Transcending the traditional business model: A critical review of the 1P theory

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ABSTRACT

The purpose of this paper is to review the 1P theory, which is a quite influential new approach in China, but so far completely unknown in the western world. The 1P theory provides a framework to map opportunities for increasing revenue streams and/or reducing costs by introducing third parties into a firm's business model. First, we explain and analyze the core ideas of the 1P theory and review the discussions among Chinese researchers. We then locate the 1P theory within the existing research body. We argue that the 1P theory offers a highly innovative conceptual structure which is capable of capturing the phenomenon in all its complexity. Particularly, the 1P theory can be used to investigate and optimise existing partnering strategies and identify new ones. In this way, it helps companies transcend the 'traditional' supplier-customer relationship and utilize the full potential of their business models.

Key words: 1P theory, business model, partnering, value chain

ANOTHER LOOK AT THE BUSINESS MODEL

There has already been a lot of research on various aspects of partnerships and collaborations in business studies, including: different forms of market control, e.g. trusts (Freyer, 2006), cartels (Levenstein and Suslow, 2006), and strategic alliances (Lorange and Roos, 1991; Ohmae, 1989); co-opetition with respect to strategic advantages (Gnyawali, et al., 2006; Nalebuff and Brandenburger, 1996; Stein, 2010), network collaborations and production clusters (Bengtsson, and Kock 1999); innovation networks, customer involvement and open innovation business models (Chesbrough, 2006; Miles R. et al., 2006; Lin et al., 2010); and third-party relationships in logistics (Ellram and Cooper, 1990; Hertz and Alfredsson, 2003; Marasco, 2008). In addition, there are various partnership theories on the design of partnerships (Brinkerhoff, 2002; Dowling et al., 2004; Lambert et al., 1996; Cooper and Gardner, 1993).

So far, however, there is no systematic overview of firms' opportunities for partnering in order to create additional revenue streams beyond 'traditional' sales and/or to cover costs. These income streams are especially crucial in the modern, virtual world, where many offerings are for free and incomes are often generated by additional income streams. But they also exist in the material 'offline' world. What possibilities do firms have for partnering? Who are their potential partners and how can they be identified? What does the overall picture look like?

The new '1P theory' by Jianguo Wang (2007) aims to answer these questions by providing a comprehensive partnering model. However, the 1P theory, which has been developed in China, is so far completely unknown in the 'Western' world. And although there have been a quite intense discussions of the 1P theory in China, contributions here have been published exclusively in Chinese and are thus not accessible to most Western scholars.

The aim of this paper is to introduce the 1P theory to the 'Western' world. First, we review the core elements of the theory and the discussions of it in China. We then compare the theory to existing western research by discussing its relation to the concepts of the Value Chain and Business Model, the Two-Sided Market Theory and the Sponsorship Theory, and the 4P conceptualization in Marketing. We conclude that the various elements of the 1P theory are not substantially new to research on business studies, but that the way these elements are structured is innovative, handy, and insightful. Against this background, the 1P theory contributes to research in the same sense as concepts like dynamic capabilities, shareholder value, and ambidexterity do.

THE 1P THEORY IN BRIEF

The basic approach of the 1P theory is to investigate and systematize the introduction of third parties into a firm's business model (Wang, 2007: 72). In his book, Wang calls this introduction of third parties the 'Google phenomenon' (ibid.: IV). At first glance, Google provides a search service for internet users. However, since this service is free for end users (and given that there is no possibility of charging for it), Google has to introduce a third party in order to create a revenue stream: advertising companies. The crucial point is that the value of the second service, 'advertising space,' depends on the success of the first, i.e. end-user traffic on the website. In this sense, both services become parts of yet another complex value chain. Although the basics of this phenomenon are known in business studies, its full complexity has not yet been grasped. The main aim of the 1P theory is to systematize this type of partnering. (In calling it the '1P theory', Wang explicitly refers to the 'four marketing Ps'. See also the discussion on the naming of the 1P theory below.)

A cornerstone of the 1P theory is its distinction between the revenue and cost dimension of partnering. As Wang (ibid.: 91, own translation) points out, the 1P theory aims at a

systematic investigation of the introduction of '*a third party partnership as a close stakeholder for the firm in order to simultaneously reduce the 3P (Cost), increase the 1P (Income), and improve the products' value added*.' According to Wang, cost is defined as any kind of expenditure necessary to create the firm's products or services, and revenue as any kind of income gained from the sale of products or services that the firm offers (ibid.: 96). Basically, this is a straightforward distinction, since revenue streams and costs are the constituents of profit, and profit is the variable that 1P theory ultimately focuses on. In other words: To increase profits, partnering either has to increase the revenue streams or decrease the costs.

To illustrate the basic logic of the 1P theory, Wang (ibid.: 16) presents the '2005 Super Girl Contest' in China, where the Hunan TV Channel offered a platform for the contestants by broadcasting the event for free, so that they were only asked to pay a very small fee for participating . In this case, the event was also (almost) free for two customer groups: the contestants themselves and the audience of the TV show. This event was sponsored by Mengniu Dairy (a producer of dairy products and ice cream) which paid for the overheads in exchange for the naming rights, while Tianyu Media (a producer of TV programmes, which also specializesd in talent scouting and management in the Mandarin speaking region) paid the costs of contest planning and promotion in return for ownership of the 'Super Girl' brand for future events. In addition, advertisers contributed to Hunan TV's and other telecom companies' revenue stream by sharing a percentage of the fee which users had to pay to vote for their favourites via SMS. Figure 1 outlines the structure of this example.

FIGURE 1: Set about here

For customer relationships, Wang (ibid.: 97) distinguishes between the three cases, in that income streams are either (i) exclusively generated by direct customers (traditional model), or (ii) by the partners, or (iii) jointly by both. In the same way, costs can either be covered exclusively by the company, or by the third party, or jointly by both. Combining both dimensions results in a 3×3 matrix, with the top-left cell ($1P_0$) representing the 'traditional business model.' Additionally, Wang adds a line of so-called 'Zero Variable Costs' (ibid.: 100) to the matrix, which covers 'marginal non-scarce products' that only produce sunk costs, but no variable costs, which means they can be duplicated infinitely once they are created. Wang again mentions Google as an example of this, inasmuch as an internet search does not generate extra costs with increasing users once the infrastructure has been built up (there is some discussion about this case, which we will address later). Zero Variable Costs thus add three more cases to the matrix, resulting in a typology distinguishing 12 different types (with $1P_0$ representing the 'traditional' type), as shown in table 1:

TABLE 1: Set about here

In the following, we explain the generic types of partnering, $1P_1$, $1P_2$, $1P_3$, $1P_6$, $1P_9$, and illustrate them with examples. The other types consist of combinations of the generic types, such as $1P_4$, which is a combination of $1P_1$ and $1P_3$, and can be derived from that. Nevertheless, we will have a quick look at the initial examples of Google and the '2005 Super Girl Contest'. Most examples in this section have been taken directly from Wang (2007), since they shed additional light on the basic idea that Wang associates with the different types.

$1P_1$ is the type of partnering where costs are covered exclusively by the firm (traditional model), but where revenues are generated jointly by customers and third parties (hybrid

income streams). As an example for this type of partnering, Wang (ibid.: 11) mentions cigarette lighters with advertisements on them, where one income stream is generated by smokers and other customers who buy the lighters, while a second income stream is generated by advertising companies paying a price for every lighter sold that has their advertisement on it. **1P$_2$** is the type where costs are covered solely by the firm, but income is generated solely by the partners. This is illustrated by the example of online game developers, who offer their game for free (e.g. Facebook games) but use it as a platform for advertisements. Here, the revenue stream is generated solely by the advertising companies, and is calculated per view or per click. In both cases, **1P$_1$** and **1P$_2$**, the income stream depends on the (measurable) products/services that have been delivered to the partner companies (sold units of lighters, clicks or views), and is thus part of the revenue dimension of partnering.

1P$_3$ is the type where the revenue streams are generated solely by customers (traditional model), but where costs are covered jointly by the companies and their partners. As an example of this type of partnering, Wang (ibid.: 176) mentions a Chinese company that offers a 'family medical kit' containing frequently used drugs and other supplementary medical care products . In this example, the company persuaded a 'local residents committee' to take over distribution of the kit in order to improve its reputation. The kit was sold at the normal price, so the income stream did not change, but the firm's distribution costs were almost reduced to zero. The role of the 'residents committee' can be described as that of a sponsor trying to improve social recognition (Meenaghan, 1991; for the relation between the 1P theory and sponsorship theory see the discussion below). **1P$_6$** is the type where the revenue streams are generated solely by customers (traditional model), but where the costs are covered solely by the partners. Wang's (ibid.: 156) example of this case is the 'campus bazaar', where the organizer persuaded a school to set aside some unused place for displaying products. Since products were sold directly by the students, all the costs of running the bazaar were covered

solely by third parties. **1P3** and **1P6** come under the cost dimension of partnering, since the introduction of partners leads to an immediate reduction in the existing costs.

In **1P9**, the revenues are generated solely by customers (traditional model), but there are zero variable costs. An example of this type of partnering (Wang, ibid.: 125) is franchising models like McDonalds, etc., where the authorization to franchise takers creates (almost) no additional costs (the development of the system and creation of the brand count as sunk costs, since they are independent of the number of franchise takers), and there are steady revenue streams from the fees. As can be seen from this example, 1P9 describes a direct customer relationship in that no third party is involved.

The example of the '2005 Super Girl Contest' above is of the type **1P7**, where the costs are covered by third parties and the income streams are generated jointly by customers and third parties. Wang classifies the 'Google Search' among type **1P11** (ibid.: 101), where an increasing number of users imposes no additional costs, and where income is generated solely by advertisers and other third parties.

Apparently, it is possible for firms to move within the matrix by changing the partner structure. The core challenge here is to find the optimal position. Thus, Wang recommends firms to periodically examine when and how to change their partner structure within the 1P typology (ibid.: 131). But how? Where can firms find new attractive partnering opportunities? To answer this question, Wang introduced five rules for relationship-building.

THE FIVE RULES FOR RELATIONSHIP-BUILDING

Most of the principles involved in the five general rules were not developed by Wang himself, but existed already and are widely used in business practice. However, the author's contribution is that he systematizes and integrates them in a coherent way in order to serve

practitioners applying the 1P typology. Wang's five general rules are presented in the following.

Rule1: Dig out potential functions of your products. Traditionally, companies are focusing on selling and improving the main function of their products (Wang, 2007: 105). However, in many cases a product can serve more than one function. for example, a cigarette lighter can not only be used to light candles, but also serves as an advertising space. This additional function might raise the interest of a third party (the advertiser) for a collaboration that generates an additional revenue stream for the lighter manufacturer. The first rule, therefore, is that firms should try to identify the potential functions of their products. This includes visualising hidden functions, adding new functions, and innovating on selling points. The visualisation of hidden functions refers to Trout & Al's (2001) positioning strategy, according to which a product typically has more than one function. Such a positioning strategy, for example, helped Coca Cola to spread from pharmacies to supermarkets all around the world. Against this background, identifying the proper function of the product might be helpful in determining attractive partnering opportunities.

Rule 2: Identify strategic benefits for third parties. The second rule is that firms should be aware of the benefits that their offer creates for third parties (Wang, 2007: 108). This rule is closely related to the insights of research on two-sided network effects (Eisenmann et al., 2006). However, two-sided network effects are mainly about the customers-supplier relationship, while this rule is much broader. Air-Asia, for example, was subsidized by the Thai government in order to offer almost-free tickets to Thailand, the idea being to attract travellers to the country to spend their money there. By offering its product (flights to Thailand), Air-Asia was creating a benefit for a third party (in this case the Thai government). Often, such benefits remain unnoticed and are not compensated by the beneficiary. The 1P theory recommends taking a systematic look at this point.

Rule 3: Utilize economies of scope. The key point of the third rule is that companies should look for opportunities to enlarge their business scope by utilizing possible complementarities with third parties (Wang, 2007: 113). The traditional understanding of economies of scope is that firms can obtain lower joint costs of production per unit of output via the contemporaneous sharing of tangible or intangible assets in the production of multiple products (Helfat and Eisenhardt, 2004). However, the third rule involves more than this, since it encourages firms in general to expand their business boundaries in order to seize opportunities from introducing a third party. Wang argues that this third rule can be further divided into two types: The first type is so-called tandem economies of scope, where production occurs within the same production line, but consecutively, e.g. heat-engine plants which sell their waste coal to brick manufacturers (Wang, 2007: 113). The second type is so-called parallel economies of scope, where production takes place at the same time, but on different production lines, e.g. clothes manufacturers which provide opportunities for students from fashion schools to tailor clothes (and get free labour for clothes production into the bargain, see Wang, 2007: 116). The third rule encourages firms to look for opportunities for parallel economies of scope in procurement procedures, production procedures, distribution channels, promotions and sales (joint promotion or bundling sales, see Wang, 2007: 115-119).

Rule 4: Try to integrate resources. Inspired by strategy theory (Dess et al., 2010; Wit and Meyer, 2010; Porter, 2008), resource integration can generally be categorized as vertical, horizontal and platform integration. For example, the ‘one-card’ concept is a very convenient tool at some university campuses in China, since it allows various services to be included in the same card, e.g. personal identification and a library service. However, universities are generally not willing to take on the high cost of introducing the system, and the one-card company is not willing to lower its prices. The introduction of a bank as a third party solved this problem successfully. For the universities, the involvement of the bank was beneficial as

it took on a majority of the costs; the one-card companies could sell their products without any discounts, while the banks could gain a huge market of hundreds of thousands of students (Wang, 2007: 119). The world's biggest B2B platform, Alibaba (Wang, 2007:123), even created a business model based on the rule of integration by matching various third parties.

Rule 5: Utilize marginal non-scarce resources. Finally, Wang argues that all products consist of two parts, namely a scarce resource part and a marginal non-scarce resource part (Wang, 2007: 125). McDonalds' competitive advantage, for instance, comes not from producing food (scarce resource) but from the brand equity (non-scarce resource). This enables McDonalds to get more benefits from partnering. Wang argues that the higher a firm's proportion of non-scarce resources, the more potential benefits it obtains from introducing a third party. Meanwhile, researchers in Western countries have also argued that, the more products are made of ideas (rather than of material), the faster they get cheaper, and that this is the root of abundance that leads to free offers in the digital world (Anderson, 2009).

THE 1P THEORY IN A CHINESE RESEARCH CONTEXT

The publication of the 1P theory in 2007was followed by intensive discussion among researchers and practitioners in China, which led to further research on the questions of how the 1P theory can be used in different industries and how it can be improved. This section outlines some of the critical points that have been debated by Chinese researchers, followed by a brief description of the most significant contributions to the 1P theory by the Chinese research community.

Critical points

Problems with zero variable costs. Although most research has focused on the application of the 1P theory in a Chinese context, some researchers examined the problems

with zero variable costs. (Gao, 2008) argues that even if there are zero variable costs, running a business still involves overhead costs. In the Google example, these are the ongoing costs of running the service, such as system maintenance, R&D, and development. Li (2010) therefore argues that the business model of Google must be of the type $1P_8$ rather than $1P_{11}$. More generally, he suggests removing the zero variable cost line, since firms cannot just ignore costs. It might also be remarked that data traffic becomes exorbitantly expensive on the Google scale, since it requires an enormous server infrastructure, so that the Google example is not a good illustration of the type anyway.

Discussions about the naming of 1P theory. In his book, Wang (2007: 8) explains that the name '1P theory' is a direct reference to 4P theory for categorizing 1P (price) as income and 3P (product, promotion and place) as costs. Wang named his theory 1P since all relevant activities are supposed to be reflected eventually in, or evaluated by, the price, namely 1P. It is generally accepted among Chinese researchers that 1P is based on the 4P theory. However, some researchers argue that the naming of 1P theory is misleading, since people too easily associate it with pricing theory (Zhang & Rao, 2008), and that it is not enough for the focus to be solely on 1P since the other 3Ps are also relevant for the theory (Lu, 2007). Li (2009) thus suggested changing the name to the '1P+3P Model', and Zhang & Rao (2008) simply to 'third party involvement into business models.' Lu (2007) argues that the 4P theory is still the basis for the 1P theory, since people could identify potential partnering possibilities based on the firms' production, promotion, placement, or promotion activities.

Critique of the exclusive marketing focus of the 1P theory. Another criticism is the strong marketing focus of the 1P theory. According to Wei & Zhu (2009), the example of the Thai Government (with respect to the strategic benefits of third parties) is not about marketing in the narrow sense. They argue that the 1P theory investigates how to gain profit from the introduction of third parties in a much broader way than just marketing. In the same vein,

Zhao & Chen (2008) argue that the 1P theory not only says something about marketing tactics, but about business model design in general, inasmuch as it contains many aspects of the profit model and strategic positioning. More fundamentally, the 1P theory advises firms how to generate profits and how to run the business as a whole by partnering up with third parties. Furthermore, Wei & Zhu (2009) argue that the 1P theory also serves as a tool to design the business models of start-ups. In this sense, the 1P theory not only addresses marketing issues, but also serves to inform companies about profitable long-term strategies (Zhao et al., 2008).

Putting the 1P theory into practice

The publication of the 1P theory was followed by intensive research on how its insights can be utilized in practice. Researchers in public management were particularly interested, since the 1P theory seemed to help reduce the financial burden of numerous infrastructure projects. Thus, Luo (2008) addresses road construction in rural communities in China, and suggests various approaches to reduce the government's financial burden, e.g. by making space for advertising along the roadside. Mou (2008) proposed that the China Post Authority might get more customers by providing free delivery of moon cakes, a service which the manufacturers would pay for .Apart from public management research, Zhou, Chen, & Li (2008) suggest that banks could offer free real estate loans to their customers, the costs of which would be paid for by the producers of cash machines, since this would allow them to sell additional machines to the banks (to be established in the new estates). Yang, Ge, & Chen (2008) propose a specific five-step approach to help hotels implement the 1P theory. Wang (2009) advises the government (as a third party) to become involved in school administration in order to share the cost of student traineeships in firms, which would solve some of the social problems involved in youth unemployment. All this research proves the feasibility of the theory in a Chinese context, and also helps understand its implications in more detail.

There also has been research to further develop the insights of the 1P theory. For example, Zhu (2010) has categorized the possibilities of utilizing the 1P advantages in four dimensions: cooperation between competitors from the same (direct competitor) and different industries (indirect competitor), and cooperation between other companies from the same and different industries. The paper also outlines how firms can identify possibilities for improvement in terms of production, promotion or placement. Zhao & Chen (2008) have investigated how products can be utilized as a media to establish partnerships with third parties. Three possible scenarios have been identified: (1) the original product's target market overlaps with the third party's target market, e.g. Pepsi and iTunes; (2) the third party's target market is part of the original product's target market, e.g. women who buy a pregnancy test and women who have an abortion afterwards; (3) the original product's target market is part of the third party's target market, e.g. 'FIFA 2004' and Nike.

PUTTING THE 1P THEORY INTO A 'WESTERN' CONTEXT

So far, Wang has not attempted to introduce his theory in a 'Western' research context. In the following section, we compare 1P theory with various business theories developed in the 'west'. This helps to position 1P theory and evaluate its contribution to mainstream theory.

The Value Chain

As Wang himself recognizes, ultimately, the 1P theory tells managers nothing more than how to improve a firm's value chain performance by involving third parties (Wang, 2007: 226-258). He thus devotes a whole chapter of his book to investigating the possibilities for each activity in the value chain. Wang argues that, since the activities in the value chain are closely related to expenditure, the most obvious use of the 1P theory is in cost reduction. However, due to differences in value chains in different firms (Porter, 2008), the typology and rules of the 1P theory cannot be applied identically to every firm's value chain.

Business Models

In the Chinese debate, the 1P theory is seen as a tool to design new and improve existing business models. When understood as a blueprint of how to run a business (Osterwalder et al., 2010), there is indeed a close relationship between the business model concept and the 1P theory. In one sense, some business model theories (McGrath, 2010; Morris et al., 2005) can even be regarded as a tool for 1P practitioners, since the 1P theory only outlines potential partnering possibilities, not the whole picture. By configuring a firm's available resources, the 1P theory helps firms construct their business model according to the four key terms: strategic choice, value creation, value network, and value capturing (Hedman and Kalling, 2003).

Recently, there has been more focus on the dynamic, or open, business model and collaborative innovation, which are also highly relevant to the 1P theory, since both are concerned with the advantages of partnering. For example, an open business model approach can help firms establish a unique resource base by buying, selling, or licensing resources, or transferring resources from one party to another. In addition, the concept of collaborative innovation indicates that firms are expected to create products or services jointly as parts of an innovation network (Chesbrough, 2006; Chesbrough and Garmanl, 2009; Miles et al., 2006).All these theories seem to point to the importance of partnership. However, the approach of the 1P theory is broader, since it covers not only the innovation stage but the whole business process and various types of partnering. Furthermore, research on open business models is mostly concerned with the outcome of partnerships, whereas the 1P theory is concerned with the identification of partnership opportunities. However, what both research streams have in common is a focus on multi-win situations and cooperative approaches rather than zero-sum competition.

Two-Sided Markets & Sponsorship

The essence of ‘two-sided markets’ is that one group of customers is subsidized by another group (such as advertisers and internet users) and profit is created by network effects (Eisenmann et al., 2006). Some researchers have even argued that companies will eventually figure out how to use “free” offers to enter a market or compete (Anderson, 2009). This is basically very similar to what the 1P theory says. However, one crucial difference is that two-sided market theory is only concerned about price, whereas the 1P theory also takes costs into account. Moreover, research on two-sided markets is primarily focused on the pricing strategy and market equilibrium (Rochet and Tirole, 2003; Armstrong, 2006), while research on 1P theory concentrates more on the structures of partnerships. Finally, the 1P theory addresses firms’ resource base in general, while two-sided market theory is limited to their customer base. Fitting some of the core concepts of 1P theory into two-sided market research might therefore broaden its scope and identify additional partnering opportunities.

At first glance, there is also a close proximity between the 1P theory and sponsorship theory. Sponsoring is generally understood as a relationship, in that a sponsor provides (financial) resources to a sponsored organization in exchange for some benefits, e.g. logo placement or discounts (Meenaghan, 1983; Walliser, 2003). Sponsorship research mainly focuses on activities in the arts, sports and entertainment, and therefore has a strong non-commercial focus (Daellenbach et al., 2006); this is clearly not true of 1P theory, which essentially focuses on profits. In this sense, the 1P theory is narrower than sponsorship theory. However, 1P is also broader, since it also includes other third party relationships than sponsoring. Nevertheless, as Cornwell (1998) points out, no attempt has been made in the literature to systematize sponsoring opportunities.1P theory might be able to contribute here.

The 4P Classification in Marketing

The 4P classification in marketing was originally proposed by McCarthy (1964), based on the concept of marketing mix put forward by Borden in 1953 at a presidential address

dealing with a series of controllable factors that sales persons could use to develop a proper marketing strategy. The current dominant conceptualization of the 4Ps is product, promotion, place (distribution) and price. Although it has been subjected to various criticism and doubt, 4P is still a widely accepted and used marketing tool (Waterschoot & Bulte, 1992).

As mentioned above, Wang explicitly mentions the close relation between the 1P theory and the 4P classification in marketing. First of all, he states that his distinction between the revenue and cost dimensions of partnering is based on the 4P classification, since revenues are represented by the 1P (price) and costs by the other 3Ps (product, promotion and place; see Wang, 1997: 90). Moreover, he understands 1P theory as a further development of the 4P classification, as it offers a solution to the dilemma that, while firms have to increase product quality, promotion, service, etc. (i.e. the 3Ps), in order to attract more customers, they also have to reduce the price in order to compete in the market (ibid.: 91). The contribution of the 1P theory is that it enables the firm to both improve the product, promotion and place without increasing the 3P and reduce the price.

As mentioned above, there has been an intensive discussion on the relation between the 1P theory and the 4P classification in the Chinese research community. We basically agree with the critical issues that have been raised. All in all, we think that the ties between the 1P theory and the 4P classification in marketing are rather weak, for three reasons in particular: First, the distinction between the revenue and cost dimensions of business activities is much older than the 4P classification in marketing, and, moreover, it plays no important role in it (nor is it very specific). Second, the reduction to 1P is misleading, inasmuch as costs and the distinction between the revenue and cost dimensions plays an outstanding role in the 1P theory. Third, both approaches pursue different research interests: 1P theory is interested in the selection of partners, while the 4P classification focuses on the selection of marketing strategies. In this light, therefore, the naming of 1P theory seems rather misleading.

Positioning the 1P theory within existing research

Although structurally distinct from the 4P classification in marketing, 1P theory nevertheless has a strong marketing aspect, since many of the partnering opportunities concern marketing, e.g. the lighter example, the 2005 Super Girl Contest, and the creation of an income stream from internet searches by Google. This is certainly the main reason that Wang positions the 1P theory as a marketing theory. However, in the 1P theory, partnering is not substantially restricted to marketing, and even Wang presents examples that are rather broadly connected to marketing, such as the airline subsidies by the Thai Government. Moreover, the 1P theory does not address marketing activities from the perspective of the firms that carry out marketing activities, but from that of firms which provide marketing opportunities for other firms. If understood as an investigation of the design of proper marketing strategies, therefore, 1P theory is not a marketing theory at all. Rather, it very much focuses on partnering. And it focuses on business model design and the creation of, and location within, the value chain. 1P theory thus seems to be better positioned as a partnering theory, investigating how companies can create additional revenue streams and/or reduce costs by introducing additional partners into their business models. This would position the 1P theory more in the field of strategy than in marketing.

PRACTICAL IMPLICATIONS

By its very nature, the 1P is very practically oriented. It helps firms to ‘think complex’ and to detect opportunities beyond the traditional supplier-customer relationship. An increase in profit does not result from increased efficiency, but from the extension of the business model into related areas. This is particularly relevant for internet start-ups that offer free services to customers and create traffic that is relevant for third parties like Google, Facebook,

Tripadvisor and others already do. But it is also relevant for established companies, in that it can help them understand the opportunities that exist around their core business.

Here, the matrix is a good tool for mapping existing business activities and for identifying underdeveloped areas. As such, it even has the potential to be a powerful consulting tool. The rules support firms to guide the search for new opportunities. Here, it would very helpful if research could offer a wide variety of reference cases.

CONCLUSIONS

At the end, the 1P theory is doing what a good conceptual contribution should do: It is integrating different insights that have been unrelated or only informally related so far into a coherent structure. This structure is innovative, insightful and of high practical relevance. Naturally, the 1P theory does not have any fundamentally new evidence or thoughts. The underlying phenomena have already been identified by researchers and utilized in practice to a certain extent. However, so far there is no integrating framework for the big picture. This is similar to that of other concepts like dynamic capabilities, shareholder value, or ambidexterity, where the underlying phenomena were also basically known before the concepts were developed.

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FIGURE 1

An illustration of the partnering structure of the 2005 super girl contest in China

(following Wang, 2007: 9)

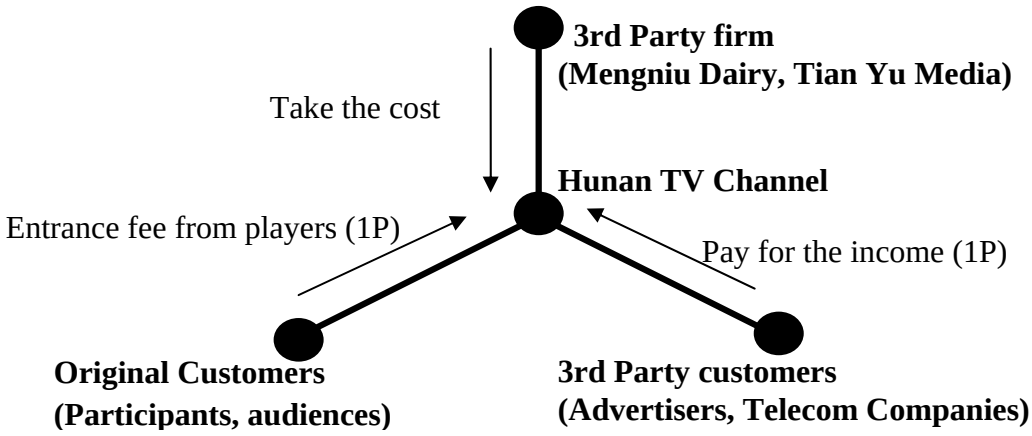

TABLE 1:

The 1P Theory Typology Matrix (following Wang, 2007: 98)

1P (Revenue) / 3P (Cost)	Direct Customers	Direct Customers and Third Party (Hybrid)	Third Party
Company	P_0	$1P_1$	$1P_2$
Company and third party (Hybrid)	$1P_3$	$1P_4$	$1P_5$
Third party	$1P_6$	$1P_7$	$1P_8$
Zero Variable Cost	$1P_9$	$1P_{10}$	$1P_{11}$