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Business models: Impact on business markets and opportunities for marketing research

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ABSTRACT

Business models have evolved in the context of new venture creation. By offering an entrepreneurial perspective to established marketing elements such as value propositions, value capturing and value networks, business models provide marketing discipline with both challenges and opportunities to engage with entrepreneurial environments. In particular, business models call for approaches that elucidate value-in-use of marketing offerings, reveal the performance of contracts in orchestrating value networks and identify the performance of network configurations. In this article we present some implications of and opportunities for business models for marketing research.

1. Introduction

Business models define a business based on its unique value proposition in a network of collaborating users, organizations and other stakeholders (see Zott & Amit, 2008; Chesbrough, 2006; Osterwalder & Pigneur, 2005). Business models are a recent phenomenon as there was virtual no academic research on the topic before the 1990's (Coombes & Nicholson, 2013–in this issue; Osterwalder & Pigneur, 2005). This is no co-incidence since business models emerged to a substantial extent in the new-economy, where entrepreneurs use them as a mental device to build businesses from scratch and eventually lead them to global market leadership. Several researchers identify a capabilities gap of marketing in the face of business models, most clearly expressed by the limited scale of academic marketing contributions (Coombes & Nicholson, 2013–in this issue; Day, 2011). This is not a surprise, given that business models originated in the domain of entrepreneurship and related fields. Business models emerged as holistic responses to specific business challenges, in particular establishing an E-business (Amit & Zott, 2001; Tambe, Hitt, & Brynjolfsson, 2012), commercializing technology (Arora & Ceccagnoli, 2006; Pisano, 1990), establishing new ventures (Audretsch, Lehmann, & Plummer, 2009; Fiet & Patel, 2008; Magretta, 2002a, 2002b) and providing the means to exploit the commercial potential of IT (Osterwalder & Pigneur, 2010; Tambe et al., 2012).

Business model typologies regularly comprise components that relate to core marketing activities like offering value proposition, value capturing, segmenting, and engaging in networks. One simple explanation for the limited scale of marketing research on business models might be that marketing scholars take their contribution for granted. This would be a mistake because the relation between marketing and business models is far from trivial. In the case of technology commercialization, where a substantial share of business model contributions has its origins, researchers regularly identify trade-offs between technology orientation and marketing orientation. Valuable customers can force leading firms to prioritize investments on current technologies, and thereby provide room for new entrants exploiting emerging technologies and dominate future markets (Christensen & Bower, 1996; Ghemawat, 1991; Sood & Tellis, 2011). Business models aim to bypass the marketing-technology tradeoff by employing a “strategy-follows-structure” approach. Hence a starting point for business model approaches is to identify the potential for the unique contribution of a firm within a value-creation system and to define its contractual boundaries and relationships to its environment (Chesbrough, 2006; Christensen & Bower, 1996). Conceptually, business models address a broader set of stakeholders than just paying customers and identify the role of the firm within the network as a means to define markets (Chesbrough, 2006; Zott & Amit, 2008). This perspective is not alien to marketing. Being aware of the perils

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of marketing myopia at work in organizations, Levitt (1975) suggests defining a business from the perspective of the market thereby implying tradeoffs between short-term sales and long-term market orientation.

In the following section we highlight some key areas where business models call for new marketing approaches. We then provide an overview of the contributions of the articles in this special issue. We conclude by highlighting research opportunities and the potential for contribution of the business models perspective for marketing.

2. Business models and their implications for marketing in networked business environments

2.1. Business models: Building organizations around opportunities

Business models have their origins in the rise of the entrepreneurship industry where actors, organizations, institutions and infrastructure devote themselves primarily to the creation and growth of new ventures (Baumol, 2002, 2010; Bhide, 2008; Eisenhardt, Companys, & Mahony, 2002). Crucial elements of this entrepreneurship industry are venture capital, specialized services for start-up companies, engagement of public and private R&D in new ventures, and the evolution of a business service sector that offers almost any conceivable business operation as a service for hire (Baumol, 2002; Bhide, 2008; Ehret & Wirtz, 2010). Taken together, these elements have dramatically lowered the bar for entrepreneurs who want to create businesses around ideas and opportunities. In the creation of a new venture, defining the business is the core task. What is the unique contribution of the business, what assets should it own, what competencies should it develop and what resources and competencies should it hire as a service (Wirtz & Ehret, 2013)? These questions matter for any business, but new ventures have to answer them from scratch. Business models provide frameworks and narratives for navigating a business towards its unique value proposition within a value creation network. Thus, business models are crucial in early stages of a venture, when the business almost exclusively exists in the mind of pioneering entrepreneurs. Devoid of organizational structures and assets, new ventures employ business models to attract investors, resources and collaborators. (Magretta, 2002a; Osterwalder & Pigneur, 2005).

By conquering established industries and creating new markets, new ventures put pressure on existing firms, as apparent in Internet retailers challenging existing distribution channels (Brynjolfsson & Hu, 2009), disruptive technology companies outpacing former market leaders (Christensen & Bower, 1996), and a general intensifying level of competition (Chesbrough, 2006). Exposed to new types of competition from start-up companies, established companies have started to adopt strategies and practices that evolved initially in the entrepreneurship industry. As a consequence, many established corporations have successfully adopted business model approaches to counter competition, revitalize their business, and enter new growth paths. Prominent examples are Xerox's spin-offs that have outpaced the revenue of the mother company (Chesbrough, 2006), Procter & Gamble's Connect and Develop program (Huston & Sakkab, 2006) that furnished its bargaining position in distribution channels, or IBM's technology licensing program that capitalizes around one billion US $ annually from hitherto unused intellectual capital (Chesbrough, 2006). In short, business models have left the niche of the entrepreneurship industry and have started to enter the mainstream.

Academic marketing research has become more involved with the business model literature lately following the initial adoption of business models by mainstream companies. For marketers, business models are both an emerging field where marketers find opportunities to make contributions, and an intellectual challenge that allows marketing researchers to evolve their body of knowledge and make it more robust. Engaging with business models provides marketers an opportunity to revitalize and strengthen the entrepreneurial dimension of marketing approaches. It would be a mistake to understate the real and potential contribution of marketing to business models. There is an established practice of two-sided markets in business models of advertising-sponsored media, for instance, that have been studied by marketers long before the phrase “business models” entered the academic literature (e.g., Zeisel & Harper, 1948). Some selected areas in the domain of business models that have implications and opportunities for marketing research relate to value propositions, the value capturing mechanism, segmentation, and value networks.

2.2. Business models and marketing research

With the study of business models, marketing research enters unchartered terrain. The domain of entrepreneurship is shaped by genuine uncertainty and this might be a barrier for quantitative marketing approaches. Research on business models so far has been dominated by qualitative approaches that aim to explore business model phenomena, their contexts, and antecedents and consequences of various business model configurations. However, entrepreneurs become successful by transforming uncertainty into valuable offerings and profitable demand. Similarly marketing researchers have tremendous opportunities by elucidating systematic factors driving business model performance. This presents both opportunities and challenges for researchers. We will highlight three areas that researchers interested in researching business models should be aware of as they pursue empirical research in the area. These are related to operationalization of key constructs, the use of appropriate performance metrics, and the use of surveys.

First, researchers are likely to find that multiple theoretical constructs in the area of business models are in need of suitable empirical operationalization. Hence researchers have a tremendous opportunity to contribute to the existing body of work by empirically operationalizing key constructs and then determining how well the measures of these constructs fit into a network of expected relationships, thereby placing the constructs in nomological networks (Cronbach and Meehl, 1955). Developing reliable and valid measures for key constructs that can be standardized and replicated across studies presents an important first step in building a unified body of knowledge that would aid in the further understanding of issues related to business models.

Second, given the emphasis on metrics that reflect the performance implications of the marketing actions of firms (Srivastava, Shervani, & Fahey, 1998, 1999), business model scholars need to pay special attention to metrics that best reflect the performance of business models. This might entail developing new metrics that are specific to business model research or using existing marketing metrics (e.g., customer satisfaction, market share, profits, stock returns, etc.). However, researchers need to be aware that many existing metrics have been developed in a B2C context and hence may have limited applicability in the context of B2B firms which have distinctive characteristics (Srinivasan, 2012). Additionally, while finding firm-level metrics (e.g., profitability, return-on-assets, sales) may not be difficult for publicly traded firms, accessing this information for private firms can be very challenging (Weber, Mayer, & Wu, 2009). Data at the transaction or relationship-level is also extremely difficult to obtain, but may be critical to understanding the performance consequences of business models. Researchers may turn to surveys to overcome some of the issues related to acquiring performance data of the kind mentioned above, but that introduces other issues into empirical studies which brings us to the third area of relevance for empirical research.

Business model researchers should be cognizant of the fact that while survey research has the potential to inform our understanding of emerging topics in business models, the limitations that B2B researchers commonly face in the area of surveys apply here as well. The key limitations for empirical business model researchers using surveys are response rates, common methods variance (CMV), and