had not received any significant investment and attracted influential venture capital investors for large-scale expansion. During the early stage, TAG founders sometimes participate in some business competitions to introduce their business model and search for potential investors. TAG explicitly formulated its business model which integrates coworking space, innovation school and networking events in late 2015 and actively informed the industry of its mission to create an innovation and entrepreneurship ecosystem. Its business success in Southern and Easternn Europe started to receive market recognition and attention from large investors. In 2015, TAG acquires Euro 6 million funds from Digital Magics after its initial investment in 2014, an early venture capital firm specializing in digital tech industry. In November 2016, TAG received a 12 million euros in investment from 500Startups, Endeavor Catalyst, Tamburi Investment Partners and some European family funds. In October 2018, the company purchased back Euro 3.6 million capital from its early vc Digital Magics. The most significant investment TAG has received so far happened in March 2019. Tamburi Investment Partners, Social Capital, Indaco Ventures, and some European family offices injected Euro 44 million funds into TAG for the late vc round to fuel the company's ambitious international expansion strategy. Total funding amount TAG has received is about Euro 60 million.

Digital Magics, a Milan-listed venture incubator, was the most important investor of TAG in early rounds. It became the shareholder of Talent Garden as early as 2014 by purchasing a 10% stake of TAG with an option to buy the second tranche of at least 18% in the near future. This financing was used to support the TAG's over-ambitious global expansion plan at that time (open 50 coworking campuses in Europe by the end of 2018). It is meaningful to notice that the same time as Digital Magics announced this investment decision, Tamburi Investment Partner, TAG's second largest stakeholder and later TAG's biggest funding partner, increased its stake in Digital Magics by subscribing a capital increase. In my opinion, this is a clear signal that Tamburi Investment Partners exhibited strong interests in launching larger investment in TAG in the near future.

In September 2015, Digital Magics exercised the purchasing option by investing additional 6 million euros in TAG, raising its stake to about 30%. This investment was directly used to finance the opening of Talent Garden Calabiana in Milan, the largest TAG campus in Europe.

These two investments not only effectively promoted TAG's expansion in both business activity and geographics scope, but also made Digital Magics the largest external stakeholder of TAG. At that time, current TAG's most important investor Tamburi Investment Partners only held 25% of TAG's shares. The rapid development of TAG gained attention from an increasing number of large investors in 2016. In November 2016, the Digital Magic's stake in TAG was significantly diluted after the 12 million euros investment in the secondary round. Before the 12 million euros capital injection, David Dattoli owned 31.64% of Talent Garden stake, Digital Magics held 28.08%, Tamburi Investment Partners held 25%, with Finalca controlled by Alfredo Cazzola having a 14% stake. Tamburi Investment Partners became a more favorable investor of TAG because of its much stronger financial capacity and networks with European wealthy investors.

Since 2016, TAG speed up in including the share capital in its financing structure. More specifically, it acquired investment from some famous Italian companies such as Tamburi Investment Partners , the largest investment bank in Italy, and its network including some top European business families and other strategic investors. At the end of 2016, TAG raised 12 million Euro dollars investment, a mix of debt and equity, to fuel its expansion in Europe with a concentration in Spain and France on the roadmap. This funding was the second largest investment received by European coworking space providers. Before Summer 2016, TAG was being collected for an investment round. The target amount was about 8-10 million euros. But the finalized funding size exceeds this target by about 30%, indicating a strong prospect for TAG's international expansion. As mentioned above, Startup500 (the largest San Francisco-based incubator in the world), Endeavor Catalyst (a U.S based fund backed by Linkedin specializing in global digital tech industry) and Tamburi Investment Partners led this funding round. Other strategic investors include some European family offices, all of them were directed by Tamburi Investment Partners in this round). They are Angelini and Dompé families, the shipowners D'amico family, metallurgic entrepreneurs Ferrero and the founders of Volagratis, MutuiOnLine, Alkemy and Esprinet, as well as Finalca, an investment vehicle by Alfredo Cazzola, the Bologna Motorshow founder. Since this secondary funding round, TAG started to attract some international venture capitals and business accelerator. Noticeably, TAG is the first Italian company that Endeavor Catalyst had invested by 2016.

In October 2018, Talent Garden management team decided to buy back 9% stake of the capital worth 3.6 million euros, from the portfolio of Digital Magics. After this repurchase, Digital Magics still owned 10% stake of Talent Garden. More specifically, Digital Magics sold 20330 ordinary shares of TAG to the company and ended up holding 21794 ordinary shares. As a visionary venture capital firm investing in the early round, Digital Magics earned great return from TAG's explosive growth. It realized 3.2 million euros capital gain from this repurchase, with an IRR (Internal Rate of Return) at 88%.

TAG's strategy to populate coworking spaces in places ignored by large global rivals has been recognized by some investors in European continent. In March 2019, Talent Garden get 44 million Euro dollars capital injection from Tamburi Investment Partners, Social Capital, Indaco Ventures, and some European family offices. This late VC round aims to support TAG's expansion across Europe's second and third tier startup cities.

C. Supporting Role to Entrepreneurs and Enterprise Clients

Talent Garden not only offer training and flexible working space for entrepreneurs and freelancers in the digital industry, but also provide customized trainings and resources to companies which plan to conduct digital transformation on the way of doing business or expand digital divisions. Tamburi Investment Partners, TAG's largest investor, worked with TAG to launch a project aiming to support the growth of innovative enterprises in Europe, promote the cross-cultural pollination and resource-sharing of talents in the digital industry.

TAG innovation school is created to support individual entrepreneurs and corporate clients in learning coding and marketing skills and enhance their overall competence in the digital marketing industry. It offers various courses, bootcamps, and executive training programmes on coding, UX and Ecommerce area etc. TAG innovation school targets at college students, industry professionals, and companies which need to learn digital skills to get competitive in the evolving tech industry. Studying at TAG enables students to become a part of European digital community and give them lifelong access to all TAG job placement services. The innovation school customizes training systems for different group of members. For example, it offers full-time Master programmes for young college students; part-time Masters or evening classes for industrial professionals; Masterclass, specialized workshops and digital transformation programs for corporate clients which plan to develop its digital divisions. General topics of training courses cover AI, coding, data analytics, growth hacking marketing, design, business strategies and transformation, user experience for product and services etc. By the end of 2018, TAG innovation school has trained 2300 students and 1200 children. More than 700 people attended free courses. Based on statistics, about 93% of students got a long-term working contract after finishing the training in TAG innovation school.

[26]**Figure 10: TAG Innovation School**

Talent Garden Innovation school kept hiring industry experts with strong professional career as faculty or mentors to share their expert knowledge and real-world practical experience with students. Such faculty composition can help design more market-orientated and tailor-made training courses. To equip entrepreneurs with both technical knowledge and business skills, TAG innovation school set multiple channels to get them actively involved through hands-on skills, interactive workshops, and business case simulation. TAG Innovation school adopts a digital approach in teaching classes and puts emphasis on motivating students to develop new ideas for the digital tech industry through brainstorming sessions. Most training courses ask students to form a team in imaging and co-designing innovative products and services. All designs should be centered on real world needs and students are required to provide solutions catering to the needs of people who are involved in a given process or will use a given product. Such training is market-orientated and could increase the probability for entrepreneurial success.

TAG innovation school not only offers systematic digital skills training for entrepreneurs and corporates, but also routinely organize events ranging from entrepreneur meetups and corporate meetings to enhance TAG members' social network. TAG organizes about 1200 digital tech events every year to connect tech talents with entrepreneurial spirits and improve the cohesiveness of the European tech community. Events frequently organized include workshops, fireside chats with tech industry leader, expert advisory sessions, fundraising talks and panel debates. To better inform

[26] Figure 10: https://talentgarden.org/innovation-school/

the TAG community industry dynamics and facilitate mutual communications, TAG keep connecting entrepreneurs, startups and SMEs within its campus with global tech giants by routinely organizing hackathons, talks, festivals, workshops and meetups across Europe. TAG believes that these events can strengthen members' social network and enhance their likelihood of getting to know potential partners and investors. TAG Innovation school is also dedicated to close the digital gender gaps by encouraging more female entrepreneurs to join their community and educating children of latest technology in some fab lab events.

[27]**Figure 11: TAG Innovation School Distribution**

Although training and networking events are two functions for TAG to foster entrepreneurship, TAG Innovation school still spend much energy in operating the co-op program which paves the way for individual members into the digital industry. TAG Innovation schools in different campus cooperate with some local or global partners to offer a six-month internship program to members after they finish their training programs. This internship program not only allows students to apply skills and knowledge in firms with matched needs and more quickly find their ideal employer, but also give firms lacking digital tech professionals an effective channel in finding talents. The whole TAG company usually sign agreements with some global firms to launch internship programs. In addition, local Innovation campuses have great flexibility in choosing local firms to offer internship opportunities.

TAG tries to build its global innovation ecosystem step by step through strategic international expansion. During the expansion process, the company keeps borrowing experience from local partners and exploring creative ways to support entrepreneurship. TAG's upcoming campus in San

[27] Figure 11: https://talentgarden.org/innovation-school/

Francisco is a good example of connecting European digital innovation community with the world's largest tech hub and venture capital cluster.

Talent Garden partnered with Rainmaking, a big coworking space provider and startup accelerator in the Nordic region, to launch the TAG Copenhagen campus. The joint venture with Rainmaking enables TAG to more effectively promote entrepreneurship in Denmark. Many high-tech entrepreneurs in the Rainmaking community will have access to talent, business and financial resources in the TAG global community when starting their digital innovation business. Talent Garden also achieve the synergy between Startupbootcamp Network (an international accelerator) and Rainmaking Innovation to foster collaboration between individual entrepreneurs and corporate partners.

Talent Garden is trying to cooperate with some tech giants and leverage resources to better support entrepreneurship. At its Dublin City University Innovation Campus, TAG worked with some global venture capital firms to launch the VC-in-residence programme, which is never seen in Ireland before. In this programme, three experienced venture capital investors are appointed as the VC-in-residence panelists in Dublin. Job responsibilities of these panelists include but are not limited to mentoring TAG members, sharing their connections and insights into what VCs desire for when searching for investment opportunities, and providing advice for startups in pitch events. TAG's VC-in-residence programme made an early attempt in bringing venture capital specialists to entrepreneurs so that they can understand the opposite party's needs, decision process and concerns better. Undoubtedly, real world VC experience is invaluable to startups and is also very difficult for them to get insight into previously. Talent Garden innovatively remove the "communication barrier" between VCs and entrepreneurs. After launching this VC-in-residence programme in Ireland, Talent Garden is now considering upgrading this programme invite investors from more diverse industries and cover different levels of investing. So that TAG members with different background and funding rounds can all find what they need from this programme.

Additionally, Talent Garden works with Intel to create a unique structured technical support and guidance programme serving AI/computer vision innovators. Talent Garden is also working with Cisco to provide a tech system called Meraki to benefit its members. Industry partners of TAG innovation school currently include Google, Cisco, BMW, Fondazione AGnelli, Intel, Startup300, Mini, Raiffeisen Bank International, Disney, Vodafone, NEXI, BearingPoint, ENI etc.. DCU innovation hub is also a great example of partnering with research institutions in co-educating talents and building up a business incubator. The TAG innovation school cooperated with DCU Business School to deliver a digital skills bootcamp education platform which improve individual entrepreneurs' skills and facilitate enterprise clients' digital transformation process. Besides connecting "financial capital" with entrepreneurs, the company also works towards leveraging advanced technology resources from more stakeholders such as tech giants and academic institutions to further nurture and cultivate entrepreneurial environment.

Talent Garden tries to appeal both startups and corporate clients at the same time. For example, Electrolux and Italian oil company ENI are two corporate clients in TAG Milan campus. These two industrial giants enjoy working in the innovative and collaborative office environment. Cross-national firms such as Tesla, Uber and IBM have also benefited from TAG's coworking spaces and digital training programmes. One key business line of TAG Innovation School is to help mature companies become more competent in the evolving technology world. More in detail, TAG innovation school offer systematic training courses and innovative coworking space for enterprise clients planning to implement digital transformation, and connecting companies suffering from a digital talent gap with students successfully developing their skills in the school through various recruiting and networking events. The first way is to provide customized digital solutions for firms and the second channel is basically connecting corporate clients with individual tenants. Both are helpful in creating a more integrated innovation ecosystem.

TAG serves corporate clients from three dimensions. First, TAG provides various types of working space for corporate clients. Specific types include smart coworking spaces allowing their employees to connect with talented professionals, a banded meeting room, and a dedicated private office occupying 4-20 people. Second dimension has been discussed in detail before. TAG Innovation school offers customized training programs to companies to help them develop a new digital mindset and gives corporate employees a platform to work with young entrepreneurs in group projects. Last but not least, TAG connect corporate clients with the digital tech community through Hackathon, Tech Leader program (designed to find experienced professionals fit for the company culture and specific products/services) and special events partnership so that they can search for digital talents they need. One successful example is an innovation project in the publishing market to support FIEG(Italian Federation of Editors and Newspapers) in developing a new mindset towards the opportunities enabled by a consistent adoption of digital technologies and services related to the publishing market. To achieve this objective, TAG worked with Google in organizing an Envisioning Academy in three different cities and a hackathon in Talent Garden Fondazione Agnelli in Turin to transform ideas into concrete projects that could be implemented in the industry. Finally, a proposal given by a team of entrepreneurs in TAG community was accepted and they are now working with FIEG in embedding this new technology in the real production process.

5.3 Industrious

A. Expansion Strategy

Industrious is the largest premium flexible space provider in the U.S. The company has launched more than 80 locations across 45 U.S cities. The company provides high-end coworking spaces with flexible leasing terms and personalized customer service. Product categories within Industrial space cover traditional coworking seats, private offices, enterprise-level suites and etc. Industrious also provides tenant experience management solutions for the whole office buildings. Industrious offers three levels of membership: coworking membership, designated desk, and private office. For both building selection and customer segmentation, Industrious targets at the premium side. The company typically chooses floors with nice view in modern buildings in the downtown area, transforms them into a productive and elegant space with high-end and detail-orientated design, and then attract corporate clients and experienced professionals in the market stage.

[28]**Figure 12: Industrious Coworking Space**

After five years' development, Industrious has become the third largest coworking space provider in U.S domestic market, only behind WeWork and IWG. The company has tripled in size since its first opening, achieving 150% annual growth rate from 2015 to 2017 and an explosive growth at 500% in 2018. However, Industrious applies a totally different expansion strategy from WeWork to attain such rapid expansion. WeWork growth model relies heavily on long-term leases which requires significant financial commitment. Instead, Industrious directly manages lease through partnership with some large vertical-integrated real estate firms to add coworking spaces into their

[28] Figure 12: https://www.businesswire.com/news/home/20190924005236/en/Industrious-Expands-Presence-Chicago

existing properties. Such partnership has proven to be a win-win situation because most landlords have observed an increase in property value, customer volume and tenant retention rate after introducing Industrious coworking spaces. By 2019, Industrious has established the partnership with about landlords such as Hines, EQ Office, Macerich, Jamestown LP.

Francisco Alvarez-Demalde, the co-founder of Riverwood Capital Partners, highlighted that the amazing expansion of Industrious was not only in terms of customers, locations and revenue, but also in terms of the maturity and quality of the service offering. He told the media that “Industrious is helping transform the way the commercial office market works, with a growing number of enterprises choosing Industrious as their long-term outsourcing partner for high quality and flexible office solutions. At the same time, landlords are taking advantage of this opportunity by partnering with Industrious in order to provide a better offering and transform their properties”

Industrious did not expand rapidly in the first two years after the foundation. One possible reason is that Industrious lacked enough funding to sign capital-intensive leases. At that time, Industrious had not started its venture capital rounds and the landlord partnership model had not been put in practice. By September 2015, Industrious only operated 6 locations across the country, including one in St.Louis, one in Chicago and two in Atlanta and prepared for expansion in six medium-sized cities such as Denver, Nashville and Minneapolis.

Before the closing of Series B in 2016, Industrious achieved a successful and stable expansion by opening 12 spaces with an average occupancy rate over 90%. Those initial 12 Industrious spaces are located in cities such as Atlanta, St.Louis, Brooklyn, Los Angeles, Minneapolis, Raleigh, Chicago, Austin, Nashvile. At that time, Industrious had not adopted the famous “landlord partnership” model. The company, like most competitors, acquires new spaces through signing long-term lease. So its expansion rate was seriously limited by the financial capacity. Product types offered by Industrious was also very limited in 2016. The company could only provide individual coworking desks and private office for at most 10 people at the beginning. Clearly, Industrious had small geographical presence and little participation in premium office market serving large enterprises before the venture capital investment came in.

Industrious received $62 million investment in Series B in 2016. At that time, Industrious operated 18 locations and planned to double the size by the end of 2016. The company used funding from this round to deepen its presence in the domestic market by opening 30 new coworking spaces in cities such as NYC, Washington DC, Birmingham, AL, Pittsburgh, Charlotte, N.C, Denver, Dallas, and Indianapolis.

Industrious’s rapid expansion started from 2017. In that year, the company more than triples its coworking space locations. At the same time, a team formerly working for PivotDesk created a new brand called Central, a new curated marketplace of flexible workspaces. Central only lists high quality coworking spaces appealing to medium and large sized companies.

By the closing of Series C fund-raising in early 2018, Industrious had opened 35 locations in 25 cities. The number was estimated to increase up to 50-60 by the end of 2018. Jamie Hodari, the founder of Industrious, said that one third of such expansion would be entering more cities and two thirds would adding more locations in cities already in the network. The company wanted to use funds from Series C in expanding the presence in New York, Los Angeles, Atlanta and Dallas, and entering Boston and San Francisco where many tech companies clustered. Besides those two leading investors, Well Fargo's Strategic Capital, Schechter Private Capital (a private wealth firm) and Rabina Properties also contributed to this round.

Between Series C and D, Industrious more than doubled its square footage and increased the revenue by 140%. But its overhead costs only increased by 50%, leading to a much higher profit margin. In addition, the acquisition of two coworking companies Assemble and TechSpace diversifies its product portfolios and expands its geographical presence. After receiving another \$80 million investment in Series D, Industrious started to expand the scope of services for landlords, more actively evaluate M&A opportunities and prepare for international expansion with a special focus on Canada market.

Since 2018, Industrious has been expanding using a new business model and will insist on this model for future expansion. Instead of signing long-term leases, Industrious partners with landlords to manage their buildings as co-working spaces or for tenants. The company plans to launch 60 new locations through this partnership between 2018 and 2019.

Landlord Partnership model proposed by Industrious could make "rapid expansion without heavy financial burden" possible. This expansion model dramatically changes the business relationship between coworking companies and landlords. Previously, coworking providers simply lease spaces from landlords and treat them as merely a provider of physical space. They consider little on how their coworking spaces can be a valuable addition to the entire commercial building and how to make landlords realize potential benefits a coworking space could bring. More importantly, coworking companies usually sign a long-term lease with landlords but usually lease working stations to tenants with a much shorter lease. Such maturity mismatch exposes companies to great financing risks. Because they have to keep acquiring significant capital to continue expansion but their operating revenue is limited and volatile. Industrious created a workplace-as-a-service ("WaaS") platform. Industrious choose to provide management services to landlords instead of committing in a long-term lease. Landlords still own and develop the property. Industrious worked with landlords in design, construction, furnishing and marketing process. After the opening, industrious takes the responsibility of operating the property and would share the rental revenue with landlords. According to agreements with landlords,Industrious shared rental revenue with landlords. Past market performance shows that most landlords could get 30% higher than income from market lease by providing the space to Industrious. Industrious work with landlords to transform high-end commercial real estate properties in premium locations into a community integrating work, life and play functions, leading to a vibrant and connected environment for the city. Such integration
re-defines the new way of life for urbanites and creates an effective approach to enhance commercial real estate value when internet-based economy is growing.

Landlords partnering with Industrious are mainly vertically integrated real estate developers or investment trusts which acquire, develop, construct, and manage a diverse portfolio of mixed-use, commercial, hospitality, and multi-family residential properties across the United States. The wide geographical distribution of these landlords' property portfolio reduce market barriers and give Industrious more confidence in the national expansion process without doing too much dual diligence on local markets. More importantly, since these large landlords typically acquire land and build commercial buildings in premium locations of large cities or regional cities, their development strategy is automatically well aligned with the location and building selection criteria of Industrious. So through the landlord partnership model, Industrious can easily target a new location in a wide but preselected set of Class A properties with small financial commitments.

Industrious quickly capitalized on its landlord partnership model in both operational revenue and venture capital investment after the initial launch. Many investors got convinced of the bright prospect of this asset-light growth strategy and injected a considerable amount of capital in Series C and D, encouraging Industrious to more aggressively pursue expansion goals sustainably, efficiently and with little risk. In addition, Industrious is now incorporating its strategic investors such as Fifth Wall, Equinox and Brookfield Property Retail into this landlord partnership model to further accelerate the expansion process. For the partnership with investors, Industrious not only utilize their real estate resources to launch a new location, but also use their branding and the free access to their services to attract enterprise tenants. For example, Industrious worked with Equinox to open a coworking space within the Equinox Fitness center at Hudson Yards in late 2019. Tenants of space enjoy the member access to all Equinox fitness clubs. These strategic investors not only provide financial support, but also leverage their business resources to fuel Industrious's expansion.

This new business model redefines the coworking industry from the supply side. Meanwhile, Industrious also adopts a unique strategy in the demand side. Instead of attracting startups, individual entrepreneurs and freelancers, Industrious targets at a more established customer base: enterprise clients, especially those large firms. Landlord Partnership model enables Industrious to get a new space and satisfy financing requirements quicker. The focus on corporate clients allows the company to lease up space with fewer deals and realize operation profits at a faster pace. The former simplifies the building selection process because Industrious only needs to consider several potential locations proposed by premium landlords. The latter narrows down the targeted customer base since the company sets enterprise tenants as the priority. The synergy of the supply and demand side reforms is that Industrious can quickly identify best locations from a selective choice set based on its target customer needs, and then purposely design and furnish the space. Such customized spaces should be more appealing to target customers and the marketing team can also reach out potential tenants more efficiently, leading to a quick leasing process and a lower turnover rate. The integration of these two strategies help Industrious realize the high-quality expansion process.

However, whether this business model would also work out in the international market is still an open question. After the closing Series D, Industrious considers to expand to Canada and some European countries. London market is in the top of Industrious's list and many UK-based and global landlords are reaching out Industrious for the next-step partnership.

[29] **Figure 13: Industrious location in Fashion Square**

Industrious shows growing interests in selecting new shopping malls as the home of its new coworking spaces in the recent expansion process.Traditional office buildings and mixed-use properties are two popular choices for the industry. Putting a coworking space directly in a shopping mall is quite innovative. In mid 2019, Industrious announced a plan to open a coworking space in a luxury shopping destination "Fashion Square" in Scottsdale. This project is its first attempt of integrating coworking space in a large retail building. The Fashion Square in Scottsdale has excellent transit accessibility, sufficient parking spaces, large food courts, and many branded department stores. Industrious launched two mall locations in The Mall at Short Hills in Short Hills(about 30,000 square feet), New Jersey and Broadway Plaza in Walnut, CA in late 2019. Actually, shopping malls in busy districts satisfy some key requirements in Industrious's mindset: walkable, premium environment, high-trafficked, and rich in amenities. High-end shopping malls are usually located near a public transit hub and enjoy numerous dining and shopping locations, which allow them to provide coworking tenants daily necessities and services in an efficient manner. Industrious wants to make "coworking" a part of elites' lifestyle. Also, Macerich, one of the largest landlords partnering with Industrious, holds many shopping malls across the country. Based on these two factors, we can expect that Industrious will fasten its expansion in branded shopping malls within the next few years.

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[29] Figure 13: https://www.bizjournals.com/phoenix/news/2018/08/10/scottsdale-fashion-square-owner-set-to-add-co.html

Such location choice, although rare in coworking industry, is consistent with part of the company's within-city expansion strategy that building premium coworking space in districts with great amenities and traffic connections. About 90% of office space in this location got leased within 10 weeks after opening. Noticeably, Industrious adopts the asset-light expansion strategy and focuses on opening new spaces through the partnership with landlords. A growing number of landlords try to explore new ways to maximize their space efficiency, increase customer volume and diversify their tenant composition. Industrious provides an innovation solution for these concerns by embedding a coworking space in a retail, hospitality or office building.

Industrious opened its first NYC location in Brooklyn. One year later, the company entered the Manhattan's market in 2016 by opening a location at SL Green's 215 Park Avenue South. It also opened a space in Brooklyn's Prospect Heights neighborhood. After the closing of Series C, Industrious expanded to Bryant Park in Lower Manhattan and a location in Brooklyn to deepen its presence in these two NYC boroughs. In the same year, it increased its Manhattan space by 17000 square feet while opening these two locations. In early 2019, Industrious expanded its footprint by opening two new locations in Manhattan, including a 50000 square feet space in Garment District. These two locations expanded the Industrious's space on Park Avenue South. In fall 2019, Industrious partnered with Equinox, also a strategic investor in Series D, in opening a new coworking space at Equinox's Hudson Yards location. It is the first expansion step for the national partnership between Industrious and Equinox. In addition, Industrious plans to launch about 10 new locations in Manhattan and Brooklyn in a year. Industrious's ambitious expansion plan in NYC represents the "return" of Industrious in this world's largest coworking market. As a Brooklyn-based coworking space provider, Industrious tempered its expansion in the home city at the beginning and put national expansion as its priority. But this did not mean Industrious was not interested in NYC market. After receiving large investment and gaining national reputation, Industrious started to expand the presence in NYC at an astonishing rate. Competitive national network is Industrious's competitive advantage compared to local based coworking space providers. According to Jamie Honduri, acquiring smaller competitors for consolidation is also its key expansion strategy in NYC and Chicago which has large coworking market. However, Industrious still has a long way to go before achieving a similar size was its competitor, WeWork.

Chicago gradually becomes the largest city market for Industrious and Industrious is the second largest coworking space provider in this city, only behind WeWork. The company now operates eight locations in Chicago to form an Industrious ecosystem: Central Loop, Evanston, Ogilvie, Fulton Market, Gold Coast, River North, West Loop, and Wicker Park. Industrious entered the Chicago market in 2013, the first year of its business. It opened its first Chicago space in River North and expanded two new locations in Evanston and Fulton Market. The acquisition of Assemble, a local premium coworking space provider, added three locations to its Chicago portofolio, basically doubling its presence in this city. In February 2019, Industrious signed a 52000 square foot lease in a Beacon Capital Partners's Central Standard Building at Chicago's financial district to open the first Central loop space. This space, the largest Industrious's Chicago location, was opened in Fall 2019.Industrious further expanded in Chicago in September 2019 by leasing additional space from Accenture tower for its Chicago-Ogilvie location from KBS, a large owner of high end office space in U.S. Industrious opened this space in this building in June 2019 and the demand quickly exceeded supply. This new lease more than doubled its square footage in this tower to 93,000 square feet, increasing Industrious's total footage in Chicago to 300,000 square feet. Industrious made this expansion to meet increasing demand for its premium office space in Chicago. Although partnering with landlord is the dominant approach for Industrious to launch new space after early 2018, the company expanded this location by signing a new lease with the landlord. The reason for Industrious to enlarge space in the same building instead of opening a new location is that the Accenture tower fits Industrious's location selection standard perfectly. KBS spent millions of dollars in renovating this office tower in 2015. It is a Class A office building with rich amenities: 80,000 sq feet retail and dining space, a large fitness center and plenty of hospitality facilities. Also, the location is walkable and well connected by public transit, just next to Ogilvie Transportation center. For large metropolis such as New York and Chicago, Industrious is comfortable with opening 5-6 spaces within one city. The company has opened five locations in Atlanta, three in LA, and three in Chicago.

Industrious did not enter Boston market until mid 2018. Viewing Boston as a tech hub without significant coworking agglomeration, the company expanded rapidly in this city by launching four locations in one year. Industrious opened its first Boston location in Seaport district, an emerging business district. A second space was opened in Back Bay and a third space was opened in the Financial District. All these three locations reach the full occupancy. The newest Boston location was opened in a traditional building in Copley Square, just next to Back Bay station.

Industrious started the expansion in Washington DC Metro area from early 2018. Since then, the DMV area has witnessed the Industrious's quick expansion. The company has expanded to 7 locations there. All Industrious locations in the DMV area are located in well accessible and highly amenitized places, common location attributes shared by most Industrious spaces across the country. Apart from one in downtown DC area and one in the business district of Bethesda, most of Industrious DC locations are located in North Virginia. Industrious partnered with Rubenstein Partners in opening Industrious Carlyle Tower (about 25000 feet) in Alexandria. This location is located in a business district and just next to a metro station. This new space represented the start of partnership between Rubenstein and Industrious in DMV expansion. These two companies had planned to launch more coworking spaces in multiple Rubenstein's buildings to accelerate the expansion.

There is also an Industrious location at Tysons in Mclean. In April 2019, Industrious entered a management agreement with Carr Properties, an influential real estate developer in the DMV area, to provide coworking service for the third floor on 2311 Wilson Boulevard in Arlington, a further expansion in North Virginia. This location will be called Industrious Courthouse. North Virginia seems to be a business focus for the company. One possible reason is that this area enjoys strong business growth and significant real estate development during recent years. More importantly, Amazon would open its HQ2 in Crystal city in the near future. It is promising to see many companies having business relationship with Amazon will follow its footprint by opening regional offices in North Virginia. Industrious insightfully established its market base in area surrounding Amazon HQ2 to wait for the agglomeration effect. Carr Properties expresses strong interests in continuing its partnership with Industrious for further expansion in the DMV region because Industrious's objective that creating premium and hospitality-quality space for customers is consistent with the company's development strategy. Moreover, the acquisition of TechSpace in mid 2019 includes a location at the Two Liberty Center in Ballston. This addition added Industrious's presence in Great Washington DC metro area to 170000 square feet.

Philadelphia is an important market in Industrious's portofolio in East Coast. Avenue of the Arts and Two Liberty Place are first two Industrious projects in this city. Demand for Industrious office product has been growing significantly after its initial entry, which increases the company's confidence in enlarging its presence in this city. The solid business relationship with Macerich and PREIT, two large real estate investment trusts, also accelerated its building selection and leasing process. In late 2019, Industrious continued to work with Macerich and PREIT in preparing for its third coworking space in Philadelphia. This latest space is located in Fashion District Philadelphia, a newly opened retail and entertainment cluster in downtown. It is meaningful to make a deeper analysis on the spatial distribution of Industrious locations within Philadelphia. All three locations are in the downtown area. After the opening of this third coworking space, an Industrious triangle around the Phil City Hall will be formed. These three locations are separately located within the financial, retail and arts district of downtown area, which allowed Industrious to serve tenants in various industries and build a stronger local network.

Industrious started to expand its footprint in the west coast after establishing the market base in several major cities in East coast. The company opened its first West Coast location in Fall 2016 in downtown LA. It further added several premium coworking spaces in San Francisco Bay Area and San Diego in the following 2 years. LA has been Industrious's largest market in the West Coast. Jamie Hodari explained why Industrious favored LA market than San Francisco market: the company wanted to appeal to a wide variety of industries instead of just tech industry. A more diversified economic structure and industrial base in LA fits his company's expansion strategy better.

Industrious entered the Downtown LA market in 2016. During three years' operation in this market, the company has witnessed strong potential demand for working locations in cities surrounding LA city. As mentioned above, expanding to wealthy suburban cities surrounding large cities is a key part of the Industrious's expansion process. Pasadena, CA selected by Industrious to practice this strategy. Through the partnership with ShopCore Properties, Industrious announced a plan to build its first coworking space in Pasadena in an office building called One Colorado, a mixed-use property in the center of Old Pasadena, in mid 2019. In November 2019, It announced a second coworking space in Pasadena for further expansion to enlarge its presence in Pasadena. The company partnered with Coretrust Capital Partners, again a vertically integrated office investor in creating 29000 square-feet office space in Corporate Center Pasadena, the largest office building in Pasadena. Coretrust is the landlord of this corporate center and Industrious has worked with Coretrust in launching several successful coworking spaces before such as Industrious FourFourtyFour South Flower in Downtown LA and Industrious Two Liberty Plaza in Philadelphia.

San Diego is also an important California market for Industrious. The company expanded to San Diego after achieving business success in LA and Irvine. Through the landlord partnership model, the company has committed to open five premium coworking spaces in five Seritage Growth Properties's holdings across the country. The first project launched was in La Jolla, CA, a suburban city surrounding San Diego. Another concurrent Industrial project is located in 1 Columbia Place building, an iconic landmark in downtown San Diego.

The rapidly growing tech industry makes Seattle an emerging market for coworking companies. Industrious opened its first Seattle location in Fall 2017. The space is just across the street from Amazon new headquarter. The company continued its expansion in Great Seattle area after achieving high lease-up rate. In 2018, It opened a coworking space in the city of Bellevue one two floors of a modern office building at the City center.

With strong support from investment in Series C and D, Industrious accelerates its expansion in Florida. Industrious went into the Miami market in 2018 by starting two coworking space projects: Brickell and Esplanade at Aventura. Industrious kept enlarging its footprint in this city. In Oct 2019, the company, partnering with NP International, leased a space from a mixed-use building in Coral Gables for its third coworking space in Miami. The space to be occupied by Industrious is not an office space, but a retail storefront space. NP International is also a vertically integrated real estate company that acquires, develops, constructs, and manages a diverse real estate portfolios, a firm type Industrious usually partners with. All these three coworking spaces will be opened in the first two quarters of 2020. After achieving a stable expansion in the largest city of South Florida, Industrious started to spread its scope to smaller suburban cities surrounding Miami, just like what it did in Greater Los Angeles area. Typically, those suburban cities selected by Industrious for "Greater Metro" expansion either enjoy robust business growth or have a remarkable mixed-use cluster opening. Almost , Industrious continued its partnership with Seritage Growth Properties in planning a new coworking space in Esplanade at Aventura, a fascinating open-air shopping, dining and entertainment destination already attracting lots of attention in South Florida. Industrious would partner with Seritage Growth Properties to open five coworking spaces in total within the next few years. The Collection at UTC in La Jolla, CA is the first one and the one in Aventura follows. According to Ben Schall, the CEO of Seritage, Industrious and his company would strengthen their cooperation by introducing Industrious coworking spaces into more premier mixed-use projects nationwide.

Industrious entered Tampa market in 2017. Its first coworking space in Tampa is located in SunTrust Financial center, a modern building in downtown financial district. One year after, Industrious expanded one more floor in SunTrust center to satisfy growing market demand. The increasing demand for coworking space in this city gave Industrious more confidence in expansion. However, Industrious's 2019 expansion in Tampa becomes an exceptional case in the company's building selection records. In late 2019, the company transformed a former AMC theatre in Yibor City into its second Tampa coworking space, an old two-floor building. AMC closed this theatre in Summer 2019 and Industrious took over it. Third Lake Partners, an arm of the investment firm Third Lake Capital advisory, will partnered with Industrious in the renovation process and jointly operate with the company through landlord partnership agreements. A cluster of film, digital media and creative industries in Yibor City may be a possible explanation for this unique location selection. It should be easier to transform a former AMC theatre into a productive place with necessary facilities and industry-specific space design appealing to office needs of filmmakers, designers, technicians and artists. It is worth noticing that another coworking space provider, Sparkman Wharf, also transformed a former theatre into a working space, which further validated the Industrious's choice. This exceptional case indicates that Industrious employed a case-by-case approach to appeal to local market needs during the national process. Industrious Tampa regional manager said that "the expansion of Industrious to Centro Ybor highlights the economic competitiveness of Ybor as one of Tampa's unique business districts".

Indianapolis, as an emerging hub of innovation, attracted Industrious's attention in 2017. Justin Stewart, a co-founder of Industrious, told the media that "contagious energy and vibrant workforce" made the Indianapolis a clear front runner for the company's 2017 expansion plan. The Industrious Indianapolis is located at the Marietta Building on Mass Avenue. This building is one of the most luxurious buildings in Indianapolis.

Most Industrious coworking spaces are located in modern buildings with a nice view in the city center. The company favors outfitting Class A buildings with both stunning offices and inviting hospitality geared towards large corporate tenants' demanding standards. Industrious also expressed great interests in fashion malls or mixed-use buildings in a fashion district, which is a typical location choice in the coworking industry. More specifically, dynamic retail and entertainment destinations are top within-city choices in Industrious decision process, much more favorable than traditional office buildings. Industrious keeps promoting "amenity-rich" coworking ideology in high-performing properties located in downtown of large cities or regional centers. Industrious plans to add coworking spaces to a few more Macerich shopping malls across U.S. Before this project, Industrious has worked with Macerich in three projects: Industrious Scottsdale - Fashion Square in Arizona, Broadway Plaza in Walnut Creek, CA and Country Club Plaza in Kansas City, MO.

Industrious's geographical expansion process is very different from the typical process in the industry. This Brooklyn-based firm chose to expand to other cities before achieving significant market presence in its home city, the world's largest coworking space market. In other words, Industrious expanded to the national market when it was a small player in the coworking industry. Noticeably, cities Industrious entered at its very early stage even include some secondary cities where a great business potential but weak coworking presence such as Raleigh, St.Louis, Minnneapolis and Nashville. Some of these cities even became Industrious's fastest-growing market in the national network. Competitors such as WeWork and Yard did not start national expansion until gaining enough market reputation in NYC. Also, they, in a more cautious manner, tend to choose cities with similar size as NYC at the first expansion round. In contrast, Industrious actively built its national network by entering both international metropolis and regional centers in the eastern, middle and western part of U.S rather than concentrating on several coworking hubs. Currently, the company's coworking portfolios has already covered most large and medium-sized metro areas. Expansion into secondary cities or regional centers actually gives Industrious a great opportunity to build business relationships with national real estate developers or investment trusts, building a prototype for later landlord partnership model/ After gaining national reputations and acquiring a significant amount of financial investment, Industrious began to open more locations in several metropolis and their surrounding business centers to enlarge the market share while continuing its national expansion. Also, expanding to smaller cities first does not mean Industrious put emphasis on these markets. One caveat is that Industrious usually only open two or three spaces in secondary or tertiary cities to avoid oversupply. But the company has a more ambitious plan to expand in large metropolis although it comes later. Since Industrious targets itself as a premium working space provider, pushing forward expansion in metropolis after gaining market reputation and establishing landlord network is wiseful. To further increase the market share in large cities, Industrious plans to expand into some highly-developed and high-density suburban cities near major metropolis for future expansion. The company estimates that 20-25% of Industrious new locations announced in 2019 would be in suburban cities. However, Industrious does not have a clear international expansion plan even though it is already the third largest coworking space provider in U.S, only behind two international coworking giants.

Jamie Hodari gave his reasoning to such expansion strategy. Industrious did not want to fight for market share with numerous coworking companies in a very competitive NYC market. Such fierce competition also increased the risk of oversupply and homogeneous products. But vertical scaling would bring enormous advantages. At its beginning, Industrious found that coworking tenants valued the ability to find offices in key business centers they may travel to. So building a national network by expanding to cities in various regions give customers more flexibility and confidence in choosing locations, which quickly differentiates Industrious from so many NYC-focused coworking companies. Another reason is that spreading to other cities when it has limited reputation motivated Industrious to really learn about coworking customers' needs and preferences, as well as their geographical variation with a humble attitude. Such experience is invaluable for a growing firm. So Industrious avoid taking it for granted that a business model proven to be successful in one large city would also work out in every other market. Hodari's arguments are reasonable because Industrious adopted a customized development strategy in each market and its market performance in almost every regional market is robust.

From my perspective, two additional reasons could also explain Industrious's expansion pattern. First, operating business in multiple cities from the early stage can get more media coverage and give its future investors more confidence in providing financial support for the company's more ambitious expansion plan in the future. It is common for investors to be cautious on expansion plans proposed by some too "localized" firms because their business success may not be replicable. Moreover, I think Industrious had already prepared for its later "landlord partnership" model at the early stage. Wide geographical expansion enables the company to know and work with more national development firms which later could become partners. Most landlords now building the partnership with Industrious are vertically integrated real estate firms or real estate investment trusts with a large property portfolios across the whole country.

While expanding by itself, Industrious also diversifies its product category and enlarged geographical presence through acquisition after receiving large investment from Series C and D. The company made its first acquisition in 2016: It acquired PivotDesk, a digital flexible office marketplace for short-term tenants. Acquiring PivotDesk was an important component of Industrious's early expansion plan and help the company diversify its business activities. After the acquisition, PivotDesk operated as a subsidiary of Industrious. Buying PivotDesk indicates that Industrious was not satisfied with the only physical space expansion, and looked forward to playing a leading role in "digital space" domain of the coworking industry. The company realized that digital leasing platform would replace traditional brokerage as a dominant way to lease excess coworking space for individual tenants. Expanding its presence in both offline and online market should further enhance its competence in the industry. Industrious also used PivotDesk as a platform as an alternative marketing channel to lease its physical space. Moreover, Industrious tried to broaden office space leasing options in PivotDesk by including premium office space listing for enterprise clients because it thought this market segment would become an increasingly important share of the coworking industry. After 3 years's development, PivotDesk achieved considerable growth but majority customers were still startups and freelancers. Most office space options listed could not get assigned into the “premium” category, which means that PivotDesk could not significantly support its main business and the intended structural transformation did not work out.

Finally, Industrious sold this office subleasing portal to SquareFoot, a Manhattan-based startup that provide commercial real estate listings and an online brokerage service in Feb 2019. PivotDesk, as an intermediary between coworking space providers and individual entrepreneurs, has been experiencing a rapid growth with the whole industry since the acquisition in 2016. However, Industrious increasingly realized that PivotDesk was not and would not be a central part of its business. Under such circumstance, A lucrative price offered by SquareFoot quickly made this deal. In my view, the selling of PivotDesk is indicative of two potent. First, providing high-end spaces in premium locations for enterprise clients will definitely be the company’s long-term strategy. Business for startups and freelancers would be very likely to appear from Industrious’s income statement soon. PivotDesk mainly serves for individual entrepreneurs and freelancers, which is not consistent with Industrious’s focus and may weaken its branding. Selling PivotDesk can motivate Industrious to be dedicated into the main business. Second, expanding physical presence of Industrious locations through building the partnership with more landlords and acquiring more smaller but high-performing players would be the focus of Industrious’s future expansion. It is very unlikely for it to enlarge its business scope to other segments of the coworking supply in the future.

Industrious started to acquire smaller coworking companies in summer 2018. It acquired Assemble, a Chicago-based coworking company. Three Assemble locations in Chicago were added to Industirous’s portfolio in Chicago, making the city a hub of Industrious. The acquisition of Assemble is more like a Chicago-focused expansion, than a strategic expansion in the coworking industry. Because Industrious has witnessed a growing customer demand for its premium office space in this city, acquiring smaller players with the same vision is an effective and smart way to quickly satisfy tenant demand and enlarge market share.

Industrious also view acquisition as a way to accelerate its national expansion. In mid 2019, Industrious finished its second acquisition in less than one year after it bought Assemble. The company acquired TechSpace, a national provider of modern, scalable and full service office space. TechSpace operated 7 locations in Texas, California, Virginia, and New York, all of which added into Industrious’s national network. By acquiring TechSpace, Industrious entered two California cities: Aliso Viejo and Costa Mesa and enlarged its scale in cities already in this network such as NYC, Austin, Los Angeles, San Francisco, and Arlington, VA. Jamie Hodari viewed the acquisition of TechSpace as a “strategic move” for his company. Actually, Industrious is quite selective in evaluating acquisition options. Since Industrious focused on providing premium coworking spaces for enterprise clients, desirable companies to acquire in its mindset should also put emphasis on this “niche” and have shown good market performance. Since Industrious has already achieved the economics of scale in operation and sufficient financial capital, acquisition of high-quality office space providers which reach their operational capacity or meet the bottleneck for further expansion will become an increasingly common way for the company to strategically expand the portfolio into key markets. According to Jamie Hodari, Industrious would continue to search for and evaluate potential acquisition opportunities in either regional or national scale to accelerate the expansion.

B. Financing
Industrious, owned by angel and venture capital firms, is at the late growth stage. Dealroom.co estimated that the firm is valued at $320-480 million dollars. The company has gone through 4 funding rounds and raised $222 million funds in total from 15 investors . Riverwood Capital and Fifth Avenue are two lead investors. Brookfield Properties Retail and Equinox Fitness are the most recent investors. Industrious has a more diversified set of investors than many competitors, covering venture capital, private equity, pension fund, general corporation, real estate firms and asset/investment management companies. Overall speaking, many investors of Industrious have solid experience in real estate industry rather than tech industry. Fifth Avenue is a venture capital firm specializing in prop tech investment.

Before 2016, Industrious has raised about $14 million funds from some unnamed investors for its initial expansion in some large metropolis such as New York and Chicago. Based on information from Angel.co, RPMc is an incubator firm of Industrious, which I have not confirmed with validated sources. In September 2016, Industrious secured a $37 million in its Series B led by Riverwood Capital. Other investors contributing to this amount are Outlook ventures and Maplewood capital. After that, the company continued to collect funds for Series B. Industrious closed the Series B funding with $25 million additional investment from Riverwood capital in March 2017, adding the totals in this round to $62 million. This is the Riverwood Capital's first investment in Industrious. Since then, Riverwood Capital has been playing a leading role in following fundraising rounds.

Eleven months later, the company raised a total of 80 million dollars funds in Series C co-led by Riverwood Capital and Fifth Wall Venture (two returning investors), adding its total fund raised to $142 millions.Industrious' increasing market base of corporate tenants, high customer satisfaction, and the new partnership model with large landlords for future expansion persuades Riverwood capital to increase investment and also attract much more new strategic investors than Series B. Funding raised in this round was used to fuel Industrious's expansion, explore issues surrounding the future of work and workplace and practice data-driven innovation in structural workspace design. The financing paves the way for Industrious to strengthen its leadership in the increasingly vital coworking real estate market. Other investors in Series C include Alrai, Outlook, Rabina Properties, Schechter Private Capital, Wells Fargo Strategic Capital etc.

Through the landlord partnership model, Industrious does not need to sign capital-intensive leases from landlords. Instead, it works with landlords, mostly large national real estate firms, on transforming a space into a coworking location. And then the company gets a portion from operating income according to some specific revenue-sharing structures specified in management agreements. To sum up, Industrious shares operational and financial risks with landlords without significant financing commitment. This model let investors perceive Industrious as a safer and attractive investment option in the coworking industry.

One year after the closing of Series C, Industrious acquired another $80 million investment from Series D to push forwards its asset-light growth strategy, increasing its cumulative funding size to $222 million. Major investors in Series D include Brookfield Property Partners, Canada Pension Plan Investment (a major component of Canada's retirement system), Equinox Capital(a luxury fitness chain), Fifth Wall, Granite Properties, Riverwood Capital, TF Cornerstone, Wells Fargo

Strategic Capital, Equinox Fitness, and Equinoxe Alternative Investment Services. Investors of this round include more strategic landlord partners than previous rounds. Industrious would use Series D fund to expand the company's suite of landlord services, build partnerships with more large landlords, double its business portfolios by either self-development or merge & acquisition, and start its international expansion. Industrious would use a certain proportion funds from this round to expand to cities in Mexico, Canada and Europe for international expansion, and further deepen its presence in some large cities in the domestic market such as New York, Philadelphia, Denver and San Francisco.

Some investors are themselves real estate firms or investment firms with numerous connections in the real estate industry. According to the CEO of Fifth avenue, most investors will not only support Industrious financially, but also assist it in structuring programmatic partnerships by leveraging investor base in broader real estate community. Fifth avenue has the intention to introduce more LP (money partner) in its real estate community as investors for Industrious. Another investor, Rubenstein Partners, also works with Industrious in launching a coworking space in North Virginia and they plan to continue this partnership in more real estate holdings.

Jake Elghanayan, the principal at TF Cornerstone, explained why his company, a real estate firm specializing in luxury rental apartment would like to become an investor of Industrious. First, Industrious is a pioneer in coworking even the whole real estate industry which revolutionizes the traditional landlord-tenant relationship into a hybrid of service-provider and hospitality expert. Many investors in the real estate industry realize that this is a promising trend which can benefit both parties. The other reason is the TF Cornerstone agreed that the landlord partnership model Industrious successfully aligns interests with landlords through the partnership model and prevent it from financial risks due to

Since Industrious partners with property owners in launching new coworking locations, it does not need to sign capital-intensive long-term leases. The company use saved money from leasing process to build out the company's product suite and upgrade office design to meet demands from premium tenants. So, during the expansion process, a smaller proportion financial capital raised in Series C and D is used to increase the "quantity" of coworking spaces while a larger proportion is used to improve the "quality".

Based on disclosed information from Industrious, the company achieves high profit margins: over 30% for existing leased units and over 90% for managed units. Industrious also has robust leasing performance. Average occupancy rate for mature spaces are around 90%. It takes about 10 month on average for a space from getting launched to realizing stable occupancy. Its revenue per working station is about 25% higher than major competitors. Industrious has announced that it should be profitable by the first quarter of 2020. Targeting at enterprise clients can help Industrious reduce marketing costs since it needs fewer deals to fill in a space and can reach potential tenants more efficiently. Under this business model, Industrious can also stabilize its revenue by securing tenants with reliable performance records and more resistant to economic volatility(higher retention rate and lower lease-up vacancy).

Based on available information, I briefly introduce Industrious's operational financing structure under the landlord partnership model. Under this model, landlords usually cover large costs of overhauling spaces. During the renovation process, Industrious proportionally shares costs of design, construction and equipment. After finishing physical projects, both Industrious and the landlord participate in the marketing and leasing process. Industrious will get some revenue from coworking tenant rents. In addition, the company can share profits with the landlord based on a pre-specified waterfall structure if an Industrious location realizes a higher revenue than the market equivalent rent. Past financial performance indicates that an Industrious space, on average, provides landlords 30% more revenue than their opportunity costs.

C. Supporting Role to Entrepreneurs and Enterprise Clients

Industrious is sometimes called “WeWork without startbro” in the coworking industry. Different from many coworking rivals in the industry, Industrious does not put freelancers and startups as its priority although the company also provides working stations for entrepreneurs. The company shows big concerns on great operational uncertainties brought by startups and tries to insulate itself from the potential burst of “startup bubble”.

With a hospitality-driven and member-first approach, Industrious targets at mature firms and experienced professionals, providing them with upgraded working space in a professional environment. Coworking rivals usually target young entrepreneurs. But Industrious held more conservative attitudes towards this customer segment. The company aims to attract big businesses, regional headquarters, and Fortune 500 companies. According to a PR manager of Industrious, the average age of Industrious enterprise clients are about years and members has an average age at 38 years old, indicating most tenants are mid-career professionals. Baby boomers and millennials are two largest customer segments to Industrious. Large corporate tenants include Pfizer, Hyatt, Airbus, Pandora, Lyft, Pinterest, GM, Freddie Mac, Instacart, Spotify, and Chipoltate.

Many competitors in coworking industry target at startups, entrepreneurs freelancers, with strong needs for an innovative and interactive working environment to promote communication and innovation. Individual coworking desks usually occupy most coworking space, leading to limited space for private office or enterprise suites. Also, dynamic and collaborative office environment may not be desirable for corporate tenants. To provide affordable working place for young entrepreneurs, many coworking rivals usually choose Class B or even older office buildings in a less central location to create a “economy” office space. It is doubtful that large enterprise clients will enjoy mixing with startups within a collaborative but noisy working environment in a Class B office building. They favor a premium and still collaborative working environment in a Class A building in central districts with rich amenities. Worse than, rapid expansion forces the industry to put more emphasis on quantity rather than quality, resulting in a bad customer experience. As a result, there is a market gap for unique workplace needs of corporate clients. Industrious seized this market opportunity to act as a premium coworking provider to meet and exceed the needs of Fortune 500 tenants while acting as a great partner for landlords.

To appeal to office needs from such established customers, Most Industrial locations are designed as a high-end and hotel-quality workplace surrounded by rich amenities.
The company also broadens its product offerings by increasing more enterprise suites and private office space holding up to 250 people, the size far exceeding that of competitors’ private office space for corporate clients. For common area design, Industrious equipp each coworking location with more meeting rooms and conference rooms than the industrial average. Industrious regularly organize some events to enhance its tenants’ business skills and social network such as Lunch-and-Learns on how to raise capital.

Industrious provides a special product category called “Industrious Canvas” as a powerful office solution for enterprise clients. Canvas by industrious ia a kind of private and branded office suite designed for a team covering 20-200 employees. Private office suites provided by most coworking competitors cannot touch such capacity, which gives Industrious a competitive advantage to attract large companies. For large corporate clients, Industrious firstly search for and then secure a desirable location which can support their business relationships, save daily commuting time and meet their prospective employee acceptance rate. Then Industrious adopts a data-driven approach in design and manage the canvas space to achieve a balance between collaboration and focus. The company also aims to build a large office space data analysis system to optimize its space planning and service so as to be compatible with those enterprises' workstyles in a flexible manner. Industrious integrates customized branding, furniture and design packages into Canvas to provide the foundation for strong organizational culture. Industrious also grows itself as a cross-regional office provider for large enterprise clients through its partnership with several national real estate developers. However, in my view, the absence of Industrious International network is one of the most serious constraints for Industrious to better serve enterprise clients. These clients value the convenience and flexibility brought by cross-national coworking network and services when they expand their business globally. Additionally, WeWork now increasingly turns focus on enterprise clients, which is a significant market challenge for Industrious in this market segment.

VI. Integrated Comparison of three Coworking companies

For country-specific case studies, I summarize and analyze three coworking companies: You+ International Youth Hostel in China, Talent Garden in Europe, and Industrious in U.S based on three metrics: expansion strategy, financing, supporting role to entrepreneurs and enterprise clients. In this chapter, I make a systematic comparison of these three coworking companies to provide some insights for the coworking industry also from these three dimensions. It is interesting to find that they share some characteristics and strategies during growth even though they are in three business networks. I also capture many variations in their development strategies and propose possible explanations for such variations in their specific context. Finally, I evaluate the prospect of their strategies and provide suggestions accordingly.

Although all three companies offer coworking spaces to the market, they prefer to define themselves beyond "coworking companies". You+ and Talent Garden have evolved into an integration serving the sharing economy by offering many additional products and services then coworking spaces. Industrious positions itself as a provider for not only office but also work-play-live model solutions. They all use physical coworking space as a platform and then provide additional services.

You+ is an ecosystem, integrating coworking space, coliving space, startup accelerator and public entertainment facilities. It also provides a online service platform built upon several web applications for the convenience of tenants. You+ is the only case in my thesis which combines coworking and coliving space into one community. The reason behind such combination can be found from You+'s mission that providing an affordable living and working place for young entrepreneurs. Job-housing mismatch is a serious issue in most Chinese large cities, especially for young entrepreneurs with limited financial capacity for renting an apartment in central locations. However, most startups prefer to cluster in downtown area or key business districts for sharing great amenities and enjoying spillover of human and tech resources. Through the integration of coworking and coliving spaces, You+ community can help those young tenants save a significant amount of commuting costs, housing and office rents, which would encourage more young but poor entrepreneurs to pursue their career in large cities. You+ has been working on build a connected live-work-play system in large cities, which is more or less similar to what Industrious wants to do. However, Industrious helps create such platform by providing premium coworking spaces in shopping malls or high-end mixed-use properties. Also, it targets at experienced professionals or wealthy customers. You+ offers a very simple-structured coworking space. Many working stations cluster in a large public space. Open and semi-open meeting space are also provided. But private conference room is absent. The whole working space is only equipped with basic working facilities and equipments. You+ also builds a startup accelerator into the community. Its startup incubator is a portfolio of services to promote entrepreneurship such as networking events, pitch, product roadshow, talks by famous venture capitalists etc, rather than a separate physical space. You+ puts much more emphasis on "play" section of the work-live-play model than other coworking companies. A large public entertainment space including game room, mini cinema and sports field is equipped for each You+ community. Other companies such as Industrious and WeWork usually set a small recreation space inside the coworking location and allow tenants to enjoy fitness center or other entertainment facilities at a discounted price through the partnership with other after-hour service provider. It is clear that You+ aims to build a closed-ring ecosystem to maximize interactions among those young entrepreneurs.

Talent Garden has two main product lines: TAG Coworking Campus and TAG Innovation school. Since TAG launched the innovation school business two years later than its coworking campus, only part of coworking locations opened after 2015 has incorporated a innovation school within the campus. TAG coworking space cover workstations, private offices, meeting rooms, laboratories, event spaces, fablab, cafe and more. The innovation school offers various courses and training programs on digital technology area for individual entrepreneurs and corporations. TAG has been working on better connect its innovation school with the coworking campus to give tenants an opportunity to learn digital technology skills and launch their own digital-related business by applying knowledge learned from innovation school with colleagues in the coworking space. We should be cautious that functions of TAG innovation school is significantly different from startup accelerators provided by You+. Industrious is a more "pure" flexible work space provider among these three coworking companies. Since Industrious targets at enterprise clients and experienced professionals, large shared working space, startup accelerator and innovation school are missing in its product offerings. Instead, the company provides a wide range of office products catering to demands of corporate clients. Canvas suites is Industrious's unique enterprise office product in the coworking industry. Although Industrious only provides coworking space on its own, the company enables its tenants to enjoy a variety of value-added services at a lower price by cooperating with large mixed-use property developer, fitness centers and shopping malls. Generally speaking, Industrious has a more simple-structured product mixing than the other two companies with a focus on premium working spaces for enterprise clients. It tries to insulate itself from "startup economy".

After introducing these three cowering companies' product composition, I compare their expansion strategy. These three coworking companies exhibit a quite different across-city expansion process from each other. Both You+ and Industrious focus exclusively on a singe large national market (China and U.S) respectively. However, Talent Garden is based on European market and has not entered the UK market. The market base for TAG is more dispersed, comprised of many small and medium sized European countries, compared to other two companies. So You+ and Industrious firstly entered most main cities with significant coworking environment or potential, and then deepened their market presence in several key markets with strong operating performance. But TAG has to start cross-national expansion during its early stage since it cannot find enough desirable cities to enter in a single European country. You+ and Industrious tended to open their first cohort of coworking locations in large metropolis in their national market and then quickly spread to other regional centers. Large cities are always their business focus in the long run. However, metropolis is not favored by TAG during the city choice process. Since TAG plans to build a secondary innovation "ecosystem" outside large European cities such as London and Paris, the company enlarged its presence to some secondary and tertiary European cities such as capital cities in some small European countries after expanding into five small cities in its home market Italy. But such trend does not imply that TAG would totally ignore large metropolis. The company launched its European hub in Milan, three large coworking spaces in Madrid and Barcelona, and is also considering London for next step expansion. But secondary and tertiary remain the most geograhical component in TAG's business, at least at the current stage.

Although You+ and Industrious share the similar geographical distribution of coworking locations in their national market, their sequential expansion process is very different. You+ started its business in Guangzhou, the largest city in South China and then quickly expanded to Beijing, Shenzhen and Shanghai. All these four cities are first-tier cities in China. After You+ gained market popularity and achieved stable operating performance in these metropolis, the company began to enter some Chinese second-tier cities, most of which are regional centers with relatively higher economic development level. You+ would not consider any third-tier cities for entry at the current stage and works on opening more communities in large metropolis. In contrast, large metropolis is not Industrious's priority during early stage expansion. After the company just opened one coworking location in NYC and one in Chicago, it rapidly entered several secondary and tertiary U.S cities in different regions to launch the business and halted its further expansion in large cities at the same time. Some small and medium-sized cities chosen by Industrious at the early stage even did not yet have significant coworking environment. But large metropolis is industrious's business focus. After gaining national reputation from early national expansion, Industrious began to "come back" to large cities and enlarge its market presence at an astonishing rate. The reason for such expansion pattern is that Industrious does not want to trap itself in the overheated competition in large cities at the early stage. The company gained broader market knowledge and became more competent, either financially or managerially, through the national expansion. After that, it comes back to the large cities to compete with coworking giants. Moreover, Industrious also entered some suburban cities near metropolis but You+ concentrates on urban areas of large cities. Such difference could be explained by varied urban structure in U.S and China.

For the within-city location and building choice, these three coworking companies have some common consideration factors but I also observe some meaningful variations, especially for building selections. In terms of location choice, they all value places with good public transit accessibility, rich amenities and safety. Since they target at different customer segments and offer different product portfolios, each coworking company has their own unique criteria in location selection. Industrious prefer premium locations in central business districts or fashion centers of the city since they target large enterprise clients and decent professionals. Talent Garden also favors places in the central business district in some cities, But it tends to choose more affordable options in the central area since their core customers are startups and freelancers. TAG sometimes chooses places near local university campus to launch a coworking campus since its TAG Innovation school is a educational institution and local college students are its key customer group. TAG innovation school also needs to share some education facilities and academic resources with local universities. Geographical proximity with local universities makes the marketing and operation of TAG easier. You+ prefers less central and expensive locations compared to Industrious and TAG because it targets at early-stage entrepreneurs. Since You+ wants to create a closed ecosystem within its community, the company favors locations with good accessibility but still some independence from nearby areas. Both Industrious and TAG prefer locations well connected to surrounding institutions and amenities, places open to a broader community. But such locations is not a desirable choice for You+. For the building selection, You+ tends to choose a single large building, either commercial or residential for its original zoning, to build a You+ community. Class A luxury buildings are definitely not You+'s choice. Because it needs to incorporate both working and living function in one building, some school dorms were favored by this company at the beginning. The company even selected old and under-utilized buildings for renovation to save acquisition costs at the early stage. But it started to choose well-functioned buildings through the later partnership and franchising strategy with real estate firms. As discussed in the case study, Industrious always selects Class A luxury buildings in three property types: office, retail and mixed-use to set up a premium and decent coworking location appealing to enterprise clients. Talent Garden usually chooses Class B office buildings with more open space and flexible environment.

Regarding the expansion business model, both Industrious and You+ adopted landlord-partnership model to achieve rapid but asset-light growth. They gradually transformed themselves from a physical coworking space builder to a coworking space provider. Under the landlord partnership model, they partner with local landlords or cross-regional real estate firms to obtain the rights to renovate and operate a space with specified size without purchasing or renting it. After the final opening of the coworking space, they share the stabilized revenue with landlords according to contractual terms. Such expansion business model enables You+ and Industrious to put much less financial commitments into a cowering space and considerably reduces their exposure to financial risks. Based on my research, Talent Garden has been kept leasing spaces and then reshape them into coworking locations. I have not captured any signals that TAG plans to transfer to the landlord partnership model. Financial crisis experienced by WeWork in late 2019 indicates that asset-light landlord-partnership model may be a more sustainable growth strategy for the coworking industry in the future. No matter partnering with landlords or not, all three coworking companies cooperate with local players closely from the market research to operation process. They all view local networks and knowledge as the key to success when entering a new market. Both Talent Garden and Industrious have acquired a few small local coworking players to accelerate its expansion in a certain regional market. They have not acquired cross-regional coworking companies with comparable size. Industrious also acquired a coworking space listing online portal to expand its business scope within the coworking industry from offline to online but sold it to another online leasing platform. Providing physical coworking spaces is currently the only business focus for Industrious. You+ has not been involved into any acquisition activities. One possible reason may be that its product composition (coworking + coliving + startup accelerator) is so unique, even in Chinese market. It is hard to find a similar player which could be integrated into its business system .

I review and compare each cowering company’s process of acquiring financial capital here. All of them heavily rely on venture capital investment in each series of financing and in late stage of fund-raising. Industrious received most venture capital investment in total, You+ ranks the second and Talent Garden has the least. But funding size has weak comparability across continents. In terms of investor composition and structure, both industrious and TAG have leading investors throughout almost all funding series. These leading investors contributed the most in financing and also provided great help in attracting other potential investors through their business connections. But investor structure for You+ is more diversified without a consistently leading investor. Venture capital firms and investment banks are two largest investor group for each coworking company. However, some national real estate developers are also important investors to Industrious and You+, both of which adopt landlord-partnership model during expansion to different extent. Since Talent Garden puts great emphasis on digital tech industry when building either coworking campus or innovation school, some funds centered on high-tech investment are strategic investors for TAG. But no investors in You+ and Industrious's financing process have technology background. Regarding the operational financing, all of these three coworking companies expected to achieve profitability very soon and they are much less exposed to financial risks which WeWork is suffering since they all practice an asset-light growth strategy. Structured financial performance information is unavailable for these private coworking players, which makes it hard for me to conduct detailed and numeric comparison.

As a cowering leader in their own coworking market, these three coworking company's role in supporting entrepreneurs and enterprise clients is worth exploring. Both Talent Garden and You+ feature their great services and physical products designated to promote entrepreneurship in the design and marketing process. They routinely organize networking events, roadshows, workshops, pitch activities, career mentoring programs to facilitate communication among entrepreneurs and give them a platform to find potential investors or partners. But these two companies focus on different sections of the cowering supply chain. You+ provides limited technical skills training programs for tenants, but spends much energy in equipping them with necessary business skills and finding effective channels to match startups with investors. But TAG focuses more on improving those entrepreneurs' technical competence through educational programs in its innovation school. It is worth noticing that TAG also has great supporting role to enterprise clients while maintaining its focus on entrepreneurs. For example, the company provides many corporate training programs to enterprise clients to facilitate their digital transformation, helps them find desirable digital tech talents in the recruiting process, offering flexible and innovation coworking space for digital tech division of large firms, and encourage the partnership between its startup tenants and enterprise clients to jointly work on some digital tech market projects.

However, Industrious adopts a totally different attitudes towards entrepreneurs. The company is more concerned about financial and operational risks brought by entrepreneurs to its business. It also wants to insulate itself from the possible burst of "startup bubble" in the future. Also, the Industrious's practice on opening decent working location in premium locations automatically exclude startups with limited financial capacity from its customer base. Industrious's canvas product is customized for corporates. The company builds more and much larger private office space and elegant conference rooms for the convenience of enterprise clients.

VII. Conclusion

My thesis conducts international comparison for the growth process of several leading coworking companies. The international comparison puts emphasis on three major coworking markets: U.S, Europe and China. I start by briefly discussing the development strategy of two coworking giants: WeWork and IWG in these three markets. Then I select a leading domestic coworking player besides the two giants in each market for detailed case study: Industrious in U.S, Talent Garden in U.S and You+ International Youth Hostel in China. Finally, I systematically compare these three national coworking players to highlight their commonalities and differences.

The comparison framework consists of three metrics: expansion strategy, financing and supporting role to startups and enterprise clients. I discuss the expansion strategy by reviewing these coworking players' city entry process, within-city building and location choice, business model for expansion, range of products or services offered (online and offline) based on the coworking platform, acquisition and merging activities. For the financing section, I introduce details of their each series of fund-raising such as funding size, total time spent, source of funding in a sequential order. Then I analyze their investor composition and background. Motivations of some key investors and how investors's visions can be aligned with these coworking companies' development strategy are also discussed. Moreover, I relate the closing of each fund-raising series with milestones of their expansion process to reveal how the injection of financial capital can influence business expansion considerations. The operational financing part do not have much detailed information and only part of coworking case discussion includes this part because of limited information availability, In terms of supporting role to startups and enterprise clients, I firstly examine these companies' preference between these two different customer segments and their importance in current and future business strategies. Then I introduce what products or services these coworking companies offer to better serve for either startups or corporate clients. How attitudes towards entrepreneurs and large firms are related with coworking companies' expansion and financing strategy is also discussed. Finally, I critically evaluate the effectiveness and potential risks of their client strategy and make some preliminary analysis on which customer segment should be the future focus for the coworking industry.

I acknowledge that there are some limitations in my thesis. First, this thesis fails to discuss these coworking companies' operational financing in detail. The main reason is that investor relation reports and systematic financial reports are not publicly available for them except for IWG, a public company. All other coworking companies are private firms. So they do not have obligations to disclose their financial performance. WeWork has an online system which allows people to apply for the access to investor relation reports. I have made three applications for information accessibility but did not receive any feedback from WeWork. The other private coworking companies do not provide access to their financial reports.

Second, this thesis lacks findings from field investigations or direct interview with coworking space providers and tenants because of financial and time constraints. most materials used in this thesis are collected from second-hand information sources such as academic papers, news articles, consulting or business reports, and interviews with management staff of those coworking companies. These information sources are reliable and comprehensive. However, it is hard to eliminate all biases embedded in them. For example, news articles or talks given by coworking company founders usually only highlight the "positive" side of development strategy or current performance. It is normal for founders of business to put too much emphasis on how successful their business model will be but intentionally underemphasize risks or weakness. Because they are motivated to persuade the market and investors to recognize the potential of their business. Information provided by news articles is mostly descriptive instead of analytical. Since coworking industry is still in the rapid growth stage, industry-wide risks have not emerged. Most consulting reports also focus on the bright prospects of this industry and there is limited research, especially empirical research, on the "coworking bubble" or financial risks during the expansion process. All these factors pose challenges for critical evaluation of the development of coworking companies. My thesis addresses such biases by connecting materials from multiple sources and different perspectives with each other to articulate a full picture of each stage of development, I also match visions, announcements and arguments from management staff with these coworking companies' actual performance and finalized decisions. Possible explanations for any discrepancies are provided.

The third limitation is that I only select one leading company in each major coworking market for case study. Additionally, the emerging African market is absent in my thesis. Both of which weaken the representativeness of international comparison. I face a tradeoff between the degree of detail and comprehensiveness. It is meaningful to select coworking companies of different sizes in each market to get a more representative sample and show the full picture. But it is hard to get enough materials from available sources for small coworking companies. The field investigation may be a better approach to conduct case study for small players. African market has witnessed rapid coworking development during recent years. But most market players cluster in a certain region and have not established well-functioned information disclosure system, which makes it difficult for me to collect sufficient and reliable materials for each metric within my conceptual framework. Coworking industry is becoming a critical part of the business world. A large scale and cross-national survey for coworking companies is necessary in order to better capture the dynamics of this industry and to evaluate its social impact.

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