

# “Innovative Business Models and Offerings Based on Inconclusive Evidence”

AUTHORS	Mika Westerlund Risto Rajala
ARTICLE INFO	Mika Westerlund and Risto Rajala (2006). Innovative Business Models and Offerings Based on Inconclusive Evidence. <i>Innovative Marketing</i> , 2(2)
RELEASED ON	Friday, 30 June 2006
JOURNAL	"Innovative Marketing "
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

0



NUMBER OF FIGURES

0



NUMBER OF TABLES

0

© The author(s) 2024. This publication is an open access article.

## **INNOVATIVE BUSINESS MODELS AND OFFERINGS BASED ON INCONCLUSIVE EVIDENCE**

Mika Westerlund, Risto Rajala

### **Abstract**

Business models of companies have attained increasing interest among researchers and business practitioners in various industries. In this study, we explore the business models and offerings within a growth industry worth billions of euros globally, that embody offerings based totally or partially on inconclusive evidence, beliefs and confidence in metaphysical issues. Applying dimensions grounded on the literature on industrial marketing and transaction cost economics, we identify four basic types of business models in the “belief industry”. These identified types of business models are illustrated through four metaphors depicted as (I) personal consultancy, (II) applied formats, (III) superficial consultancy, and (IV) self-service. These metaphors are illustrated by empirical observations collected from 140 companies.

**Key words:** Business model, offerings, belief industry.

### **Introduction**

The academic discussion on business models draws mainly on the literature of industrial marketing and management and has focused knowledge- and technology-intensive industries, such as electronic business and software industry (e.g. Hedman and Kalling, 2002; Rajala et al., 2003; Osterwalder, 2004; Morris et al., 2005; Rajala and Westerlund, 2005). However, there is a growing demand to study the business models and their characteristics in other, less technology-oriented industries and business contexts. An interesting topic in the recent studies on business models (e.g. Tikkanen et al., 2005) is the emergence of entrepreneurs’ cognitive models and spiritual or religious beliefs and values in business and management (Longenecker et al., 1998; Nakata, 1998; Ashmos and Duchon, 2000; Epstein, 2002; Benefiel, 2002; Oliveira, 2004). Respectively, there is an increasing number of business models based on consumers’ beliefs in metaphysical issues.

The emergence of these themes may be related to the increase of social and economic uncertainty in post-industrial societies. Fear of survival in the throes of increasing competition, and, rapid tempo of change in business life may cause pressure for individuals concerning the continuity of their jobs and income. In the other direction, we can identify a simultaneous change in the stature of religions and secularization in many western societies (Kosmin et al., 2001). This has given rise to new kinds of expedients and balancing forces for people seeking mental and spiritual shelters not only from traditional religions, but, increasingly, from various new age movements and belief systems that are often characterized by apparent commerciality (Bainbridge, 2004).

This phenomenon creates an increasing demand for offerings that are based on non-scientific or quasi-scientific evidence and irrational claims or convictions. In this area of commercial activity, there is continuous innovation of business models, including a variety of patterns in co-operation and co-production of offerings. The range of offerings in these businesses is wide, including different combinations of products and services, such as psychical research, foretelling, and alternative therapies. However, academic literature has not paid sufficient attention to this considerable area of business, worth billions of euros globally, in which the offerings are based at least partially on both customers’ and entrepreneurs’ beliefs in metaphysical issues.

In this study we make an attempt to classify different types of the business models in the “belief industry”. Within this industry, we identify four distinct types of business models through a theoretical classification scheme originally designed to categorize business models in the software in-

dustry (Rajala and Westerlund, 2005). The theoretical objective of this study is to test and further develop our conceptual framework originally developed for software business model assessment in the industrial markets. Our practical objective is to improve the understanding on businesses incorporating offerings based on beliefs in metaphysical issues. In this respect, we apply the view of Wikström (1995), who calls for more research on the application of concepts derived from industrial markets in the consumer business. In this study, we conduct a comparative analysis and classification of the business models in the “belief industry” using the dimensions grounded on the literature of industrial marketing and management.

Our primary research question, which arises from the above discussion, focuses on the exploration of the belief business: *“What are the distinctive characteristics of business models in the ‘belief industry’, i.e. in businesses based on customers’ beliefs in metaphysical issues?”*

This paper is divided into following activities and structure: After this brief introduction, we discuss the characteristics of the “belief industry”. In the third section, we discuss the theoretical concept of business models through its two basic dimensions – offerings and customer relationship construct – on the basis of prior literature. In the fourth section, we establish our conceptual framework to guide the analysis of our empirical data. In sections five and six, we discuss the methodology and present our empirical observations through two case studies. Finally, we conclude the study in section five through discussing the main theoretical and managerial implications, and, presenting suggestions for further research.

### The “Belief Industry”

In the Oxford reference dictionary, Colman (2001) defines the noun “belief” as any proposition that is accepted as true on the basis of inconclusive evidence. This kind of a belief is stronger than a baseless opinion but not as strong as an item of knowledge. More generally, Colman (*ibid.*) defines belief as a conviction, faith, or confidence in something or someone. We argue that beliefs of this kind have an increasing role in the offerings of a variety of businesses.

The industry of businesses based on beliefs is rather difficult to define. It can be depicted by several indicative names, including belief-based business, paranormal business, psychic business, spiritual business and new age business. Furthermore, it can be characterized as business based on metaphysical, paranormal, non-scientific and sometimes irrational claims or convictions. In this study, we define this economic activity as business based on beliefs, or, as a whole, the “belief industry”. However, our definition excludes occurrences that are connected to established religions or comparable belief systems such as eastern philosophies. The offerings in these businesses characteristically embody confidence driven by inconclusive evidence that is spread out to gain acceptance, and, ultimately, income.

Due to the fact that this industry has gained little interest among researchers, there are no comprehensive statistics available on the size and structure of the industry. On the basis of a magazine survey (ISCNI 1996) conducted in France, approximately 20% of the French population, i.e., almost 10 million people have consulted a clairvoyant. In addition, more than 50 000 entrepreneurs in France make money from paranormal business, including faith healing, astrologic predictions or related practices. In Britain, approximately 10% of population have visited mediums to both receive messages from the deceased and obtain general guidance for their lives (Roe, 1998). Similar directions are presented in Finland by the leading radio and television company Yleisradio (YLE 2003) in a television documentary, arguing that 10% of the Finnish population, i.e. more than 500 000 people, have used alternative therapies that are often based on beliefs and methods lacking scientific evidence. On the other hand, Pike (2004) refers to the large and growing market of various new age –offerings, including self-help books by different channelers and psychics. She estimates that the annual spending on channeling and alternative health care in the U.S. is currently at US\$ 14 billion. However, it should be noted that there are numerous other areas in the paranormal or belief-based business, which makes the total value of the “belief industry” much higher.

Consisting in the observable characteristics of value propositions as part of the business models in the “belief industry”, we identify five different types of offerings based on inconclusive evidence. These include:

- ◆ Offerings that are based on a specific dogma or format and require knowledge and skills possessed by the seller, e.g. astrologic prediction, cartomancy (divination from cards, such as Tarot readings), and palmistry.
- ◆ Offerings that are based on an alleged mystical ability or gift, or supernatural power possessed by the seller, e.g. clairvoyance, channeling, past life readings, and psychic consulting.
- ◆ Offerings that are based on a physical or mental effect produced or mediated by the seller or the offering itself, e.g. energetic oils, aromatherapy, cosmic music, spells, healing stones, and alternative therapies, such as energy healing.
- ◆ Offerings that are not themselves paranormal by nature, but are used as requisite or mediating instrument in producing or capturing a paranormal phenomenon, e.g. pendulums, dowsing rods, tarot cards, aura camera and crystal ball.
- ◆ Offerings that are educational or informational in nature, thus, used to increase knowledge and skills in a specific topic, e.g. books, videos, courses, workshops and seminars.

To summarize, we argue that the growth of the paranormal business, based on metaphysical and other belief-related offerings, correlates strongly with the increasing interest in alternative lifestyles, spirituality and new cultural space and values in consuming. In 1999, a large US-based new age product vendor estimated that the value of the new age industry in U.S. alone exceeds US\$ 44 billion. This estimate includes areas such as astrology, aromatherapy, psychic consultations, and alternative therapies, as well as other related products and services (Oakley, 1999). A similar estimate is provided by the Lifestyles of Health and Sustainability Forum (LOHAS 2005), which has given an estimate that personal development, including the consumption of spiritual products and services, and alternative healthcare form a US\$ 41 billion proportion of the LOHAS market, an approximately US\$ 230 billion marketplace in the USA. As for comparison, the value of the global retail market for another growing segment in the same area – organic food products – totals only US\$ 25 billion (Willer and Yussefi, 2005).

We see that as the specific consumer market that draws on beliefs is ultimately divergent by nature from the knowledge and technology-intensive industries, it provides us with an interesting environment to test our business model classification scheme originally developed to analyze businesses in the software industry. A connective feature of these industries – the software industry, and, the “belief industry” – is the role of the customer as co-producer in the value-creation process. For example, Wikström (1995) highlights the concept of customer as co-producer as a manifestation of the increasing phenomenon in the world of business, where the focus is gradually moving away from products and factories to various processes taking place around the customer. In this view, the customer’s role and degree of involvement in the value-creation process are emphasized. Another similarity between these industries is that even in the software industry, a significant part of offerings may embody beliefs and promises that are not based on concrete evidence. For example, even if it is difficult to provide evidence on the benefits resulting from the use of a piece of software, beliefs in the desired effects may be the main decision criteria in the acquisition and reasoning for its use.

## **Theoretical Background**

There are numerous studies on the business models of companies in the industrial markets (Hedman and Kalling, 2002; Rajala et al., 2003; Osterwalder, 2004; Morris et al., 2005; Tikkanen et al., 2005; Rajala and Westerlund, 2005). These studies highlight several dimensions that can be used to analyze business models and their key characteristics in technology and knowledge-intensive industries.

The concept of the business model in the literature on information systems, electronic business and other areas of management research refers to the ways of creating value for customers, and to the

ways a business turns market opportunities into profit through sets of actors, activities and collaboration. Research on business models rests in many respects on strategy discussion and draws on strategic concepts and issues. Despite the confusion in the terminology related to strategy and business models, prior research has achieved a consensus on the position of business model as a conceptual and theoretical layer between business strategy and business processes (Osterwalder, 2004; Morris et al., 2005; Tikkanen et al., 2005). Several researchers have described and analyzed the conceptual development of the business model of the firm (e.g. Papakiriakopoulos et al., 2001; Gordijn and Akkermans, 2001; Pateli and Giaglis, 2003). According to most recent studies, the business-model concept includes some elements of business strategy, and aims at describing the business as a manifestation derived from strategy (Osterwalder and Pigneur, 2002; Rajala et al., 2003; Morris et al., 2005). It has also been defined as an abstraction of business (Seddon and Lewis, 2003), which characterizes revenue sources and specifies where the company is positioned in its value-creating network in a specific business.

The essential elements of different business models are defined in different words by several researchers (e.g., Osterwalder and Pigneur, 2002; Bouwman, 2003; Rajala et al., 2003; Hedman and Kalling, 2003; Morris et al., 2005 and Osterwalder, 2004). Many of the studies identify a number of elements that are characteristic of different business models. These elements include: (1) value propositions or offerings, (2) the resources needed to develop and implement a business model, and (3) the revenue logic (including sources of revenue, price-quotation principles and cost structures) that is characteristics of a particular business. In addition, some of the studies (e.g., in Timmers, 2003; Osterwalder, 2004; Morris et al., 2005) emphasize (4) relationships with other actors. Timmers (2003) points out that, in the context of business models, the focus shifts from creating value through internal activities to creating value through external relations. He identifies these relationships within the value-creating network as an inseparable part of the business model of a firm. Next, we go deeper into both offerings and customer relationships as part of more comprehensive typology of business models.

### **Offering as a part of the business model of a firm**

As described above, offerings or value propositions make an essential element in companies' business models. In the "belief industry", this element is often based on inconclusive evidence and it may embody irrational claims and convictions. Offerings within different industries can be classified in multiple ways, including the role of offering in the value creation (Kenyon and Mathur, 2002), the degree of standardization versus adaptation of offerings (Hill and Still, 1984), and the degree of co-production with customers (Wikström, 1995). An approach familiar in the domain of relationship marketing to distinguish between different offerings is to emphasize the technological, social, and brand attributes or benefits that the customers gain (Wilson, 2003). Another interesting approach to analyzing the type of offering and its implications to the nature of business is the transaction cost theory first presented by Coase (1937) and further developed by Williamson (1985).

The transaction cost theory provides us with some attributes for the exploration of exchange through market versus hierarchical mechanisms and for analyzing strategic dependencies. These attributes include (1) the frequency with which transactions occur, which focuses on the type and degree of interorganizational exchange, (2) the uncertainty to which transactions are subject to, and (3) the asset specificity involved in supplying products and services. These attributes have been applied in studies on the variety of offerings in connection with different distribution channels (e.g. Apte and Vepsäläinen, 1993; Hayes and Wheelwright, 1979). Although the transaction cost approach focuses on industrial exchange, the analytical diversity of transaction cost economics (TCE) is clearly advantageous for our analysis of businesses as it provides us with measures to distinguish between different types of offerings. Despite some criticism due to the fact that TCE deals with polar forms of buyer-seller relationships, it investigates a broad range of exchange-related issues including vertical integration and interorganizational relationships in transactions (Rindfleisch and Heide, 1997). From the perspectives of our study, the limitation of the transaction

cost approach is its strict focus on the transaction and the view of the extremes between markets and hierarchies.

On the basis of the discussion reviewed above, we identify the type of offerings as an essential dimension used to distinguish between different types of business models. However, in the business model literature, offerings are strongly interconnected with other elements of business models. Another essential dimension to distinguish between different types of business models is the element reflecting buyer-supplier relationships in terms of the degree of involvement in customer relationships, which is discussed in the next section.

### Customer relationship construct

The industrial network approach (e.g. Ford et al., 1998 and 2003) considers the buyer-supplier relationships in terms of involvement, where low-involvement relationships are handled with limited co-ordination, adaptation and interaction. On the contrary, the high-involvement approach includes more co-ordination and adaptation, which create interdependency. Furthermore, the theory of industrial networks and relationships provides us with a dimension to distinguish between different types of businesses in terms of buyer-supplier relationships.

In this respect, a business model typology based solely on the type of offerings is not sufficient to describe the range and variety of businesses, but requires considering the customer relationship construct. Johnson and Selnes (2004) argue that firms that position themselves toward offerings with low economies of scale, such as personal services, must build closer relationships in order to create value effectively. In addition, similar to business-to-business relationships in industrial markets, consumers often establish and maintain long-term relationships with firms (Gutiérrez et al., 2004; Gwinner et al., 1998). In consumer-firm relationships there are two major approaches to study the relationship: an economic approach and a socio-psychological one. The economic approach refers to contractual safeguards against informational uncertainty in the exchange, as suggested in transaction cost theory (Williams, 1985; Dnes, 1998), whereas socio-psychological approach refers to the development of relationships based on trust and commitment, as suggested in industrial interaction theory (Geser, 1992; Håkansson and Snehota, 1995). Both approaches have largely been applied to explain the development of business-to-business relationships, but they have not been used jointly in consumer relationships studies. However, recent studies (e.g. Gutiérrez et al., 2004) emphasize, that a number of studies propose the integration of economic and social approaches to analyze consumer-firm relationships and exchange.

The industrial interaction theory emphasizes relationships as dynamic processes of exchange between actors in a market, and focuses on focal actor's direct relationships with customers and other actors. Ford et al. (2003) point out the differences in the involvement in customer relationships, where low-involvement relationships are handled with limited co-ordination, adaptation and interaction. Instead, high-involvement approach includes more coordination and adaptation, which create interdependency. Some other researchers have identified this dimension as customer intimacy, which relates to the firm's capability to adapt their offerings to serve heterogeneous customer needs (Treacy and Wiersema, 1993; Anderson and Narus, 1999; Tuominen et al., 2004). We use the degree of involvement in customer relationships to explain the buyer-seller interaction in the value creation process required to produce and provide the total offering to the customer. This is justifiable as it is widely recognized in the literature of industrial marketing and management that the customer relationship construct is a key issue in the value-creation process (Lam et al., 2004).

### Research Framework

On the basis of the discussion reviewed in the previous section, we identify two dimensions to be used to distinguish between different types of business models. The first dimension identified on the grounds of the reviewed literature is the *type of offering* as part of a business model. However, in accordance with the reviewed studies on business models, we see that a typology based solely on the type of offerings is not sufficient to describe the range and variety of businesses, as the *degree of*

*customer involvement* in value creation process may vary remarkably in different businesses, thus, providing an important dimension to understand different types of businesses. In other words, offerings can be provided through different distribution channels, and, through close or distant collaboration in relationships with customers, which may result in different types of business models.

This is justifiable as it is widely recognized in the literature of industrial marketing and management that the customer relationship construct is a key issue in the value-creation process. For example, Wikström (1995) has applied the concept of co-production derived from the industrial markets into the customer relationships in the consumer markets. Emphasizing the role of the customer in the co-production of offerings, she calls for more research on the range and variety of business models in the consumer market. Therefore, we consider the customer involvement in the value creation as one dimension used in our comparative analysis of different business models. In other words, this dimension describes the degree of adaptation of offering to customers' needs, i.e. customer intimacy. To summarize, we apply the following dimensions in the analysis of business models in the "belief industry":

- ◆ Degree of involvement in customer relationships
- ◆ Level of homogeneity of offerings (for multiple customers)

We identify the extremes of both of these dimensions as a low or high level of homogeneity of offerings and, accordingly, a low or high degree of involvement in customer relationships. The polarity in these two dimensions produces four distinct categories of business models. After a brief introduction to research methodology, these categories and their distinctive features are further discussed in the analysis of our empirical observations.

## Methodology

Using the dimensions established in our research framework, we classify the business models in our sample of 140 companies that – according to our definition – represent businesses in the "belief industry". However, in our study we exclude cases that can be identified as strictly related to a religion or comparable belief system. The data in analysis was collected during the years 2003-2005.

The firms in our sample are chosen using the existence of www-site and identifiable offering descriptions as selection criteria. The companies were found using industry-related magazines and exhibition brochures, newsletters, link collection sites and portals, as well as search engines in Internet. The search words cover a wide range of terms drawn from relevant material, including, for example, paranormal or parapsychology, foretelling, psychic, metaphysical, astrology, therapy, healing and business, in various combinations. In addition, data was collected through personal observation through participation in two major exhibitions of the field. The majority of companies are located in Finland, but the sample includes also numerous international actors operating in many different countries. The sample consists of companies in the size of 1 to 20 employees, described as small and medium sized enterprises in the international scale. The sample covers a wide range of different businesses. The motive for choosing case companies with different business models was to provide a solid base for cross-case analysis to find out whether (and what kinds of) differences exist in different types of belief-based businesses.

We are aware of the fact that there is a possible bias in our sample regarding the emphasis of Internet services, or services provided online, as the majority of the data is gathered from firms that have www-sites. However, we have attempted to avoid this problem through selecting a large number of businesses that do not provide online services. Being mainly informational, the www-sites provide contact information and depict the offerings and prices to potential customers. It should be noted, however, that some business areas might not be well represented in our sample of companies selected purely on the basis of the existence of a www-site. We identified that in spite of being represented in magazines and exhibition brochures, our sample did not contain, for example, any naturopaths or dowsers that may be depicted as traditional belief-based businesses. Yet, we believe that the missing types of businesses may be included in established categories of our classification scheme.

We categorize the sample businesses according to the information they report in their www-sites to test the applied classification scheme. Finally, we consider the feasibility of the classification scheme in a low technology-intensive industry, and discuss the essential characteristics of various business models in the “belief industry”.

## Empirical Findings

Through a comparative analysis of the empirical observations in our sample of 140 companies, we positioned the identified business models into four categories according to the dimensions established in our framework. We label these categories as: (I) personal consulting, (II) applied formats, (III) superficial consulting, and (IV) self-service as described in Fig. 1. Subsequently, on the basis of our empirical data, we create metaphors to illustrate the representative characteristics of these four types of business models in the “belief industry”. Furthermore, based on our empirical observations, we give examples of businesses in each category.

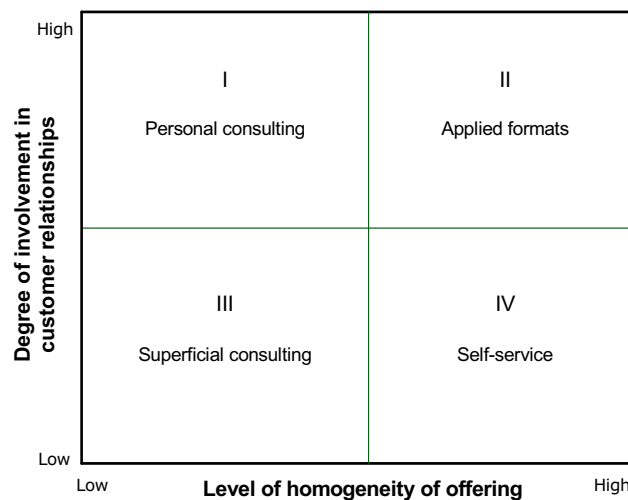


Fig. 1. Classification of different types of business models

The Type I business model category is described as businesses based on “**personal consultancy**”. A high degree of involvement in customer relationships and a low level of homogeneity of offerings characterize the businesses in this category. Typical offerings in this category are designed to meet customer-specific needs. Value creation is typically based on close collaboration between the vendor and the buyer, and typically includes a high proportion of direct personal consultation. We understand that the core competences within business models of this type emphasize the ability to understand and meet customer-specific needs. This metaphor can be further illustrated by traditional foretelling, in which the offering is produced highly interactively. This may lead to a close, long-term customer relationship including access to confidential, private information. Other examples of businesses in this category include, e.g. psychic consulting, or alternative therapies embodying presence in person.

The Type II business model is described as “**applied formats**”. Businesses in this category are typically based on a specified format that is applied to customers’ needs through personal customer contacts, with a rather high degree of involvement in customer relationships and a high level of homogeneity of offerings, possibly modified to a degree. In these businesses, the modification is sometimes carried out by value-adding resellers (VAR), including trained professionals or franchising entrepreneurs. We recognize that the ability to understand and meet clients’ needs in narrow segments is a distinctive core competence in business models of this kind. An illustrative example of this metaphor is a workshop on personal supernatural capacities, such as activation of the chakra-system. Other examples of businesses in this category include, e.g., homeopathy and aro-

matherapy, various courses (workshops, seminars, lessons), energy healing, or customized goods (including pictures, photos, posters, personalized music, etc.).

The Type III models were labeled as “**superficial consultancy**”, which is based on a concept that is implemented to customers basically in a transactional relationship, such as the reception of clients without close collaboration or without deep conversancy to clients’ needs. A fairly low degree of involvement in customer relationships and a low level of homogeneity of offerings characterize businesses in this category. In addition, businesses in this category usually aim at serving the needs of several customers. This presents a major challenge in terms of business performance, as the product or service offering is typically semi-finished and based on a personal service component. These offerings do not add value to customers as such, but are used as parts of more comprehensive value propositions. Due to the nature of the offerings in this category, businesses increasingly aim at efficiency of service. We assume that the core competences in these business models are related to the ability to manage transactional customer relationships efficiently. In our data, palmistry through faxed or scanned image of customer’s hand provides an excellent illustration of this metaphor. Further examples of businesses in this category include astrological predictions, physiognomy and cartomancy (tarot consultancy or tarot readings).

Type IV in our classification refers to businesses based on “**self-service**”. This category embodies businesses that seek large numbers of customers and economies of scale through a high level of homogeneity of offerings and a low degree of involvement in (single) customer relationships. A common characteristic of businesses in this category is that the offering is comprised of a uniform core product, a modular product family or standardized on-line service. Another characteristic is that they typically exhibit a low degree of involvement in single customer relationships. The business models comprise various models of direct and indirect mass-distribution, e.g., online distribution and diverse distribution-partner networks. We presume that the core competences are typically related to the ability to serve the shared needs of multiple customers. A good example depicting this metaphor is a business that reflects the characteristics of traditional book clubs, in which memberships include continuous subscription of new books. In our data, we identify similar clubs focusing on energetic stones. Other examples include businesses providing videos, books, mystic music CDs, horoscopes and other standardized goods (such as standardized photos, posters, etc.).

Table 1

## Summary of empirical findings

Business-model type	I “Personal consultancy”	II “Applied formats”	III “Superficial consultancy”	IV “Self-service”
Nature of offering	Individually tailored or customer-specific offering, or offering co-produced with a customer	Solutions that are based on a uniform format or systemic dogma modified according to individual customer needs	Heterogeneous offerings produced on customers’ request	Homogeneous offerings are based on a uniform core product, a modular product family or standardized online service
Customer-relationship construct	One-off production or co-production in highly close customer relationships	Primarily through close customer relationships, and secondarily through value-adding intermediates	Transactional, unprofound customer relationship	Customer relationship through a wide distribution network including online distribution
Core competence	Ability to understand and meet customer-specific needs	Ability to understand and meet customers’ needs on specific domains	Ability to understand and meet clients’ needs in narrow segments	Ability to serve common needs of multiple customers

Table 1 (continuous)

Business-model type	I "Personal consultancy"	II "Applied formats"	III "Superficial consultancy"	IV "Self-service"
Examples	Psychic consulting and readings, alternative therapies that require presence in person (e.g. reiki), foretelling and clairvoyance	Homeopathy and aromatherapy, different courses (workshops, seminars, lessons), energy healing, and customized goods (including pictures, photos, posters, personalized music)	Astrological predictions, palm-reading, remote healing, physiognomy and cartomancy (including tarot consultancy and tarot readings)	Videos and dvds, books, mystic music cd's, horoscopes and other standardized goods (such as standardized photos and posters), bioenergetic healing machines, energetic stones, dowsing rods, scrying apparatus

Table 1 above summarizes the key characteristics of the identified business-model types classified according to the two dimensions: the degree of involvement in customer relationships, and, the level of homogeneity of offering for multiple customers. The core competencies are described as the essential ability of a business to add value to its customers. Company core competencies are identified in the industrial markets by some other studies (e.g., Prahalad and Hamel, 1990) mainly as activities embodied in the value-chain model. Our classification scheme is used to identify and analyze the key abilities related to the particular types of business models represented by our empirical examples.

## Discussion and Conclusions

Lessons learned from this study include insights on the variety of offerings and the range of business models in the "belief industry", which is characterized through offerings that are typically based on non-scientific or quasi-scientific evidence, and irrational claims or convictions. Consisting in the observable characteristics of value propositions as part of the business models, we identified five different types of offerings based on inconclusive evidence. Furthermore, we learned that business models within this specific industry could be classified into four distinctive categories using dimensions rooted in industrial markets. The applied framework for the classification of business models has earlier been used in fairly different business context, namely in the analysis of knowledge- and technology-intensive software business. The dimensions in our framework are: the degree of involvement in customer relationships, and, the level of homogeneity of offerings. The identified types of business models are illustrated through four metaphors depicted as (I) personal consultancy, (II) applied formats, (III) superficial consultancy, and (IV) self-service. These metaphors are founded on empirical data collected from 140 companies exemplifying the "belief industry".

The criteria for the selection of this particular industry include an assumption that software industry may benefit from the analysis of the business models and offerings in the "belief industry". We see that software companies have traditionally sought credibility through technological quality and proof of benefit based on conclusive evidence. However, we think that a number of businesses in the software industry embody offerings that are either entirely or at least partly based on inconclusive evidence, and, even beliefs. A widely criticized characteristic of the so-called "new economy", which was manifested in technology and knowledge-intensive industries in the end of the 20<sup>th</sup> century, was the mushrooming of immense promises to meet the increasing needs of both customers and investors. Many software companies have drop back to meet the overvalued expectations of both customers and investors, fed through overwhelmingly optimistic promises. Moreover, a common practice in the marketing of software offerings is that the benefits and features of software applications and information systems are first conceptualized in presentation material, such as slides, www-sites and brochures. However, the propositions, which are often disseminated to create awareness and interest among both customers and investors, are possibly never realized in the form they are communicated.

We believe that the findings of the study can be applied in a larger context. Despite the difference of emphasis in consumers or industrial customers, the software business and “belief industry” share also a number of similarities. One specific aspect to consider is the interconnectedness of products and services, i.e. the best value of the offerings can in many cases be acquired only through concurrent production and consumption. An example of this is a business based on a book describing certain belief-based ideology, technique or method. However, in order to gain insight and skills in the discussed area it is necessary to attend workshops or utilize other training services that aim to increase understanding of the issues described in the book. This is relevant also in the software industry, in which software solutions alone are often futile without applicable skills of use. At the same time, the businesses based on beliefs may express either a clear specialization in narrow domains, e.g. emphasizing the variety of alternative therapies, or, they may implement a number of different business models through distinctive offerings and customer involvement in the value-creation process. An example of this is a business incorporating books and CDs, workshops and seminars, psychic consulting, as well as homeopathic remedies. In the software industry the range of business models within a business is rarely equal, but we can identify numerous examples of companies implementing several business models, e.g. in the form of both commercial-of-the-shelf solutions and customized services.

Furthermore, our findings support the view of Wikström (1995) and Ryssel et al. (2004), who identify that the role of ICT as a mediator in both consumer business and industrial markets is increasingly important. This argument is consistent with our findings as the business models in the “belief industry” especially along the dimension of customer relationships are increasingly facilitated by technological solutions. The multiplicity of channels in the marketing and distribution of offerings becomes high in the pace of information and communication technology. This seems to be a fundamental change because the customers’ role as a co-producer is extraordinary distinctive in the explored industry. A practical example of this change is the prominent increase of interactive on-line services in the fields of astrologic predictions, horoscopes, psychic consulting and cartomancy, which are increasingly provided through the Internet and mobile networks in a variety of forms. A characterizing feature in these kinds of services is the prolific use of free trial as a persuasion strategy.

After this explorative study on the business models in the “belief industry”, we call for more in-depth analysis on the nature of business in this specific area. Also, due to the lack of statistical data, there is need for comprehensive branch analysis on the size and volume of this business.

## References

1. Anderson, J.C. and J.A. Narus (1999). *Business market management: Understanding, creating, and delivering value*. New Jersey: Prentice-Hall.
2. Apte, U.M. and Vepsäläinen, A.P.J. (1993). “High Tech or High Touch? Efficient Channel Strategies for Delivering Financial Services”, *Journal of Strategic Information Systems*, Vol. 2 (March), pp. 39-54.
3. Ashmos, D.P. & D. Duchon (2000). “Spirituality at Work”, *Journal of Management Inquiry*, Vol. 9, pp. 134-146
4. Bainbridge, William (2004). “After the New Age”, *Journal for the Scientific Study of Religion*, Vol. 43(3), pp. 381-394.
5. Benefiel, Margaret (2002). “The Second Half of the Journey: Companioning Organizations through Spiritual Transformation”, Paper presented at the Annual Meeting of the Academy of Management, Denver, Colorado, August.
6. Coase R.H. (1937). “The Nature of the Firm”, *Economica*, Vol. 4, pp. 386-405.
7. Colman, Andrew M.. (2001) "belief n.", *A Dictionary of Psychology*, Oxford University Press, 2001. Oxford Reference Online. Oxford University Press. Helsinki School Economics and Business. 27 April 2005 <http://www.oxfordreference.com>
8. Dnes, Antony W. (1998). “The marketing firm: a transactions cost approach”, *Journal of Strategic Marketing*, Vol. 6, pp. 157-160.

9. Epstein, Edwin (2002). "Religion and Business – The Critical Role of Religious Traditions in Management Education", *Journal of Business Ethics*, 38, pp. 91-96.
10. Ford, David, Lars-Erik Gadde, Håkan Håkansson, Ivan Snehota (2003). *Managing Business Relationships*. 2nd edition. John Wiley & Sons Ltd. Chichester, West Sussex. UK
11. Geser, Hans (1992), "Towards an Interaction Theory of Organizational Actors", *Organization Studies*, 13 (3), 429-51.
12. Gutiérrez, Sonia SanMartín, Jesús Gutiérrez Cillán, and Carmen Camarero Izquierdo (2004). "The consumer's relational commitment: main dimensions and antecedents", *Journal of Retailing and Consumer Services*, Vol. 11, pp. 351-367.
13. Gwinner, Kevin P., Dwayne D. Gremler, and Mary Jo Bitner (1998). "Relational Benefits in Services Industries: The Customer's Perspective", *Journal of the Academy of Marketing Science*, 26(Spring), pp. 101-114.
14. Hayes, R.B., & Wheelwright, S.C. (1979). "The dynamics of process-product life cycles", *Harvard Business Review*, 57(2), 127-136.
15. Hedman, J. & T. Kalling (2003). "The business model concept: theoretical underpinnings and empirical illustrations", *European Journal of Information Systems*, Vol. 12, pp. 49-59.
16. Hill, John S. & Richard R. Still (1984). "Adapting Products to LDC Tastes", *Harvard Business Review*, 62(Mar-Apr): 92-101.
17. Håkansson, Håkan and Ivan Snehota (1995). "Analyzing Business Relationships" in Ford, David (ed.) (2002). *Understanding Business Marketing and Purchasing*. Third Edition. Thomson Learning. Great Britain.
18. ISCNI (1996). "Psychics now greatly outnumber priests in France", the electronic newsletter *ISCNI\*Flash*, Vol. 2, No. 7, Part 1.
19. Kenyon, Alfred and Shiv S. Mathur (2002). "The Offering as the Strategic Focus", *Journal of Strategic Marketing*, Vol. 10, pp. 171-188.
20. Kosmin, Barry A., Egon Mayer, and Ariela Keysar (2001). "American Religious Identification Survey". New York: City University of New York.
21. Lam, Shun Yin, Venkatesh Shankar, M. Krishna Erramilli, and Bvsan Murthy (2004). "Customer Value, Satisfaction, Loyalty, and Switching Costs: An Illustration From a Business-to-Business Service Context", *Journal of the Academy of Marketing Science*, Vol. 32(3), pp. 293-311.
22. LOHAS (2005). "LOHAS 9 Forum: Getting to the Heart of Conscious Commerce – Background," LOHAS Journal Online, <http://www.lohasjournal.com>
23. Longenecker, Justin, Joseph McKinney, & Carlos Moore (1998). "Entrepreneurship, Religion, and Business Ethics", Proceedings from the USASBE Annual National Conference 'Bright Horizons for Small Business and Entrepreneurship', Clearwater, Florida, January 15-18.
24. Morris, M., M. Schindehutte & J. Allen (2005). "The entrepreneur's business model: toward a unified perspective", *Journal of Business Research*, Vol 58, pp. 726-735.
25. Nakata, Cheryl (1998). "Belief: Based Businesses: Culture, Conflict, and Complement", *Business and Professional Ethics Journal*, 17(3), pp. 31-77.
26. Oakley, Lawrence (1999). "Conservative Speculator. Situation of the month: Newagecities.Com, Inc.", The electronic journal *WallStreetCorner.com*
27. Oliveira, Arnaldo (2004). "The Place of Spirituality in Organizational Theory", *Electronic Journal of Business Ethics and Organization Studies*, Vol. 9(2), pp. 17-21.
28. Osterwalder, Alexander (2004). *The Business-Model Ontology – A Proposition in Design Science Approach*. Academic Dissertation, Universite de Lausanne, Ecole des Hautes Etudes Commerciales.
29. Pike, Sarah (2004). *New Age and Neopagan Religions in America*. Columbia University Press.
30. Rajala, Risto, Matti Rossi & Virpi Tuunainen (2003). "A Framework for Analyzing Software Business Models", Proceedings of the European Conference on Information Systems 2003, Naples, Italy.

31. Rajala, Risto. & Mika Westerlund (2005). "Business models: A new perspective on firms' assets and capabilities, Observations from the Finnish software industry", *The International Journal of Entrepreneurship and Innovation*, (forthcoming).
32. Roe, C.A. (1998). "Belief in the paranormal and attendance at psychic readings", *Journal of the American Society for Psychical Research*, 92(1), 25-51.
33. Ryssel, Ricky, Thomas Ritter, and Hans Georg Gemünden (2004). "The impact of information technology deployment on trust, commitment and value creation in business relationships", *Journal of Business and Industrial Marketing*, Vol. 19(3), pp. 197-207.
34. Rindfleisch, A. & Heide, J.B. (1997). "Transaction cost analysis: Past, present and future applications," *Journal of Marketing*, Vol. 61(October), pp. 30-54.
35. Tikkanen, H., J.A. Lamberg, P. Parvinen, & J.P. Kallunki (2005). "Managerial Cognition, Action and the Business Model of the Firm," *Management Decision*, Vol. 43(6), pp.789-809.
36. Treacy, Michael and Fred Wiersema (1993). "Customer Intimacy and Other Value Disciplines", *Harvard Business Review*, January-February, pp. 84-93.
37. Tuominen, Matti, Arto Rajala, and Kristian Möller (2004). "Market-driving versus market-driven: Divergent roles of market orientation in business relationships", *Industrial Marketing Management*, Vol. 33, pp. 207-217.
38. Willer, Helga and Minou Yussefi (Eds.) (2005). *The World of Organic Agriculture 2005 – Statistics and Emerging Trends*. International Federation of Organic Agriculture Movements (IFOAM).
39. Williamson, O.E. (1985). "The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting", The Free Press, New York.
40. Wilson, David T. (2003). "Value exchange as the foundation stone of relationship marketing", *Marketing Theory*, 3(1), pp. 175-177.
41. YLE (2003). "Parantava kosketus?", a documentary in the TV serial "Tutkittu juttu", broadcasted in September 23, 2003 at Yle Teema. Finland.