

ROLE OF EXPERIENCE-BASED INFORMATION IN ORGANIZATIONAL BUYING IN NETWORKED MARKETS – INSIGHTS FROM KIBS BUSINESS

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Abstract

Business focus is shifting away from tangibles towards intangibles such as skills and knowledge. This tendency makes buying difficult by complicating buyers' information search and management. This paper analyzes the role of experience-based information gained through references and word-of-mouth when organizational buyers seek and select knowledge intensive services in networked markets. The study is based on extensive qualitative interview research conducted among 46 buyers of knowledge-intensive services. The paper draws on the literature on buying and purchasing, networks, customer references and word-of-mouth. Our findings demonstrate that buyers appreciate information gained from business actors with whom they have a long history, experts whom they appreciate due to extensive experience or charisma, and companies that are similar or are in a prestigious position. Buyers seek information on potential suppliers, offerings with different value propositions, and typical risks and failures, and use it to formulate their actual needs and to evaluate suppliers' capabilities to generate value. This paper contributes to industrial marketing literature by studying the sources, the content and nature, and use of experience-based information in business networks. Insights from this research are broadly applicable to the contexts of knowledge intensive, innovation and solutions business.

Keywords: Customer references, word-of-mouth, organizational buying, purchasing, knowledge-intensive services

INTRODUCTION

Growing degree of specialization, knowledge and service intensity, and technological complexity in the markets has shifted business focus away from tangibles towards intangibles such as skills, information and knowledge (Vargo & Lusch, 2004; Jacob & Ulaga, 2008; Nordin & Kowalkowski 2010) Increasing knowledge-intensity has made exchange more complex. When the core of the offerings is the application of the supplier's specialist knowledge, the object of exchange is rather vague and intangible, and its value outcomes can often be assessed only afterwards (e.g., Aarikka-Stenroos & Jaakkola, 2012; Løwendahl, 2005). Therefore buyers and sellers face the challenge of how to communicate and evaluate the value potential of various offerings.

From the buyer's perspective, these tendencies complicate the search and management of information for purchasing decision-making (Brashear-Alejandro et al., 2010). Buyers find it difficult to evaluate the seller's skills, their intangible offering, and its value potential in a realistic manner. Previous research indicates that particularly the novelty of purchase, the importance of the task, the uniqueness of the decision, information asymmetry between the buyer and seller, the extent of choice, and the intricacy of the object of exchange (e.g. intangible, specialized or customized solution, service or innovation) make acquiring good quality information to support decision making critical, but challenging (see Brashear-Alejandro, et al. 2010; Aarikka-Stenroos & Jaakkola, 2012; Anderson & Wynstra, 2010; Brossard, 1998). Therefore buyers try to seek good-quality information from trustworthy sources: they tend to tap into information on the experiences of other actors in their business networks, e.g. through word-of-mouth (see e.g. Henthorne et al., 1993, Day & Barksdale 2003; Bunn 1993). Such information is assumingly useful and advantageous throughout the buying process.

Based on the notion that contemporary buying drives buyers to seek and employ information on previous experiences by other actors in the marketplace, this study focuses on *information that offers access to other business actors' experiences and perceptions on the service and relationship with the seller*. Such information may be in the form of *customer references* (Salminen & Möller, 2006) *referrals* (Wheiler, 1987), *word-of-mouth* (Money 2000), and *reputation* (Nunlee, 2005; Andersen & Sørensen, 1999; Yoon et al., 1993); they all are based on *external sources sharing information on their experiences*. We use the term "*experience-based information*" to aggregate these concepts as they are often intertwined in the literature. These experienced actors with contribution potential to buying can be "insiders" of various types, such as partners, customers, investors, suppliers of related industries, outside consultants or employees (cf. Money, 2000; Wheiler, 1987; Yoon et al., 1993).

Several studies suggest that word-of-mouth and customer references are regarded as highly important information sources in b-to-b markets where buyers evaluate information sources according to how useful, credible and accurate information they tend to offer (see Bunn, 1993; Brashear-Alejandro et al., 2010). The extant research has solidly found that buyers consider information coming from external third-party sources as most useful (Money, 2002; Brashear-Alejandro et al., 2010; Brossard, 1998; Henthorne et al., 1993, Day & Barksdale, 2003). The need for an external information search in complex buying situations is stressed by Dawes, Patterson and Lee (2000), who found that 65% of their respondents, who were buying centre members buying complex innovations, reported that they used a robust network of friends and contacts when searching for information about suppliers. Similarly, Henthorne et al. (1993)

found that in new task situations the perceived risk was best reduced by receiving positive opinions from informal peer information sources outside the focal organization.

Despite the acknowledged relevance of experience-based information in buying, extant research has not explicitly focused on this issue nor analyzed it thoroughly. Previous literature offers some knowledge on the role of customer references and word-of-mouth in b-to-b-settings. However, for example literature on customer referencing has only been studied as sales tools from the seller's perspective (e.g. Salminen & Möller, 2006; Kumar et al. 2013) and not as an information channel for the buyer. Thus it does not provide understanding on the use of customer references from the buyer's perspective. Moreover, the current organizational buying literature has indicated the contemporary challenges of buying (Lindberg & Nordin 2008; Brashear-Alejandro et al. 2010), and emphasized the importance of knowledge search and firm reputation (Day & Barksdale, 2003). Even though extant literature has studied the information sources of organizational buyers in general (Brashear-Alejandro et al. 2010, Bunn 1993, Borghini et al. 2006), it has not analyzed how buyers seek and employ information that is available in their networks through customer references and word-of-mouth. Few, if any studies have investigated what kind of information buyers search for, which sources they prefer, and how they employ the experience-based information.

Therefore the purpose of this study is to analyze the role of experience-based information gained through references and word-of-mouth when organizational buyers seek and select knowledge-intensive services in networked markets. Our more specific research questions are:

- Which sources do buyers prefer for experience-based information and why (sources and features that make them useful)?
- What kind of experience-based information is perceived to facilitate buying (the content and the nature)?
- How does experience-based information facilitate the buying process (the use of information)?

In order to solve these research questions, we conducted an extensive qualitative interview study among buyers purchasing knowledge-intensive business services (KIBS). This research context was chosen in particular because the lack of pre-purchase evaluation opportunities that challenges the buyer in information seeking and emphasizes the importance of information sharing practices such as references and word-of-mouth (see Day & Barksdale, 2003). In these situations, the outcome of the solution is crucial for the customer, but the object of buying is new, customized and sometimes even intangible, and thus it is difficult for the customer to evaluate the solution itself and its value ex-ante (Aarikka-Stenroos & Jaakkola, 2012).

This paper makes a contribution to industrial marketing literature by studying the sources, nature and use of experience-based information shared among actors in business networks. This paper is among the first to analyze experience-based information gained through customer referencing and word-of-mouth, and its use throughout the buying process in a detailed and structured way. We assume that our findings are useful widely in b-to-b marketing, as many fields of current business involve complex exchange (e.g. tailored solutions comprising products and services, Sawhney, 2006; Tuli et al., 2007; Nordin & Kowalkowski, 2010; professional or knowledge intensive business services, Løwendahl, 2005). Therefore we consider that the insights from this research are broadly applicable to the contexts of knowledge intensive, innovation and solutions business.

The paper is structured as follows. Next section provides a theoretical basis for the study. Then, we describe the methodology of the empirical study. Subsequent sections present the study findings. Finally, we discuss the study results, and their limitations and implications.

LITERATURE ON EXPERIENCE-BASED INFORMATION AND BUYING KIBS

To gain tentative understanding on the role of experience-based information in buying KIBS services, we review research on knowledge-intensive services, organizational buying, and references, word-of-mouth and reputation in b-to-b-markets.

BUYING KNOWLEDGE INTENSIVE AND COMPLEX OFFERINGS

Typical KIBS or professional service industries include IT services, R&D services, technical consultancy, and legal, financial, marketing and management consultancy (Löwendahl 2005, Thakor & Kumar 2000). Such services vary from the scrutinizing of solutions and presenting old solutions to creative problem solving and innovating new solutions (Löwendahl 2005, 121–141). From the buyer's perspective, buying knowledge intensive services is a demanding process because of knowledge gaps and evaluation challenges. It can be assumed that the more unstructured and creative the problem solving is, the more complex the finding the relevant information for buying is. Firstly, the buyer faces problems in the area of need recognition and problem formulation: The customer is motivated to buy the service since the customer lacks the skills or resources to execute the service itself. However, even if the customer has a clear motivation to buy the service, the features of professional services make the need formulation and decision making difficult: the customer cannot diagnose their own needs or identify the range of possibilities for meeting them (Lindberg & Nordin 2008, Edvardsson 1989, Day & Barksdale 1994). Secondly, the buyer of KIBS faces difficulty in determining the appropriate professional to work with (Wheiler 1987) since the output can strongly depend on particular employees' individual contributions. Usually there are only a few professionals qualified for the task, and it might be difficult to identify and find the right ones. Thirdly, the evaluation and selection of the supplier is challenging: intangibility, simultaneous production and consumption, credence qualities and information asymmetry make it difficult for a customer to evaluate and compare competing services, and to select the most appropriate service; and the customer has to often utilize incomplete information in its decision making (Smith & Bush 2002, Day & Barksdale 1994).

In decision making, the buyers of KIBS employ various selection and evaluation criteria, including the price, schedule, interaction, responsiveness and professionalism, knowledge and competence, experience in the field, previous works, reputation and image, personal relationships, relational aspects (such as partnership, involvement and confidence), as well as proposal of concrete improvements and achievable ROI (Day & Barksdale 1994, Edvardsson 1989, Dawes et al. 1992, Lapierre 1997). Buyers usually weight previous successful works, and experience and knowledge of the client's industry sector (Day et al. 2003, Edvardsson 1989, Mitchell 1998). Wuyts et al. (2009) found that expert image, such as reputation, dominates the consideration phase whereas price and good personal relationships dominate the choice phase. Customers prefer reputable agencies especially in purchasing strategically important services. Consequently, price is not usually the main element in selecting a KIBS provider, since the

customer may consider price to be an indicator of quality, and would therefore not normally choose the lowest priced service provider (Zeithaml 1981). Many of these above mentioned criteria are difficult to inspect in advance before any realized service experience.

The risk in knowledge-intensive services is high since the selection leads to linked decisions, long commitments, high-price investments and, additionally, the services often concern sensitive issues and require smooth communication in a confidential atmosphere (e.g., Wheeler 1987, Löwendahl 2005, Edvardsson 1989, Lapierre 1997). The buyers of professional services want to be certain of the trustworthiness of the chosen professional service experts and firm, also because the service providers solve the customers' critical problems autonomously, and tend to be in receipt of sensitive information concerning their customers (Wheiler, 1987). Experience in buying and repeatedness does not necessarily decrease the perceived risk in professional services: the customer can perceive a high risk both in new-buy and re-buy situations, as buying complex professional services is always risky due to their particular characteristics (see Mitchell 1998, Lindberg & Nordin 2008). Therefore, search for trustworthy information to mitigate the risks is an important part of the process of buying knowledge-intensive services.

BUYING PROCESS: INFORMATION SEARCH AND USE FOR MAKING THE DECISION

The core of the organizational buying behavior process is that the buyer evaluates the potential seller parties employing evaluation criteria to make the buying decision (Robinson, Faris, and Wind 1967, Webster and Wind 1972, Johnston and Lewin 1996). The organizational buying literature considers buying a complex multiphase decision making process with many persons in many roles, multiple goals and objectives. In brief, the process includes activities such as defining the buying situation and identifying, evaluating, and choosing among alternatives (Webster and Wind 1972, Johnston and Lewin 1996). These activities require search for information that is further processed into knowledge regarding the need and the solutions available, the goal being to find the best solution for meeting the need (Robinson, Faris & Wind, 1967; Webster & Wind, 1972; Johnston & Lewin 1996). Noteworthy is that the buyers' information search strategy is affected by situational characteristics, the buyer's previous experience, and perceptions on credibility of the sources (Bunn 1993, Brashear-Alejandro et al. 2010). Literature indicates that not only inexperienced but also experienced buyers may search for information since their experience gained in the past is not always generalizable in the new buying situation: for example, if the buyer firm has experience of an advertising firm planning a concept for a trade fair exhibition, it does not know whether the advertising firm is good in planning a new internet-based campaign, and therefore invokes reputational information (Andersen & Sørensen, 1999).

Complex buying differs from buying situations with low complexity in terms of information search and nonroutine decision making (see Brasheard-Alejandro et al., 2010; Brossard 1989). The complex buying situation comprises iterative processes concerning the identification and clarification of needs and desired goals from the buyer's own perspective. For example, Lindberg and Nordin (2008) found that the some buying firms tend to put much effort into the initiation stage of buying in which the need for desired offering is identified and special requirements are clarified; this specification sets a grounding on which suppliers develop their offerings to which buyers will then response again. Particularly in complex customized offerings, in order to gain optimal value, the buyer needs to actively diagnose and specify what they need (see Aarikka-Stenroos & Jaakkola, 2012; Lindberg & Nordin 2008). Buying activities also

include negotiation and bargaining; the best solutions to an important purchase problem is often found through interaction and information exchange between the buyer and the seller (Johnston and Lewin 1996).

The complexity of the buying situation (e.g., Robinson, Faris, and Wind 1967, Bunn 1993); is assumed to affect the required information inputs and the use of information. The complexity or novelty of a purchase increases risk and usually leads to an external information search, multiple sourcing, consulting experts or buyers of similar purchases or larger buying centers (Dawes et al. 1992, Henthorne et al. 1993).

Organizational buying literature provides some insights also on the content of information what buyers may search. Buyers seek information on a variety of topics such as marketing conditions, suppliers' performance and current prices, purchase needs and market limits; and the most important issues in a search were the level of quality required, user needs, the reliability of a supplier, the capabilities of a supplier, the current prices of different vendors, alternative sources of supply, market availability, and a product's technical performance (Bunn 1993).

In general, in order to gain information, buyers can employ numerous types of information sources and channels: personal and impersonal; commercial and uncommercial; mass-media and non-mass media, such as trade-shows, web-pages, personal contacts etc. (Bunn, 1993; Johnston and Lewin, 1996). Buyers evaluate information sources according to how accessible, useful, credible and accurate information they tend to offer (see Bunn, 1993; Brashear-Alejandro et al., 2010). Most studies suggest that external personal sources are the most appreciated, and the mass media and trade shows are more infrequently used information sources (Brashear-Alejandro et al., 2010; Henthorne et al. 1993; Bunn 1993). This highlights the relevance of business and social networks in information search.

INFORMATION GAINED THROUGH ACTORS IN BUSINESS AND SOCIAL NETWORKS

Due to connectedness of business markets, several actors can be involved in acquiring and using experience-based information for buying. Thus, the literature concerning industrial networks and social networking is reviewed next.

The industrial network research and IMP-school in particular emphasizes interconnectedness and argues that relationships are part of larger entities and connected relationships; therefore, direct relationships with some actors offer indirect relationships through the other actors' relationships and enable resource interaction (Håkansson and Snehota 1995, Anderson et al. 1994). Information is one critical resource that is accessible through business networks. Moreover, the approach argues that among connected business actors existing relationships have signaling reference effects (Anderson, et al. 1994). In other words, a business actor, who already has experience of an interested party and possesses direct connections, is able to contribute to the emergence of a new relationship by sharing information and relations.

The social aspects that may impact the phenomenon are discussed within the literature concerning social relations, social networks, and social capital. Social networks can be defined broadly as "a web of personal connections and relationships for the purpose of securing favors in personal and/or organizational action" (Su, Yang, Zhuang, Zhou and Dou 2009, 674). This definition stresses social relations and networks as intentional mechanisms that help people achieve their goals. Social networks facilitate and provide access to information and high quality

“inside” information on time and at lower costs, which also eases information decoding (Gu et al. 2008, Nahapiet & Ghoshal 1998). Social capital is an umbrella concept used in a variety of disciplines, and refers to a resource composed of an individual’s social relations. Such a resource may facilitate interaction, lubricate operations between actors and improve efficiency, but it also glues actors together (Nahapiet & Ghoshal 1998, Gu et al. 2008, Butler & Purchase 2008). Social relationships are of different kinds; they originate from personal histories or tasks within organizations, and vary from relations with emotional obligations and trust, to purely instrumental relations. Personal contacts are based on personal history, family, friends, education and earlier tasks in various firms and organizations (e.g. Butler & Purchase 2008). Mainela (2007) distinguished four types of interpersonal social relationship that are employed for the organization of an international joint venture: distant reporting relationships, organizational contacts (which are based on organizational tasks and often related to attempting to solve a business problem), personal relationships, and friendship relationships. Variation exists on how well social relations can be used at the organizational level, and how well they can be transferred to others: some social relationships are based on their company’s business activities and can be expected to be transferable to other individuals, whereas the “qua persona” relationships are purely personal and not normally transferable (Mainela 2007).

Past research indicates that both business and social networks may function as a source of experience-based information (see e.g. Nebus, 2006; Nunlee, 2005). Sellers can utilize their past business relationships to demonstrate their earlier solutions through *customer references*. In extant literature, customer references are predominantly depicted as sales tools demonstrated through reference lists, web-pages articles in trade journals, press releases, promotional materials, and seminars (Salminen & Möller, 2006). Buyers can use both their social and business networks to gain opinions, evaluations and advice of others through *word-of-mouth, referrals, and recommendations*, defined as oral, person-to-person independent communication between a perceived non-commercial communicator and a receiver (Money, 2000; Wheeler, 1987). Dawes et al. (2000) found that such interpersonal verbal communication is an important medium through which information is most frequently transmitted in decisions concerning technological innovation, since verbal interpersonal channels are more flexible and can be adjusted to the specific problems of the receiver. *Reputation* concept (corporate reputation) is defined as “a distribution of opinions (the overt expressions of a collective image) about a person or other entity, in a stakeholder or interest group” (Bromley 2001, 317). Reputation is therefore based on cumulated sharing of experience-based information within networks (see Nunlee 2005).

METHODOLOGY

In order to gain understanding on KIBS buyers’ use of experience-based information, an extensive qualitative research design was adopted. This research strategy was considered suitable as the studied phenomenon is not sufficiently structured or analyzed in existing research (cf. Patton, 1989). The paper is based on a qualitative interview study among organizational buyers of knowledge intensive services. Empirical data comprises 46 semi-structured interviews conducted during the year 2012. The sampling decisions – whether to select critical examples where the relationships to be studied are especially clear, to select typical examples or to pursue maximal variation – are essential, since generalizability of results depends on the selection strategies (Flick 2002). In this study, sampling with maximal variation within the industries was preferred in order to identify solid patterns of the use of experience-based information, and to

justify the findings for their wider implications. Therefore, data were acquired from a range of industries, in organizations of different sizes (Table 1). The sampling process included features of theoretical sampling, in which informants are selected according to their expected level of new insights for the theory under development (Flick 2002): we chose organizations that had recently purchased knowledge-intensive business services, and interviewed persons who had possessed key roles in the focal buying situation. The interviewed persons were CEOs, top managers, chiefs, and specialists. The interviewees represented European firms or branches of global corporations. Only one key informant per organization was recruited. As Table 1 demonstrates, views of buyers from different industries and company sizes are well represented in the dataset.

Table 1 Sample characteristics

Firm size* / Industry of the buyer firm	Micro (<10)	Small (10-50)	Medium (51-250)	Large (>250)	Total
Production/Manufacturing	1	2	3	4	10
Services (b-to-c)	3	4	1	1	9
Services (b-to-b)	5	1	1	3	10
KIBS	8	6	0	3	17
Total	17	13	5	11	46

*Organization size division according to EU Recommendation 2003/361/EC, available at http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

The data was collected with an interview guide focusing on the buying process, the experience-based information and the information sources, and the search and use of information in different stages. The interviews were structured as a set of open ended questions and discussion themes, which enabled the interviewees to raise matters that were not specifically queried (Hesse-Biber & Leavy, 2006, p. 125). Thus, semi-structured interviews provided the formality to analyze complex phenomena, and enabled the emergence of unexpected issues (see Wengraf, 2001). Within the interviews, the informants reflected the diverse aspects of acquiring and employing experience-based information. The interviews lasted between 1-1,5 hours each. Interviews were transformed into structured interview reports (see Flick, 2002) that document interviews conducted with buyers of knowledge intensive services, reported in writing in a predetermined, structured form. As the data are taken from multiple industries and gathered using a well-structured procedure, interviews constitute detailed information for close analysis, and strengthen the generalizability of the results.

The aim of the analysis was to examine the sources of experience-based information, the features of such information and its usage. The aspiration of the analysis was to identify and typify multiple ideal types and features the studied issues (see Doty and Glick, 1994). Therefore in the analysis phase we explored and categorized e.g. different sources of experience-based information, their contribution to buying, types of information conveyed. Because of the large volume of qualitative data, we employed QSR NVivo software and MS Word tabling to manage

the data and analysis, and amend the formation of conceptualizations and theory construction (see Bazeley, 2007). Employing these tools, we analyzed differences and similarities in the data concerning the phenomena, coded text segments with similar features under the same category (such as “source”, “features of a credible source”, “how information facilitated buying”). Later text segments that were allocated to the same category were retrieved for further analysis and checking. Such analysis also facilitates conceptualization, as the empirical phenomenon can be viewed in terms of categories, and the abstraction level increases (Coffey & Atkinson, 1996). The researchers assessed the coding procedures and categories together, compared their interpretations of data and the research findings, and discussed some aspects to ensure the consistency and validity of the analysis. Consequently, researcher triangulation increased the trustworthiness of the findings.

The interviewees were asked to base their responses on a specific situation of buying KIBS that they had recently experienced. Our analysis shows that the interviewees discussed a variety of knowledge-intensive services; the most common contexts were the buying of IT-consulting (41% of interviews), marketing consulting (28%), and management consulting services (9%) (see Appendix 1). The analysis of the complexity of the buying situation and the size of the firms shows that the interviewees from all firm size categories discussed both routine and complex buying situations (Appendix 1). Therefore, our data represents well different buying situations across KIBS industries.

FINDINGS

The data provide insight into a broad range of buying situations of knowledge-intensive services, and the role that experience-based information played in the organizational buyers’ information search and selection of KIBS providers. The following section presents the key findings on the sources of experience-based information, the content and nature of the experience-based information and how it facilitated buying in networked business contexts.

THE SOURCES FOR EXPERIENCE-BASED INFORMATION AND THEIR PERCEIVED USEFULNESS

At first, we identified the sources that buyers prefer for experience-based information, and analyzed why actors consider these sources useful (RQ1). The interview data indicated that several types of experience-based information - from references and testimonials to word-of-mouth - were used by buyers who employed different channels and practices to access the information. The sources and channels and practices for gaining experience-based information are reported in detail in Table 2.

Table 2 The sources and practices of gaining experience-based information

Sources	Channel and means of acquiring experience-based information	Examples, citations
The seller firm	<ol style="list-style-type: none"> 1) Promotion by email 2) Sales presentations 3) References mentioned in presentations 4) References on web pages 	“Of course we usually first check the references that the provider lists on its web pages”.
The seller & reference customer	Actively requesting for references, comparing them and contacting the indicated reference customers	“I have heard horror stories on firms whose references have been purportedly adequate. Therefore I never start negotiations if I do not first get a true recommendation from a reference customer.”
Peers, colleagues, customers, friends with expertise, acquaintances working in the same field	<ol style="list-style-type: none"> 1) Random discussions 2) Colleague who recommends 3) Buyers actively asks for others’ experiences 4) Joint meetings and get-togethers, such as trade fairs, training, events, meetings and congresses 	<p>”Certain providers don’t really do selling, so gathering information on them is the buyers’ job.”</p> <p>“We call many people and ask for their opinion on whether this and that system would suit our firm.”</p> <p>”We look for information on the range of different possibilities available.”</p>
Potential users/ customers/ experts/peers as virtual groups	Internet forums, discussion forums	Many interviewees mentioned that experiences conveyed through internet forums “attract our attention to certain issues”. However, many interviewees explicitly mentioned that they do not use internet forums.
Internal sources in the organization	Asking experienced experts within the business unit or group for their opinions; utilizing the internal “project history”	”We identified that a similar system was recently implemented in our concern and thus we could really trust on their comments, as we were ‘on the same side of the table’” This source was often mentioned particularly by managers in large corporations.
Media	<ol style="list-style-type: none"> 1) Industry press and other media 2) Portals and public forums 3) Internet in general, googling 4) Following media in general, press releases 	”We look for general information on the reputation of a certain KIBS firm.”

Noteworthy is that not only small, but also large companies employed external experience-based information sources, especially in procurement of large service investments and services that are critical for their business. In larger companies, buyers tend to resort first to the experiences of internal source i.e. experts within other business units, whereas managers of smaller companies seem to turn to their peers and acquaintances outside the organization right

away. Another interesting finding was that buyers seem to use references to evaluate the competence and qualifications of the experts, but recommendations to evaluate the benefit and value of the service.

Our analysis also resulted in a categorization of reasons what make the sources useful. These foundations that make the source and information particularly useful or useless in buying are presented in Table 3. Some categories may partly overlap, as our objective was to identify multiple ideal types for actors that are good sources of experience-based information, and for their contribution to buying, and to develop an integrative typology rather than a taxonomy of mutually exclusive categories (see Doty and Glick 1994).

Table 3 Key features of useful sources and rationale for the perceived usefulness

Key features that make an actor a useful source	Sources of experience-based information	Rationale for usefulness
Long-term personal bonds <ul style="list-style-type: none"> • Good knowledge because of long common history; familiarity with the sources expertise, motives, preferences, estimation procedures and decision making attributes • Personal chemistry and trust 	Friends, family	Trustworthiness
	Acquaintances, colleagues	Trustworthiness, familiarity, known expertise
	Well-known colleagues with long working experience	Know many players in the field, long working experience, know who can be trusted
	Long-term partners who have turned friends	Appreciation both as a professional and person
	Long-term customers who have become friends	Positive emotions
Long-term professional bonds and collaboration	Long term customers and partners	Benevolence; trust, knowing each other well; shared context
	”Own network” referring to divergent related business actors	Objectivity; social and business relations tightly intertwined increasing trust
	The seller itself	Long-term relationship, objectivity in the past
Industry expertise and experience, shared professional norms <ul style="list-style-type: none"> • Ability to provide exclusive information • Informal, tacit, inside information • Extensive, accumulated expertise and experience • Reciprocal favors between experts seemed to improve the credibility of information 	Foreign colleagues, other experts	Up-dated international experience
	Colleagues within own profession and industry	Close acquaintances who share the same way of thinking, judgment, professional norms and values
	Acquaintances from school and university, previous colleagues and business relations	Common professional focus and past collaboration
	Professional network	Trusted relationships with actors in the professional networks but acknowledgement of the need for critical evaluation
	Mentor, experienced manager	Useful background information, has had similar experiences
Objective, independent, neutral status <ul style="list-style-type: none"> • Rational, outside view • Objective recommendations, unaffected by emotions or own 	Entrepreneurial organizations, professional groups and societies	Neutral, good reputation, informative role
	Public organizations, e.g. centers for economic development	Access to broad range of experiences
	Visiting sales representatives	Broad experience on the industry beyond their own business

interests <ul style="list-style-type: none"> • “Pure” and open motives 	Leading actors in the field	Expertise, prestige
Professional prestige and superiority Admiration and idolization towards exceptionally successful actors	Very successful company in the same context	Well known or recognized actors
	Particularly charismatic experts	Charisma increase credibility and authority
Similarity <ul style="list-style-type: none"> • Same industry, similar background, lifecycle stage, common interests • Enables identification 	“Neighbor” firms, firms in the same industry or location	Shared geographical and/or business context
	Similar peers or colleagues	Same age, personal and business goals, attitudes
Shared objectives <ul style="list-style-type: none"> • Members of the same value chain 	Customers, users	Shared goals and practices
	Partners	Interdependence between actors
Contextual knowledge on broader external context <ul style="list-style-type: none"> • Broad knowledge of the industry 	Horizontal / vertical actors in the value network	Extensive and accumulated experience in the industry from different but related perspectives
	Colleagues in different industries	Ability to share information freely because of lack of competition Information not readily transferable to another contexts
	Competitors	Credible if recommends other provider than themselves
Contextual knowledge on internal context <ul style="list-style-type: none"> • Knowledge of the context where the service is bought to 	Employees within the firm	Past experience on different firms and positions; best knowledge on the firm
	Experts within the firm/corporation	Objectivity; linking expert knowledge on the industry and broad understanding on the market to knowing the focal internal business context

<i>Sources not perceived as useful</i>		
Key features that make an actor a useless source	Sources of experience-based information	Rationale
Unknown <ul style="list-style-type: none"> Inability to assess credibility or motives 	Anonymous actors	Potential to give false information without revealing identity
	New firms and relationships	No knowledge or history
Offering false or “zero information” <ul style="list-style-type: none"> No ability to contribute to evaluation 	Actors outside the industry	No knowledge on context, unfit recommendations
	Competitors	False or no information
	Actors that complain about everything	When the actor gives negative evaluations on everyone, their information does not facilitate differentiation
	Actors that praise everything	When the actor gives positive evaluations on everyone, their information does not facilitate differentiation; no ability to process information based on historical experience
Unethical motives <ul style="list-style-type: none"> Hidden connections, conflicting interests, unclear motives 	Actor that has given bad information in the past	No source credibility, no ability to process information based on historical experience
	Competitors	False or no information
Negative chemistry between actors	External actors, e.g. consultants	Hidden agenda, not genuine problem-solving for the customer, connections to other actors that create conflicting interests
	Actors who do not get along on a person level	No trust or identification

CONTENT AND NATURE OF EXPERIENCE-BASED INFORMATION SOUGHT FOR

Second research question of this study asked what kind of experience-based information is perceived to facilitate buying. The premise of the study was that when actors have only a little or no experience of the service acquired, information conveyed through word-of-mouth, references and reputation will become a substitute for their own experiences.

Our data reveals a range of issues that buyers of KIBS seek in terms of the content of the information. First, buyers look for information on the *seller*, particularly concerning their skills and competences, and on the *offering*, in terms of its content and potential benefits. These make it easier for the buyer to gain an understanding on the value that is attainable through the service. Buyers are also interested in previous customers' experiences *on the interaction and relationship* with the seller. The interviewees pointed out that it is useful to hear how a certain supplier has handled the collaboration during the service process. Another important issue raised up by the buyers was information on *compatibility*. This information indicated how well the buyer and the seller would fit together based on earlier experiences. Finally, the buyers denoted that they look for information that help them evaluate the *success or failure potential* of the offering or the seller. Hearing about successful and failed cases with other customers helps the buyer to evaluate the likelihood of different scenarios. As one interviewee pointed out: "There are always some risks or negative aspects that the seller doesn't bring up, but if we hear about it in advance, we are prepared for it".

We analyzed also the nature of the information that facilitates its use in buying. Our findings indicate that experience-based information has many, partly overlapping characters that make it useful for the buyer. The buyer may look for a quick overview, informal information, context-specific knowledge, information on concrete results, details, extensive insights, or explicit advice (Table 4).

Table 4 The nature of experience-based information sought for to facilitate buying

Nature of experience-based information sought for	Interviewees' characterizations
Quick, general overview	Quick, broad overview that provides a general perception and understanding on an area
Informal, tacit information	Unofficial exclusive information that one can't read anywhere
Realistic, context-specific knowledge	Information regarding a certain situation or a specific actor's performance or actions; information coming from an actor who has first-hand experience of the supplier; information on a specific context that is similar to that of the buyers
Information on concrete results	Concrete examples of the end results of the service
Fresh, updated information	Relatively recent and up-to-date examples and evaluations, as the situations and performances change and the firm's own experiences may turn old

Detailed, readily usable information	Specific details on suitable experts and firms, getting the “right names”, information on local firms and members of the focal profession ; information that can be utilized easily
Rich information extending perspectives	External views that open new perspectives; valuable insights from experienced actors; broad background understanding
Explicit advice on do’s and don’ts	Explicit straightforward advice on preferring or avoiding certain actors or offerings

THE USE OF INFORMATION IN BUYING

Experience-based information was employed through a multitude of ways throughout the buying process to assess the exchange and relationship potential. These diverse types of using reference communication in buying are analyzed next to answer how experience-based information facilitates buying process (RQ3).

The main paths of using experience-based information in buying

As the result of the data analysis, four main paths of using experience-based information in buying were identified; they typify how experience-based information impacted and shaped the buying process:

I Active information search for focal use. When the actor is involved in a buying situation, they actively search for information on potential suppliers. First they may use internet searches to find interesting and attractive alternatives, and then ask about experiences of others who have had similar buying needs in the past. Good references and concrete outcomes experienced by others affect their decision making.

II Active, proactive information search and later activation. Actors gather information prior to actual buying situation in order to build a “data base” for experience-based information. When the buying need actualizes, the buyer resorts to previously collected information.

III Quick attraction. A direct buying decision made on the basis of a particularly convincing recommendation. The reference is very similar or convincing, and/or there is remarkable source credibility, creating strong attraction and/or trust towards the supplier.

IV ”An acquaintance becomes attractive”. A supplier that is recognized earlier is intriguingly endorsed by sources that the buyer considers reliable. This activates a purchase quickly and lubricates the buying process.

The use of experience-based information throughout the buying process

Our results showed that experience-based information has relevance particularly in the beginning of the buying process when the buyer maps and explores potential suppliers. As companies cannot contact and negotiate with every interesting party, they use experience-based information to quickly screen out mismatching or failing suppliers, and focus only on attractive,

matching ones with good value-generation potential. However, the relevance of experience-based information was highlighted also in the final selection phase: multiple informants described how a strong statement by a credible source may totally turn around the choice of the supplier in the last minute.

We also analyzed in detail how experience-based information was used throughout the buying process. This revealed how such information contributed in the different types of activities constituting the buying process phases of the process (see Figure 3). For example, the informants explained that experience-based information was useful in evaluation activities: *“Almost all companies fail sometimes, but if one have many success stories on a particular specific area, you can often trust that the project will succeed with them”*

In decision making activities, the experience-based information supported and validated the decisions: as one of the interviewed managers stated: *“we receive information to support the decision, and sometimes even to motivate for the decision”*. Another manager commented that *“Hearing and gathering others’ experiences is a sort of compulsory phase that you just need to go through when you purchase service like this”*. Thus it can be said that seeking and using experience based information is considered essential for executing optimal evaluation and decision making.

Our findings also revealed that experience-based information generates pervasive benefits that contribute to buying in general throughout the process, as one of the managers explicated: *“So we often receive very useful information that is profitable to imprint on mind for future use”*.

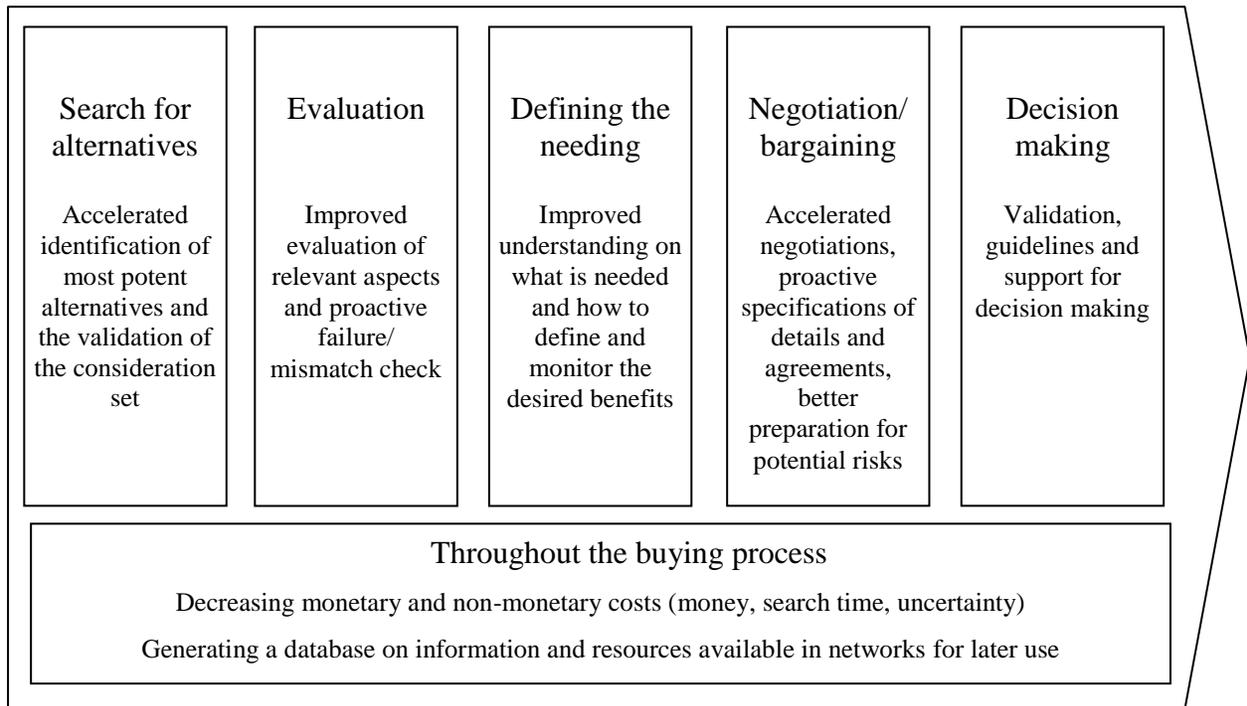


Figure 3 The main contributions of experience-based information to the buying process

DISCUSSION AND CONCLUSIONS

This study generated new understanding on experience-based information, and how buyers gain and employ it for buying. We merged references, word-of-mouth, social peer networks and reputation together as types of experience-based information. This paper created new knowledge firstly, by identifying the sources and practices through which buyers of KIBS gain experience-based information. We also explored in depth the features that make particular sources of experience-based information most useful and credible, as well as features that decrease the sources' importance. Secondly, we analyzed information gained through these sources and practices in terms of the content and nature of the information. Thirdly we analyzed how buyers employ experience-based information throughout the buying process and how such information contributes to the buyers' tasks. Our key results, elaborated in detail in respective tables and figures, are brought together in Figure 4.

- sources do buyers prefer for experience-based information and why (sources and features that make them useful)?
- What kind of experience-based information is perceived to facilitate buying (the content and the nature)?
- How does experience-based information facilitate the buying process (the use of information)?

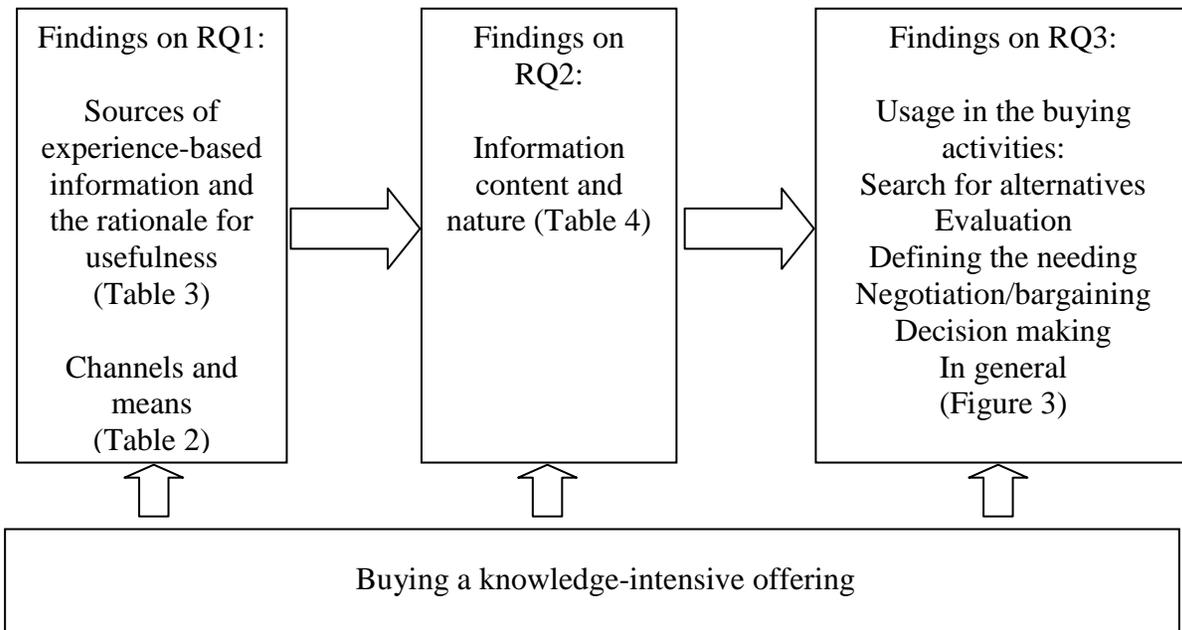


Figure 4 The key results on experience-based information in buying: the sources and their usefulness, information search practices, information and its usage

Our results contribute, firstly, to buying literature. Our findings highlighted that the most appreciated sources for experience-based information are peers and other business actors with whom they have a long history and good relationship; experts whom they appreciate due to their extensive experience or charisma; and companies that are similar or are in a prestigious position. From these sources, buyers seek information on diverse aspects of suppliers, relationship potential with them, offerings and their value potential, industry related specifications, as well as typical risks and failures related to the buying situation. Buyers use this information to formulate their actual needs and to define the needed offering, to limit the alternatives, to evaluate suppliers' capabilities to generate value, and to proactively prepare for future buying problems of similar kind. With these results we contributed to the research on the business buyer's information search (for example Brashear-Alejandro et al., 2010; Bunn, 1993) and to the research on complex buying (Brossard, 1989).

Secondly, our findings emphasized that organizational and embedded social relations have a crucial role in buying: through such relations buyers are able to gain extremely useful information resources as the actors in the networks guide other actors to make the optimal buying decisions. Thus we contributed to IMP-literature and social network literature that have stressed business and social relations as means of resource exchange (e.g. Håkansson & Snehota 1995; Mainela 2007)

Thirdly, we analyzed in detail the types and nature of information buyers that seek for, and the means they use for obtaining the information. By opening up the buyer perspective we generated contribution to customer referencing literature that has previously focused predominantly on the seller's perspective (e.g. Salminen & Möller, 2006; Kumar et al., 2013) and b-to-b WOM-literature (Money 2000; Wheeler, 1987).

Our extensive data set was well representative of the views of buyers from different industries and company sizes, as well as the range of knowledge-intensive services as buying objects. Therefore the insights from this research should be rather well generalizable to the buying of KIBS. As the characteristics of KIBS are similar to other complex offerings, such as innovation and solutions, we believe that results are broadly applicable beyond the KIBS context to other industries with knowledge intensive, intangible offerings, albeit taking the effect of firm size and potential cultural differences into account.

With regard to future research, we urge researchers to explore the effect of context on buyers' information search: this study studied the buying of complex, business critical services, and experience-based information may play a different role in other contexts. Furthermore, the developed categorizations on experience-based information can be further studied in various contexts and for different kind of business offerings. It would also be managerially relevant to gain more insight into managers' potential to affect, utilize, or manage experience-based information.

Our findings can also be used to draw important implications for managers. Our findings encourage sellers of knowledge-intensive offerings to employ network relations on social and organizational level to convey information on their value generation competences, and to help prospective customers to evaluate the parties' compatibility. This is important particularly in the KIBS context where the offering and its potential value for customers are difficult to communicate. Our data demonstrates that experience-based information has important influence on the buying decision for KIBS. Sellers should therefore carefully evaluate how experience

communication may contribute to their business, develop suitable management approaches, and utilize the insight gained into customers' experiences in their business development. For buyers of KIBS, this study detailed the range of sources managers can employ to gain access to experience-based information that is proven useful in the purchase process. Buyers should make sure that they utilize these sources to the full, and develop company-level databases for collecting and storing the information that is accessible for them through the personal, business, and collegial relationships of the firm employees. In important procurement decisions, it may be beneficial to make the rationale for using certain information sources and recommendations explicit, and to employ a broad range of information sources whose usefulness is based on different features.

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Appendix 1. Buying situations discussed by the interviewees

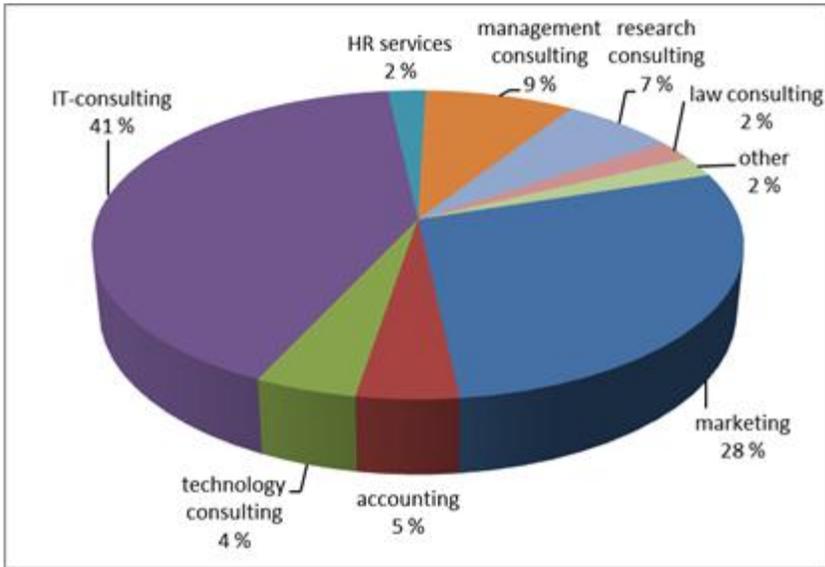


Figure 1 Focal purchased services discussed by the interviewees

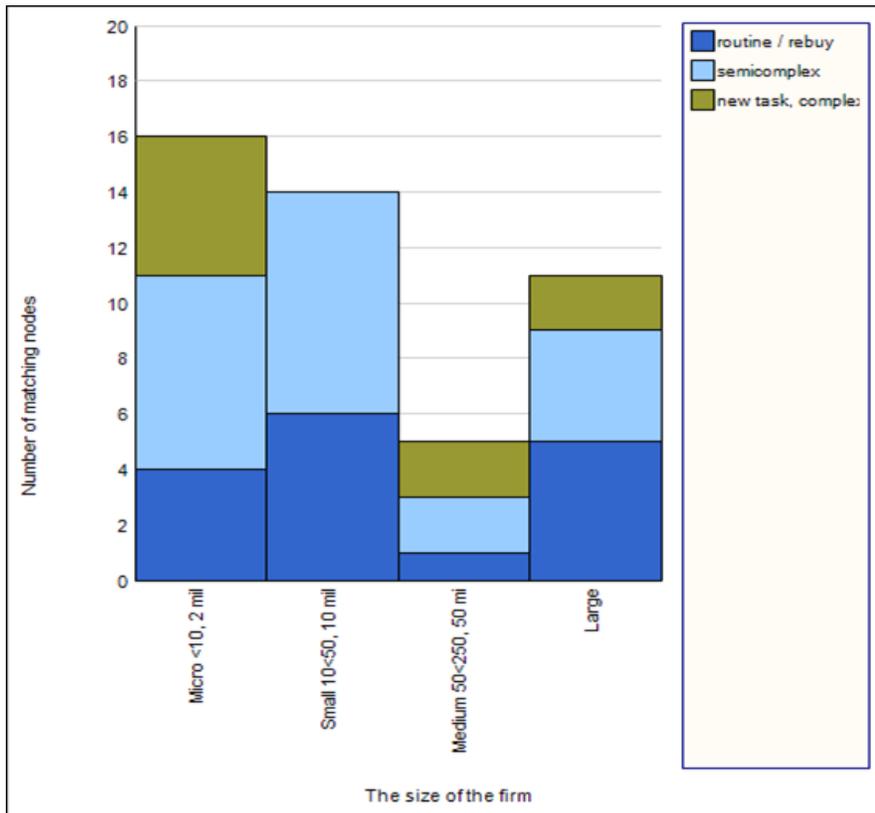


Figure 2. Type of buying situation discussed by interviewees from different firm size categories