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SMEs and new ventures need business model sophistication

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Abstract Business models are a current hot topic, and their design has become a key to performance. In fact, business model design is often associated with innovation. Many firms, though, fail to realize the full potential of their current business model simply because they are not aware of it. Nevertheless, Google succeeded in realizing its business model's full potential by offering its main service, Internet search, completely for free while capturing value from secondary opportunities such as Google AdWords. Especially for new ventures and SMEs, capturing value from secondary opportunities or business model sophistication is of critical importance toward increasing the pool of resources at hand and giving momentum to the firm's development. But what are these opportunities, and where can they be found? Based on various examples including Google, Ryanair, the Super Girl Contest on Hunan TV, and Spreadshirt, this article develops a framework that introduces five business model sophistication strategies: (1) uncover additional functions of your product, (2) identify strategic benefits for third parties, (3) take advantage of economies of scope, (4) utilize cross-selling opportunities, and (5) involve users and the crowd. All five strategies place a strong emphasis on stakeholder commitment.

1. Business model sophistication as a key performance driver

While there has been much discussion about innovation as a key driver of success, many firms have trouble realizing the potential of extant value-capturing opportunities. This is particularly true for new ventures and SMEs, which are often absorbed by the business at hand and unable to look beyond pressing matters to the application of business model sophistication. By focusing solely on their main business, these firms put their bottom line at risk and incur the costs of missed opportunities. In this article, we address the problems small and medium-sized enterprises (SMEs) and new ventures face because they often do not generate or use sophisticated business models. We will show through examples how sophisticated business models can be constructed and used as strategic options. Moreover, we will offer

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five business model sophistication strategies and make recommendations for their implementation.

The story of Google exemplifies how crucial business model sophistication can be for a firm's success. It is hard to imagine, but not too long ago Google was a startup working its way into the markets. Google began to take root in the late 1990s under the invention of a superior search technology (Vise & Malseed, 2005). Based on that, the firm's first offering was an Internet search engine; it turned out to be very successful, spread worldwide, and achieved high user numbers. However, there was a problem: even though Internet searches created enormous benefits to consumers, there was no willingness to pay for it in the market. From the beginning, Google had to offer its service free of charge—a characteristic that has not changed.[1] Therefore, Google did not initially appear to be a promising new venture. Perhaps this is why strong incumbents such as Lycos and Yahoo! showed little interest in the newcomer.

This changed approximately 2 years later with the introduction of Google AdWords, a pay-per-click advertising service. Google's founders realized that appearing on search results lists holds tremendous value for stakeholders with a willingness to pay: firms and other players interested in being found on the Internet. None of the firm's competitors, including the aforementioned incumbents Lycos and Yahoo!, had realized this value-capturing opportunity. In contrast to the original Google business model, this sophisticated model was highly profitable.

Business model sophistication is the realization of secondary value-capturing opportunities beyond the main business. These value-capturing opportunities are secondary because they depend on the main business and are only made possible by it. Johnson (2010, p. 31) specified this type of opportunity as "the adjacent possible" and described it the following way:

> The strange and beautiful truth about the adjacent possible is that its boundaries grow as you explore them. Each new combination opens up the possibility of other new combinations. Each new combination ushers new combinations into the adjacent possible.

Seen from this perspective, secondary value-capturing opportunities are an element of the firm's business model and have a direct impact on the firm's profits. Not realizing them basically equates to wasting money and losing competitive edge.

The Google example illustrates one more thing: It is often challenging for firms to uncover and realize secondary value-capturing opportunities. Even big players like Lycos and Yahoo! failed to spot the business model sophistication potential of Internet search. One reason entrepreneurs and managers miss opportunities is because they tend to focus on their main business. Christensen (1997) found that this prevents successful firms from identifying necessary business model innovations. It also prevents them from directing their efforts toward exploring secondary value-capturing opportunities. To counter this, large firms employ market researchers and run strategic units that systematically search for opportunities. However, SMEs and new ventures in particular wrestle with resource constraints and therefore depend heavily on the experience and intuition of management. Market environments are often new for business founders; as such, they tend to imitate existing industry business models or apply analogical thinking and reasoning (Enkel & Mezger, 2013). Thus, despite being less constrained by path dependencies and inertia as compared to more established firms, market entrants often do not design business models that include secondary value-capturing opportunities. For entrepreneurs, the main business focus tends to be a strategy for reducing complexity. However, focusing solely on the main business can act as a barrier to growth and expansion. Therefore, identifying secondary value-capturing opportunities is of critical importance toward increasing the pool of resources at hand and giving momentum to an SME's or new venture's development.

An example of complex business model sophistication is the 2005 Super Girl Contest in China (Wang, 2007), which realized several concurrent secondary value-capturing opportunities. The Super Girl event received a lot of attention not only because it was the first major contest of its kind in China, but also because it was one of the first occasions where a broad audience was able to participate in a public decision-making process. Local television station Hunan TV profitably hosted a platform to broadcast the event despite charging a relatively low fee from the contestants and audience. It captured additional value by including two sponsors: Mengniu, a producer of dairy products and ice cream, and Tianyu Media, a television production company specializing in talent scouting and management in the Mandarin-speaking region. Mengniu paid the overhead costs in exchange for naming rights while Tianyu Media met the planning and promotion costs in return for ownership of the Super Girl brand. Additional revenues came from advertisers and telecom companies, which cashed in on a percentage of

[1] It belongs to the so-called 'free' business models (see Anderson, 2009).

the fee users paid to vote for their favorite contestants via social media sites.

The 2005 Super Girl Contest demonstrates that approaches to business model sophistication are manifold and diverse. But how are these approaches structured and where can they be found? How can firms actually pursue business model sophistication? To address these questions, we draw upon a book by Jianguo Wang (2007). In contrast to Wang's marketing perspective, however, we take the perspective of strategic business model design because it has been described as a performance driver for firms (Amit & Zott, 2001). Zott and Amit (2007) identified two critical dimensions of business model design, which they denoted as 'efficiency-centered' and 'novelty-centered.' Herein, we propose a third dimension, 'sophistication,' that helps SMEs and new ventures in particular to improve performance. Next, we investigate the conceptual structure of business model sophistication and present five strategies for SMEs and new ventures to approach business model sophistication.

2. The business model sophistication framework

Research on business models is quite vibrant; consequently, a number of different conceptualizations and definitions of the construct have been developed (e.g., Morris, Schindehutte, & Allen, 2005; Osterwalder, Pigneur, & Tucci, 2005; Shafer, Smith, & Lindner, 2005). We do not aim in this article to provide a review of extant literature, as this can be found in George and Bock (2011) for the field of entrepreneurship and in Zott, Amit, and Massa (2011) for the field of strategic management. These reviews agree that irrespective of all differences, business models are generally understood as abstract descriptions of how companies run their business. In this sense, Cavalcante, Kesting, and Ulhoi (2011, pp. 1328—1329) define the business model as "an abstraction of the principles supporting the development of the core repeated standard processes necessary for a company to perform its business."

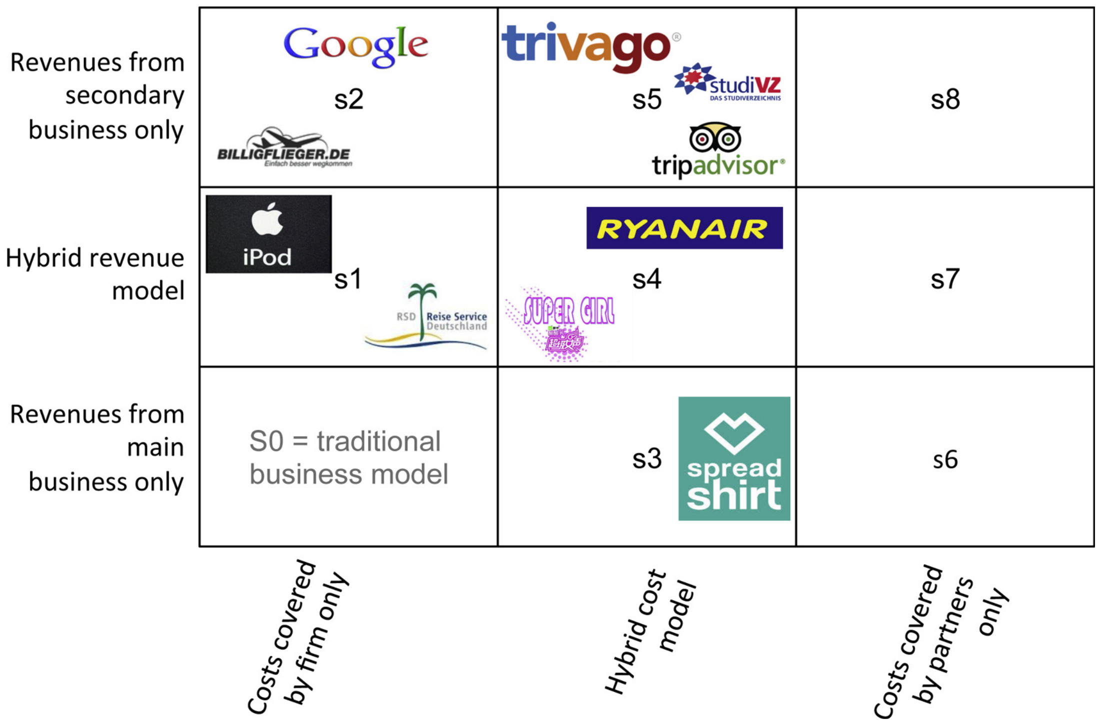
In many contributions, value capturing takes a prominent position in business model conceptualization, even as an element of its definition (Chesbrough & Rosenbloom, 2002; Teece, 2010; Zott & Amit, 2010; Zott et al., 2011). Business model value capturing typically entails two basic dimensions: revenue and costs. Another prominent characteristic of the business model is that it is "centered on a focal firm, but its boundaries are wider than those of the firm" (Zott et al., 2011, p. 1020). Thus, the architecture of the network between the firm and its exchange partners is of the utmost importance toward creating and capturing value. This network perspective focuses on stakeholder involvement. Against these two prominent business model characteristics lies the key question of this article: How can firms increase their revenues and/or decrease their costs beyond the main business by involving stakeholders?

Regarding the revenue dimension, business model sophistication does *not* equate to increasing revenue from sales in the main business, but rather identifying and realizing new revenue streams beyond that. For example, the introduction of AdWords did not change the fact that Google is unable to generate revenue through Internet search; rather, AdWords represents a new activity that sells appearance on search results lists, which generates a completely new revenue stream. It is important to note that the revenue stream from AdWords is not independent from the main business, but instead builds on and extends it. To generate revenues from AdWords, Google has to continue its main business of providing an Internet search tool; AdWords is only relevant for advertisers as long as there is traffic on the search engine.

Regarding the cost dimension, business model sophistication represents decreasing existing costs of the main business *without* cost cutting or any other internal cost reduction. It means entering new activities that induce stakeholders to either take over costs directly or take over efforts that reduce the costs of the main business. But why should a company or any other player do so? Regarding the 2005 Super Girl Contest, Wang (2007) offered one example: sponsoring. Mengniu and Tianyu Media sponsored the event because they received benefits in exchange. Sponsoring has minor relevance for profit-oriented companies (Daellenbach, Davies, & Ashill, 2006; Walliser, 2003), but other additional forms of cost reduction—including crowdsourcing and the involvement of users—have become increasingly important in recent times. We discuss some relevant cases below.

On both the revenue and costs dimensions, business model sophistication places a strong emphasis on stakeholder involvement. Often, but not always, these stakeholders have been previously related to the firm in various roles. For example, advertisers enjoyed traffic from Google's search engine even before the introduction of AdWords, and therefore silently benefited from positive externalities of the Google offer. A sophisticated business model involves these shareholders and starts a formal relationship with them. In the case of AdWords, silent benefiters became formal customers. In the

Figure 1. The business model sophistication framework



Super Girl example, new stakeholder relationships were created, such as with social media sites and Mengniu. We call this type of stakeholder, who enters a more formal relationship in order to advance secondary business opportunities, a *valueholder*. Conceptually, valueholders are a subset of the stakeholder group (Freeman & Reed, 1983; Tullberg, 2013). Seen from this perspective, business model sophistication has a strong element of stakeholder management. It creates new or develops existing stakeholder relationships and converts stakeholders to valueholders in order to realize value-capturing opportunities.

It is useful to categorize business model sophistication archetypes based on the relationship between the main and the secondary businesses (Figure 1). The traditional business model receives all its revenue from the main firm and entirely covers all costs by itself; the traditional business firm is represented in Figure 1 by the left cell of the bottom row (s0). In contrast, so-called 'free' business models—such as Google—receive all their revenues from secondary businesses; see the upper row (s2, s5, s8). Free does not necessarily result from a failure to generate revenue from the main business; in many cases, as with Google, the main business is needed to generate revenues from secondary businesses. In 'freemium' business models, value is captured by the main business; these hybrid revenue models appear in the middle row of Figure 1 (s1, s4, s7). In its basic business model, Google covers all its own costs; however, there are also firms with a hybrid cost approach, such as Ryanair and Spreadshirt, whose business models we will explain. We are not aware of any profit-oriented companies that get all their costs covered by valueholders. Nevertheless, it is a logical and factual possibility, so the right column of Figure 1 has been included, yet remains empty (s6, s7, s8). The 2005 Super Girl Contest is an example of a dually hybrid business model, basically the most complex form of business model sophistication (s4). The other examples listed in Figure 1 will be explained in the next section.

Graphically, business model sophistication is represented by advancing up (revenue) and/or to the right (costs). However, the process does not stop at the outer cells. Even though it generated all revenue from secondary customers, Google was able to identify and realize revenue sources from additional secondary activities such as AdSense and Maps. Generally speaking, there is no optimal position in Figure 1; the optimum depends on the structure of the business model and the opportunities that arise from it. Reverse movements can also be useful, for example when a firm moves from free to fee with regard to its main business. However, a firm's position in the framework stays sub-optimal as long as not all profitable business model sophistication opportunities are realized.

Figure 1 summarizes the static view on business model sophistication in the classification of business model sophistication archetypes. Now, let us turn to the dynamic view on how to develop business models (i.e., where to find business model sophistication opportunities).

3. Five business model sophistication strategies

The cases of Google and the 2005 Super Girl Contest illustrate that business model sophistication opportunities are manifold and diverse. But how are these opportunities structured and where can they be found? We present five business model sophistication strategies, all of which are aimed at increasing the firm's revenue and/or decreasing their costs beyond the traditional business logic by including valueholders. Business model sophistication is always based on: (1) the introduction of a new product/service, and/or (2) the supply of a new customer need, and/or (3) the introduction of new valueholders.

3.1. Business model sophistication strategy #1: Uncover potential functions of your products

The basic principle behind this first business model sophistication strategy is that products often possess unused potential that can be sold to third parties. As such, this strategy is well known and implemented in the offline as well as the online world. It leads to the supply of a new customer need and commercial involvement of a new valueholder, but not to the introduction of a new product or service. The most prominent means is to offer advertising space—for example, in newspapers and on buses, lighters, and, of course, webpages. Selling advertising space is a secondary business opportunity because it enables firms to capture value by generating a new revenue stream, typically with new partners. Advertisers are not charged for the consumption of the main product, but for the right to place their advertisements on it. However, selling advertising space is dependent on the main product's physical or virtual presence—for instance, whether it promotes interest through its display on buses—and its exposure to potential customers of the advertised products or services.

Revenue from advertisements is rather easy to specify because the associated tasks are similar for every business model: possible advertising space has to be identified and commercialized. Consequently, this business model sophistication opportunity has already been realized to a large extent by SMEs and new ventures, both online and offline.

3.2. Business model sophistication strategy #2: Identify strategic benefits for third parties

This second strategy advises firms to investigate who is actually benefiting from their activities, and—as a next step—to charge these silent beneficiaries, if possible. This leads to the involvement of a new valueholder, but not to the introduction of a new product/service or the supply of a new customer need. This is the strategy that Google applied in its founding days. AdWords is all about advertising, so one could easily assume that it belongs to the first business model sophistication strategy. However, Google AdWords are not advertisements in the traditional sense: the basic customer need, appearance on the results list, was supplied before the introduction of AdWords. The difference is that Google now charges for what was previously offered for free. . .at least partly. It should be noted, however, that cost-free appearance in the so-called 'natural' results list is still possible.

The beneficiaries of a firm's activities are often municipalities, regions, or countries represented by public authorities. Consider Ryanair, a leading low-cost airline carrier in Europe (Creaton, 2007). Instead of approaching principal airports in larger cities, Ryanair's strategy is to approach secondary airports in smaller cities in order to challenge traditional airlines' high fares. Public authorities are willing to subsidize these airports because of the benefits accrued from flight connections to their regions; as a result, landing fees have been reduced and ground costs partially absorbed. This is another example of how third parties can be included to reduce costs, as in the case of sponsorship. In a similar way, German tour operator RSD is being subsidized by the Turkish government for organizing bus trips for elderly people to Turkey because the local economy benefits from the guests' purchasing power.

Another example reported by Brandenburger and Nalebuff (1996) was Holland Sweetener's entry into the market for aspartame production. Holland Sweetener broke the previous monopoly of Monsanto and helped bring down the market price for aspartame, primarily benefiting the producers of diet soft drinks (e.g., Coca Cola, PepsiCo). For the soft drink producers, this entry changed the entire power constellation in the market. It would certainly have been possible to involve the soft drink producers financially—for instance, by taking a share of the initial investments as strategic investors, thereby reducing the risks of market entry—but Holland Sweetener failed to do this. This example shows the immensity of benefits for valueholders; interestingly, the benefits do not result from the product or the firm's activity as such, but rather from its mere appearance on the market. New ventures that create third party benefits simply by entering a market, and breaking existing power structures, may exploit valueholders into long-term contracts or taking over elements of set-up costs.

Against this backdrop, one of the key challenges of the second business model sophistication strategy lies in identifying silent beneficiaries of the company and its offerings. Silent beneficiaries can be found among the firm's broader stakeholders. In order to understand the impact on potential silent beneficiaries, it is useful for companies to carry out an added value analysis (Brandenburger & Nalebuff, 1996) to investigate the difference that its offerings make. A second key challenge entails finding ways to charge silent beneficiaries for the benefits they receive (e.g., through asset sales, usage fees, licensing fees, payment terms) and to convert them into valueholders. Startup firms, in particular, must be alert to their strategic positioning in the market they are entering, and develop from the outset their business model to include silent beneficiaries as valueholders.

3.3. Business model sophistication strategy #3: Take advantage of economies of scope

Panzar and Willig (1981) define economies of scope as the ability of the firm to produce two or more goods more efficiently, cost-wise, than it would be able to produce them separately.[2] Therefore, secondary value-capturing opportunities can result from combining resources. The third business model sophistication strategy involves the concurrent introduction of a new product/service, the supply of a new customer need, and the involvement of a new valueholder. It is the most fundamental business model change of all business model sophistication strategies. Consider BookandSmile, a German startup that runs a price meta-search engine specializing in flights (similar to Kayak.com). Like other price meta-engines, BookandSmile is basically a sales channel for online travel agencies and airlines. Its main source of income flows from booking provisions and advertisements. However, traffic on its website provides BookandSmile with access to rich data about flight prices and demand. The data are of little relevance to the company's primary business, but open up an attractive secondary value-capturing opportunity: market research. In contrast to market research institutes, BookandSmile incurs virtually no costs for data collection and thus is able to present a competitive offering. Other examples for economies of scope can be found in Chandler (1990).

Because of their diversity, value-capturing opportunities from economies of scope require a comprehensive understanding of the company's key resources and key activities and how they develop over time. To identify secondary business opportunities, firms must recognize which resources and capabilities they build up as a result of the main business, and where these resources and capabilities create a potential cost advantage for additional products/services. Economies of scope require a broad understanding of assets and markets. Because of their focus on the main business, startup firms and SMEs tend to overlook possibilities that could result from economies of scope.

3.4. Business model sophistication strategy #4: Utilize cross-selling opportunities

As defined by Byers and So (2007, p. 1), cross-selling "involves selling some new service or product to existing customers." The key point to cross-selling is that the customers already exist and their presence can be utilized for secondary activities. It entails the introduction of a new product/service and the supply of a new customer need, but not the involvement of a new valueholder. Ryanair garners a considerable share of its revenues from cross-selling. The airline utilizes customer presence at two points: on the Ryanair website, where hotels, rental cars, and travel accessories are offered; and on the airplane, where snacks and other goods are provided against payment. In its cross-sales, Ryanair simplifies procedures for customers (hotel offers are already there and do not have to be searched for on other websites), gives the impression of attractive offers (hotels suggested by a low-cost carrier are cheap), and addresses affects (impulse purchases such as snacks or duty-free goods). In this manner, Ryanair became an airline whose profitability is mostly based on cross-sales rather than ticket sales.

Other companies utilize technical standards or platform designs to lock customers into cross-sales. One prominent example is Apple's iPod: customers are forced into using the Apple ecosystem (Linzmayer, 2004). Due to this restriction, Apple—primarily a manufacturer of consumer electronics at the time the iPod debuted—was able to enter a completely new market, and has consequently become one of the world's leading music distributors. Similarly, cross-sales can be found in relation to the iPhone and the Apple App store.

[2] This assumes that factor prices are stable.

Finding value-capturing opportunities from cross-sales demands an in-depth understanding of customers' needs and preferences. To identify cross-selling opportunities, firms must recognize their points of sale and how offers can be designed such that customers can make optimum use of opportunities to cross-sell. Particularly for young firms, cross-selling can offer opportunities to concurrently create new revenue streams that are needed to develop and finance their main business.

3.5. Business model sophistication strategy #5: Involve users and the 'crowd'

Another important opportunity exists, particularly for online businesses, to capture value on the cost side: involvement of users and the 'crowd.' Consider that, years ago, tour operators had to employ the expensive and time-consuming practice of assigning and sending test persons to evaluate hotels. Today, companies such as TripAdvisor and Trivago utilize social media to collect and display user evaluations. These evaluations are important because they increase the attractiveness of the offer and become an essential part of the value proposition. Online user evaluations can be found for many products and services, including books, restaurants, and car rentals. As evidenced by these examples, users can be persuaded to contribute to profit-oriented companies via their personal energy, expertise, creativity, and skills—even though they are not compensated. Customer engagement represents a highly effective way of capturing value, and entire business models can be built around that concept.

Another example of innovative user involvement is StudiVZ, a social network for students that used volunteers—called CampusCaptains—to promote an offer at target universities during its entry phase. With the help of these CampusCaptains, who received practically no monetary compensation for their efforts, StudiVZ was able to reach a critical mass for its community in less than 1 year and with a very small budget—an achievement that would have been extremely costly using conventional marketing.

Crowdsourcing represents another opportunity to capture value on the cost side. As defined by Howe (2006), crowdsourcing is "the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call." Spreadshirt, a medium-sized online company of approximately 450 employees selling t-shirts and other apparel, organized one such example: online logo projects. These projects consist of competitions that encourage the crowd to submit suggestions for new company logos. During the 2006 cycle, 600 designers submitted more than 1,000 logos (Piller, 2007). The winner received compensation that was below the actual price for a logo created by a professional designer. As this example shows, like user involvement, crowdsourcing encourages third parties to contribute to profit-oriented companies sans adequate monetary compensation. In that manner, it enables companies to capture value by reducing costs. As an added benefit, it often induces press attention and has brand-building effects. Other examples for crowdsourcing can be found in Brabham (2008).

The fifth business model sophistication strategy, involve users and the crowd, therefore leads to the involvement of a new valueholder, but not to the introduction of a new product/service or the supply of a new customer need. This is basically the same change profile as the second business model: identify strategic benefits for third parties. The difference comes in the form of involvement: in the second business model, stakeholders are charged as beneficiaries; in the fifth, they are involved as suppliers.

Value-capturing opportunities that arise from involving users and the crowd necessitate a thorough comprehension of users' ability and willingness to take over activities already performed by the firm. To identify opportunities where stakeholders can take over costs, firms must classify which of its self-performed activities can be taken over by users/the crowd and how users/the crowd can be incentivized to do so.

4. A new perspective on business model design and partnering

Table 1 summarizes the five strategies a company can use to proactively approach business model sophistication. These approaches are quite diverse and include—among others—aspects of strategy, marketing, product design, process design, PR, and production. They are not an element of the main business model, where a good or service is exchanged against payment and typically involves new stakeholders; rather, the secondary value-capturing activities are structurally dependent on the main business such that both form a unit and become elements of one and the same business model. Generally, different approaches to business model sophistication do not exclude each other and can be realized in parallel.

The key contribution of this article is to offer a new point of analysis: the involvement of valueholders in order to capture value on both the revenue and cost sides. For firms that explore these secondary

Table 1. The five business model sophistication strategies at a glance

Business Model Sophistication Strategy #1: Additional functions		
	Step 1: Find place for additional ads.	Example: bus advertising
	Step 2: Investigate how to market ads.	
Business Model Sophistication Strategy #2: Benefits for third parties		
	Step 1: Define who is potentially benefiting from your offering.	Examples: Google, Ryanair
	Step 2: Investigate how to charge beneficiaries.	
Business Model Sophistication Strategy #3: Economies of scope		
	Step 1: Identify which resources are currently built up.	Example: BookandSmile
	Step 2: Specify where these resources create a cost advantage.	
Business Model Sophistication Strategy #4: Cross-sales		
	Step 1: Define points of sale.	Example: Ryanair
	Step 2: Design the offer in an easily accessible way.	
Business Model Sophistication Strategy #5: Involvement of the crowd		
	Step 1: Investigate which tasks can be taken over by users/the crowd.	Examples: TripAdvisor, Spreadshirt, StudiVZ
	Step 2: Identify how users/the crowd can be involved in the best way.	

value-capturing opportunities and involve new valueholders accordingly, this can become a significant driver of success. Many recent success stories—including Google AdWords, Ryanair, Spreadshirt, and the Super Girl Contest—have resulted from business model sophistication. Most elements of the approach presented here are well known independently, but to our knowledge, the principle that binds them together on a business model level has been little recognized thus far. In this regard, our approach indeed offers a new perspective on strategic business model design and partnering.

The key recommendation for managers of SMEs and entrepreneurs is to think business model sophistication right from the start. In doing so, following this two-step procedure is advised:

- Step 1: Specify your main business and all existing secondary business activities. Based on this knowledge, map your business model in the business model sophistication framework (see Figure 1).

- Step 2: Systematically investigate the five business model sophistication strategies, using Table 1.

Business model sophistication concerns the business models of all companies, but particularly those of new ventures and SMEs. When designing a business model for their novel market offering, startups should immediately and consistently be on the lookout for sophistication opportunities. SMEs should not be afraid to advance beyond their main business. Failing to recognize opportunities for business model sophistication could mean potentially missing out on value-capturing opportunities and thus losing competitive edge. Moreover, business model sophistication does not only concern profit-oriented ventures but also social enterprises, which often struggle to be self-sustaining as they cannot or do not want to charge beneficiaries for their products/services. Secondary value-capturing in such scenarios can be vital for sustainability.

Certain limitations, however, must be considered. First, involvement in secondary business opportunities increases the complexity of the business model. Hence, opportunity costs of management capacities in particular have to be taken into account. Second, there must be certainty that involvement in secondary activities does not overly shift the focus from the main business. Regardless of third-party involvement, Google, for example, should still be recognized as a search engine and Ryanair as an airline. Third, secondary activities might have a negative impact on the primary business activity. For instance, advertisements can scare away paying customers of an online service when the ads are inappropriate or too numerous.

These limitations should be kept in mind but not hinder proactive engagement in business model sophistication. One of the main reasons companies have historically failed to engage in secondary business opportunities is lack of awareness; firms cannot explore opportunities systematically if they are not aware of their potential or even their existence. Through this article, we aim to supply SMEs and new ventures with the right tools to explore and exploit these secondary opportunities.

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