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

Michael Ehret [a,*], Vishal Kashyap [b,1], Jochen Wirtz [c,2]

[a] Nottingham Business School, Nottingham Trent University, Burton Street, NG1 4BU Nottingham, United Kingdom
[b] Williams College of Business, Xavier University, 312 Hailstones Hall, 3800 Victory Parkway, Cincinnati, OH 45207-3214, United States
[c] National University of Singapore, Singapore

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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

* Corresponding author. Tel.: +44 115 8488132; fax: +44 321 21300235.
E-mail addresses: michael.ehret@ntu.ac.uk (M. Ehret), kashyapv@xavier.edu (V. Kashyap), jochen@nus.edu.sg (J. Wirtz).
[1] Tel.: +1 513 745 3286; fax: +1 513 745 3692.
[2] Tel.: +65 6516 3656.

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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 causal inference (Rindfleisch & Antia, 2012). In order to overcome these limitations researchers should carefully consider both the design of the study prior to collecting data as well as analysis techniques following data collection. Researchers working in contracting should consider to combining archival data with performance data, in order to avoid single-source bias.

2.3. Value propositions: Platforms for creating value and the case for value-in-use perspectives

Business models and marketing both build on value propositions offered by the firm but approach them from different perspectives. Marketing arrives at the value proposition as the core element of customer–company interaction. From their venturing perspective, business models view the value proposition as the unique contribution of a business within the network of suppliers, complementors, distributors and other contributors (Chesbrough, 2006; Zott & Amit, 2008). While both views are consistent, they elucidate different aspects of value propositions.

The business model perspective highlights how value emerges through the interaction of the firm with customers and the larger network of complementors, suppliers and distributors. As a consequence, business models move attention to the platforms, tools and activities that constitute the process of value-co-creation through the interaction of multiple contributors (Chesbrough, 2011; Cusumano, 2011; Meyer & DeTore, 2001). A particular focus is on the provision of platforms of value creation, as for example mobile application platforms or configuration systems. Service research echoes this with the emerging disciplines of service science that explores principles and systematic approaches for orchestrating contributions from multiple parties through a service system (see Maglio & Spohrer, 2013–in this issue).

Marketing researchers have been responding to this kind of challenges by taking a deeper look into the "value-in-use" of value propositions (Ballantyne & Varey, 2006; Macdonald, Wilson, Martinez, & Toossi, 2011; Po-An, Rai, & Xin Xu, 2011). One crucial step is to look at the role of offerings from the perspective of users' processes. Indeed, business marketing research has developed a range of concepts and research approaches that elucidate value-in-use (Anderson, 2009). Effective value-in-use approaches imply an interactive relationship between the company and its users. The vibrant field of social networks has opened a boon of opportunities for establishing productive co-creation relationships (see for example Füller, Jawecki, & Mühlbacher, 2007). An emerging research opportunity is to use the value-in-use perspective for studying the performance of co-creation platforms and service systems, showing the effect of platforms in generating value for their users.

2.4. Value capturing: From pricing to contracting

In marketing, value capturing lies in the domain of pricing. Business model approaches stimulate a broadening perspective on pricing, eventually entailing contracting approaches. Business model approaches aim to broaden the options for cash-flow generation by decoupling value capturing mechanisms from the core offering. For example high-technology ventures have the option to sell licenses on intellectual capital to businesses as an alternative to selling finished products or service offerings to consumers (Arora & Ceccagnoli, 2006; Pisano, 2006). In two sided markets, one side sponsors benefits enjoyed by users on the other side, as for example advertisers sponsor media businesses (Hagiu & Spulber, 2013). Service researchers are elucidating the role of service offerings in providing benefits without the transfer of ownership of resources and capabilities used for their generation, as for example sharing a car or hiring a taxi as an alternative to buying a car (Chesbrough, 2011; Ehret & Wirtz, 2010; Lovelock & Gummesson, 2004). Industrial suppliers open-up new business opportunities by offering performance contracts as alternatives to selling machines or plants. For example, manufacturers of airplane engines are now offering to participate in the operation of the flight and take compensation based on the effective time the airplane is in the air ("power by the hour"). They maintain real-time information systems and networks of maintenance and repair teams to ensure performance for their clients and profitability for themselves (Ehret & Wirtz, 2010).

Contracting research offers the potential to study the performance of business model-configurations as expressed in the contracts used. New business models may require firms to restructure their existing long-term exchange relationships (e.g., buyer–suppliers) with the expectation that such redesign will significantly enhance the financial performances of the partner firms. The ability to manage these relationships for superior exchange performance can be crucial for firms (Argyres & Mayer, 2007; Dyer & Singh, 1998). Central to the management of these relationships is the capability of a firm to design efficient contracts since such contracts have the potential of enhancing the performance of the exchange relationship, and therefore of the overall firm (Kale, Dyer, & Singh, 2002). In the extant research in marketing, we observe multiple instances of firms using contracts to manage interfirm relationships in contexts as diverse as automobiles (Kashyap, Antia, & Frazier, 2012), IT transactions (Mooi & Ghosh, 2010) and industrial/commercial machinery (Wuyts & Geyskens, 2005), thereby underscoring the importance of contracts in the management of interfirm exchange relationships. However, contract design capabilities have been generally neglected in the literature in marketing and elsewhere. The existing research has tended to question the importance of detailed contracts and instead focus on a 'Macaulayan' (1963) view of the firm which emphasizes non-contractual relations in business (Argyres & Mayer, 2007). Largely missing in the extant literature on contracting in marketing is a focus on the administration of contracts as well as their performance implications. This presents researchers with tremendous opportunities to explore issues related to the design and implementation of contracts in the area of new business models. As an example, firms may find that properly specifying roles and responsibilities is not always a trivial matter (e.g., Mayer, 2006) given the newness of these business models. Additionally, firms may also vary in their capabilities to administer their contracts to the letter and that in and of itself presents another set of issues that is ripe for exploration. Finally, the performance implications of the design and administration of contracts has received little attention in the research that we are aware of. Scholars interested in the general area of business models will find a lot of substantive issues suitable for theoretical and empirical research.

2.5. Network configuration and roles within networks

Business models inherit their network perspective from their infant role in navigating ventures from the idea to its implementation into a productive niche in the business environment (Magretta, 2002a; Zott & Amit, 2007). Before a business is incorporated, entrepreneurs integrate resources and capabilities almost exclusively by the means of network relationships. This experience favors a flexible perspective on organizational structures, and to view boundaries of the firm as scalable in line with emerging business opportunities (Wirtz & Ehret, 2013). Business models aim to identify a sound division of labor between the core business and its network of suppliers, distributors, complementors and business partners.

In the domain of marketing, business model perspectives open a fresh perspective by taking the outside-in view on networks. A widespread approach in business marketing is to view a given firm within its given environment and search for its optimal role in this environment. Business models take a broader view by first asking, how network configurations affect business performance and its implications for roles of firms within these networks (Chesbrough, 2011; Corsaro, Ramos, Henneberg, & Naudé, 2012). One research opportunity for business marketers is to draw on the insights of economic research of technology markets, where a vendor decides to focus on general purpose technologies and engages with a network of complementors who exploit the downstream potential of technology through consumers and marketing channels (Arora & Nandkumar, 2012; Arora, Fosfuri, & Rønde, 2013; Pisano, 2006).

An opportunity emerges here for researching various types of network configurations and their impact on the performance of customers as well as collaborating businesses (see Frankenberger, Weiblen, & Gassmann, 2013–in this issue). Companies working within these networks, need to consider which role they assume in value co-creation, that of the network architect, a hybrid contributor, or that of an technology provider (Chesbrough, 2011).

A more general property of networks is their potential for establishing new social relationships and stimulate social change (Castells, 1996; Granovetter, 1985). Network dynamics have the potential to re-shape markets, for example blur the lines between consumer markets and business markets through collaboration platforms or crowdsourcing business models (Bayus, 2013; Day, 2011). Managers will be in search for advice how they can put these emerging options into valuable use. Social capital and network approaches guide marketing research for elucidating the emerging social networks (van den Bulte & Wuyts, 2007).

2.6. Segmentation: Considering users and stakeholders and their implications for segmentation

In conventional marketing, segmentation targets paying customers. Business models need to consider a broader set of addressees, as they decouple offered benefits from cash-streams.

Take the business models of disruptive innovators who initially focus on seemingly financially unattractive market niches but grow in terms of sales and profits over time (Christensen & Bower, 1996). Another is two-sided markets where, one side of the market sponsors the other, for example advertisers sponsoring media businesses or software markets sponsoring video-consoles (Landsman & Stremersch, 2011).

From its infancy, marketing scholars have been aware of the perils of approaches guided by a myopic focus on paying customers (Levitt, 1975). Competitive pressure of ventures has exposed the conservative force present in customer valuation approaches that have a tendency to ignore future demand potential because of retrospective customer valuation approaches (Gupta, Lehmann, & Stuart, 2004).

Throughout our discussion of business model implications it becomes apparent that business models broaden the range of marketing addressees, taking into account the role of users besides paying customers, consumers besides business clients, and more generally, stakeholders besides the customer base. In emerging economies, addressing non-business stakeholders like charity foundations helps to close gaps that are filled by infrastructure providers and public services in the developed world (Chesbrough, Ahern, Finn, & Guerraz, 2006).

One crucial implication is that marketing needs to broaden the set of stakeholders traditionally considered as relevant for segmentation approaches. A particular research opportunity lies in the identification of measures that are suitable for evaluating the performance of two-sided markets. In addition, the proliferation of information and communication technologies has rendered the formation of segments more dynamic, more flexible and more volatile.

3. Business models and business markets: An overview of the special issue

3.1. The relation between business marketing and business models

We initiated this special issue driven by the observation that competition stimulates continuous re-drawing of a firms' boundaries and interfaces to its business eco-systems. Business models aim to capture opportunities in this environment and provide both opportunities and challenges, eventually stimulating the further development and growth of industrial marketing approaches. In their systematic review, Coombes and Nicholson (2013–in this issue) show that to date business model literature has been dominated by non-marketing disciplines. They find evidence that marketing is responding to some key phenomena addressed by business model approaches, such as the inclusion of broader sets of stakeholders into the revised AMA definition of Marketing and the adoption of communicative approaches for the study and design of the co-creation of value (e.g., Ballantyne, Frow, Varey, & Payne, 2011).

3.2. Value propositions

Maglio and Spohrer (2013–in this issue) present an approach for the design of platforms for the cocreation of value propositions. Taking a service science perspective of their IBM Research (Almaden), they propose four principles for the design of service systems: (1) The configuration of resources by service system entities, (2) the computation of value by service systems, (3) the reconfiguration of access rights, (4) the coordination through symbolic processes. Maglio and Spohrer are witnesses of the increasing engagement of service research with business model literature and provide a foundation for the systematic design as well as for the evaluation of service-based business models.

Business models draw on contingency views on business implicitly favoring the conclusion that a business has to find the right business model for its situation. Benson-Rea, Brody and Sima (2013–in this issue) show evidence for a plurality of co-existing business models in their study of the New Zealand Wine industry. They see this grounded in the paradox nature of competition. They advise companies to take complexities of competition serious and not to downplay them by artificially imposed choices of seemingly one-size-fits-all business models.

3.3. Capturing value and emerging perspectives on contracting

Contracts are a crucial element of business model innovation. Industrial suppliers embrace outcome-based contracts as means to develop service businesses. Ng, Ding, and Yip (2013–in this issue) provide a theory-based quantitative study elucidating value-drivers of the performance of outcome-based contracts. Counterintuitively, they find that material and equipment alignment between provider and client does not significantly affect the contract performance, whereas behavioral and information alignments are crucial factors of contract performance. One explanation for this may be that outcome-based contracts shift the main responsibility for material alignment to the domain of the provider.

Since James Watt's attempts to commercialize the steam engine, suppliers have sought to capitalize the service potential of their assets. Barquet, de Oliveira, Amigo, Pinheiro and Rozenfeld (2013–in this issue) show in their case study the potential contribution of business models to design and implement product-service-systems. They provide another example for the evolving business model perspective on industrial services.

Storbacka et al. (2013–in this issue) elucidate some antecedents of such service-based business models in industrial markets. In their in-depth case studies of eight business models they find evidence that installed-base business-models like the operation of plants or machines provide a comparatively easier entrance gate to enter solution businesses, while firms coming from input-to-process-models (e.g. supply of commodities), face comparatively higher hurdles. One possible explanation is that installed base-models are comparatively service intensive, as plants and machines are implemented in complex projects based on customer–supplier interaction. Storbacka et al. propose four characteristics (e.g., customer embeddedness, offering integratedness, operational adaptiveness, and organizational networkedness) as crucial characteristics for the systematic design of solution business models.

One initial motivation of contracting approaches was the interest of economists to understand the dark-side of markets, like pollution or opportunistic behavior, and their implications for contracts (Coase, 1960; Williamson, 1985). Seshadri (2013–in this issue) investigates the potential contribution of syndication as a business model to orchestrate investments and efforts for increased sustainability in a supply chain. Seshadri proposes a framework for plural governance in sustainability syndicates in order to curtail market failures, contractual incompleteness and termination of relationships.

3.4. Value networks and business models

Interest in business models draws on the expectation that the configuration of the value creation networks a firm engages-in, impacts substantially the performance of a business. Frankenberger, Weiblen and Gassmann (2013–in this issue) identify three types of network configurations for customer solutions and conditions that impact their performance. They find that companies should align their network relationships with the degree they centralize the customer solution. For decentralized provision of customer solutions, multiple weak ties they find the best impact on performance. If the supplier centralizes the solution under its control, few strong ties are appropriate.

Palo and Tähtinen (2013–in this issue) highlight the entrepreneurial context of exploring and exploiting business opportunities in the emergence of business models. They elucidate the role of entrepreneurial actors in shaping emerging business networks. They also document the practical use of business models, in orchestrating the activities of networked firms.

Decoopman and Djelassi (2013–in this issue) highlight the potential of engagement with the consumer area. They show the range of options for companies to “crowdsource” innovation contributions from consumers, from mere voting-exercises through co-designing new products. While the setting of the study is predominantly in the consumer marketing domain, B2B- companies will find crowdsourcing practices as powerful levers in furnishing their position throughout marketing channels. Not least, Decoopman and Djelassi touch one potential dark side of open business models: Opening up might not always pay for all collaborators and one party may feel exploited if not cheated. Fairness appears as a crucial design feature of crowdsourcing business models.

3.5. Business models: Emerging opportunities for marketing

The formation of new ventures is one domain where marketing finds fertile ground for applying its concepts and approaches. Wallnöfer and Häcklin (2013–in this issue) show the contribution of business models in providing narratives that enable start-ups to attract investors, mentors and collaborators as well as facilitating communication across the various domains, roles and functions involved in the venturing process.

Simmons, Palmer and Truong (2013–in this issue) show that open business models open-up opportunities for marketing to make its mark by inscribing value in the collaborative elaboration of business opportunities. They re-emphasize the implications for marketing in the increasingly entrepreneurial environments: In the face of disruptive technologies, marketing needs to engage in dialog with users and consumers. Not least, marketing will need to transform its role from a business function to that of a stakeholder moderator in the emergence of business models.

4. Conclusion

Business models offer marketing researchers a fresh perspective on key marketing elements. Marketing researchers have made substantial contributions to the advancement of marketing knowledge by engaging with business models. Substantial opportunities exist, however, in particular for researching the use of contracts for fostering the performance of business models. While currently business models reside rather on the domain of art than that of science, marketing research has the means to foster systematic approaches to business model design.

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Michael Ehret works as Reader in Technology Management at Nottingham Business School of Nottingham Trent University (NTU). For 2013 he also holds a position as Visiting Professor of Marketing at Univeristät Rostock, Germany. Before joining NTU he held positions as Assistant Professor at Freie Universität Berlin (Germany) and Visiting Professor at Technical University Munich Business School, Munich (Germany). His major interests are in Business Services, Technology Marketing and economic foundations of Marketing. Michael has published in leading international Journals such as the Journal of Marketing, Journal of Business Research and Industrial Marketing Management.

Vishal Kashyap is Associate Professor of Marketing at the Williams College of Business, Xavier University, Cincinnati, Ohio, USA. He received his Ph.D. from the University of Massachusetts Amherst. His research interests focus on the design, coordination, and management of distribution channels, interfirm relationships, and marketing strategy. His research has been published in the Journal of Marketing Research, Journal of Business Research, Industrial Marketing Management, and the Journal of Personal Selling and Sales Management among others. Vishal has developed and taught courses on distribution channels and marketing strategy at both the undergraduate and MBA levels and has won teaching awards for his teaching at the MBA level. For 2013, he is an office bearer for the Inter Organizational Special Interest Group (IOSIG) of the American Marketing Association.

Jochen Wirtz is Professor of Marketing at the National University of Singapore and the founding director of the UCLA - NUS Executive MBA (ranked number 5 globally in the Financial Times 2012 EMBA rankings). Dr Wirtz has published some 200 academic articles, book chapters and industry reports. His over 10 books include Services Marketing: People, Technology, Strategy (Prentice Hall, 7th edition, 2011, co-authored with Christopher Lovelock), Essentials of Services Marketing (Prentice Hall, 2nd edition, 2012), and Flying High in a Competitive Industry: Secrets of the World's Leading Airline (McGraw Hill, 2009). For free downloads of his recent work and selected book chapters see www.JochenWirtz.com.