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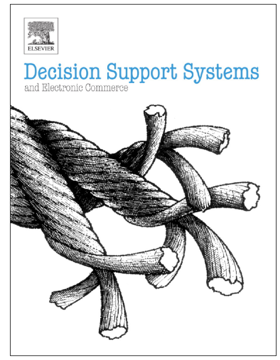

Omnichannel businesses in the publishing and retailing industries: Synergies and tensions between coexisting online and offline business models

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OMNICHANNEL BUSINESSES IN THE PUBLISHING AND RETAILING INDUSTRIES: SYNERGIES AND TENSIONS BETWEEN COEXISTING ONLINE AND OFFLINE BUSINESS MODELS

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Abstract: Since the emergence of the Internet, many brick-and-mortar companies from various industries have established an online business model (BM) alongside their traditional offline BM. Despite the increasing coexistence of online and offline BMs within a single company, however, most prior research has focused on studying online and offline BMs in isolation. Consequently, still little is known about the interplay of dual BMs in omnichannel businesses. We address this research gap through an empirical investigation of the synergies and tensions that arise from coexisting online and offline BMs as well as the factors that influence the emergence of such synergies and tensions. Drawing on a series of six case studies with three publishers and three retailers, we identify an extended set of BM synergies and tensions, which concern all major BM dimensions. In addition, our case analysis reveals that companies are able to exploit different synergies, but also face different tensions between their online and offline BMs. The observed differences can be traced back to the level of online-offline BM integration, online-offline product distinctions (e.g., in terms of product content and publication cycles), and general organization context factors (e.g., offline brand strength, organization structure). By uncovering both the benefits and the complexity of running online and offline BMs in parallel, our study contributes to the theoretical understanding of omnichannel businesses, and provides managers with practical guidance on how to design, integrate, and manage their dual BMs successfully.

Keywords: Dual business models, synergies and tensions, business model integration, online-offline product distinctions, general organization context factors, multiple-case study.

OMNICHANNEL BUSINESSES IN THE PUBLISHING AND RETAILING INDUSTRIES: SYNERGIES AND TENSIONS BETWEEN COEXISTING ONLINE AND OFFLINE BUSINESS MODELS

1 Introduction

The emergence of the Internet and related information and communication technologies (ICT) has affected companies in virtually all industries (DaSilva & Trkman, 2014), and has paved the way for a broad range of new omnichannel businesses. In this context, many ‘brick-and-mortar’ companies from various industries (e.g., banking, publishing, and retailing) have established an online business model (BM) alongside their traditional offline BM (Gilbert, 2006) resulting in dual BMs that incorporate two or more channels (i.e., omnichannels). Generally, an offline BM describes how a company creates, delivers, and captures value over physical channels, whereas an online BM relates to value creation, delivery, and capture through Internet channels (Osterwalder & Pigneur, 2010).

By supplementing their offline BM with an online BM, incumbent firms aim to prepare for their ‘digital’ future and employ multiple channels in their attempt to gain footholds in emerging (online) markets. This is particularly true for the publishing and retailing industries, where many firms launched Internet websites to expand their product and service offerings. However, despite the increasing importance of the online business in these two industries (e.g., Fan, 2013; Picard, 2003), the offline business often remains the ‘cash cow’ for publishers and retailers alike (e.g., Thorén et al., 2014), highlighting the importance of being able to successfully run online and offline BMs in parallel.

Existing BM research has typically focused on studying a company’s online or offline BM in isolation (e.g., Kamoun, 2008; Wirtz et al., 2010), whereas only a few studies looked at coexisting online and offline BMs within a single company (e.g., Markides & Charitou, 2004; Smith et al., 2010). As a consequence, our understanding of the interplay between parallel online and offline BMs remains limited. For example, while organizational theorists argue that synergies result from structural integration (Barki & Pinsonneault, 2005), prior BM research finds that structural separation between coexisting online and offline BMs helps mitigate tensions such as cannibalization risks (Markides, 2013; Simon & Kadiyali, 2007). The complex interplay between dual BMs thus warrants further investigation and clarification.

To address the above-highlighted research gap, we conduct a multiple-case study involving a total of six firms (three publishers and three retailers) to explore the interplay between the firms' online and offline BMs. Specifically, our study aims to answer the following research questions: (1) What synergies and tensions arise between coexisting online and offline BMs? (2) What factors influence the emergence of online-offline BM synergies and tensions?

In the following, we first introduce the BM concept, summarize key related research, and outline our guiding research framework. We then describe our research methodology and present the case findings. Finally, we discuss the study's theoretical and practical implications.

2 Theoretical Background

2.1 Business Model Concept

Since the late 1990s, the BM concept has become increasingly popular in the business and management fields (Klang et al., 2014; Massa et al., 2017; Veit et al., 2014; Zott et al., 2011). Despite the increase in scholarly attention, however, the BM concept also has received some severe criticism (Klang et al., 2014), especially with regard to its definitional clarity and conceptual underpinnings (e.g., Magretta, 2002; Porter, 2001). To address this shortcoming, Al-Debei and Avison (2010) reviewed 22 well-established BM conceptualizations to develop a unified BM definition and framework that accounts for "the complex nature of businesses today" (p. 359). On this basis, they define a BM as "an abstract representation […] of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization [and] all core products and/or services the organization offers" (p. 372), as well as derived a generic BM framework including the following three major dimensions.[1]

[1] Al-Debei and Avison (2010) refer to the "value network" as a fourth BM dimension, which depicts the interactions and relationships of an organization with key external partners and other stakeholders. Given our study's focus on the *intra-organizational* interplay between coexisting online and offline BMs, we excluded this dimension from our case analysis.

(1) *Value proposition* – describes the market offerings (products and/or services) of an organization as well as its interactions with the targeted customer group(s) (e.g., Hedman & Kalling, 2003; Magretta, 2002; Osterwalder et al., 2005; Venkatraman & Henderson, 1998).

(2) *Value architecture* – refers to (the configuration of) an organization's core resources and capabilities required for producing the market offerings (e.g., Hedman & Kalling, 2003; Osterwalder et al., 2005; Venkatraman & Henderson, 1998).

(3) *Value finance* – captures the economic configuration of an organization, including its cost structures, pricing methods, and revenue streams (e.g., Magretta, 2002; Osterwalder et al., 2005).

The generic BM dimensions listed above apply to both online and offline BMs. In this context, we define the medium of the delivery channel (Internet website vs. physical store) as the core-distinguishing feature between the two BM types (online vs. offline). Against this backdrop, Al-Debei and Avison's (2010) BM framework seems well suited for guiding and structuring our analysis of the synergies and tensions between coexisting online and offline BMs. Further, by adopting their framework, we take into account the multidimensionality of the BM concept (e.g., Günzel & Holm, 2013; Wikström & Ellonen, 2012). This is in contrast to many earlier studies, which often focused on a single BM dimension or element, such as a company's (online) revenue model (Veit et al., 2014).

2.2 Summary of Key Related Research

Existing BM research has largely focused on studying a single BM per company, i.e., either a company's (traditional) offline BM or its (emerging) online BM in isolation. Corresponding research has produced a rich body of knowledge regarding BM transformation and innovation processes as well as the impact of new technologies on BMs (e.g., Ellonen et al., 2008; Kamoun, 2008; Wirtz et al., 2010). For example, BM researchers extensively studied the drivers and challenges (or barriers) associated with BM transformation and innovation, and have stressed the seminal role of dynamic capabilities for the success of such undertakings (e.g., Chesbrough, 2010; Daniel & Wilson, 2003; Sosna et al., 2010).

In clear contrast, only a few studies investigate dual BMs within a single company. These studies find that an incumbent's response to new (online) competitors may result in the establishment of a second

BM beside the traditional BM. The creation of dual BMs was observed, for example, in the airline and computer (Casadesus-Masanell & Tarziján, 2012; Douglas, 2010), banking (Velu & Stiles, 2013), newspaper (Casadesus-Masanell & Zhu, 2010; Schlesinger & Doyle, 2014), and software industries (Stuckenberg et al., 2011). It was found to often result in organizational conflicts (e.g., due to cannibalization risks) (Markides & Charitou, 2004; Markides, 2013; Smith et al., 2010).

A focal research stream in the context of dual BMs deals with the organizational integration (OI) and/or separation of coexisting BMs. For example, Markides and Charitou (2004) suggest that, depending on the nature of conflict and the strategic relatedness, companies should choose a separation, integration, phased separation, or phased integration strategy. Relatedly, investigating the online and offline BMs of a newspaper publisher, Gilbert (2006) demonstrates that the strategy for developing the online BM depends on the structural context (integrated vs. separated), the strategic context (e.g., newspaper-centric vs. differentiated), and the cognitive framing (threat vs. opportunity) of the new online 'venture'. Velu and Stiles (2013) explore how a bank manages the strategic decision-making process in an environment of two internally competing BMs. They show that three alignment mechanisms (transcendence, separation, and integration) help differentiate the new BM and simultaneously leverage synergies across the BMs. Further, they show that balancing the tensions between rationality and politics helps manage cannibalization risks resulting from the existence of two parallel BMs. Stuckenberg et al. (2011) depict the special case of software providers and report on the interrelationships between a provider's on-premise delivery model and its software-as-a-service (SaaS) delivery model. They find that the coexistence of the two delivery models creates cost and resource synergies, but also leads to implementing protective measures targeted towards artificially limiting the SaaS model to customer segments not served by the on-premise model.

In summary, while prior BM research acknowledges the potential benefits and challenges of running online and offline BMs in parallel (e.g., Markides & Charitou, 2004; Stuckenberg et al., 2011; Velu & Stiles, 2013), still little is known about the interplay between dual BMs as well as the synergies and tensions that may emerge from this duality. To address this research gap in extant literature, we draw on Barki and Pinsonneault's (2005) model of OI (see section below) and conduct a multiple-case study.

2.3 Guiding Research Framework

Barki and Pinsonneault (2005) define organizational integration (OI) as “the extent to which distinct and interdependent organizational components [the online and offline BMs in the context of our study] constitute a unified whole” (p. 166). In line with their definition, online-offline BM integration thus reflects “how harmoniously the [two coexisting BMs] of an organization work together and how tightly coordinated their activities are” (ibid, p. 166).[2]

Barki and Pinsonneault (2005) distinguish between two basic types of OI: the integration of primary activities and the integration of secondary activities (cf. Günzel & Holm, 2013; Osterwalder & Pigneur, 2010). The former refers to the integration of core business processes, staff, and technology (Leavitt, 1965) that ‘produce’ an organization’s outputs; the latter refers to the integration of business functions that support primary activities. In the specific context of our study, primary activities relate to content creation and delivery (publishers) and product sales and delivery (retailers). Examples of common support functions are accounting, human resources (HR), IT, and marketing. With regard to both primary activities and support functions, we distinguish among four generic strategies: integration, phased integration, phased separation, and separation (Markides & Charitou, 2004).

Regarding the performance implications of OI, Barki and Pinsonneault (2005) highlight “that past research generally found a positive relationship between integration and different measures of organizational performance” (p. 165). Their theoretical model thus proposes a direct link between OI (types) and organizational performance. We, too, focus on organizational performance by studying its proxies: synergies and tensions. In our study, *synergies* refer to relationships between online and offline BMs that result in positive outcomes (Nevo & Wade, 2010), including cost savings, economies of scale, productivity increases, and difficult-to-imitate strategic advantages—all important antecedents of organizational performance (Barki & Pinsonneault, 2005). In contrast, *tensions* refer to relationships between the two BMs that result in negative outcomes, such as internal conflicts (ibid).

[2] Please note that Barki and Pinsonneault (2005) view organizational integration in terms of both internal integration (within the focal organization) and external integration (outside the focal organization). In contrast, our study concerns only internal integration due to its focus on the interplay between online and offline BMs that coexist within a single organization.

Furthermore, Barki and Pinsonneault (2005) refer to the organization and industry context as two sets of key factors that moderate the link between OI and organizational performance (i.e., online-offline BM synergies/tensions). Specifically, with regard to organization context factors, Barki and Pinsonneault (2005) discuss several mechanisms that facilitate online-offline BM integration, including the standardization of work processes and skills. In this context, they also refer to two categories of integration "barriers": specialization and politics (cf. Markides & Charitou, 2004). Specialization barriers are based on either goal differences (BM-specific vs. organizational goals) or frame-of-reference differences (e.g., different cognitive and emotional orientations that induce incompatible assumptions, expectations, and languages between the two BMs). Political barriers occur, for example, when managers fear that an increased level of online-offline BM integration would diminish their organizational (or market) power. With regard to industry context factors, Barki and Pinsonneault (2005) point to environmental turbulence (in terms of unexpected changes or "shocks" on an industry level) as an important context factor that may have a negative influence on the link between online-offline BM integration and organizational performance (cf. Markides, 2013).

3 Research Methodology

We adopted a qualitative, multiple case-study approach to explore the interplay between coexisting online and offline BMs in their real-life context (Yin, 2014). Studying multiple cases enabled us to do pattern matching within each case and across the cases (ibid). Our case-study approach largely followed the process described in Eisenhardt (1989).

For the purpose of our study, the publishing and retailing industries qualified as appropriate and interesting domains. First, both industries face considerable environmental turbulence as they have been heavily impacted by the emergence of the Internet and related phenomena including the increasing proliferation of mobile devices and social media (Wikström & Ellonen, 2012). Second, the majority of incumbent firms in the publishing and retailing industries have rather recently supplemented their traditional offline BM with an online BM. Consequently, many of these firms currently aim to exploit synergies while managing the tensions between their coexisting BMs. Third, it is relatively easy to demarcate the online BM of a publisher/retailer from its offline counterpart.

To select the case companies for our study, we applied three major selection criteria. First, a company needed to run an online and an offline BM in parallel. This criterion led to the exclusion of 'pure-play' Internet firms (e.g., Amazon.com). Second, senior management needed to be willing to support our study and provide us with access to relevant informants and internal documents. Management buy-in was particularly important since online BMs and their profitability are a highly sensitive topic in both the publishing and the retailing industry. Third, case companies were selected on the basis of varying industries (publishing vs. retailing), organizational structures, and levels of online-offline BM integration in order to maximize these contrasting elements. We therefore followed a theoretical-replication strategy in choosing the cases (Yin, 2014). According to replication logic, comparing data gathered from multiple organizations makes it possible to determine whether a finding is idiosyncratic to the single case or is replicated among the several cases (Eisenhardt & Graebner, 2007). Thus, more confidence can be placed in the findings. Further, multiple cases allow broader exploration of research questions. Here, Eisenhardt (1989) recommends studying four to ten cases. On this basis, we selected a total of six case companies for our study, three from the publishing industry (BIZ, CAR, and NEWS) and three from the retailing industry (DEPS, MEDIA, and PET). Details on the participating organizations are provided in section 3.2.

3.1 Data Collection & Analysis

To collect the case data, we primarily relied on semi-structured interviews. Across the six case companies, we conducted a total of 32 interviews. All interviewees were recommended by our senior management contact in each organization and held key positions in their organization. They had job titles such as CEO, Managing Director, Co-Editor in Chief, Head of E-Business, Sales Director Digital, etc. The total duration of the interviews was 26 hours and 11 minutes (average interview duration of roughly 49 minutes). Interviews were carried out mainly onsite and took place over an extended time period (April 2014 to October 2015). Before each interview, we sent out a description of our study along with an interview guideline to the interviewees. All interviews were tape-recorded and transcribed afterwards, resulting in 470 pages of transcriptions. For the purpose of data triangulation, we also gathered company-internal documents (e.g., executive briefings, meeting minutes, and internal reports), made direct onsite observations and took field notes, as well as gathered publicly available data on the case companies and their respective industries (e.g., annual reports, industry blogs and reports).

Before analyzing the case data, we systematically organized all the collected data (interview transcripts, field notes, internal documents, etc.) in a central case database (Yin, 2014). We then used the software *NVivo 10* to analyze the data, following a three-step process. First, we tried to make sense of the collected data by attaching labels to individual data slices, referred to as open coding (Glaser, 1978). We repeated this line-by-line coding until we reached theoretical saturation, which occurred when no new categories emerged from the data. In the second step, we delimited further data analysis to the most relevant coding categories, i.e., those related to synergies and tensions between online and offline BMs (selective coding). Here, we drew on the dimensions and elements of Al-Debei and Avison’s (2010) BM framework (see section 2) to develop a parsimonious list of categories. Two members of the research team carried out both coding procedures. In a third step, we performed a cross-case analysis to determine commonalities and differences across the six cases (Yin 2014) and to identify factors that could help explain the observed differences. Here, before we tried to generalize across cases, we did extensive within-case analyses to understand each case as a stand-alone entity and discover case-specific patterns. For example, we examined key differences between the online and offline BMs of each company, and assessed the extent to which the identified online-offline BM synergies and tensions were present in each of the six cases (see Appendix). Then, when searching for cross-case patterns, we tried looking at the data in several ways. For example, we singled out individual synergies and tensions and looked for factors that could help explain similarities and differences across case firms and industries. We also compared pairs of cases to find similarities and differences. On this basis, we eventually started forming conjectures, which we attempted to match with patterns in the data.

After each step, the (preliminary) analysis results were reviewed and discussed by all members of the research team to verify the validity and reliability of the results. In doing so, the members of the research team alternated between constructive and critical positions. In cases of disagreement, we revisited the case data, discussed the coding for the relevant text passages, and reached agreement in all cases.

3.2 Case Context

This section introduces the six case companies and outlines key characteristics of their online and offline BMs as well as the integration between these BMs (see Table 1 below for a summary). Company names have been anonymized at the request of the participating organizations.

BIZ publishes a monthly business magazine, which has a strong reputation for high-quality, investigative journalism and is considered to be the market leader in its segment. Since the mid 1990s, BIZ also has run a business-news website financed by advertising revenues. *CAR* publishes a biweekly car and motorsport magazine that is primarily targeted at car enthusiasts and people who plan to buy a car. In the late 1990s, CAR launched its advertising-based website, which largely mirrors the print magazine. *NEWS* is an old-established publishing house that offers both a daily print newspaper and a general-interest news website. NEWS recently introduced a paid-content model on its website. *DEPS* is a department store chain with branch stores in about 100 German cities. DEPS' stores offer a wide range of products from household supplies to jewelry. In 2011, DEPS launched its online store. Over the last decade, DEPS consolidated organizationally and closed several branch stores. *MEDIA* is one of the largest chains of consumer electronics retailers in Germany. Branch stores operate largely independently (decentralized organization structure). Except for centrally defined core products, every store sets its product assortment and pricing. In the early 2010s, MEDIA opened its online store. *PET* is one of the largest German retailers for pet supplies and operates as a network of franchise stores. Franchisees are bound to corporate standards, but still represent independent units responsible for a defined regional area. In 2011, PET started its online store. All three retailers (DEPS, MEDIA, and PET) face severe price competition from pure online players such as Amazon.

In terms of online-offline BM integration, BIZ kept its online and offline BMs largely separated with the exception of common support functions (accounting, HR, and marketing), which have been integrated and outsourced to an affiliated company. In contrast, CAR and NEWS are currently in the process of integrating core processes, staff, and support functions of their online and offline BMs. All three publishers use different editorial IT systems for their two coexisting BMs. The three retailers largely resemble each other in terms of online-offline BM integration. DEPS, MEDIA, and PET currently run several initiatives designed to further integrate core online and offline processes including the (backend) IT systems that support these processes. Relatedly, the three retailers are in the process of consolidating key support functions of their online and offline BMs. Due to the unique characteristics of the retailing industry, core offline staff (store managers and agents) is spatially separated from the online staff, which usually operates from central units located at the retailers' headquarters.

Table 1: Overview of case companies

	BIZ	CAR	NEWS	DEPS	MEDIA	PET
Industry	Publishing	Publishing	Publishing	Retailing	Retailing	Retailing
Offline BM offering	Monthly business magazine (specialist)	Biweekly motorsport magazine (specialist)	Daily newspaper (generalist)	Department store (generalist)	Consumer electronics retailer (specialist)	Pet supplies retailer (specialist)
Target group	Premium, 40+ years	Middle to upper class, all ages	Middle to upper class, 40+ years	Middle to upper class, 35+ years	All classes and ages	Middle to upper class, all ages
Print circulation	> 100,000 (monthly)	> 300,000 (biweekly)	> 300,000 (daily)	N/A	N/A	N/A
Branch stores	N/A	N/A	N/A	~100	~250	~850
Revenue model	Advertising + Copy sales	Advertising + Copy sales	Advertising + Copy sales	Product sales	Product sales + advertising	Product sales
Revenue development	Stagnating	Declining	Declining	Declining	Stagnating	Increasing
Online BM offering	News website (and apps)	News website (and apps)	News website (and apps)	Online store	Online store	Online store
Monthly users (unique)	> 2.0 million	> 2.0 million	> 7.0 million	N/A	N/A	N/A
Revenue model	Advertising	Advertising	Advertising + Paid content	Product sales	Product sales + advertising	Product sales
Revenue development	Increasing	Stagnating	Increasing	Increasing	Increasing	Increasing
Share of total revenues	10%	10%	10+%	3%	4%	2.5%
Profitability	No	Yes	Yes	No	Yes	No
Integration Core processes	Separation	Phased integration	Phased integration	Phased integration	Phased integration	Phased integration
Core staff	Separation	Phased integration	Phased integration	Separation	Separation	Separation

Core technology	Separation	Separation	Separation	Phased integration	Phased integration	Phased integration
Support functions	Integration	Phased integration	Phased integration	Phased integration	Phased integration	Phased integration

4 Case Findings

In the following, we present the online-offline BM synergies and tensions identified through our within and cross-case analyses. The presentation of these synergies and tensions is structured along the dimensions of Al-Debei and Avison's (2010) BM framework: value proposition (VP), value architecture (VA), and value finance (VF). On this basis, we outline commonalities and differences across the six case companies, discuss factors that help explain the observed differences, and integrate the case findings in a theoretical model consisting of five propositions (see Figure 1 in section 4.3).

4.1 Online-Offline BM Synergies

Online extension of offline offerings (VP): All case companies used their online BM to extend the market offerings of their offline BM. This online extension, however, manifested itself differently in the two industries. Publishers used their online offerings mainly to enrich their print content by offering supplementary multimedia content such as augmented-reality features (e.g., "3D car view") and short videos. Generally, extending their offline offerings online helped all three publishers attract younger customer groups, and ultimately increase their overall customer reach.

On the other hand, the three retailers extended their offline offerings by interlinking them with online services. The retailers' rationale behind offering such crosschannel services was to make the shopping experience as convenient as possible, and to differentiate themselves from pure online retailers:

> *"We will never be able to compete with Amazon online. [And] our physical stores will never reach the level of [highly specialized stores]. But we can do everything simultaneously, and to me, this is our unique selling proposition." (Head of Procurement & Logistics Systems, DEPS)*

For example, DEPS and MEDIA customers can have their online orders delivered to any physical store for free ("click & collect"); or, they can check the in-store availability of products online and then reserve them at a given store. Also, being open 24/7, the retailers' online store extended the opening hours of their physical stores. Relatedly, using the online store as an "extended shelf" enabled DEPS, MEDIA, and PET to offer more long-tail products (i.e., products with relatively low sales volume) as well as to increasingly remove such products from their physical stores. Overall, the online extension of offline offerings enabled all three retailers not only to reach new customer groups, but also to increase the frequency with which (existing) customers visited physical stores.

New offerings for advertising customers (VP): All three publishers (BIZ, CAR, and NEWS) leveraged the coexistence of their online and offline BMs to offer cross-media advertising packages to corporate customers. To facilitate the creation of such offerings, BIZ integrated its online and offline marketing activities by outsourcing them to an affiliated company. In contrast, CAR and NEWS continued to run separate online (outsourced) and offline (in-house) marketing units.

Also, one retailer (MEDIA) offered cross-media advertising to major suppliers intending to promote the launch of new products. To do so, MEDIA involved an external agency to coordinate the marketing activities across its online and offline BMs. Here, MEDIA's unique ability to offer well-rounded advertising packages—including in-store advertising, TV commercials, and social media campaigns—proved to be a unique selling proposition, as noted by a MEDIA manager:

> *"Many [competitors] are able to do online advertising; some are able to do offline advertising. But offering close integration between the two and a nice surrounding story, to my understanding, only we are actually able to offer this in our industry." (Head of E-Business, MEDIA)*

In all four cases, the offering of cross-media advertising packages helped the case companies increase their overall advertising revenues. In the case of MEDIA, this increase played a critical role in driving the profitability of its online BM.

Positive 'rubbing-off' effect of offline brand on online brand (VA): The online BM of all six case companies benefitted from the existence of their well-respected offline brand. Specifically, the offline brand helped both publishers and retailers create awareness of, and draw people's attention to, their online offerings, eventually spurring website and app traffic. Moreover, in the publishing industry, their strong offline brand enabled BIZ, CAR, and NEWS to justify above-industry-average fees for online advertising space. For example, the offline brand of BIZ was clearly targeted towards a premium customer group (on average, BIZ's target group has the highest household net income of all print magazines and newspapers in Germany), which made BIZ particularly attractive to advertisers operating in luxury industries:

> *"The BIZ brand is actually a gift for [our online BM], which is mainly based on advertising revenues" (Managing Director, BIZ)*

In the retailing industry, where BMs center on generating revenues from product sales, the offline brand (in combination with the network of physical stores) not only played an important role in attracting customers to retailer websites, but also in creating trust among online customers. For example, MEDIA's well-known brand helped reduce the barrier to place online orders and pay online, especially among older, less Internet-savvy customers ("if something goes wrong, I can still go to the store").

New cross-channel marketing capabilities (VA): Both publishers and retailers leveraged the coexistence of their online and offline BMs for cross-channel marketing. All six case firms used online advertising on their website, apps, and social media platforms (e.g., Facebook) to promote their offline offerings, and vice versa. Especially in the retailing industry, these new cross-channel marketing capabilities provided firms with a less costly, and often more effective, alternative to paper-based advertising. For example, changes in customer information behavior made it more and more difficult to reach customers via traditional advertising (e.g., paper flyers). PET therefore increasingly relied on online channels for informing customers about special offers and other marketing campaigns at nearby stores:

> *"Clearly, [the online channel] creates measurable synergy effects in terms of marketing. […] Looking at customer information behavior, the classical paper flyer and the advertising-medium print [in general] are becoming less and less important." (Managing Director, PET)*

Two case companies from the publishing industry (BIZ and CAR) also leveraged their coexisting BMs to intertwine online and offline content with the goal of promoting the sales of their print magazine. Here, the (free) website content served as a 'bridge' to the (paid) magazine content. For example, BIZ published short articles on its website, which aimed to arouse reader interest and referred online readers to the corresponding, more profound articles in the print magazine.

Access to new customer data (VA): In all six cases, the online BM facilitated the collection of additional customer data. For example, publishers and retailers launched online newsletters and apps, requiring customers to provide personal data as part of the registration/download process. Moreover, all case companies employed sophisticated software tools (beyond *Google Analytics*) to track and analyze website traffic and clickstreams, and eventually to derive novel insights on customer demands and behaviors. For example, BIZ implemented a software tool using real-time data to test different article headlines (A/B testing) as well as to automatically adapt the order in which articles were presented on the website. In addition, BIZ integrated a new tracking tool in its app, which collected rich data about how customers used the app and read its content (e.g., portrait vs. landscape format).

The three publishers especially benefitted from the access to new customer data afforded by their online BM. Online channels enabled them to collect direct, timely, and rich customer feedback in a relatively cost-efficient manner. In contrast, “editorial copy tests” of the print product were conducted only rarely because of the significant costs and efforts associated with such tests.

Sharing of resources (VA): Publishers and retailers shared resources across their dual BMs, even though the degree of resource sharing varied quite significantly between the two industries. In the retailing industry, resource sharing was mainly limited to support functions and customer data, whereas resource sharing in the publishing industry also concerned product content and human resources (editorial staff).

Unsurprisingly, all case companies integrated, or are in the process of integrating, common support activities into centralized units to minimize resource redundancies and realize cost savings. For example, BIZ outsourced common support functions for its online and offline BMs to a shared service center of its parent company. DEPS integrated its online marketing team into its offline marketing unit, and DEPS’ e-business division draws from resources and services provided by central procurement and logistics departments. Similarly, PET consolidated the marketing, purchasing, and category management units of its online BM with the respective units of its offline BM.

All six case firms also aimed to share customer data between their two coexisting BMs (to the extent this was permitted by the German data privacy act[3]). For example, BIZ and CAR started developing a central customer-data repository with the goal of increasing transparency of customer demands and preferences. Relatedly, the three retailers joined an established customer loyalty program (DEPS and PET) or launched their own program (MEDIA), enabling them to capture and link online and offline data. In addition to data sharing, publishers also shared actual content across their online and offline BMs:

> *"Eventually, [the online article] is the same article, I mean it is the same content, but in a digitally enriched format." (Head of Digital Media, CAR)*

Finally, at least to some extent, all three publishers shared editorial resources across their online and offline BMs, which seemed to have a positive effect on staff learning and motivation.

Online compensation of decrease in offline revenues (VF): Five of the six case companies were faced with declining (CAR, NEWS, and DEPS), or at least stagnating (BIZ and MEDIA), revenues in their traditional offline BMs. Here, the coexisting online BM enabled companies to (partly) compensate for the decrease or stagnation in offline revenues. For example, the advertising-based online BM of both BIZ and CAR made a considerable contribution (~10%) to the publishers' total revenues. Likewise, NEWS reported an online-revenue contribution of about 10% before introducing a "pay-wall" on its website, which was expected to lead to a further increase in online revenues. All three retailers (DEPS, MEDIA, and PET) also registered an increase in online revenues. However, ranging between 2% and 4%, the overall contribution of online revenues was still rather marginal.

4.2 Online-Offline BM Tensions

Differences in online and offline customer demands (VP): Online and offline customer groups overlapped only to some extent, primarily for publishers, which translated to considerable differences in customer demands. For example, BIZ's print magazine was renowned for high-quality, investigative business journalism, which online customers did not seem to value. As a consequence, BIZ started to

[3] Data privacy laws in Germany are relatively strict, limiting the sharing of data between online and offline BMs. For example, under German law, data collected for a specific purpose (e.g., online newsletter) cannot be used for other purposes.

gradually transform its online BM by engaging in content curation and syndication as well as publishing shorter-content formats on 'fancier' topics (as opposed to in-depth company analyses). Similarly, the unique selling proposition of CAR's print magazine was based on sophisticated car test reports. These reports, however, did not 'click well' on CAR's website, which therefore largely depended on providing online readers with up-to-date information on current topics (e.g., photo series of car prototypes and test mules) and events (e.g., Formula One races).

The increasing differences between the value propositions of BIZ and CAR's online and offline BMs bore the risk of potentially damaging the publisher's well-respected offline brand. For example, BIZ feared that publishing 'lightweight' content on the website may negatively affect its premium brand:

> *"With everything we do [in the online space], in a perfect world, the goal is to leverage the print brand – but at least not to damage it." (Managing Director, BIZ)*

Increase in process complexity (VA): In the publishing industry, print and online products (and related processes) were still fairly separated, at least from a customer perspective. In contrast, in the three retailing cases, the offering of cross-channel services required close integration between online and in-store processes, resulting in a significant increase in overall process (management) complexity. For example, customers of DEPS and MEDIA were able to collect and return their online orders at virtually any physical store. For store agents, this created several challenges:

> *"First, the store agent needs to make sure that [the customer] has already paid. Doing so at the cashier's desk is anything but easy. […] Also, there is always this grey area when [the customer] says 'I paid it yesterday'." (Head of Supply Chain & Logistics Systems, DEPS)*

Adding to this, DEPS had exclusive distribution agreements with some suppliers, which tied the offering of certain products (e.g., high-end suitcases) to specific branch stores. Consequently, if an online customer returned a product at a DEPS store that was not allowed to sell this product, the store agent had to send the returned product to another branch store or the supplier's warehouse. Furthermore, DEPS and MEDIA allowed their customers to reserve in-store products online. Here, as soon as a customer made an online reservation, a store agent had to collect and put aside the reserved product(s), update product inventory levels, and potentially trigger a replenishment process. And then, if the online customer did not show up at the store, the agent would have to undo all these process steps.

Changes and differences in staff skillsets (VA): In the publishing industry, the job profiles of print and online editors required very different skillsets, restricting publishers' ability to share staff across their online and offline BMs. For example, BIZ learned that some editors—who were used to thinking in article types (e.g., company analysis), developing proprietary content, and writing long text—were struggling with preparing or curating short and less-prestigious online articles:

> *"Imagine, you once got hired here [at BIZ] and all you did was writing proprietary content. And now, all of a sudden, you are asked to curate, that is, to summarize what others have written." (Managing Director, BIZ)*

Also, despite the growing importance of social media (Facebook, Twitter, etc.), print editors at BIZ—many of them in their mid 50s—showed only limited interest in learning about and using social media. In addition, print editors often lacked technical skills in terms of how to use editorial systems and analysis tools (e.g., Google Analytics) as well as how to optimize online content for search engines (SEO). For example, a CAR print editor may use the headline "Star Wars" for an article comparing Mercedes cars; however, because of its ambiguity, this headline would be less suitable for the online space.

In contrast, in the retailing industry, the addition of an online BM had only a minimal impact on the job profiles of most store agents. For example, DEPS installed tablet computers in its physical stores, enabling store agents to place online orders on behalf of in-store customers. Still, all three retailers faced the challenge of establishing a basic understanding of online processes among store agents. At the same time, they had to make sure that their online staff understood the traditional offline business. For example, the introduction of cross-channel services such as the online-reservation process at DEPS and MEDIA required deep knowledge of the retailers' backend IT systems and supply-chain processes.

Differences in work modes and priorities (VA): In the publishing industry, online and offline editors did not only require different skillsets, but also operated on very different work modes. For example, focusing on content curation, BIZ online editors published about 30 news items on the website each day, whereas print editors often worked up to four weeks almost exclusively on a single article. Relatedly, while news agencies (e.g., Reuters) played only a minor role for generating print content, they played a critical role for the website content (content syndication). Most of the above also applied to CAR, whose online editors published on average 30-35 news items on the website each day.

A work-mode difference observed at all three publishers was that print editors seemed to have clear deadlines and rather fixed working hours, whereas online editors worked virtually 24/7. Also, due to their strong focus on publishing the next print issue, at least some print editors seemed to care less about the subsequent reuse of print content on the website. Not uncommonly, this created the problem that considerable rework was required before print content could be published online. Differences in work modes were also reflected in the lack of IT system integration across the publishers' online and offline BMs. For example, CAR and NEWS used one content management system (CMS) for its print business and another CMS for its online business. Both CMS were highly complex since they had been tailored to the specific needs of the respective editorial offices over the years:

> *"There is not a single publishing house in Germany, which has so far managed to produce both [print and online content] using only one content management system. [And] I firmly believe that this will not change for another couple of years." (Head of Digital Media, CAR)*

The above-described differences in work modes contributed to the emergence of internal conflicts and political maneuvering between online and offline staff. For example, BIZ print editors perceived online editors as "second-class journalists" who had lower salaries, leading to ongoing debates on inequity. Similarly, CAR print editors perceived 'their' content to be more valuable, and online editors kept complaining that print editors exploited their superior position to do 'cherry picking':

> *"The exciting cars are actually always done by the print colleagues; and the lame cars are always done by us [online editors]." (Head of Digital Media, CAR)*

Similarly, the retailers' online and offline staff seemed to have different work priorities, giving rise to internal conflicts. For example, in all three retailing cases, store agents identified themselves primarily with 'their' physical store and had been trained to realize revenues while customers were present in the store (rather than referring customers to the online store). Relatedly, store managers were mainly concerned with their 'physical worlds'. They viewed the online BM as a pure cost driver, spending the money that physical stores had earned and threatening their business. To mitigate the online resistance from store owners, MEDIA agreed to assign 'click & collect' revenues to the physical store where the online order was collected. Similarly, PET decided to let its franchisees participate in online revenues.

Online cannibalization of offline revenues (VF): Given that the six case companies were still highly dependent on the revenues generated by their offline BM, the coexisting online BM also involved a cannibalization risk. However, especially when compared to the publishing cases, online cannibalization of offline revenues generally tended to be less of a problem in the retailing cases. In the end, the retailers' dual BMs just represented two different distribution channels. In this regard, the online BM helped retailers compete with pure-play online retailers (e.g., Amazon.com) by enabling them to expand their product assortment as well as to ensure product availability.

Pricing differences between online and offline products (VF): All three publishers and two retailers (MEDIA and PET) faced the challenge that product prices varied across their online and offline BMs, contributing to confusion among customers. In the publishing industry, the online BMs of two case companies (BIZ and CAR) were purely advertising-based; that is, all content on their website was offered for free (as opposed to the paid print content). To justify this price difference, both publishers delayed the publication of online content, if this content was largely identical to print content. Also, especially BIZ increasingly reduced content overlaps between its online and offline offerings by gradually repositioning its website from a "bad copy" of the print magazine to a more independent news website. At NEWS, the online subscription fee was far lower than the print subscription fee, creating some pricing tensions.

In the retailing industry, pricing differences across channels were particularly problematic since online and offline prices referred to the very same product. While pricing differences were not a problem at DEPS (where product pricing was done centrally), MEDIA and PET partly relied on decentralized pricing, sometimes leading to considerable differences in product prices between online and offline channels. A related problem was that updating product prices in the physical stores involved significant operational efforts (print new price label, search product, exchange labels, etc.).

4.3 Factors Driving and Moderating BM Synergies and Tensions

The case analyses show that the level of ***online-offline BM integration***—in terms of both primary activities (i.e., core processes, staff, and technology) and secondary activities (i.e., support functions)—drive the emergence of synergies between the value architectures of coexisting online and offline BMs. For example, in the publishing industry, the activities of BIZ's online and print editorial offices were only loosely coupled (i.e., displayed a low level of integration), limiting the extent of content and staff sharing between the two offices. In contrast, NEWS was able to more fully exploit resource-sharing synergies given the publisher's recent decision to integrate its online and offline editors into a shared office:

> *"In the end, writing is decoupled from the medium. It shouldn't matter where something is published." (Co-Editor in Chief, NEWS)*

On a related note, the results of our analyses reveal a rather low level of integration between the IT systems used within the publishers and retailers' online and offline BMs. At least partly, this helps explain why the six case firms are still at a relatively early stage with regard to sharing data across their coexisting BMs and leveraging value-architecture synergies from this shared data.

On the other hand, the level of integration also contributed to the emergence of online-offline BM tensions, primarily with regard to the value architectures of the two BMs. For example, in the retailing industry, the offering of cross-channel services required a high level of integration between online and offline processes, which led to a significant increase in overall process complexity. Relatedly, some retailers decided to more highly integrate backend processes such as warehousing and logistics, which unveiled considerable tensions in terms of work-mode differences between their online and offline BMs. For instance, DEPS' use of a central warehouse for its dual BMs resulted in process inefficiencies since the picking of low-volume online orders (for individual customers) interfered with the picking of high-volume offline orders (to be delivered to the local warehouses of branch stores). Therefore, we propose:

Proposition 1: *A high level of online-offline BM integration drives the emergence of both (a) BM synergies and (b) BM tensions, especially those related to the value architectures of the dual BMs.*

For the publishing industry, the results of our cross-case analysis further suggest that synergies related to BM integration depend on ***online-offline product distinctions***. For example, while BIZ and CAR were able to leverage online channels to extend the value proposition of their offline BM (e.g., by publishing time-sensitive news on their website), this synergy was less pronounced at NEWS. This can be attributed to the relative similarity between the continuous updating of a news website and the daily publication cycle of NEWS' print product—as opposed to the monthly and biweekly print cycle at BIZ and CAR, respectively. Also, distinctions in online-offline publication cycles and revenue models (BIZ and CAR), or the lack thereof (NEWS), help explain the observed differences in terms of the level of structural integration and resource sharing across the three publishers. For example, NEWS' decision to introduce a paid-content revenue model on its website alleviated differences between the publisher's online and offline BMs, facilitating the sharing of editorial content and staff across the two BMs (value architecture). After changing its online revenue model, NEWS was able to publish all print content on its website without any delay. Here, instead of writing two articles, NEWS often published an online article first, and then gradually enhanced this article before publishing it in the print newspaper.

In addition, for the publishing industry, our analysis results indicate that online-offline product distinctions can be directly related to tensions emerging between coexisting online and offline BMs. For example, at NEWS, the tension between online and print customer demands as well as differences in work modes between online and print editors were less pronounced than at BIZ and CAR, which again can be ascribed to the relative similarity between NEWS' online and print products:

> *"Looking at [print magazines], one can observe why they are having such a hard time to manage the interplay between print and online. I mean, obviously, their print editors have a completely*

different focus. […] To me, making the transition from daily to hourly is a bit easier [than making this transition] at a weekly or monthly magazine." (Publishing Director, NEWS)

In contrast, the notable distinctions between BIZ's online and offline products (e.g., in terms of content and publication cycles) amplified differences in online-offline demands and work modes, and also resulted in the emergence of new online competitors (e.g., websites of newspapers and TV channels).[4] At the same time, however, these distinctions also helped mitigate cannibalization risks:

"The combination of a monthly print magazine and a daily 'online magazine' [website] is almost ideal. In contrast, cannibalization risks are virtually always present if [print and online] run on a daily basis. To some extent, this also applies to weekly/daily." (Managing Director, BIZ)

On this basis, we propose:

Proposition 2: *In the publishing industry, online-offline product distinctions (a) strengthen the relationship between online-offline BM integration and value proposition-related BM synergies, but (b) weaken the relationship between online-offline BM integration and value architecture-related synergies.*

Proposition 3: *In the publishing industry, online-offline product distinctions (a) are positively related to BM tensions associated with the value propositions and value architectures of the dual BMs, while they (b) are negatively related to value finance-related BM tensions.*

Moreover, the case analysis results suggest that ***general organization context factors*** can have a moderating effect on the link between online-offline BM integration and tensions. For example, in all six cases, integration-related tensions, such as priority differences between online and offline staff as well as online cannibalization, were aggravated by the firms' continuing dependence on their offline revenues:

"In a publishing house that is still mainly focused on its print business, there is of course the 'superior-subordinate' problem [and] it is difficult to argue with someone who is ultimately responsible for 90% of [total] revenues." (Sales Director Digital, CAR)

[4] Please note that NEWS, DEPS, MEDIA, and PET also faced increasing competition from online market players. However, in contrast to BIZ (and CAR), these online competitors did not emerge from the coexistence of the online BM.

Such tensions were particularly distinct in one of the three publishing cases (CAR), where online (advertising) revenues stagnated due to customers' increasing use of the publisher's mobile website; as well as in two of the three retailing cases (MEDIA and PET), where store managers held considerable power due to the decentralized organization structure. Two interview partners commented:

> *"The business is developing in a direction [mobile website], where the monetization gets more and more difficult, and that's actually our main problem." (CEO, CAR)*

> *"It has been an extremely 'bloody' journey because of the decentralized structures – much more difficult than it would have been in a chain store company." (Head of Logistics, MEDIA)*

Further, our case results indicate that general organization context factors are directly related to the emergence of online-offline BM synergies. For example, in our study, MEDIA was the only retailer that relied on a two-sided revenue model supplementing product-sales with advertising revenues. For MEDIA, the use of this revenue model gave rise to additional online-offline BM synergies (e.g., offering of cross-media advertising), and played a critical role in the profitability of its online BM (value finance). Relatedly, several case companies benefited from the strength of their offline brand, which enabled all three publishers to charge above-average online advertising fees (value finance) and retailers to establish trust among online customers and stimulate online sales (value finance). We thus propose:

Proposition 4: *General organization context factors including decentralized structures and stagnating online revenues strengthen the relationship between online-offline BM integration and BM tensions, primarily those associated with the value architectures and value finances of the dual BMs.*

Proposition 5: *General organization context factors such as the use of a two-sided revenue model (by retailers) and the presence of a strong offline brand are positively related to BM synergies, primarily those associated with the value finances of the dual BMs.*

Figure 1 integrates the case findings into a theoretical model, which highlights key factors driving, and/or moderating, the online-offline BM synergies and tensions observed across the six case studies. (See also the Appendix for a detailed summary of the case findings.)

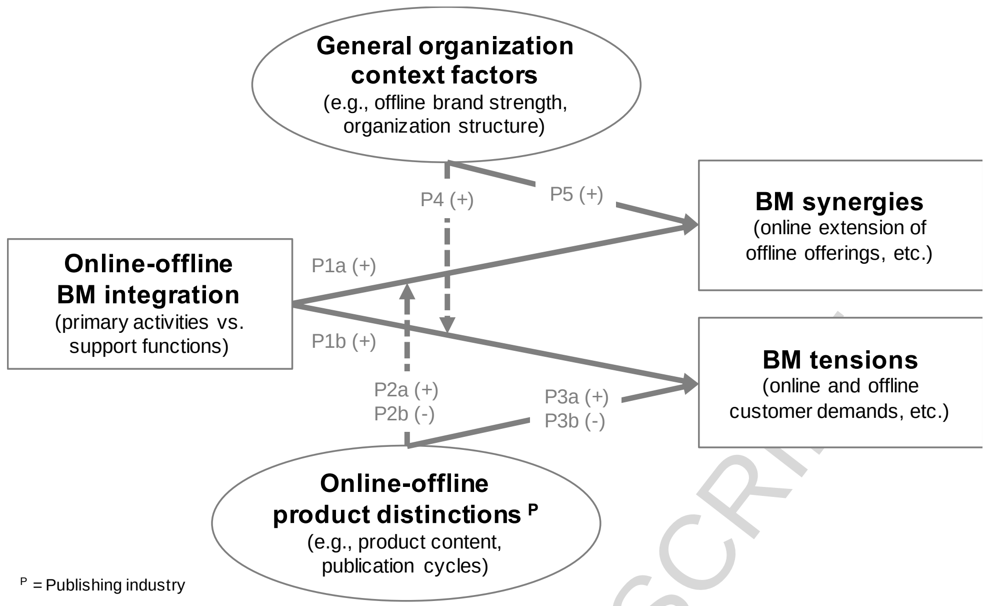

Figure 1: Summary of case findings – Theoretical model (based on Barki & Pinsonneault, 2005)

5 Discussion

The overarching goal of this study was to shed light on the interplay between online and offline BMs coexisting within a single organization. In particular, we conducted six case studies with three publishing and three retailing firms to explore online-offline BM synergies and tensions, as well as the factors that help explain differences in terms of firm-specific synergies and tensions.

Before we discuss the results of our study and their implications for theory and practice, two study limitations need to be mentioned. First, our study focused on two specific industry contexts, namely the publishing and retailing industries. We do not know to what extent the study results generalize to other industries where companies also operate with dual BMs. Therefore, an interesting opportunity for future research would be to study online-offline BM synergies and tensions in other industry contexts (e.g., in the banking and software industries). Second, although we collected case data over an extended time period (April 2014 to October 2015) and incorporated longitudinal archival data, our study adopted a rather static perspective on the synergies and tensions that arise between coexisting online and offline BMs. We thus encourage future research to better capture the dynamic processes through which online-offline BM synergies and tensions emerge (and potentially disappear).

5.1 Theoretical Implications & Directions for Future Research

The results of our study make several important contributions to the existing body of knowledge. First, by examining the interplay between coexisting BMs for online and offline channels, our study extends prior BM literature with its typical focus on studying a company's online or offline BM in isolation (e.g., Kamoun, 2008; Wirtz et al., 2010). In particular, our study contributes to the literature by identifying an extended set of online-offline BM synergies and tensions, which concern three major BM dimensions, namely value proposition, value architecture, and value finance (Al-Debei & Avison, 2010). The study results also shed light on the generalizability of prior research findings in the online BM context to the specific context of dual online-offline BMs. For example, the BM synergies identified through our multiple-case study relate to Amit and Zott's (2001) conceptual framework of value-creation sources in online BMs: complementarities (e.g., online extension of offline offerings and online compensation of decrease in offline revenues), efficiency (e.g., cross-channel marketing capabilities, sharing of resources), as well as lock-in and novelty (e.g., new advertising offerings and customer data). Interestingly, the identified synergies originated not necessarily from the addition of the online BM but also from the traditional offline BM (e.g., rubbing-off effect of offline brand), or were bound to the coexistence of the two BMs (e.g., resource sharing).

Additionally, our study extends previous research on dual BMs, which identifies organizational conflicts and cannibalization risks as key tensions between coexisting BMs (e.g., Markides & Charitou, 2004; Markides, 2013; Massa et al., 2017; Smith et al., 2010; Velu & Stiles, 2013). Specifically, while our study generally confirms the importance of these tensions, it also identifies additional tensions (e.g., differences in online and offline customer demands) and links the emergence of internal conflicts to work-mode differences between the parallel BMs. Moreover, the study results partly question the widespread assumption that the coexistence of online and offline BMs necessarily entails cannibalization risks. For example, in the retailing industry, the two BMs represent virtually only different distribution channels for the same products. Relatedly, we find that at least one publisher (BIZ) was able to mitigate cannibalization risks by increasingly differentiating its online BM from its offline BM. Our study thus provides empirical evidence for the assertion in prior literature that the 'optimal' level of online-offline BM integration depends on the strategic relatedness of the two BMs (Markides & Charitou, 2004). Also, our study offers empirical insights on the specific (positive and negative) outcomes resulting from BM synergies and tensions (see Appendix), signifying the link between such synergies/tensions and organizational performance (cf. Barki & Pinsonneault, 2005). Hence, a fruitful path for future research would be to investigate how different online-offline BM synergies and tensions affect each other, as well as how their combined effects relate to the performance of organizations operating with dual BMs.

A second key contribution of our study relates to the identification of factors that influence the emergence of online-offline BM synergies and tensions. Here, our cross-case analysis reveals several interesting differences in BM synergies and tensions both across and within the publishing and retailing industries. For example, some synergies manifested themselves differently (in terms of their outcomes) across the case firms. For instance, for publishers, the strength of their offline brand played a crucial role in justifying above-industry-average advertising fees in the online space; whereas, for retailers, the offline brand was particularly helpful in creating trust among (less Internet-savvy) online customers. On a related note, all three retailers as well as one publisher (NEWS) utilized new cross-channel marketing capabilities resulting from their parallel BMs to promote both their online and offline offerings. In contrast, the two publishers with advertising-based online BMs (BIZ and CAR) primarily exploited these capabilities to promote their (paid) print magazine as well as to guide online readers to this content.

In addition, the results of our study provide empirical support for prior research findings on the link between the type and level of online-offline BM integration and the emergence of BM synergies and tensions (cf. Barki & Pinsonneault, 2005). For example, in the examined cases, the integration of support functions facilitated the offering of cross-media advertising packages (leading to an increase in overall advertising revenues), and enabled case firms to leverage economies of scale by sharing staff and other resources across their online and offline BMs (contributing to a decrease in overall operational costs). Also, the integration of core processes enabled retailers to extend their offline offerings by cross-channel services, as well as helped publishers leverage the specialized skills of online and offline editors, promote organizational learning, and judiciously reuse content across their dual BMs.

However, the study results also point to several adverse effects of online-offline BM integration. In the retailing industry, the close integration of online and offline processes led to a significant increase in process complexity, and eventually in managerial and operational efforts. In the publishing industry, the integration of core processes seemed to hinder the distinction of online and print offerings. Further, print editors—who still tended to hold positions of superior power—realized some shift in their relative power to online editors. The politics associated with this shift created considerable tension. Consequently, at least one publisher (BIZ) decided to keep the production of its online and print offerings largely separated. These findings are in line with prior research, which suggests that companies with dual BMs face the challenge of balancing “the benefits of keeping [BMs] separate while at the same time integrating them enough so to allow them exploiting synergies with one another” (Markides & Charitou, 2004, p. 22).

Moreover, our results suggest that online-offline product distinctions (e.g., in terms of content, publication cycles, and underlying revenue models) as well as general organization context factors (e.g., brand strength and organization structure) not only moderate the relationship between online-offline BM integration and synergies/tensions (cf. Barki & Pinsonneault, 2005), but also have a direct effect on the emergence of such synergies and tensions. Our study thus not only responds to recent calls for future research on the conditions under which a company should integrate or separate its dual BMs (Markides, 2013), but also offers novel empirical insights on context factors contributing to synergies and tensions between coexisting online and offline BMs (irrespective of the type and level of BM integration). For example, distinctions in publishers’ online and print publication cycles and revenue models help explain the surfacing of several tensions between the two BMs. In the retailing industry, the extent to which the integration of core processes led to conflicts between online and offline staff can be traced back to the retailers’ organization structure (centralized vs. decentralized). Relatedly, the study results indicate that organization context factors such as the strength of the offline brand or the share of mobile traffic have a direct influence on the extent to which companies are able to exploit synergies between their dual BMs.

Finally, the results of our study point to complex relationships among the identified influencing factors, as well as indicate that some of these factors can contribute to the emergence of BM synergies and tensions simultaneously. For example, while BIZ's premium offline brand (*general organization context factor*) provided for higher-than-average online advertising fees, it also limited the reach of the publisher's news website. In response, BIZ increasingly differentiated its online and offline offerings (*online-offline product distinctions*), which led to a series of interrelated tensions including the divergence of online and offline customer demands, the emergence of new online competitors, and the risk of damaging the offline brand. Given the above, a promising avenue for future research would be to explore the 'double-sided' effects of individual context factors on the interplay between online and offline BMs, as well as to shed light on the complex interrelationships between the influencing factors identified in this study.

5.2 Practical Implications

The results of our study have several important practical implications, which provide managers with guidance on how to successfully run online and offline BMs in parallel. First and not surprisingly, the study results indicate that companies can reap, at least some, synergies by driving the level of integration between their coexisting BMs. In this regard, an obvious first step is the integration of support functions (e.g., HR and marketing). However, our results also suggest that, especially in the publishing industry, close online-offline BM integration can become 'too much of a good thing'. To determine the 'right' balance between BM integration and separation, publishers need to pay particular attention to the revenue model of their online BM and the publication cycle of their print product. For example, because of its advertising-based online revenue model and the significant difference between its online and print cycles, one publishing firm (BIZ) decided to keep its online and print editorial offices largely separated.

Second, especially in the retailing industry, where close online-offline BM integration appears to be particularly beneficial, the results of our study highlight the influence of the organizational structure on the emergence of BM tensions. Specifically, our results suggest that retailers with decentralized structures are especially prone to internal conflicts and process inefficiencies resulting from differences in work modes and priorities between the coexisting online and offline BMs. To mitigate this tension, managers can introduce incentive schemes that allow offline units to participate in the 'success' of the online BM. To some extent, the introduction of such incentive mechanisms may also be possible for retailers operating with centralized structures (as well as for publishers).

Third, retailers should carefully consider the addition of advertising-based revenues to their online and offline BMs. In our study, only one of the three retailers (MEDIA) offered advertising packages to its suppliers and thus relied on a two-sided revenue model. The additional revenues generated through cross-media advertising offerings played an important role in making this retailer's online BM profitable.

Fourth and finally, the results of our study point to several 'externally given' context factors—including the strength of the offline brand and the relative importance of mobile channels—that influence the emergence of online-offline BM synergies and tensions. Although, managers cannot (easily) influence these context factors, they still need to pay close attention to them, for example, when deciding on the revenue model of their online BM. For instance, the exclusiveness of BIZ's offline brand enabled the publisher to charge premium online advertising fees, justifying the use of an advertising-based online revenue model. On the other hand, CAR faced the challenge that its online traffic increasingly shifted towards mobile channels, putting pressure on the advertising-based revenue models of its online BM.

6 Conclusions

In response to the 'digital revolution', many brick-and-mortar companies now operate online and offline BMs in parallel to ensure their future competitiveness. Despite the increasing proliferation of such dual BMs, existing research still tends to focus on studying online and offline BMs in isolation. Our study addresses this gap in prior literature by shedding light on the interplay between parallel online and offline BMs in the publishing and retailing industries—two industries in turbulent environments that have been particularly affected by the digital revolution. The results of our study contribute novel empirical insights to the BM literature by identifying an extended set of online-offline BM synergies and tensions as well as by uncovering key influencing factors that drive and/or moderate the emergence of such synergies and tensions. In conclusion, we hope that our study will encourage and inspire future work on the important topic of dual BMs in a variety of industry contexts.

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Appendix: Summary of Case Findings

Synergy (BM dimension)	**Positive outcome(s)** (Industry)	BIZ	CAR	NEWS	DEPS	MEDIA	PET	**Key influencing factors** (Industry)
Online extension of offline offerings (VP)	Increase in overall customer reach [PR]	X	X	(X)	X	X	X	Distinction in publication cycles [P]
New offerings for advertising customers (VP)	Increase in advertising revenues [PR]	X	X	X	---	X	---	Integration of support functions [PR] Two-sided rev. model [R]
Positive 'rubbing-off' effect of offline brand on online brand (VA)	Above-average advertising fees [P] Customer trust [R]	X	X	X	X	X	(X)	Offline brand strength [PR]
New cross-channel marketing capabilities (VA)	Online 'bridge' to paid print content [P] Marketing efficiency [PR]	X	X	(X)	X	X	X	Integration of support functions [PR] Distinction in revenue models [P]
Access to new customer data (VA)	Customer insights [PR] Real-time feedback [P]	X	X	X	(X)	(X)	(X)	Limited access to offline customers [P]
Sharing of resources (VA)	Cost savings [PR] Content reuse [P] Staff learning [P]	(X)	(X)	X	(X)	(X)	(X)	Distinction in pub. cycles and revenue models [P] Process integration [PR] Spatial separation [R]
Online compensation of decrease in offline revenues (VF)	Overall profitability [PR]	X	X	X	(X)	(X)	(X)	Online revenue share [PR]
Tension (BM dimension)	**Negative outcome(s)** (Industry)	BIZ	CAR	NEWS	DEPS	MEDIA	PET	**Key influencing factors** (Industry)
Differences in online and offline customer demands (VP)	Emergence of new online competitors [P] Pot. brand damage [P]	X	X	(X)	---	---	---	Distinction in product content and publication cycles [P]
Increase in process complexity (VA)	Increase in managerial/ operational efforts [R]	---	---	---	X	X	(X)	Process integration [R]
Changes and differences in staff skillsets (VA)	Limited understanding of the 'other' BM [PR] Limited staff sharing [P]	X	X	X	(X)	(X)	(X)	Spatial separation of online/offline staff [R]
Differences in work modes and priorities (VA)	Internal conflicts and politics [PR] Work inefficiencies [PR]	X	X	(X)	(X)	X	X	Process integration [PR] Distinction in publication cycles and rev. models [P] Organization structure [R]
Online cannibalization of offline revenues (VF)	Decrease in overall revenues [P]	(X)	X	(X)	---	---	---	Distinction in product content and rev. models [P] Mobile traffic share [P]
Pricing differences between online and offline products (VF)	Customer confusion [PR] Operational efforts [R]	(X)	X	(X)	---	X	X	Distinction in product content and rev. models [P] Organization structure [R]

Notes: VP = Value Proposition, VA = Value Architecture, VF = Value Finance; [P] = Publishing industry, [R] = Retailing industry.

OMNICHANNEL BUSINESSES IN THE PUBLISHING AND RETAILING INDUSTRIES: SYNERGIES AND TENSIONS BETWEEN COEXISTING ONLINE AND OFFLINE BUSINESS MODELS

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OMNICHANNEL BUSINESSES IN THE PUBLISHING AND RETAILING INDUSTRIES: SYNERGIES AND TENSIONS BETWEEN COEXISTING ONLINE AND OFFLINE BUSINESS MODELS

—HIGHLIGHTS—

- Many ‘brick-and-mortar’ companies run parallel BMs for online and offline channels
- Still little is known about the interplay of dual BMs in omnichannel businesses
- Case studies uncover an extended set of online-offline BM synergies and tensions
- A high level of online-offline BM integration drives both synergies and tensions
- Synergies/tensions are also influenced by product and organization context factors