

The Use of a Customer Reference for Marketing in Start-Up Technology Companies – A Constructive Study

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Abstract

Purpose: Start-up technology companies producing complex products often have problems with market entry due to several reasons. The technology market seems to be volatile and technology entrepreneurs tend to concentrate on technological issues. In addition, small companies face severe problems in marketing including designing the content of promotional media, selecting media and conducting market research. The purpose of this paper is to support the market entry of start-up technology companies by creating a construction for producing marketing materials based on a customer reference. This study describes the related content to be used in building the relationship with the next potential customers.

Methodology: This study applies a constructive research approach in order to contribute both scientific and practical knowledge. The construction has been created with the help of a literature review and tested by two customer reference cases: one with a company producing a web-based solution for a government organization, and the other is a company producing accounting software for a computer reseller.

Findings: In start-up technology companies the creation of a market message based on customer references could take a qualitative approach, the intention being to increase understanding, instead of a quantitative approach, where the intention is to rely on statistical evidence. The latter is used mainly by large companies who have several customer references.

Originality: This is one of the first papers to discuss a solution on how a start-up technology company should use a customer reference for creating marketing materials.

Keywords: Start-up technology companies, market entry

Paper type: Research / Case study

Introduction

Marketing can be problematic for start-up technology companies planning to produce a complex product for several reasons. Firstly the technology market is volatile and skeptical (Moriarty and Kosnik, 1989; Beard and Easingwood, 1996). Secondly, start-up technology companies have problems finding resources for marketing as they are rarely easily or inexpensively available (Leonidou and Katsikeas, 1996). On top of this, technology entrepreneurs are seldom market oriented (Freel, 1998). Autio (1995) says that growth can actually be unsolicited in new technology based firms.

A managerial challenge of any company is to translate its competencies into relevant sales arguments (Ritter, 2006). This managerial challenge can be even more difficult for start-up technology companies because they have no supporting history to offer. Huang and Brown (1999) say that small companies face severe problems in marketing including designing the content of promotional media, selecting media and conducting market research. A previous study proposes that start-up technology companies that use first customer references for developing sales arguments grow faster than average. However, the same study adds that entrepreneurs employ customer references to test technology rather than to develop sales (Ruokolainen, 2005).

The fact is that start-up technology companies have to use their intellectual assets to convince potential customers. Usually big companies have gained their reputation by acting in the market for several years. Furthermore, large enterprises employ their marketing and selling resources to search for first customer references. Start-up technology companies do not usually have a strong reputation. In addition, they can rarely afford to hire a similar standard of marketing resources. The main assets that start-up companies own are their competencies, innovativeness and relationships. Relationships are needed to find first customer references and knowledge is needed to execute the building of first customer references successfully. The problem is how to employ the practical experience gained and verified competencies from one customer reference to promote continued sales.

Autio (1995) and Freel (1998) say that entrepreneurs do not have enough knowledge to execute marketing in the start-up business context. Luthje and Prug (2006) also propose that education to understand other disciplines, such as technical and economical fields, leads to better performance of start-up technology companies. Chorev and Anderson's (2006) research stresses that a marketing strategy is one of the key success factors for start-up technology companies.

Scholars recognize the importance of marketing but, on the other hand, claim that start-up technology companies are poor at marketing. The research target of this study is practical in order for it to be useful for entrepreneurs in high technology fields. Thus, the research question is how to produce marketing materials based on a single customer reference in start-up technology companies. The meaning of an initial customer reference has been scantily studied. For example, according to Gomez-Arias and Montermoso (2007) "the existing literature is, with few exceptions (Brockhoff, 2003; Ruokolainen and Igel, 2004; Ruokolainen, 2005), of little help."

This author has gained pre-understanding of the problem by operating his own company, working in a large enterprise as a deployment manager and studying software start-up technology companies.

Overview of the research method

As the problem from the new entrepreneurs' point of view is both practical and significant, it suggests a research approach which helps solve the new entrepreneurs' problems related to marketing. Therefore, the constructive research approach is proposed (Kasanen *et al.*, 1993). This research approach is employed to propose a solution for producing marketing materials that can be further published, for example, in a newspaper or on a web page of a company. This goal complies well with previous observations that entrepreneurs of start-up technology companies seldom use evidence gained from a customer reference to support their sales (Ruokolainen, 2005).

An essential part of the constructive research approach is to link the problem and its solution with accumulated theoretical knowledge through the literature review. The outcome of the literature review is a construction, which is tested with the field data. It is expected that the constructive research will contribute both to the research and to solving a practical problem.

Creating a construction based on the literature

Basic concepts

Ahmed (1993) proposes that customer references could be used for minimizing purchase uncertainty. He adds that vendors' previous projects should be comparable to their current project. This proposes that past projects can be employed to anticipate the success of future projects, if they are similar. Interestingly, Herbig and Milewicz (1993) define reputation as an entity's willingness and ability to repeatedly perform an activity in a similar fashion. This author assumes that a number of successful references improve reputation.

A customer reference influences purchasing decisions of corporate customers. Especially in high technology businesses, credibility is often needed to persuade corporate customers of the practicality of the offering. Credibility increases by presenting evidence, such as working references from previous customers. Levitt (1967) explains the meaning of credibility as: "When it comes to the most important and most risky of customer actions – actually deciding to buy or to reject a new product – assuming the various suppliers' products to be equal in all respects, source credibility exerts a dominant influence over the other considerations."

Complex products of start-up technology companies meet situations in which their perceived risk is higher than their competitors. According to Hutt and Speh (1992), perceived risk has two elements relating to the outcome of the decision and to the scale of the consequences if the wrong decision is made. Thus, it is assumed that the sellers' credibility reduces the buyers' perceived risk if a start-up technology company can prove its capability for keeping its word.

Building argumentation on a customer reference

Andersen (2001) proposes that relationship marketing consists of three phases, namely ethos, pathos and logos, which are originally derived from Aristotle's theory of rhetoric and argumentation. According to Aristotle's theory, ethos focuses on understanding the opponent's characteristics while pathos concentrates on the opponent's intentions. Ethos and pathos are necessary to build the pre-relationship phase and to be successful in delivering arguments in the logos phase. In other words, one needs to condition the reaction of the audience prior to starting the sales phase.

In relationship marketing, a concern of the ethos phase is the target population's belief in the company and its products' characteristics. The target of the pathos phase relates to building up and picturing the company's intentions and it addresses the audience's perception of the company's targets. The logos phase involves the use of sales arguments to convince potential customers to buy products or services from the company and should be executed after the two previous phases. Usually the communication in the pre-relationship phase is only one-way, which is from a supplier to an audience (Andersen, 2001).

Ethos is linked to the company's ability to do what it claims it can do. The successful implementation of the customer reference helps build positive beliefs, ethos, about the company and creates a company image that is credible and trustworthy. Reinard (1988) says that "the effects of evidence used on credibility invite the suggestion that evidence may contribute to one's credibility and, in turn, produce persuasive effects." According to Burgoons (1975) evidence appears to increase the influence of both low and high quality credibility sources and that they are very important if changes in attitudes are expected. This proposes that start-up technology companies, which usually have low credibility, can use evidence coming from customer references to increase their credibility and, consequently, ethos.

In the pathos phase, the intentions of the start-up technology company are proven by a first customer reference. This happens by demonstrating that the start-up technology company is able to support the customer in reaching a set of objectives or in upholding stated values. The customer's objectives could include achieving relevant competencies, thus indicating that the start-up technology company's intentions are not only to achieve benefits for itself, but also to help the customer. Verifiable competencies also prove the intentions of the start-up technology company. Investments in developing competence are regarded as a commitment to the specific market in question.

Grönroos (2004) proposes that it is not enough to understand the needs of customers, but, one must also know why the customer has such needs: what its values are, and how it plans to achieve its values. If the reference customers' values differ from the values of potential customers, the marketing message is not as effective, although the benefits are clear. Tsai and Ghoshal (1998) find a strong correlation exists between trustworthiness and shared visions. This study proposes that the visions of the company reflect its values; therefore, in order to create marketing messages which are trustworthy, the reference customers' values should also be emphasized. Knowledge of the customers' values also affects the credibility of the source. In building the argumentation source, credibility is highlighted in the rhetoric research literature (Reinard, 1988).

In the logos phase, customer references are used for creating sales arguments that claim to be verifiable. These sales arguments relate to, for instance, achieving costs saving or gaining new markets. Reinard (1988) says that an active use of evidence suggests influence if the topic is new for the audience and if the evidence comes from different sources. If the people are involved in the topic, then the importance of high quality evidence is emphasized. Low quality evidence leads to rejection of the message.

The same types of arguments are used in both pre-relationship and selling phases. In the selling phase the arguments need to be more specific and concrete than in the pre-relationship phase. In the selling phase, arguments are often tailored to meet the expectations of the specific target customers, for example, the similarities between a customer reference case and a potential customer's case can be emphasized.

Grönroos (2004) writes that to support successful relationship marketing all marketing messages should support the establishment, maintenance and enhancement of customer relationships. Holmlund (1997) writes that relationships with customers are divided into sequences that are divided further into episodes and acts. Relationship management means the management of the described periods in each level and the qualitative reference communication should support this approach.

Employing a customer reference

Salminen (2001) states that customer references are used in the following ways: reference customer lists are provided to customers, articles in trade journals are published, generation of press releases and seminar presentations are made. In addition, customer site visits are common. Start-up technology companies do not usually have many customer references to convince their next potential customers. Customer references are needed to prove the ability of start-up technology companies and provide similar solutions for next customers. One of the problems of using a customer reference is that it can take a long time before sufficient experience has been gathered. Salminen (1997) quotes two years as a sufficient period.

A number of similar types of previous customer cases of a supplier can decrease customer's risks. Therefore, reference lists might be a well grounded tool for large companies proving their capability to execute what they have promised. In the cases of start-up technology companies, often only the one customer reference is needed to assure other potential customers of the company's professionalism. This requires understanding of the customer reference case. The challenge then is to create a communication method that supports such understanding.

One conclusion of this analysis is that the marketing communication should be divided into quantitative and qualitative means of communicating customer references. The quantitative reference communication is based on the amount of evidence. The qualitative reference communication leans on descriptive stories, aimed at increasing understanding. Typically, quantitative reference communication methods are used by large enterprises and qualitative methods are used by start-up companies (see Table I). According to Reinard (1988), rhetoric research proposes that the amount of evidence does not necessarily amplify persuasive effects of the argumentation. He states that there is no magic number of references to make argumentation more convincing.

Take in Table I

Some scholars propose that exhibitions and personal meetings are more effective communication methods than journal and newspaper articles (McGrath and Hollingshead, 1993). According to this study's author a most effective way is to let all these methods complement each other. In order to effectively communicate verbally, the right type of thinking work has to be done beforehand, for example, by writing a publishable article, which provides a solid base for sales arguments with customers.

Creating the construction

The literature review describes what kind of marketing message needs to be created in order to support marketing based customer references. This study focuses on the marketing process in Andersenian terms: the ethos and pathos phases before actual customer sales activities, that is, the logos phase. The objective of the marketing message is to initiate discussions with potential customers by demonstrating the sales arguments, intentions and competencies proven by the customer reference. Marketing messages based on customer references should provide a base for managing relationships with potential customers. In practice, messages should cover the items listed in Table II.

Take in Table II

Table II shows how the arguments derived from a customer reference can be linked to different marketing and selling phases. Table II shows that the values of reference customers need to be identified: why they do business and what their targets are. In order to increase trust in the start-up technology company's intentions, the competencies gained by customers with the help of new solutions provided by the start-up technology company can be communicated. For example, if the software is designed for stock control, then a customer's improved competencies related to stock management can be discussed. Another aspect is to communicate what the competencies or learning experiences are that the start-up technology company gains from the customer reference. The customer reference does not only test the functionality of the product, but also tests related services. According to Grönroos (2004), services either make customers satisfied or unsatisfied. This kind of gained experimental knowledge could be beneficial for next potential customers and it proves that the supplier can take care of its customer. The gained experimental knowledge can be used to build a positive perception of the supplier. The previous aspects can also be used in the phase to build trust in the company's intentions.

Customer commitment to the business is an important signal to promote joint involvement in developing the business of the start-up technology company and its competencies. This message is needed to create trust in the future benefits which are brought by the start-up technology company. Although in most cases customers' intentions towards start-up technology companies are not destructive, other cases exist (Ruokolainen and Igel 2004; Ruokolainen et al. 2005). Therefore, this author proposes that customer commitment to the start-up technology business should be highlighted in the marketing communication message. The commitment of the customer to the start-up business enhances the ethos of the start-up technology company.

The marketing message based on the items in Table II allows potential customers to compare their business case with that of the reference customer. If the business case of the potential

customer is similar to that of the reference customer, then this enhances further communication by the potential customer. It might be difficult to know what kind of business cases potential customers may have. However, without bringing up the reference customer's business case it is hard to find out if it matches business cases of potential customers. Marketing is also used for testing potential interest. This author recommends that potential arguments based on the benefits should be tested with several potential customers in order to realize their effectiveness. According to Frazier (1983), Andersen and Sorensen (1999) the benefits and costs of one's suppliers are scarce commodities.

One of the Thai entrepreneurs interviewed in this study commented that it is enough that the first reference customer has a good reputation. It is believed that the reference customer's reputation is built on top of commendable values. Another Thai entrepreneur stated that after the first customer reference, trust in her team increased, highlighting the point that customer references are used for promoting competencies. Start-up technology companies' new products might have technical problems; therefore, competencies to solve such problems are needed.

Method and data

Kasanen *et al.* (1993) state that a constructive research approach means managerial problem solving through the construction of models, diagrams, plans, organizations and other means. The constructive research approach has been used by several scholars in various research contexts, for example, Mendibil and MacBryde, (2005) have used it for designing a team-based performance measurement system and Rautiainen *et al.* (2002) have used it for constructing a framework for developing software solutions.

Kasanen *et al.* (1993) propose that three market tests can be applied on a new construction. The first one is the weak market test and means that the business unit manager responsible for financial results is willing to use the construction. The second test, the semi-strong market test, means that the new construction is widely accepted by companies. The third, the strong market test, means that companies systematically use the construction to produce more competitive results than their counterparts. According to Kasanen *et al.* (1993) even the weak market test is relatively strict and often tentative constructions are not able to pass this test.

This study is the first attempt to solve this problem, thus, it aims at satisfying the weak market test and creating avenues for further market tests defined by the constructive research approach. According to Kasanen *et al.* (1993), the constructive research approach can be either quantitative or qualitative or both, although usually case study methods are applied. Constructive research is by its nature closer to normative research than descriptive research. Both action research and the constructive research approach presuppose that a researcher adopts the role of a "change agent" supporting participants of the organization in their learning processes.

This study focuses on creating materials that selected companies can use as a base for marketing in different communication channels. Examples of such materials are articles for newspapers and case stories on web pages. The material is created according to the proposed construction with this author acting as a change agent through involvement in generating the materials and publishing them in the press.

The multiple case study methodology, “Within case analysis – Cross cases analysis”, is used (Eisenhardt, 1989). The data was collected while generating the market material and executing the research within a group of selected start-up technology companies. The request to participate in doing this study was sent out by a government organization, Software Industry Promotion Agency, to a number of companies operating in Phuket, Thailand. It was decided that the focus would be on software technology companies producing solutions for industry. Selection consisted of two similar companies with different customer reference cases in order to see if the results would be similar, that is, to replicate results (Yin, 1994). Following this, meetings were held with the two companies and their customers and a local newspaper (see Table III). The newspaper was selected to test if the created material was publishable and to use the newspaper as a communication channel. In addition to the meetings, several phone calls and emails were exchanged to discuss the draft articles and to produce the enhanced ones with both of the companies.

The weak market test (Kasenen *et al.*, 1993) proposes that the construction has business interests but does not necessarily indicate that the proposed construction brings economical benefits. This study tests the construction in two practical cases which lend some support to generalizing the result on a larger population. The internal and external validity is discussed in the conclusion.

Take in Table III

Case descriptions and analysis

The two case studies describe how the qualitative marketing materials were developed using the construction. The case descriptions include the following elements: first, the backgrounds of the start-up technology companies and their current marketing practices are explained; secondly, the backgrounds of the customer reference cases including the values of the customers are explained; and thirdly, the benefits and the competencies gained are described. Finally the usability of the construction is analyzed in the light of the two cases. This author was involved as a change agent in the creation of the material, in accordance with the constructive research method.

Phuket

Phuket is an attractive tourist destination with more than six million visitors annually. According to the chairman of the Tourist Industry Association in Phuket, there is demand to actively develop the infrastructure in order to keep the island a competitive place and to attract more tourists. One of the key tasks is to improve the information technology infrastructure. According to the chairman, a big portion of the hotels do not have their own web sites. The chairman explained that the importance of tourist agencies is decreasing because more and more tourists directly reserve their hotels through the Internet. Thus, there is an increasing need for software suppliers.

Phuket is a small community in which the different actors deal with each other actively even if they are competing with each other. Anderson *et al.* (2007) write that the small geographical size of the city advances the social interactions inside a firm, between firms and on a broader social context. They refer to the evolution of the small Scottish town, Aberdeen, which is nowadays

known as the ‘Oil Capital of Europe’. The Marshallan industrial district (Markusen, 1996), and especially its Italianate variant, emphasizes the cooperation between the competitors to share risk and innovation and to stabilize the market. In Phuket, there is a strong industrial association for the tourism industry.

First case study: Thai cooperative commercial portal

Blue Dzine, set-up by a Japanese entrepreneur who arrived in Phuket in 2002, first designed web pages for the Phuket tourism industry. Nowadays, with less than ten employees, 80 percent of its turnover comes from software development and 20 percent from web design. Blue Dzine’s marketing is based on word-of-mouth. According to the entrepreneur, tourism businesses in Phuket deal intensively with each other; therefore, he concentrates on keeping his current customers satisfied. A local salesperson takes care of the local companies and the entrepreneur himself concentrates on foreign customers. The entrepreneur had planned to describe customer cases in more detail on the company’s web pages to support the marketing function. Thus far, the reference communication material has not been widely used by Blue Dzine, but some of the customer cases were referred to by name in the company’s website news.

The customer reference, Thai Collaborative Commerce Platform, is one of the first one-stop tourism e-shops for Thailand. This platform was developed by a government organization, Software Industry Promotion Agency, and the private company Blue Dzine. The goal of the customer, Software Industry Promotion Agency, is to ensure the future competitiveness of the key industry sectors of Thailand, such as the tourism industry, by promoting the software solutions being used.

Design of the qualitative reference communication material began by first looking at the goals of the customer, Software Industry Promotion Agency, which is defined as follows: “To increase the competitiveness of key Thai industrial sectors by promoting information technology solutions.” Knowing the goals of the organization helps understand why Software Industry Promotion Agency wants to develop the collaborative commerce platform for the tourism industry as it is one of the key business sectors in Thailand. It also shows that the supplier was working for the core business of its customer.

The benefits of the cooperative commerce portal are twofold: (1) tourists can use the portal as a one-stop shop to buy a variety of tourism services, and (2) the tourism service providers can put together packages for tourists. This cooperative commerce platform improves the competence of the tourism service industry providers by increasing cooperation between different kinds of players in this industry with the help of information technology.

This case illustrates that the supplier, Blue Dzine, is competent to be a partner in building a large scale system using Unified Modeling Language, and it also has the competencies needed for subcontracting. Unified Modeling Language (Sommerville, 2004; Pressman, 2004) is a common method in the software industry to describe systems to be implemented. The system was the first of its kind built by the Thai companies and therefore a vast majority of time was taken up by building the knowledge on how to design and construct such a system.

The customer, Software Industry Promotion Agency, also readily stated that it was satisfied and willing to continue with Blue Dzine. With such a statement the customer indicates trust in its

partner. The head of the Software Industry Promotion Agency also wanted to highlight that the cooperation with Blue Dzine does not exclude the cooperation with other component suppliers in the future.

Second case study: Accounting software

The company, Phuket Programmers, develops accounting software for small and medium sized Thai companies. The company was set-up in Phuket in early 2001 by an English couple after they had sold their previous company to investors in England. Both of them have extensive experience in the software industry in England. Phuket Programmers' marketing concentrates on offering the program for a limited use, free of charge. The start-up technology company has also been involved in producing an educational book and its examples were created with the help of the Phuket Programmers' accounting product. The entrepreneurs have also been active in cooperating with various universities. The company has not actively provided information about their customers and their customers are not mentioned on their website.

As in the previous case study description, the design of the qualitative communication material began by looking at the goals of a reference customer. One of the first beta test sites for Phuket Programmers was IT Access, also in Phuket, which resells computers and peripherals to foreign companies operating on the island. The business idea of this reference customer is based on high service levels for customers in their own language. In Phuket, there are several companies owned by foreigners such as hotels, diving firms, bars and others. In order to provide high levels of service, there should be no accounting problems in the company, as false receipts could be interpreted in several ways by customers.

According to the key accountant of IT Access the first and the most important feature of the accounting software is that it is reliable in an environment like Thailand where short comings in the infrastructure, such as power failures, often occur. The second main advantage of the accounting software is that it helps keep stock size and stock movements under control. In the resale business of computers and peripherals an important aspect is to have what the customers want in stock in order to avoid obsolescence. The key accountant of IT Access stated that the main competence that the company has gained is better stock control, which is essential. In addition, she stated that she appreciated that the support was available from a local company. She said that in the past maintenance was a problem due the distance of the previous supplier who operated mainly in Bangkok.

The main competence that Phuket Programmers gained out of this case was how to make it easy to use the software. According to the key programmer, a large part of his job was spent on making the accounting system as self-explanatory as possible in order to minimize the need for support. He also stated that his task had been to integrate the software as much as possible directly into the business functions in order to hide accounting from the other users.

Creating a newspaper article based on the interviews

This author contacted *Phuket Post* to discuss publishing the article that was drafted together with the entrepreneurs. A meeting was arranged with an editor to discuss the content, and several versions of the article were written together with the editor, this study's author and the two entrepreneurs. The article was published at the beginning of December 2006 (*Phuket*

Post/2006/49). The topics discussed in the newspaper article are described in Table IV, which includes the items mentioned in the construction (see Table II).

Take in Table IV

Analysis of practical usability of the construction

The constructive research approach always attempts to demonstrate the practical usability of the constructed solution (Kasanen et al, 1993). A discussion on the usability of this construction follows.

In the first case study with Blue Dzine, the customer and its organization was known by this author beforehand, and therefore the qualitative description of the customer reference case was easily produced. The material was created based on interviews and discussions. The acceptance process on the customer's side for publication was not straightforward as the Software Industry Promotion Agency office in Phuket was unsure if it could accept the publication. Permission for publishing the article on a website was easily granted by the Bangkok head office, but its publication in a newspaper caused more discussion between the author, Blue Dzine and different branches of Software Industry Promotion Agency. The problems in obtaining acceptance for the article to be published in a local newspaper reflect a general problem encountered in obtaining permission from large organizations to use their names as a reference. It may also reflect problems associated with changes in the way of working. The Phuket branch manager of Software Industry Promotion Agency commented that she had not seen this kind of reference communication approach before. According to her, companies usually provide just a list of references. Blue Dzine's entrepreneur was enthusiastic to have the proposed type of descriptions on his company's web page. He mentioned that IBM publishes case descriptions, but he had not done so himself.

In the second case with Phuket Programmers, several companies which agreed to be presented as customer reference were invited to take a part in the discussion, but meeting times were difficult to arrange. It took almost two weeks to find a suitable reference customer to discuss the benefits that it had gained. The discussion took place on the premises of the customer and four people were involved, including this author, the key accountant from IT Access, a Thai translator and the key programmer from Phuket Programmers. The history of the reference customer company was also discussed. The customer and the start-up technology company were not known in advance by this author and therefore a plan of the interview needed to be prepared prior to the meeting. The first challenge in the discussion was to find out what the business idea of the reference customer was. After discussing the goals of the company and how it serves its customers, the values of the customer were identified. The second challenge was to identify the benefits gained by the customer. This entailed looking at the use of the accounting software from different angles, first from the accountant's point of view and then from the managing director's point of view. The questions relating to the newly gained competencies were also difficult to address. Finally, after comparing the company's situation before and after the current accounting software was introduced, the accountant put forward the new competencies that were gained through the implementation of the new system. Afterwards, Phuket Programmers' entrepreneurs commented that they had never previously gone back to the customer to enquire about the benefits.

The lesson learned from the interviews is that it is imperative to study the history of the customer's company from the point of view of the product as well as to understand the different user perspectives within the organization, in order to find out the benefits and competencies gained in a limited time without knowing the customers well beforehand. One experienced employee could provide the necessary company information requested for marketing purposes.

Discussion and conclusion

This constructive study aimed to answer the research question of how to produce marketing materials based on a single customer reference in start-up technology companies. The marketing materials can be used for building new relationships with the potential customers. With the help of the literature review, the proposed construction was created and tested in two practical cases. The conclusion is that a customer reference can be used for creating publishable material for marketing purposes and, thus, to promote start-up technology companies. Besides advising start-up companies on how to create a market message, this study proposes that the benefits of the product and the new competencies of the customers can compliment each other by being communicated together. This contradicts Ritter's (2006) statement that competence-based marketing should move the focus away from products.

A good sign is that a local newspaper published the articles (*Phuket Post/2006/49*). In addition, one of the two companies commented that the newspaper's article would boost its planned promotion event in a local bookshop: "During this month we are doing a small promotion in a bookstore, and the article should give some reinforcement." This also illustrates the need to combine the different marketing messages of different phases and channels as referred to earlier. The representative of this same company also maintained that the proposed construction was further planned to be used for their web page using IT Access. "I will then follow-up with further user-based pages using different types of businesses. This idea goes very well with our emphasis on vertical markets."

This constructive study does not yet prove that the proposed construction brings economic benefits to the companies applying it. Although it is too early to conclude this, there is good potential for it. As a previous study (Ruokolainen, 2005) proposes, the sales growth correlates with how well the start-up companies can use the first customer reference for that marketing. If the construction proposed by this constructive study can be employed to produce marketing material in practice, the content to be used in building the new relationships, then it could enhance sales.

The two case studies support the notion that start-up technology companies rarely use customer references (Ruokolainen, 2005). Now there is a serious attempt to advise start-up technology companies on how to create marketing materials in order to increase sales: the proposed construction provides a guide as to what kind of information should be gathered to produce publishable information.

The results of this constructive study have the potential to be generalized for other similar types of companies. It has been tested in two practical cases and the newspaper article was published.

Each case needed this author's contribution as well as contributions from the entrepreneurs and the newspaper in question. This author acted as the change agent while helping to generate the marketing materials. The problem in using the proposed construction, the qualitative communication approach, is that start-up technology companies seldom have capable writers to produce an article for publication in a newspaper. External consultants may be needed to create marketing materials based on customer references.

The construction created by this study can be employed for creating a predictive model, which can be further studied, for example, by a survey. The dependent factor of the model is a customer's purchasing decision. In the model, the decision is affected by the types of evidence, which form the set of the independent factors. The effect of these independent factors is intensified by the factors related to the business environment: how similar is the reference business case with the next potential customer's business case, if the values of the customers are also similar and if the customer is committed to the business of the supplier. The business environments' factors define the set of the companies, in which the evidence is expected to be effective. The model in Figure 1 presents related propositions.

Take in Figure 1

The rhetoric research emphasizes the quality of the evidence but it does not propose that a certain number of customer references are needed. In order to stimulate further research and accordingly to further validate the proposed model this author proposes the following proposition:

Proposition P1: The first customer reference can be used for increasing the credibility of a start-up technology company by creating qualitative marketing material as proposed in this study.

Consequently this study also highlights the importance of explaining the values of the reference customer, not only the gained benefits and competencies. The following statement is created for further studies:

Sub-proposition P1.1: Presenting values of a reference customer supports marketing and sales arguments by increasing the source, that is, the reference customer credibility, if the values are similar to the next potential customers' values.

As Ritter (2006) states, the managerial challenge of any company is to create relevant sales arguments. It is believed that this proposed construction assists small companies in finding those arguments, which might not otherwise be easily detectable. The benefit of creating communication material as planned in this study is that it does not only support the creation of the marketing message for the pre-relationship phases, but also for the actual selling phase. However, in the selling phase it can be assumed that the message should be more detailed and that it should address the comparison between the reference business case and the customer business case. Based on this discussion the following proposition is defined:

Sub-proposition P1.2: A single customer reference can be used for supporting customer relationship marketing in all three (ethos, pathos and logos) phases described by Andersen (2001) by using the proposed construction, if only one

customer reference is available. The effect of this support is dependent on how similar the reference customer business case is to the potential customers' business case.

For new businesses this study proposes that the reference customer's commitment should also be communicated if it exists. The first reference customer can seldom ensure alone the income needs of a start-up technology company and the business of development of it.

Sub-proposition P1.3: Communicating the commitment of the reference customer can be regarded as a signal for the other players in the market to join in developing the business of the start-up technology company and thus its affect on the next potential customers' decision.

The research process of the constructive approach (Kasanen *et al.*, 1993) has been divided into several phases: In the first phase this author finds a practically relevant problem, which also has research potential. Secondly this author obtains a general and comprehensive understanding of the topic. In the third phase, this author constructs a solution idea and demonstrates that the solution works. In the fourth phase this author demonstrates the theoretical connections and this study's contribution of the solution concept. In the last phase this author examines the scope of applicability of the solution.

The problem of start-up technology companies in marketing has been pointed out. The literature research and the previous studies conducted by this author into market entry of start-up technology companies propose that understanding has been achieved.

The solution has been constructed and it has been used by several companies as this study demonstrates. It can also be concluded that this study passed the weak market test presented by Kasanen *et al.* (1993). The theoretical contribution of this study is the model (Figure 1) which is derived from the construction (Table II) created by this study.

The second and third market test proposed can be carried out by the readers of this paper. The avenues for additional research are paved with the propositions presented in this research and with the request to apply Kasanen's market tests. This author emphasizes the importance of creating several new marketing methodologies for start-up technology companies because they have a definite need for them.

Postscript

This author visited the start-up technology companies again after one year. In the interview, the other entrepreneur explained that he was able to secure at least one deal using a customer reference over the last year. The entrepreneur also explained that his company also changed its marketing towards employing evidence of benefits gained by his reference customers. The entrepreneur described the benefits and new competencies that his customers had achieved. This could be understood as a clear change because the entrepreneur stated earlier that he had never previously gone back to customers to enquire how they benefited from his company's product.

The entrepreneur of the other start-up technology company explained that the article published in *Phuket Post* was used by his marketing and sales colleague when meeting new potential

customers. He explained that the new potential customers felt more secure when the references could be demonstrated. The entrepreneur also explained that his company was able to obtain a new customer abroad, based on the work that the company did for the government organization, even if the system was never used as planned. However, the company was able to demonstrate that it had acquired competencies asked by the next customer with the help of the customer reference in question.

Based on the interviews, it seems to be that the elements of the construction were used to renew the way the companies were conducting their selling and marketing rather than using the construction as planned. This author would like to add that the direct feedback from the article published in *Phuket Post* was scant with only few exceptions. This may be inline with previous observations of scholars that person-to-person communication could be more effective than articles in newspapers (McGrath and Hollingshead, 1993). Nevertheless, the building process of the newspaper article based on the construction enhanced the marketing and sales operations of these companies.

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Table I: Qualitative versus quantitative reference communication

Customer reference communication	Can be used by	Communication type	Typical Media Channels	Decision-making criteria
Qualitative reference communication	Start-up companies with few customer references	Descriptive articles Site visits Verbal explanation of a customer reference	Newspaper articles Press releases Websites Brochures Meetings Person to person	Understanding based on the customer reference including gained benefits, verified competencies and commitment
Quantitative reference communication	Large enterprises with several customer references	Reference lists List of opinion testimonies Statistical type of evidence: graphs etc.	Websites Quotations Brochures Meetings Person to person	Track records of previous cases and known reputation

Table II: Content for the construction to communicate a single customer reference qualitatively

Marketing and selling phases:	Ethos:	Pathos:	Logos:
Meaning	Perception: What are the characteristics of a supplier?	Intention: What are the motives of a supplier e.g. what are the commitments to the business?	Arguments: Why buy a product and service from a supplier?
Arguments that can be derived from a customer reference and used in marketing and selling communication	<p>Proofed competencies</p> <p>Proofed reference customer's commitment</p>	<p>Competencies being developed for a reference customer</p> <p>Contribution to reference customer's values</p> <p>Developing supplier's own competences</p>	<p>Benefits e.g. ROI</p> <p>Used in selling phase: proximity of values of a reference customer and business cases of a customer reference.</p>

Table III: Meetings with the case study companies

Company: role(s) of the person(s)	Day and duration
Phuket Programmers: Managing Director and Chief Programmer	2 nd October, 2006 , 2 hours
Blue Dzine: Managing Director	4 th October, 2006, 2 hours
Software Industry Promotion Agency: Branch Manager and Development Manager	5 th October, 2006, 3 hours
Blue Dzine: Managing Director	9 th October, 2006, 1 hour
<i>Phuket Post</i> : Reporter	14 th October, 2006, 2 hours
Phuket Programmers: Chief Programmer, an Thai employee	16 th October, 2006, 1 hour
IT Access: Chief Accountant	

Table IV: The topics discussed in the newspaper article

	Blue Dzine's customer reference case	Phuket Programmers' customer reference case
Marketing target	Expanding the business	Expanding the business
Customer Reference	Tourism cooperative commercial portal	Use of accounting software
Reference customer	Software Industry Promotion Agency	IT Access
Values of the reference customer	Increase the competitiveness of the key Thai Industry sector	Keeping high level of service for its customer in their own language
Benefit 1	One-stop shop center for tourists	Reliability in unreliable infrastructure
Benefit 2	Tourism industry to build a solution package	Management reports, such as stock control reports
New competencies for end users	Providing better services for tourists through the portal	Better management control of areas such as stock control with real time monitoring
New or demonstration of existing competencies	Unified Modelling Language skills demonstrated Wide range of system creation skills demonstrated	Maintenance skills Skills to build software that is easy to use
Customer commitment	Ready to work with the supplier in the future	Ready to work with the supplier in the future

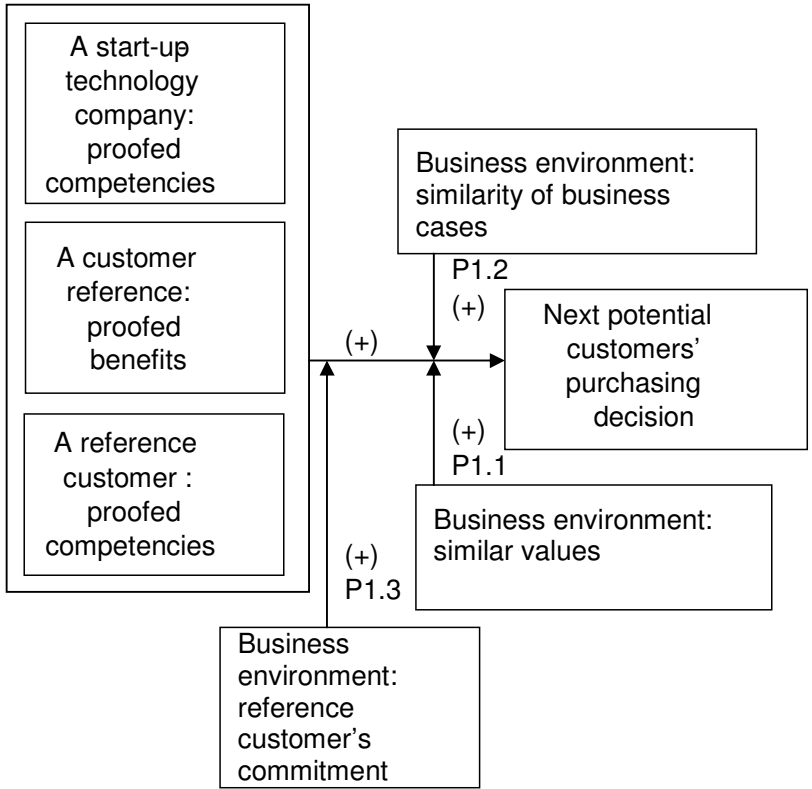


Figure 1: A predictive model for using evidence based on a customer reference