

REPUTATION SPILLOVER IN MARKETING OF SOLUTIONS – YOU DON'T HAVE TO SCREW UP YOUR REPUTATION, YOUR COMPETITORS ALREADY DID IT

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ABSTRACT

Reputation spillover in solution marketing context was studied. Existing studies have reported especially in consumer marketing environment that negative events concerning the reputation of a company or a brand can influence other companies' reputation also. The phenomena is known as reputation spillover. In solution business a lot of uncertainties exist and the buyers take precautions to reduce the amount of uncertainties by e.g. rejecting suppliers, whose reputation is their eyes questionable. References are used by the suppliers to build reputation and the successful ones are valuable assets to the suppliers. In this study logistics automation industry was studied, and typical parties of the context were involved (buyers, suppliers, consultants) in order to learn about the key characteristics of reputation spillover. The findings of the study indicate that especially technology-based failures cause negative spillover effects to reputation of all suppliers perceived to be in the same category, and reputation is to great extent person's own perceptions.

KEYWORDS: SPILLOVER EFFECTS, REPUTATION, REFERENCES, RELATIONSHIPS, NETWORK EFFECTS.

COMPETITIVE PAPER

INTRODUCTION

The topic of the present study became interesting to the researchers due to a practical marketing case with an international customer. A solution marketer developed and proposed an outstanding solution to customer's aching problem but when the marketer started to prepare for a meeting they received a message telling that there would not be any meetings. The potential customer did not want meet with solution providers, who had anything to with the technology used by one of the actors in the industry. The actor in question had delivered a solution, which was a disaster for its buyer and the customer had concluded that none of the solution providers in that field could be trusted. There would be no meeting and no business opportunity for the solution marketer with that customer. The two actors connected were from different continents, utilized in practice different technical solutions, and the only link between them was the practice to name the solution with the same categorical name dating back to old engineering vocabulary.

It can be argued that all decisions made concerning business activities include risks and uncertainties, and in business studies they have especially been linked to buying situations (c.f. Johnston and Lewin 1996). The marketing of solutions (in the format of projects or solutions) to solve customers' problems take the parties involved in the process several steps deeper to uncertainties due to the complexity, discontinuity and the extent of financial commitment (Günter and Bonaccorsi 1996). It is justified in arguing that solution business is a specific business model compared with other forms of industrial marketing, and despite the unique and challenging characteristics solution business dominates the international business (Skaates, Tikkanen and Lindblom 2002; Hajdikhani 1996), and in this respect it is an essential element in industrial marketing, and projects in different forms represent a major proportion of international trade and business activities (Cova, Ghauri and Salle 2002, 4). In some national economies solution business represents one half of the nation's export (Arto et al. 1998).

Uncertainties exist among all concerned parties but the present study is primarily focusing on the uncertainties on the buyer's side arising due to difficulties in forecasting, how the problem solving with the solution will develop from the time of its introduction until final implementation (Cova, Ghauri and Salle 2002, 24). As a solution may have a high level of uniqueness, how can a buyer actually know, what the expected outcome of the process could be? In case there already is a business relationship between the solution provider (the supplier) and the solution buyer it could be indicating the skills and the capabilities of the supplier and subsequently the process outcome. If the problem to be solved is either so unique that the existing relationship cannot predict the outcome of the process or the parties are just entering into a relationship, there has to be other means to anticipate the supplier's problem solving capability. One such useful element for the buyer is to evaluate supplier's probability to succeed in the process is to evaluate the supplier's reputation based on earlier problem solving in comparable environments and situations.

Thus, earlier problem solving in comparable environments and situations successfully and recently enough, customer references, contribute to the supplier's reputation can be considered as an asset. For an industrial supplier, its first customer relationship in an industry simultaneously establishes its first customer reference as well as the first source of reputation (Helm and Salminen 2010). It is also possible to assess a particular customer's business reference value

(Kumar, Petersen and Leone 2013), which could be operationalized in revenue but also by using more abstract metrics, such as buyer's uncertainty reduction capability. Positive testimonials from reference customers add to the credibility and trustworthiness of a solution supplier (Jalkala and Salminen 2010), and in other words improve the supplier's reputation in the industry. If there is an improving mechanism in the reputation, a natural question is, could also a reverse mechanism in influencing on reputation exist? It is justified in posing the question, because in the empirical world one supplier's failure in customer's problem solving has been argued to worsen the reputation of other competing suppliers as well, if they are perceived to belong to the same application category in the minds of potential buyers' (Roehm and Tybout 2006; Fischer and Reuben 2007). And in the worst case a single supplier's failure might shade the reputation of all suppliers in the industry (Barnett and Hoffman 2008), and doubts about the reputation might equal to non-existing business opportunity. In other words the network position of the supplier suffers significantly (see e.g. Haimala and Salminen 2009). Quite recently an incident in the Japanese Fukushima nuclear power plant resulted in Germany deciding to shut down all nuclear plants in the country as the confidence in the technology collapsed due to the solution used in the power plant.

Reputation of an organization as such is a reasonably researched phenomenon, and it has been proposed to be signaling the trustworthiness of the entity (see e.g. Clark and Montgomery 1998) or the stakeholders' perception on the organization (see e.g. Rindova et al. 2005). Reputation can provide information on the organization's expected future behavior (Camerer and Weigelt 1988), but how the expectations are formed is not entirely depending on the organization itself. Scandals, product-harm crisis, or generally negative performance and customer references worsen the reputation of the company, and these negative influences may also spill over to other brands or other companies perceived to belong to the same category, such as an industry (Ritter 2000; Roehm and Tybout 2006; Fischer and Reuben 2007). In consumer marketing context a supplier's denial has been proposed as means to dampen the spillover, but denial being not informative enough may instead cause a negative spillover (Roehm and Tybout 2006), but in the industrial marketing or solution context the phenomena has received a very limited focus.

In solution business the use of external specialists and consultants is a common practice due to the unique and complex nature of the problems being solved (Mandjak and Veres 1998). The recommendations and perceptions of consultants may have a significant weight in the customer's decision-making process. Consultants, by their nature should have the highest level of knowledge in their field of expertise, but it is not known, if reputation spillover effect exists in their perceptions.

The present study aims at characterizing types of perceived affects that failed customer references in solution business may have on business opportunities of other suppliers. The research questions to be answered are:

- What are the key characteristics of negative reputational spillover in solution business context?
- What kinds of marketing strategies could be proposed for solution marketers in the case of evident negative reputational spillover threat?

LITERATURE REVIEW

There is a widely shared view according to which customer relationships are one of the most precious assets a company may possess (Håkansson 1982), and business transactions between a supplier and a buyer signal the strength and wellbeing of the relationship. Accordingly a supplier is eager to utilize its relationships to develop new ones, and reference marketing (utilizing existing customer relationships and solutions) is a powerful tool for the supplier (Jalkala 2009). To be able to use this powerful tool the references as the foundation of the marketing have to contribute to the supplier's reputation and consequently to the position in the given industry network. In other words, the references have to be successful or at least the impression of success has to be manifested by the buyer. The present study is taking another kind of a perspective, because the specific focus is on the unsuccessful references and their impacts on the supplier's reputation and subsequently on the position in the industrial network, and finally on the business opportunities of the supplier.

REPUTATION

What is actually meant with reputation in business-to-business context? In contrast, image is the perception that external observers have of the firm. Reputation is said to be the net result of the aggregation of perceptions of external observers of a firm (Fombrun and van Riel 1997, 10). A firm's reputation may take different shapes. A firm can have a reputation for being environmentally responsible, for being technology leader, for being a low cost competitor, or a solution supplier with high probability to succeed in problem solving. Derived from the focus of the present study a company's reputation may also be shaded due to a failed problem solving. In case a buyer cannot trust that a supplier is able to successfully complete a problem solving process compared with competitors the position of the supplier worsens (Haimala 2008), and subsequently the business opportunity may slip away.

Company reputation as such has a long traditional as an object of academic research but the reputation concept itself has a rather multi-perspective nature, because it can take e.g. economic, strategic, marketing, organizational, sociological and accounting view (Fombrun and van Riel 1997). Due to the complexity when employed and investigated in management research, it is evidenced by the multiple definitions, conceptualizations, and operationalizations that have emerged across studies (Lange, Lee and Dai 2011). Fombrun and van Riel (1997) argue that image and identity are the basic components of reputation, and identity is presented as the perception employees and managers (those inside the firm), but a company's image is the perception that external observers have of the firm. Consequently, a company's reputation is a collective representation of these two perceptions (Fombrun and van Riel 1997, 10).

SOLUTION (PROJECT) MARKETING

The process during which a solution is developed and marketed typically includes multiple stages (e.g. Cova and Holstius 1993; Cova, Ghauri and Salle 2002), and especially during the earlier stages, when the level of knowledge on the buyer's side may be marginal, and decisions can be made on very light basis due to the uncertainties and anticipated risks involved (Haimala 2008). As the process continues and various dimensions related to the problem being solved are

better understood more systematic and justified decisions are typically taken. References have a significant role in forming the mindset of the problem owner in the beginning but the perception on the references can heavily be influenced by secondary and often irrelevant factors as a result of limited understanding of characteristics (Haimala 2008). Seeing e.g. very heavily constructed equipment can be perceived as a signal of reliability by a steelmaker but in aviation the reference would most probably be interpreted differently. Thus, it is justified in arguing that the context of the reference but also the one from which the evaluator comes from has an impact on the outcome of the perception. Perception of risks is argued to be a personality trait but as such sometimes difficult to identify because it may be influenced by situational factors (Schoemaker 1990; Weber and Milliman 1993).

In contrast to “traditional” manufacturing focused business integrated and often capital intensive offerings including goods, services, knowledge, support, and supplemented with co-creation of the parties are common in today’s markets (Davies 2004; Cova and Salle 2008). These integrated offerings are solutions to customers’ problems in various parts of their business processes, and often attention is paid not only to the cost of the investments but also to the life-cycle costs of the solution to the problem (Stremersch et al. 2001). From the solution providers’ perspective widening the scope of the offering is a challenge because of the larger range of skills and technologies required, and from the problem owners’ perspective the difficulties finding and assessing the available alternatives are eminent. As a consequence the uncertainties related to problem solving case are increased resulting in the need to verify the capabilities of the problem solvers more thoroughly. In some situations problem owners can identify their needs, matching the needs with recognized and reliable suppliers can make the supplier selection process less uncertainty loaded. Quite frequently the situation is not obvious and different types of risks and uncertainties exist especially when the transaction involves the delivery of a complex solution. The more these solutions form part of the buying firm’s technological infrastructure and play an important role in its value production the more risk and uncertainty behavior may occur. The uncertainties involved may include: need uncertainty, transaction uncertainty and market uncertainty (Håkansson et al. 1976), technical and acceptance uncertainty (Cardozo 1980), and goal uncertainty, resource uncertainty and process uncertainty (Sharma 1998). Often a problem owner is not able to specify requirements posed for the problem solving, and therefore third-party organizations such as consultants are relied on in decision-making (Flowers 2007).

In the marketing of solutions (projects) earlier positive relationship between the buyer and the seller may have a significant role, and it may even replace part of handicaps in experience and knowledge (Haimala 2008). Hence, buyer’s perceptions of relationships with suppliers are therefore an interesting element from the current research problem perspective.

CONNECTEDNESS OF BUSINESS NETWORKS

The networks formed during the process of the problem solving including large variety of actors, such as e.g. problem solvers, buyer organization, experts, authorities. Relationships between the actors do not exist independent from each other, instead they are interconnected because a given relationship does not only affect itself and the two actors involved, but a relationship may also have an effect on other relationships (Håkansson and Snehota 1989; Håkansson and Snehota 1995; Ritter 2000). Relationship may have an overall negative impact on another relationship; i.e., the existence of relationship can hinder, disable or even exclude the existence of the other

relationship (Ritter 2000, 319). This negative impact can be caused by e.g. increased uncertainty concerning one party's capability to keep its promises in solving the party's problem. Törnroos (2004) has concluded that connections between the relationships are not only actor based but also time-based (*past loaded* through earlier experiences and *future loaded* through anticipated expectations). Increased uncertainty and its consequences can in other words be justified with the anticipated expectations of the problem owner.

From a solution marketer's perspective customer reference relationships and a company's reputation building should be integrated, and reputation building takes place within a reference triad consisting of three actors: the supplier, the supplier's reference customer, and the supplier's potential customer (Helm and Salminen 2010, 3). The actions of surrounding firms also shape a firm's reputation and ultimately its performance (Hofmann and Barnett 2008). Reputation built on customer references provide with an efficient tool for new customer acquisition and bonding of existing customer relationships, and a company's reputation is argued to be valuable compatible with its other assets (Hall 1992). Helm and Salminen (2010, 3) have proposed the concept of reference triad according to which a company's reputation perceived by a potential new customer is also shaped by the company's references and relationship with other already existing customers. Hence, provided that a positive influence can influence on the perception of the reputation, also a negative impact is possible (Ritter 2000).

REPUTATION SPILLOVER

A company's reputation may shift as a result of an organizational crisis in which stakeholders re-evaluate their previous conceptions of an organization's capabilities (Yu and Lester 2008). It is important to remember that a shift of reputation may be due to the company itself but also due to events further in the relevant network (e.g. Roehm and Tybout 2006; Barnett and Hoffmann 2008; Yu and Lester 2008). For example, if a firm experiences a major accident or product failure resulting from a certain production technology, other industry participants using the same or similar technologies are likely affected as well, because in situations of ambiguity stakeholders might find it difficult to differentiate between individual organizations, and thereby penalizing all organizations that are either proximate or equivalent to the focal organization equally (Yu and Lester 2008). On the other hand in the case of others' misfortune might result in attempts to take advantage of the situation by others e.g. by capturing higher share of the market (Porter 1980).

Organizations displaying similar core attributes (such as e.g. organizational mission, form of authority, core technology, and general marketing strategy) are more likely to be treated as belonging to the same category (Polos, Hannan and Carroll 2002; Fischer and Reuben 2007). Hence, when stakeholders do not possess sufficient information to disentangle the causes and consequences of a reputational crisis, they may penalize organizations sharing the equivalent structural position as the focal organization (Yu and Lester 2008). In studies conducted in consumer markets reputation spillover between brands has been argued to be less evident, and it has been more identifiable in cases of brand scandals, which involve extremely negative information (Janakiraman, Sismeiro and Dutta 2009). Spillover between brands has been explained with a perspective suggesting that if a product is perceived to be informative of another product, then the perceptions of the first product's quality consumer will be used to help

infer the quality of the second product (Roehm and Tybout 2006). Accessing a product in memory can also activate competing products if such products are strongly associated with the category (i.e., have high typicality, or close association with the problem attribute), or if the products are seen as very close competitors for a variety of reasons (Janakiraman, Sismeiro and Dutta 2009, 6). The spillover is argued to be in connection with the perceived similarity of the products (e.g., of the same type or from the same subcategory (Janakiraman, Sismeiro and Dutta 2009, 8), or there is a strong link between e.g. companies such as direct competition (Roehm and Tybout 2006, 371). It becomes necessary think about also the direction of the spillover from one to the other, and it has been proposed that the direction is from the stronger to the weaker (Lei, Dawar and Lemmink 2008). Stronger in the case of brands means the more known, or the one with the higher market share, or more central position in the relevant network.

Spillover effects have been explained with Feldman and Lynch's (1988) accessibility – diagnosticity framework, in which accessibility is construed in terms of spreading activation theory, in which concepts, such as brands, their product attributes, and categories to which they belong, reside in a network and can activate one another when the links between them are strong. Diagnosticity is about how things relate in the world (e.g. Broniarczyk and Alba 1994).

RESEARCH METHOD

The present study consists of two parts. Firstly, a literature review is conducted and secondly, there is an empirical part comprising a multiple case study and a role-playing experiment. The literature review on reputation spillover in the present research focuses on the extant studies (although the majority of them are on the consumer side) and aims at exploring the forms of the phenomenon of reputation spillover specifically in solution business.

Data in the empirical part of the study was collected from three parties representing the ones typically involved in solution finding (co-creation of the solution to a business problem: buyer, consultant and seller (solution provider). Participants all represent the same industry, namely logistics automation in manufacturing processes. The industry was selected due to the fact that logistics often is vital for the performance of the actual manufacturing process, and the requirements for solutions but also for providers of solutions are demanding due to the criticality of the activity. The main activity, such manufacturing of paper, steel, food products as a continuous process can not run, if materials are not at correct locations at correct time in correct quantities. Following Silverman's (2005, 215-219) suggestion that the data should be collected from an environment, in which the phenomenon being studied can be found as visible as possible combined with the high level of uncertainties related also to the problem solving (Cova, Ghauri and Salle 2002) brings up solution business named afore. This kind of problem solution process is found to be very critical in supplier selection (see e.g. Haimala 2008), and the trustworthiness of the suppliers is often measured with references (see e.g. Salminen 2001; Salminen and Möller 2006).

Data concerning seller's (solution providers) perspective to reputation spillover was collected by interviewing the sales director of a company providing automation solutions for logistics. He was requested to describe cases, in which the phenomenon of interest (reputation spillover) had

influenced significantly on business opportunities, or had completely prevented businesses of the company. The sales director was requested to describe also the marketing strategy used after learning about reputation spillover, and enlighten the outcome of the marketing process.

The data from buyer's and consultants were collected by using role playing, which is argued to be suitable for learning about attitudes and behaviour in the organisational context in which the subject (interviewee) is asked to behave as if he/she was a particular person in a particular situation (Greenberg and Eskew 1993). The following table 1 outlines the subjects and their roles in the research process from the buyer's side (buyers directly and consultants).

Table 1. Participants in the role-playing experiment.

	Participant's position	Duration	Role in industry	Objective in this research
1	Representing world leading consulting company in pulp and paper, 30 years experience	60 minutes	Has represented major companies globally in selection of solution providers	Provide insight to consultant's priorities in selection of solution providers
2	Representing it-specialist consulting company in food and steel industries and distribution	90 minutes	Has represented major companies in their markets in selection of solution providers	Provide insight to consultant's priorities in selection of solution providers
3	Representing manufacturing operation in severe competition industry	40 minutes	As owner and CEO has made significant decisions concerning solution providers	Provide insight to managerial perspective to decision making in solution provider selection
4	Representing solution provider utilizing sub-contractors for vast portion of solution total value	40 minutes	Project manager and partial owner of business	Provide insight to managerial perspective to decision making in solution provider selection

Greenberg and Eskew (1993, 227) further emphasize the importance of three dimensions to be taken into account in role-playing: level of involvement, role being played, and degree of response specificity. Level of involvement refers to how realistic situations are played (kind of a simulation game of real business processes). Role being played refers to how much the informants play as themselves. The degree of response specificity refers if the informants are expected to respond in a free spontaneous manner or in a priori (e.g. questionnaire) manner. In the present study a simulated business decision-making situation was aimed at and the informants had experience in such situations. The objective was to gain deeper understanding on the phenomenon, and consequently the informants were granted to formulate the response freely.

In the role-playing experiment there were three different situations subjects (informants/interviewees) had to evaluate, and the interest resides on how they would act in such situations. The subjects of the experiment were asked act as in their natural position (as buyers or consultants) and describe their perception on the situation, and how they would act: buyer's perception of the supplier, consultant's perception of the supplier. The level of involvement of the subjects was high and the role being played represented their normal responsibilities, and

hence can be regarded as a simulated situation. The subjects could freely formulate their responses as in the situations, and consequently the degree of response specificity was low.

Situations for role-playing:

Situation A

A solution provider markets a solution to a potential buyer, and the proposed solution is based widely understood on a similar technology as a failed reference by their competitor with which neither the solution provider nor the potential buyer has a relationship. The potential buyer and the solution provider have no earlier relationship. The potential buyer has to evaluate the position of the solution provider and if a solution proposed by the solution provider would be seriously considered.

Situation B

Like situation A, but the supplier was known by the potential buyer. The potential buyer has to evaluate the position of the solution provider and if a solution proposed by the solution provider would be seriously considered.

Situation C

Like situation A, but there already was a relationship between the supplier and the potential buyer. The potential buyer has to evaluate the position of the solution provider and if a solution proposed by the solution provider would be seriously considered.

The subjects described their perception on the situation and how they would act verbally and the session was recorded and transcribed. The transcriptions were analysed with qualitative content analysis (c.f. Krippendorff 2003). First part of the analysis was done as open coding. After open coding, another coding session was conducted, and themes (coded passages) were compared and evaluated in order to be able to merge themes and create more general and more representative themes. In the analysis of the data each subject (informant) was first analyzed within the group they belong to, thereafter comparison between the groups was conducted in order to visualize the overall appearance of the phenomenon of interest.

FINDINGS

In this chapter the results of the analysis of the data are presented firstly for each group of subjects and thereafter a synthesis of the results is done. First the occurrence of reputation spill over in practice from a solution provider's (seller's) perspective is characterized.

HOW SUPPLIERS ENCOUNTER REPUTATION SPILL OVER?

The seller's perspective aimed at providing an initial view of the phenomenon, and especially its typical characteristics. The cases described by the sales director are summed up in Table 2.

Table 2. Solution marketing cases in which reputation spillover had occurred.

	Industry	Market/ buyer	Object of marketing	Cause of spill over	Marketing strategy used	Outcome of marketing process
1	Paper	South East Asia/ Finland	Paper roll handling system based on high- rise technology	Competitor failed to deliver a working solution	Manifesting successful references and relationship with other divisions of company	Buyer perceived high-rise solutions unreliable and would not consider any supplier with similar solution, no business opportunity
2	Paper	South East Asia/Chi na	Paper roll handling system based on high- rise technology	Competitor failed to deliver a working solution	Denial of failures, manifesting successful references, counter attach, demonstrating technical differences & advantages	Buyer perceived high-rise solutions unreliable and would not consider any supplier with similar solution, no business opportunity
3	Paper	South East Asia/Chi na	Paper roll handling system based on high- rise technology	Competitor failed to deliver a working solution	Manifesting successful references and their advantages	Buyer perceived high-rise solutions reliable and would consider a supplier proposing such
4	Convenience food	Finland/ Finland	Distribution system for customer orders	Two competitors failed to deliver a working solution	Manifesting successful references and cooperation capability	Buyer would accept only small domestic suppliers
5	Paper	Portugal/ Portugal	Paper roll handling system based on high- rise technology	Two competitors failed to deliver a working solution	Demonstrating successful references, denial of problem possibility	Buyer required a formal written guarantee that supplier would not cause similar problems

CASE 1

A supplier of automation received an inquiry from a world class Finnish organization concerning an automated solution to materials handling problem in South East Asia. The supplier had recently solved a similar problem in Europe and successfully completed the biggest in its class reference. A consultant had been involved in the process, and the consultant was engaged also with the current case, and their responsibility was to prepare the documentation for the enquiry and pre-select potential supplier on behalf of the buyer. The supplier prepared a proposal based on the world-class reference they had, and according to the consultant the solution was outstanding because of its economical and technical characteristics. The supplier had a successful relationship with another division of the same company, and the relationship was communicated to the potential buyer. The cost of the investment and its feasibility outperformed easily the alternative solution. In the same market, where the solution in question was supposed to be implemented was a reference by the supplier's competitor. The competitor had failed to perform and the reference never met the required performance, and it was not actually in operation at all. The failed reference dated back to six years. There was no connection between the two suppliers except that they could be regarded as operating in the same industry dealing with logistics automation one from Finland and the other from South Korea. After receiving the

proposals the project director informed that he did not want arrange any meetings with the supplier, because of non-existing confidence in any solutions based on the proposed technology, which was in their eyes the same as the failed one. No attempts to contact directly or via the consultant succeeded, and the buyer was determined that it would lead to anything. Not even successful solutions based on the proposed technology in other divisions of the company's were able to change the decision.

CASE 2

The supplier received an enquiry from the same market from a Chinese company some six years later. The situation concerning the problem was identical compared with the previous one. The only difference was that the supplier had meanwhile delivered several new references utilizing the same technology as rejected by the buyer earlier. A proposal was prepared and after an intensive process a face-to-face meeting with the buyer was arranged. During the meeting it was brought to the attention of the supplier that they were not confident with the proposed solution because examples from other cases indicated that the proposed technology was causing a lot problems in the process and it could not be relied on. The buyer (two key individuals of the buyer organization) was referring to the same failed reference as used against the supplier in the previous case. At this point the delivery of failed reference dated back 12 years. All references demonstrating successful problem solving were ignored based on the argument that the proposed technology cannot be used in solving the problem in question. The seller even tried influence on the buyer's perception by providing information on potential safety hazards in the preferred solution but it did not change the outcome of the process.

CASE 3

There was another enquiry to the same market and even same location as in Case 1 at about the same time as the one right afore, and even some of the persons involved were the same as in the first encounter. This time the buyer's representatives were willing to discuss face-to-face about the proposal to solve a similar problem as before with the same type of a solution that was rejected in the very beginning of the marketing process. All seller's marketing communication starting from the initial steps focused on communicating on the success of the existing solutions based on the proposed technology and the competitive advantages it provided. The project manager accepted an invitation to visit a reference solution, which was quite compatible with their problem. The reference was the one used in the first case to introduce the proposed solution, and the visit according to the visitors convinced them on the suitability of the proposed solution and its technology.

CASE 4

In 2004 a large Finnish convenience food company took into use a fully automated distribution center delivered by an international company headquartered in Switzerland. Interactions between the parties were limited and cultural differences were identified. Soon after the systems implementation severe problems appeared in the automation process. The amount of interruptions in the operation of the distribution center reached a level, which was unacceptable and against all criteria set for the systems. The supplier of the distribution center was not able to remedy the systems and the relationship of between the buyer and the seller was practically

dissolved. In 2007 the convenience food company ordered a new computer control system from another supplier based in Finland, and it was planned to be functioning in 2008. The supplier implemented the project individually and interactions with the buyer were scarce. Soon it became obvious that the supplier was not able to complete the process, as the system did not perform in any areas according to the requirements. Hence, the convenience food company started looking for another supplier that could somehow develop and realize a computer control system, which would enable fully automated operation in the center. The company employed a consultant accustomed to automation projects and started to look for possibilities to solve the major problem. With the help of the consultant the convenience food company screened the supplier field and contacted potential companies. Part of the candidates refused to participate the process after learning about the situation and requirements by the buyer. Two of the companies contacted was interested in the case but starting relationships suffered from a very suspicious atmosphere because the buyer was expecting very convincing evidence on the suppliers' capabilities and the suppliers on the other hand were assessing very carefully the risks involved in project. The buyer had instructed the consultant to look for smaller domestic companies that would be fully depending on the success of the project. The candidates focused on demonstrating their earlier references in similar projects and especially their cooperation skills. The smaller company with a similar successful project was chosen.

CASE 5

A Portuguese paper maker had earlier invested in automation by a local supplier, and they had encountered a vast amount of technical problems and even safety hazards. A new paper mill being planned and automation was regarded as the only viable alternative for internal logistics. The buyer and especially the responsible project manager hesitated because of the safety issues met. He assumed that it was typical of the automated solutions to have such hazardous characteristics, and it was as if a given feature. The project manager mentioned the feature several times and during a visit to a reference of another supplier he started the discussion again. He wondered, why the incidents he was so familiar with did not take place? Even though he was assured that even the legislation required avoiding any safety hazards, he wanted to have a written guarantee that no such incidents were possible with the proposed solution.

REPUTATION SPILLOVER CHARACTERISTICS VISIBLE TO SELLER

Based on what a solution provider might encounter while marketing its solutions to buyers the reputation central characteristics of spillover from the seller's perspective can be outlined.

Technical nature: Buyers refer mainly technical reason, why a solution is not acceptable in their eyes, but is remain unclear in the communication, if the failures to perform are in connection with the technology itself and/or also the implementation of technology. In cases 1 and 2 the technical solution had been widely applied in multiple industries successfully and even in paper industry.

Categorization: Categorization in the minds of the buyers took place in various ways. Technical solutions create categories for suppliers but categorization might also be based on the nationality of the solution providers.

Personal views: The occurrence of reputation spillover is a personal matter and heavily depending on perceptions of individual decision makers on the situation. There seems to a significant amount of inertia in the perceptions, and individuals tend to retain their original perceptions quite often.

Marketing strategy: Utilizing successful references as evidence might be able to chance the perceptions of the buyers but it requires that the actual decision maker can be identified. If the seller analyzes the environment in advance properly differentiation can be communicated already during the initial stages of the process, and possibly the spillover can, if not avoided totally, but at least be damped to some extent. Using of aggressive strategies should be considered carefully.

BUYER'S PERSPECTIVE TO REPUTATION AND SPILLOVER

In the following the results of the analysis of the data of role-playing experiment are presented. The recorded and transcribed plays were analyzed with contents analysis and the identified themes are presented next in Table 2.

Table 2. Themes identified in the analysis buyers' perceptions.

Themes	Explanation
Improving ruined reputation (spillover)	Any means to by-pass bad reputation
Minimizing uncertainties	Buyer's strategy while assessing proposed solutions and their suppliers
Dimensions of interest and skills	Other significant factors
Newcomer's position	Attitude towards a new supplier with no earlier relationship with the buyer
Relationship and first impression	Influence of the relationship between the parties

IMPROVING A RUINED REPUTATION, DIMENSIONS OF INTEREST AND SKILLS

Many of the statements by the subjects were related to technological characteristics of the solutions. Failures to complete a deployment of a problem solving by one supplier or major difficulties in applying a certain technology in a solution creates a barrier for future business opportunities for all regarded as members of a group. Even if a supplier is able to overcome the difficulties, a shadow remains on the solution, and in the worst case it is a hinder which cannot be by-passed. What a supplier can try is to improve the perception with effective communication and reference visits to the "failed" reference, but the barrier is high. The height of the barrier seems to be relational to the resources of the supplier, and the more limited are the resources of the supplier are the more obstacles there will be on the path to a realistic business opportunity. The amount of available resources does not directly remedy the perception of the buyer but it is a positive catalyst.

RELATIONSHIP AND FIRST IMPRESSION

Another significant factor, which in some circumstances can influence on the situation, is the relationship between the two parties. In a fresh relationship a professional and cooperative

behavior of the supplier's representatives may create an atmosphere, in which an objective evaluation of the proposed solution is carried out. Even a first impression can turn out to be an important factor. Also earlier positive experiences in the relationship can provide the supplier an opportunity to try to convince the buyer about the potential of the solution. It is a long way from a transaction but still a possibility.

NEWCOMER'S POSITION

Newcomer's position is not easy according to the subjects. An innovative solution to a problem can create interest on the buyers' side but they hesitate to select suppliers with very limited resources. It is vital that the supplier is able to convince the buyer with earlier success in the industry, and in this respect we meet paradox. Supplier related uncertainties become unbearable, if the supplier proposes solutions based on technologies with shades in reputation. The paradox that only suppliers with references manifesting success are taken into account but still the same companies are looking for new technologies to create competitive advantages is tricky. The newcomer has to convince buyers also with a stable economical status, because buyers do not want tie themselves to a solution, which might be critical for their business but they will not have any support from the supplier gone out of business.

CONSULTANTS VIEW TO REPUTATION SPILLOVER

The following Table 2 presents the themes found in the analysis of the data concerning the part of the experiment involving the business consultants. The themes and their meaning are further presented in the chapter.

Table 3. Themes identified in the analysis consultants' perceptions.

Themes	Explanation
Improving ruined reputation (spillover)	Any means to by-pass bad reputation
Minimizing uncertainties	Consultants' strategy while assessing proposed solutions and their suppliers
Decision making process	Trends in decision making
Newcomer's position	Attitude towards a new supplier with no earlier relationship with the buyer
Relationship	Influence of the relationship between the parties

IMPROVING RUINED REPUTATION (SPILLOVER)

Failure to successfully utilize a potential new technology in problem solving has significant consequences. The bad reputation label "does not work" is effective, and there is no real interest to find out about the reasons that caused the failure. One supplier's attempt to utilize solutions developed by their competitors by simply copying the ideas without fully understanding shades all industry in the specific part of the market, and all suppliers shall meet the lost interest of the buyers. It also puts the consultants to a difficult situation, even though they are able to identify the root cause of the failure. The process to build a reputation enabling opportunities to succeed is time consuming, and requires convincing success stories (references) in similar cases.

Technology is perhaps the most common reason for buyers to reject suppliers but it is not the only one. In today's global market place even the country of origin may become an issue for some buyers. Either the buyers' own or some others' experiences in organizations from specific countries could influence on their decision-making. The reasons could lie in the communication process or cultural elements but the outcome might be that the consultant is instructed to assist in finding a competent supplier of a specific origin to solve a problem. Even in that case the process to evaluate the capability of suppliers before the selection could be thorough in order to make the buyer convinced on the suppliers' competences.

MINIMIZING UNCERTAINTIES, RELATIONSHIP

Buyers' motive to hire a consultant is to be able to reduce uncertainties involved in the solution, and one of the most concrete types of uncertainty is related to the suppliers' competence and ability to successfully solve the problem in hand. Consultants are expected to have knowledge on the problem and solutions to it but also on suppliers. Consultants themselves see their task as reducing uncertainties but not fully, which according to them is not possible, as the buyer is finally making the decisions either following advice by the consultants or ignoring them.

Both consultants and their principals (buyers) share the view that a proven track record with successful references is a starting point in the process of finding a supplier and a solution. The initial situation may also be more critical regarding the reputation of the supplier candidates. Often only "world class" candidates are taken into account, and world class in this case means an organization known and appreciated by the industry. In many cases the number of potential suppliers to even be considered is limited to a handful or even less. Depending on the relationship and responsibility of the consultant it may be required that the consultant has experience in cooperating with the supplier they are going to recommend. In other words they count only the ones they know to be competent, and the reason to this that also the consultants have look after their reputation in the industry.

Contractual matters are often seen as means to reduce uncertainties due to suppliers but from buyers' perspective penalties are not an answer to avoid uncertainties or risks. They might be a decent compensation but in the case of a failed critical business process no penalty can remove the damage done. Decision makers often as the final step want see references of the finalists but the value of the seeing is often questionable, unless the seers are capable of thoroughly evaluating what they see. From uncertainties reduction perspective the buyers are not looking for the very latest technology but something they can trust to work as intended. It is also possible that if a buyer or/and their consultant has deep knowledge and experience in the problem solving case in question, they might control quite heavily the principles of the solution. In such case only suppliers willing and capable of participating this type of a process can be taken into account. In some industries it is typical that suppliers are also doing the consulting but then it is possible that the suppliers are trying to control the direction of the selection process in such as way that their own position improves. Common way of improving one's own position is to define the technology in such a way that competitors are not able to utilize it.

NEWCOMERS POSITION

In case a company was interested in penetrating a new industry sounded like that it is not a good idea to try to convince consultants on their capabilities to solve problems. In order to be an interesting supplier the newcomer must be able to provide attractive new technology, which has

a long and successful history. Consultants are actually in a difficult position as well, because they are expected to propose enhancements to the buyer's competitive position, and typically applying new innovations is a potential strategy for that. On the other hand by proposing a novel solution (such as technology) they are at least in theory gambling on their own reputation in case the proposed solution turns out to be a failure. It is logical for the consultants to try to balance between proven and novel solutions, and expect to require evidence (successful references) from the suppliers. It is, however, frustrating to convince the buyers and become turned down over and over again, and the new ideas are not making any progress. It might even happen that buyers are not even interested in hearing about the innovations.

It would be justified in asking how do then any new innovations are accepted by buyers if their perception is as critical as explained? Some buyers are willing to accept the risk pioneering in their own business processes. It may take a considerable time to achieve such a break-through but gradually increasing evidences convincing on the potential may be adequate. Hence, it would be false to say that consultants do not recommend innovations to their customers.

DECISION-MAKING PROCESS

The decision-making process in organizations has gradually changed to the direction, where the buyer makes the decisions without anyone assisting, or consultants are less utilized, but still they may not have the necessary knowledge about the solutions and suppliers of suitable solutions. It is kind of an extreme end of uncertainty reduction, and results in a very limited number of alternatives to select from. Only the ones, which are known or thought to be known by the decision-makers are accepted as candidates. All others are rejected even if they would have success in solving similar problems, and the reason for the rejection is that the decision maker is not familiar with them despite the recommendations by consultants. There is threshold over which a supplier has to get in order to become "world class".

CONCLUSIONS

The objective of the present study was to characterize types of perceived affects that failed customer references in solution business may have on business opportunities of other suppliers. The objective of the study was met by answering posed research questions.

- What are the characteristics of negative reputational spillover in solution business context?
- What kinds of marketing strategies could be proposed for solution marketers in the case of evident negative reputational spillover threat?

WHAT ARE THE CHARACTERISTICS OF NEGATIVE REPUTATIONAL SPILLOVER IN SOLUTION BUSINESS CONTEXT?

Technical nature of reputation: A supplier's reputation is tightly tied with the features of the technology used in problem solving. Technical matters are manifested to be governing, how

attractive or repulsive a supplier from a buyer's perspective can be. Technical trustworthiness attractive or repulsive a supplier of solutions is from the buyer's perspective. Failures to perform due to any reasons may shape all suppliers' reputation in the industry. This leads to categorization of suppliers to two extreme classes: to be considered or rejected. Categorization is not interested in the reasons, why a solution has failed to perform. Both buyer's and consultants assisting the buyers follow the same kind of straightforward path in thinking.

Risk avoidance on multiple levels: Buyers responsible for business processes do not like to take unnecessary risks purely from the business perspective, but there is always the personal dimension in perception of risks vs. returns. Some individuals do not in any case make decisions, which might create a risk for them personally or the organization they are representing. Applying innovations involves risks but creating competitive advantages is necessary, and especially consultants meet a dilemma in this respect. It is expected that they have the latest knowledge concerning innovations in the industry but it is risky for them also to recommend risky solutions. A new supplier with a novel solution is an extreme risk. Reputation shaded with failure to perform is something to be considered carefully, even if the shadows are due to spillover.

Known and proven supplier: A known supplier looks always less risky in the buyer's and consultant's eyes than, if there is even some relationship already existing, it might favor the supplier. Not being aware of a supplier might also make categorization more evident, and consequently reputation spillover might take place more easily.

Decision maker: The decision to either accept or reject a supplier seems to be a rather individual step. Personal motives and characteristics may guide the decision making process, and on the bottom it is about taking or avoiding risks on all levels. Consultants used to have a strong position especially in paper industry but seems that the massive changes in the whole industry are also shaping the decision making process, and buyer are taking a more active role in this respect.

WHAT KINDS OF MARKETING STRATEGIES COULD BE PROPOSED FOR SOLUTION MARKETERS IN THE CASE OF EVIDENT NEGATIVE REPUTATIONAL SPILLOVER THREAT?

Solution business is not normally for those who are expecting to cash quickly with innovative new solutions. A supplier without convincing references may become disappointed, when the potential buyers one after another turn down their proposals. If the reputation of the supplier (or solution) becomes negatively influenced by failed attempts to apply e.g. similar technology there is not much to be done. In the case of a newcomer in the market, the only viable option may be to walk away and allocate the resources to other prospects, if the response in the first place already is negative. The initial steps in the introduction of the supplier and the solution have not made a distinct difference between proposed solution and the failed one. In order to be able to differentiate from the failures requires adequate market information, and even then one cannot be sure about the buyers' or consultants' perceptions.

The strategy for a supplier is to build gradually a position and reputation, which is different from the other members of category. A supplier cannot become a word class organization overnight, and it is neither possible to gather massive reference base quickly, but if the solutions proposed

are based on innovativeness there is a possibility to avoid the problems due to reputational spillover.

In organizational buying it has always been important for the marketers to identify the key decision makers but current developments seem to emphasize the vitality of knowing the buyer. As the decision might be done by a single individual, there is a greater possibility to succeed if the individual is known and at the focus of the marketing process.

DISCUSSION

The present study contributes to the understanding of the reputation formation of companies by expanding the spillover effect reported in consumer marketing studies (e.g. Roehm and Tybout 2006; Barnett and Hoffmann 2008; Yu and Lester 2008) to cover also industrial marketing context and especially solution marketing environment. Solution marketing has been argued to a demanding environment due to e.g. its discontinuity, uniqueness, and complexity (Mandjak and Veres 1998), but it is justified in arguing that it is challenging also from the reputation management perspective. The study contributes also to developing the understanding of the key characteristics of reputation spillover. Also it is able to propose some guideline for the development of marketing strategy for solution marketers by explaining some of earlier not widely studied characteristics of company reputation.

The present study has many limitations. It covered only a specific part of the industrial markets. The data collection was rather limited and number of informants could be much bigger, but as such the study was one of the first scratches of the surface, and was able to find some interesting topics for the future. Reputation spillover is a very complicated phenomenon and it could be approached from multiple angles: from different industries perspective, cultural perspective, psychological perspective, just to name some of very interesting avenues.

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