

18th Annual IMP Conference, ESC Dijon, France

Submission of a competitive paper

"The Role of References in International Business Marketing"

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Introduction

This paper focuses on an important, yet uncharted phenomenon in international business marketing, the utilization of references. The idea that references play an important part in business marketing is generally taken for granted. Most issues of business magazines like Business Week and Business Strategy Review contain anecdotal evidence of the essential role of references in such strategic actions as launching new products, getting entry into new markets, and in enhancing the company position in an industry. Yet, there is little reported academic research on references, their creation, usage, effectiveness, or even what kind of activities and customer relationships can be considered to be references.

Managers generally view successful deliveries of equipment, services, or projects to customers as references. These deliveries are often compiled to various types of reference lists that are attached to offers sent to potential customers in hopes that a positive impression will be conveyed. A frequently expressed goal is to reduce the perceived risk of a potential buyer facing a choice of a new supplier or product by communicating the credibility of the supplier. The importance of specific supplier / product attributes is reflected in the utilization of different types of reference lists: customer segment specific lists, product specific lists, technology specific lists, and country / area specific lists. In brief, the reference deliveries are often considered references. In addition to specific deliveries, the names of existing customers are seen and used as references.

From the perspective of this managerial interest in references and the perceived relevance of the use of references in business marketing it is surprising to recognize that there does not exist any specific theory or theories of references. A preliminary scanning through organizational buying research tradition, business marketing studies including both strategic

aspects and marketing communication research, and through the rapidly emerging relationship marketing literature revealed only scattered, pragmatically oriented notions and examples about the usefulness of references in different marketing contexts. Amazingly references seem to remain as a white area in our theoretical maps of business marketing.

What is the role of references in a network context and in the Industrial Network Theory (Ford 2002, Håkansson and Snehota 1995)? Although the IMP-driven network theory does not explicitly discuss references, many of its key concepts and empirical findings support the importance of references also in industries characterized by network relationships. For example, the role of a supplier is assumed to be a function of its network position that is constructed through its relationships with current actors (customers, suppliers, competitors, authorities, consultants, etc.). For a potential buyer these relationships act as indicators or references of the supplier, its characteristics, technological capability and market position. An intentional use of these relationships, especially customer relationships, corresponds to the phenomenon we generally call the use of references.

Based on the recognized gap between the presumed managerial relevance of references and their limited treatise in business marketing research and literature this paper sets out to develop a conceptual framework identifying the potential modes of references in business marketing and the functions they play. In order to do this we need to identify what kind of content has been given to references in which kind of usage contexts. An extensive literature analysis is carried out for reaching these theoretically and managerially important aims.

In order to manage the scope of literature analysis, two guiding principles were adopted: (1) those sources that do not literally use the word “reference” will be included only if they are clearly related to the use of references, (2) a hierarchical search starting with as concrete and descriptive discussion of references as possible is utilized. The latter heuristic was expected to provide us a continuously sharpening view of the modes of references and their

usage contexts. Three types of relevant literatures containing information of references and reference usage were identified: (1) institutional authorities' publiced rules of procurement; (2) marketing books; and (3) academic marketing literature.

Following this strategy we start by describing briefly the use of references in the public procurement process. In section three the reference practices identified in the marketing text books are classified and discussed. Section four provides a review of how references are treated in the academic marketing literature. Due to the space limitations we employ tables to condense the results of these literature analyses. Based on this material we propose a conceptual framework of references defining the tasks assigned to references and the kind of contexts where they are primarily employed. Discussion on the theoretical and managerial implications concludes the paper.

Role of References in the Public Procurement Process

The role references in the public procurement process was examined through the procurement rules of three major public institutions: (1) European Community (E.C.), (2) World Bank, (3) NASA. A careful analysis of the procurement rules of these institutions suggests that there are two stages in the public procurement procedure where references are important for the supplier and buyer: a prequalification stage and the final selection of the supplier, as depicted in the summary Figure 1.

At the evaluation phase the buyer uses the reference material that a supplier produces for its past and present "works, services, contracts" to evaluate the supplier's "general" and "particular" experience and performance. From this material the buyer tries to infer supplier's future-oriented capabilities in managing successfully the target project. We expect that references have a strong influence on the short-listing or screening of suppliers. Their impact at the final supplier selection stage is more difficult to deduce directly from the written rules,

but it seems reasonable to assume that if there are 2-3 otherwise close candidates, differences in references can be decisive in the final selection.

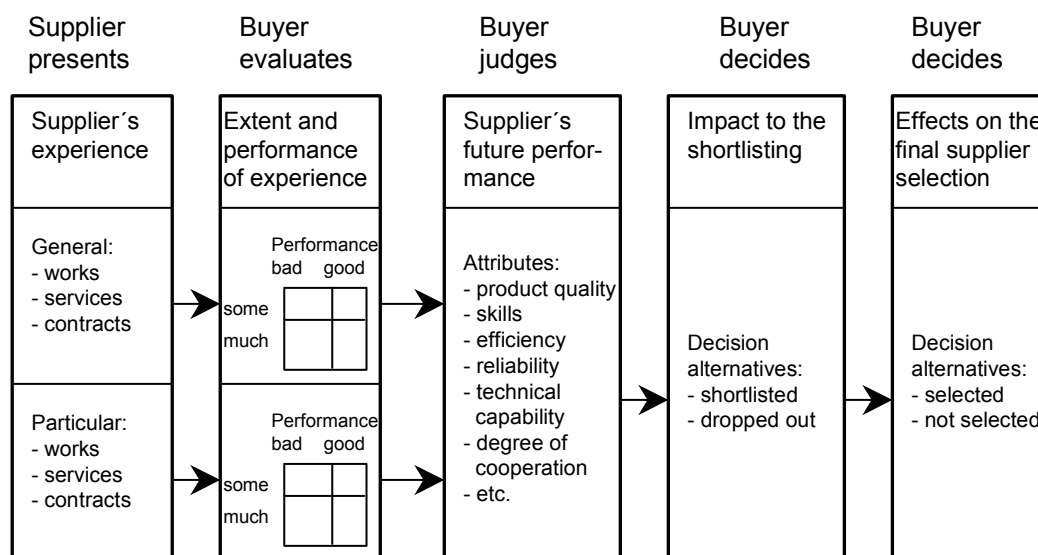


Figure 1. Role of references in public tendering process

Role of References in Marketing Text Books

In order to gain deeper insight of references and their functions, several marketing text books were examined. We focused on the following three issues, which are proposed to reflect the supplier's modes of usage of references: *goals* related to the utilization of references, *practices* of utilizing references, and *desirable outcomes* of the utilization. The review results are summarized in Table 1 indicating also the literature covered.

Three fundamental *goals* of supplier's utilization of references identified are 1) pursuing new customers, 2) selling more or new products to existing customers and, 3) guiding the targeting of offers to promising markets and customers. It should be noted that the identified goals inform us both about the use contexts of references and about their functions.

Table 1. The view of marketing text books about utilization of references

GOALS	PRACTICES	DESIRABLE OUTCOMES
<p>Pursuing new customers (Hanan et al, 1978; Stewart and Stewart, 1984; Jackson, 1985; Fisher, 1986; Kotler, 1988; Smilor, 1989; Hutt and Speh, 1992; Bradley 1995; Hanan, 1995)</p> <p>Selling more or new products to existing customers (Hanan et al, 1978; Riggs, 1983; Jackson, 1985; Christopher et al., 1994)</p> <p>Guiding in focusing offers in promising markets (Stewart and Stewart, 1984)</p>	<p>Reference visits (Hutt and Speh, 1992; Jackson, 1985; Hanan at al., 1978; Cavusgil and Ghauri, 1990)</p> <p>Articles (Smilor, 1989; Jackson, 1985)</p> <p>Press releases (Bradley, 1995)</p> <p>Reference lists (McKenna, 1986; Stewart and Stewart, 1984; Fisher, 1986; Hanan, 1995; Payne et al., 1996)</p> <p>Promotional material (Fisher, 1986, Hutt and Speh, 1992; Jackson, 1985; McDonald, 1988; Stewart and Stewart, 1984; Hanan, 1995)</p> <p>Seminars (Hutt and Speh, 1992)</p>	<p>Establish reputation (McKenna, 1986; Kotler, 1988; Bradley, 1995)</p> <p>Establish credibility (Bradley, 1995)</p> <p>Convince customer about competence (Stewart and Stewart, 1984; Fisher, 1986)</p> <p>Reduce perceived risk (Hanan et al., 1978; Jackson, 1985; Hutt and Speh, 1992)</p>

Suppliers can use a variety of *practices* in their reference behavior; this seems to depend on the situation in question. Altogether we identified six major practices through which references are communicated: 1) reference visits under various terms; 2) articles in trade journals (generally describing a successful project/delivery; 3) press releases including news about orders / reorders and providing "free publicity"; 4) reference lists (or customer lists, track record, experience record) are used generally together with an offer or proposal; 5) promotional material including material supporting sales (e.g., example materials that customers can pass on to noncustomers, description of the showcase in sales literature, or a letter from a satisfied customer); 6) seminars taking many forms like management development seminars, for example. In analyzing the *desirable outcomes* of referencing behavior four outcome types were identified in the text books: 1) establishing / building

supplier's reputation; 2) establishing supplier's credibility; 3) convincing a buyer about the supplier's competence in competitive bidding; 4) reduction of buyer's perceived risk.

Role of References in Academic Marketing Literature

The emerging view of references from both the public procurement rules and the marketing text books was used to guide the exploration of reference practices in the marketing research literature. The identified goals and usage context of references (see Table 1) match reasonably well the three traditional growth strategies of a firm (Ansoff, 1965). Using Ansoff's growth matrix as a base we selected nine marketing research literatures that were expected to contribute to our understanding of reference utilization, and positioned them to the appropriate cells, see Table 2. Note that the literatures positioned under "market penetration" cell, is relevant for the "market development" and "product development" cells also.

Table 2. Framework for the reference behavior review of academic marketing literature

PRODUCTS MARKETS	PRESENT PRODUCTS	NEW PRODUCTS
PRESENT MARKETS	Market penetration Increasing market share by winning new customers or non-users in: <ul style="list-style-type: none"> • Relationship marketing • Project marketing / systems selling • Services marketing • High Tech marketing • Marketing communication • Sales Management • Key account management 	Product development Customer involvement in: <ul style="list-style-type: none"> • Stages of new product development process
NEW MARKETS	Market development <ul style="list-style-type: none"> • Customer involvement in: Market entry process 	(Diversification)

The Reviewing Method

It was considered essential to include sources not mentioning literally the word "reference" in the review, provided that they are clearly related to the phenomenon. Therefore, over 100 key

words were used in the review to find academic literature dealing with references or at least relating to references. Academic literature was searched from LINDA (Database of all Finnish scientific libraries) and from all international databases covering marketing studies available through the library of the Helsinki School of Economics. International Dissertation Abstracts of the past 10 years were also reviewed thoroughly. Additionally, the contents of at least the past four years of all important international journals of marketing, industrial marketing, management and review-type journals were reviewed thoroughly. The contents of the most important journals were reviewed from the time of 10 years. A classification of the journals that included at least one article relating references is shown in Table 3.

Table 3. Journals including at least one article related to the use of references

TYPE OF THE JOURNAL	NAMES OF THE JOURNALS
Industrial marketing	Industrial Marketing Management, Industrial Marketing and Purchasing, Journal of Business & Industrial Marketing, Journal of Business-to-Business Marketing, Advances in Business Marketing
Recognized marketing journals	Journal of Marketing, Journal of Marketing Research, International Journal of Research in Marketing, Journal of the Academy of Marketing Science, European Journal of Marketing, Journal of Marketing Management, Journal of Services Marketing, Journal of Advertising Research
Management journals	Journal of International Business Studies, Journal of Product Innovation Management, Journal of Business Research, International Journal of Service Industry Management, R & D Management, Strategic Management Journal, European Management Journal, Journal of General Management, Scandinavian Journal of Management, Journal of Construction Engineering and Management, Management Decision, Management Science, International Journal of Purchasing and Materials Management, European Journal of Purchasing and Supply Management, European Journal of Operational Research, Technovation
Review type journals	International Business Review, SLOAN Management Review, California Management Review, Business Horizons, International Marketing Review

Role of References in Business Marketing

The contribution of the reviewed academic marketing literature for the usage context of references is summarized in Table 4.

Table 4. The contribution of each academic marketing literature for the usage context of references

PROPOSED TASKS IN THE PREVAILING LITERATURE	REFERENCE UTILIZATION	RELATED ACADEMIC MARKETING LITERATURE
<p>RELATIONSHIP MARKETING</p> <p>Winning potential new customers</p> <p>Breaking competing supplier relationships</p>	<p>Communicating the value of the relationship during reference visits / sites and in other ways.</p> <p>Reduction of commitment to present supplier by demonstrating acceptable switching costs.</p>	<p>Turnbull, 1979 Ford 1984, 1998 Cunningham and Culligan, 1990, Helm 1998</p> <p>Dwyer, Schurr, Oh, 1987 Ravald and Grönroos, 1996</p>
<p>PROJECT MARKETING AND SYSTEMS SELLING</p> <p>Getting into new project market</p> <p>Re-establishment of credibility among old customers</p> <p>Serving as a strategic criterion in bidding decisions</p>	<p>Solid reference needed to demonstrate credibility.</p> <p>New references are needed to reestablish credibility in sleeping relationships.</p> <p>To aid in bid / not bid decisions: evaluation of areas of competitive advantage between self and key competitors through analysis of core references.</p>	<p>Bonaccorsi, Pammolli, Tani, 1996</p> <p>Cova et al., 1996 Hadjikhani, 1992</p> <p>Messner, 1994 Cova et al., 1993</p>
<p>SERVICES MARKETING</p> <p>Signal service quality to potential customers.</p>	<p>References and third-party referrals can be utilized to influence a potential customer.</p>	<p>Parasuraman, Zeithaml, Berry, 1985 Day and Barksdale, 1992 Jackson, Neidell, Lundsford, 1995</p>
<p>HIGH TECH MARKETING</p> <p>Prove the functionability of technology to the supplier</p> <p>Prove the functionability of technology to the buyer</p> <p>Overcome buyer's high switching costs</p>	<p>Due to high technological and market uncertainty, successful references enhance supplier's own understanding and commitment to its product technology.</p> <p>Due to high technological uncertainty, successful references are needed to ensure the credibility of the technology to buyers.</p> <p>Due to high technological uncertainty, successful references prove supplier's commitment to the technology reducing thus psychological switching costs.</p>	<p>Buskirk, Reddy, Popper, 1994 Moriarty and Kosnik, 1989</p> <p>Traynor and Traynor, 1989 Beard and Easingwood, 1992</p> <p>Heide and Weiss, 1995 Shaw, Giglierano and Kallis, 1989</p>
<p>MARKETING COMMUNICATION</p> <p>Enhance source credibility and to convince a buyer about the product and supplier performance</p>	<p>Select credible references; use credible media; match reference material per target persons in the DMUs.</p>	<p>Hutt and Speh, 1992 Slatter, 1987 Alajoutsijärvi and Pentto, 1991</p>
<p>SALES MANAGEMENT</p> <p>Improve sales force performance through realistic training.</p>	<p>Using reference applications in sales force training.</p>	<p>Deutscher, Marshall, Burgoyne, 1982 Johnston and Boles, 1994</p>
<p>KEY ACCOUNT MANAGEMENT</p> <p>Develop supplier image</p> <p>Aid in the access to new market segments</p>	<p>Selecting and negotiating with such key customers that are highly esteemed by the potential buyers to ensure they willingness to be used as references.</p> <p>Targeting such key customers that have high reputation in the new target markets – either application markets or geographic markets.</p>	<p>Fiocca, 1982 Pels, 1992 Ojasalo, 2001</p> <p>Pels, 1992 Ojasalo, 2001</p>

Table 4 continued

PROPOSED TASKS IN THE PREVAILING LITERATURE	REFERENCE UTILIZATION	RELATED ACADEMIC MARKETING LITERATURE
<p>MARKET DEVELOPMENT</p> <p>Use domestic customers to facilitate entry.</p> <p>Create a strong entry customer relationships facilitating further actor contacts.</p>	<p>Develop such domestic customerships that have a strong reputation in the target country and good linkages to potential overseas customers.</p> <p>The first reference(s) can be utilized to contribute to the favorable proceeding of the entry process by selecting carefully and serving well the first reference customer(s) abroad.</p>	<p>Bell, 1995</p> <p>Axelsson and Johanson, 1992 Blankenburg, 1995 Bell, 1995</p>
<p>PRODUCT DEVELOPMENT</p> <p>Speed-up the diffusion process of a new product/technology through the “launching” customers.</p> <p>Legitimate new technology by demonstrating superiority and reducing perceived risk the old technology paradigm.</p>	<p>Develop such launch customerships where the customers are willing to promote the product/technology.</p> <p>Utilize reference sites to demonstrate the benefits of the new technology, and use reference lists and promotion to legitimate it.</p>	<p>Cooper and Kleinschmidt, 1986 Biemans, 1990, 1992 Shaw, 1985</p> <p>Beard and Easingwood, 1996 Frambach, 1993</p>

By combining this material with the documented utilization of references in the public procurement and the information gathered from the marketing text books we produce a “received view” of the modes of reference usage in business marketing depicted in Table 5.

First, references can be used across all the three growth strategies of a firm depicted at the left column. "Universal tasks" are identified tasks that references can serve which are independent of the growth strategies of a supplier. "Growth area specific tasks" includes such objectives that are related to each relevant growth strategy in the utilization of references. Only a few tasks were identified in the literature that were specifically related to either to entry to new markets or to launching a new product/technology. "Practices" column summarizes the operational ways through which reference usage was described in the literature. All in all, our results show that the utilization of references seem to cover all relevant growth strategies of a firm except diversification into new markets with new products.

Table 5. Modes of reference usage in business marketing

	UNIVERSAL TASKS	GROWTH AREA SPECIFIC TASKS	PRACTICES
	<ul style="list-style-type: none"> - aid in becoming shortlisted - aid in becoming finally selected - win new customers - break competing supplier relationships - get into new project market 		<ul style="list-style-type: none"> - visits / demonstrations in reference sites - articles in trade journals
<p>As effective start for entry process as possible</p> <p>(with present products)</p>	<ul style="list-style-type: none"> - reestablish credibility among old customers - serve as a strategic criterion in bidding decisions - signal service quality - prove the functionality of technology to the supplier - prove the functionality of technology to the buyer 	<p>Use domestic customers to facilitate entry.</p> <p>Create strong entry customer relationships facilitating further actor contacts.</p>	<ul style="list-style-type: none"> - press releases - reference lists - detailed descriptions of similar contracts
<p>Accelerating the adoption of innovation</p> <p>(in present markets with new products)</p>	<ul style="list-style-type: none"> - overcome buyer's high switching costs - enhance source credibility to convince a buyer about product and supplier performance - improve sales force performance - develop supplier's imago - aid in the access to new market segments 	<p>Speed-up the diffusion process of a new product/technology through the "launching" customers.</p> <p>Legitimate new technology by demonstrating superiority and by reducing perceived risk of the old technology paradigm.</p>	<ul style="list-style-type: none"> - promotional material - seminars and conferences - requests for reference customers to promote

The constructed 'received view' of references contains several important issues. It confirms our view, based on the preliminary literature analysis that references are regarded important instruments in business marketing, but that their handling in the literature is very fragmented. Although references are referred to in several streams of research, there does not exist any holistic view, to say nothing of a theory, of the roles and systematic use of references. Especially the process character of reference use has been overlooked. These issues guide the construction of our conceptual framework of reference usage.

A Framework Model of Supplier's Utilization of References

A good framework model requires several features: identification of the elements of the focal phenomenon (in our case references and their usage), identification the antecedent factors influencing reference usage, the outcomes of reference usage, and identification of the relationships between antecedents, focal phenomenon, and its outcomes. Based on these principles we propose the reference model (R-model) depicted in Figure 2.

The Reference Model contains four basic building blocks. First, the contextual antecedents of a supplier's reference usage divided into environmental factors and supplier characteristics. Second, the supplier 'block' consisting of four sub-units, the growth strategy, signaling decisions, operational reference practices divided into internal and external practices, and the internal outcomes of supplier's reference usage. Third, customers who are the targets of reference utilization, divided into existing and potential customers. Potential customers are characterized according to their purchase problem characteristics that form also situation specific contextual antecedents influencing the supplier's reference usage. Finally, the desired outcomes of reference usage form the fourth building block. In addition to these elements or blocks, the model comprises supplier's internal processes and four "referencing processes" describing the usage of references between the supplier and his customers.

The model is described by discussing first the contextual antecedents of the R-model. These are important as they influence the relevance of the references in specific situations and thus guide the reference behaviour of a supplier. In defining the content of the contextual factors we are emphasizing parsimony; only those factors are included in the model that have a reasonably strong base in the literature. Three *supplier characteristics*, i.e., the firm size, phase of internationalization, and achieved reputation, are seen to influence the supplier's inherent need to use references.

The larger firms who are well established in international markets and enjoy a strong reputation in their field are not so dependent on good references than small unknown companies with only a home market-base. These three supplier factors can be assumed to have a more complex contingency relationship, however (Zeithaml et al., 1988). For example, even large sized and relatively internationalized firms do need references if they have a weak reputation in a specific product/systems field. A strong reputation can also compensate small firm size. Yoon, Guffey, and Kijewski (1993, 215) have made a good literature review on the roles and importance of reputation.

Environmental context is described parsimoniously through the home country image of the supplier and the intensity of competition in the target market/industry. A good country image is related to the type of industry in question. Such small countries like Finland and Sweden, for example, have strong reputation in telecommunication products and in forest industry, but are not well known for agricultural products. A weak or negative country image enhances the need for strong references. This is accentuated further if there exists strong competition between suppliers, and if the potential customers perceive them to be relatively equal in their capabilities.

The supplier specific factors and the external factors form contingencies that either enhance the need for references or reduce it through complex trade-off mechanisms. This influence is further complicated by the *purchase problem characteristics* that are related to a specific buyer. These factors are more situational compared to the supplier and environmental contexts. They influence a buyer's evaluation of potential suppliers and his choice criteria, among others the perceived risk. The list of purchase characteristics, classified into product-related and supplier-related factors, is derived from the review of the extensive organisational buyer behaviour literature (McQuiston 1989, Möller and Laaksonen 1986, Turnbull 1990, Bunn 1993, Wilson 1994).

The importance of the product/system in question, measured through financial, end-product, and production process relevance; its complexity measured by technical and performance complexity; its relative innovativeness; familiarity for the buyer; and the purchase frequency all influence the buyer's perceived need for reference information. The higher the importance, complexity and innovativeness, and the length of commitment, the higher the buyer's perceived risk that needs to be compensated by strong reference information about the technical and commercial feasibility of the supplier's offer. The influence of product-related factors is further moderated by such supplier-related issues like supplier familiarity, dependence, and the depth of interaction needed with the supplier. Again there is a web of complex contingencies between the listed factors. For example, when the business exchange requires great interaction intensity, the buyer generally must have strong evidence about the delivery and project management capability of the supplier if they do not know each other in advance, (Möller and Rajala 1999). Positive prior experiences, i.e., familiarity reduces the need for reference information considerably. If, however, a familiar supplier is offering a new highly innovative technological solution having long-term impact on the buyer's manufacturing process or product policy and potential network effects on the buyer's customers, the buyer is bound to request strong referential evidence about the innovation (Ford and McDowell 1999). It is important to notice that the buyer characteristics influence strongly the type of references needed in business marketing, whereas the more general contextual factors mainly influence the more general need of references.

The supplier 'block' of the R-model consists supplier's growth strategy and interrelated signaling decisions, internal and external reference practices, and supplier's internal outcomes. Supplier's growth strategy (penetration, product expansion, market expansion) should drive its signaling decisions. The need for reference signaling is highest, as pointed out, when a relatively unknown firm tries to enter a highly risky new product field or make an

entry into a culturally distant market. The current customer relationships can influence the growth decision. For example, if a new product/system can be “piloted” with an existing customer who is willing to act as a reference, that may impact on the direction of the new product development. In the case of market entry, small innovative companies often try to follow their international customers into new market areas. In this sense, the strategy may be driven by the reference base. The more operational targeting of the signaling depends on the amount of a priori information that can be achieved from the potential customers in the new product field or new market.

The reference practices of a supplier are twofold, internal practices and external practices. Internal practices, a novel identification through our analysis (seminar presentations, reference information and reference database) are used to gain such internal efficiency outcomes as sales force training, better targeting of bidding efforts, and cost / pricing accuracy of bids. External practices list the operational repertoire available for referencing that was identified in the literature analysis.

The third element of the R-model covers the existing customer and the potential customer. The existing customer has two roles in the model. On the one hand, he is the reference customer who provides an indirect proof of the supplier’s capabilities and attributes, and who may even actively recommend the supplier to the potential customer. On the other hand, the existing customer can also be a target of the supplier’s reference behavior. This is the case, when the relationship between the supplier and an existing customer is “sleeping”, i.e., there has not been any major transaction for a long time.

The description of the potential customer requires first the definition of the fourth part of the R-model, the desired outcomes of reference behaviour. In the model these outcomes are the potential customer’s perceptions of the supplier, and include its perceived competence, credibility, reputation, and reduction of the perceived risk. In one sense these are the

operational goals of referencing and signaling. If successfully achieved, these outcomes can have major relevance for the growth strategies of the supplier. In the model the potential customer is also characterized by how it views the buying situation (purchase problem characteristics). These characteristics influence its need for references especially, when facing a new or relatively unfamiliar supplier. Other relevant features of the potential customer are its market position, technological position, and network position (it can provide access to other customers). The stronger these features are, the more important it is to succeed in winning the company to become a customer through effective reference behavior.

A four-phased process of referencing forms the last part of the R-model. *At phase 1* the supplier tries to create preconditions for potential referencing by a careful establishment and maintenance of its current key customer relationships. This generally requires a mutually satisfying business relationship based on trust and commitment. The goal of the relational management should be to develop such a customer base, from which the supplier can choose strong references to match (i) its own growth strategy and (ii) the purchase problem characteristics of the potential new target customer.

At phase 2 the chosen reference(s) are signaled to the potential customer. The purpose is to increase the chances of a new customer relationship by influencing positively the perceived competence, credibility, and reputation of the supplier, and thus the perceived risk of the buyer. If the buyer responds positively, the supplier can try to influence the comparison standards (Anderson and Narus 1990) used by a buyer. *This phase 3* includes visits to reference installations and providing such documents that can influence the criteria used by the buyer in comparing alternative suppliers.

Finally, *at phase 4* the supplier tries to examine the effects of its referencing behavior by contacting actively the potential customer. If feedback is received from the potential customer, it can be used for more targeted reference behavior. In a positive case the potential

customer is won and will be targeted to the phase 1 activities so that it might become a passive or active reference customer. If the competition over the potential customer is lost, the supplier should analyse the causes of the negative outcome and preplan its activities for the next negotiation situation.

After presenting our Reference Model we conclude the paper with a discussion of the theoretical and managerial conclusions of the study.

Managerial and Conceptual Conclusions

We started by claiming that the use of references in international business marketing is a “white area” in the academic business research. Through a careful but concisely reported analysis of the literature concerning: (1) institutional authorities’ publicized rules of procurement; (2) marketing text books; and (3) academic marketing literature (including relationship marketing, project marketing and systems selling, services marketing, high tech marketing, marketing communication, sales management, key account management, market entry literature, and R&D and technology management literature, we identified a set of practices, summarized in Table 5 that form the current mode of reference usage as reported in the mentioned sources. These results, indicating *the major goals for reference use* (“keeping present and winning new customers, facilitating new market entry, facilitating new product or application launches”), *tasks or operational objectives of referencing behavior* (eg., “aid in becoming shortlisted, signaling quality and performance, reducing perceived risk, breaking competing supplier relationships...”), *the practices involved* (e.g., “site visits and demonstrations, seminar presentations, reference lists...”), together the contextual factors impacting the relevance of reference use (market conditions, supplier characteristics, buyer’s perceived purchase characteristics) provided us the basis for the construction of the Reference

Model. As the model has been described already, only a few main conclusions are discussed here.

First, the need for references and supplier's referencing behavior are strongly influenced by a set of general contextual factors (market conditions and distance), supplier-specific factors (current market or network position and resources), and buyer-specific factors (level of expertise, current supplier-dependence, perceived risk). We suggest that the general context and supplier-related factors influence the general need for references, whereas the more situational buyer's characteristics provide strong heuristics for identifying the types of references needed.

Second, the supplier's current customer base and especially the number and type of customers willing to become active references is a critical precondition for successful reference behavior. Optimal referencing presumes the ability to match the requirements set by supplier's own growth target and its reputational position, the market conditions, and by the target customer's purchasing situation with a strong reference (matching industry, market area, and application). Obviously, the building of this kind of reference base demands both technological and functional qualities and a strong capability in managing key customer relationships. This is a challenge for new SME's operating from peripheral countries.

Third, references are, besides crucial in meeting external growth goals, important for a number of internal practices of the supplier companies. They can be employed for sales force training, for targeting the bidding process, and for improving the accuracy of pricing the bids.

From a conceptual point of view the Reference Model can be related to the Industrial Network Theory and especially to the notions of resources and customer portfolios (Turnbull and Zolkiewski, 2000). The reference customer portfolio forms a resource base, the value of which is conditioned by the heterogeneity versus homogeneity of the references. A homogeneous base is strong in a narrow niche strategy, whereas a more multipurpose set of

customers is more valuable in expanding either the application or market scope or both. A related network aspect is the network position that various reference customers have in their respective fields (Halinen, Salmi and Havila, 1999). The roles they are perceived to play by other network actors, and the number of weak and strong ties they have, influence directly their relative value as references.

The Dynamic capability perspective developed within the Resource Based View of the firm forms another interesting theoretical link to the Reference Model. In dynamic or high-velocity contexts, characterized by pronounced technological and market uncertainty (see Eisenhardt and Martin 2000), a firm's capability to establish strong references fast can be a crucial success factor. Recent empirical studies in the ICT field support this proposition (Blomqvist, 2002).

To conclude, references and referencing behavior play an important role in many high-tech and high-knowledge industries due to the uncertainty caused by dynamic change. The brief conceptual notions suggest that we need more theoretically guided studies on the practices and relevance of referencing behavior. The Industrial Network Theory and the developing Dynamic Capabilities View seem to provide good starting points for that purpose.

Note: Due to the extensive literature reviews and the large number of references it was not possible to attach a list of references. A list of references is available from the corresponding author upon request.