

## **CUSTOMER REFERENCING: TESTING A CONCEPTUAL FRAMEWORK IN THE CONTEXT OF A CASE STUDY**

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### **Competitive paper**

**ABSTRACT:** In the process of marketing references, existing customers act as advocates for the firm. With their enthusiasm they provide testimonies, receive visits from potential customers, and yield information on the characteristics of the solutions adopted and their performance. This activity becomes highly valuable for firms as they are able to build strategic assets that allow profitable marketing action, either by increasing credibility and reputation, or by reducing the perceived risk derived from the purchasing of services or products from a particular supplier. In this work the authors suggest that organizational buying behaviour literature still lacks empirical work that may support a theory of customer referencing. In particular, they evince that the potential customer view is missing in the study of the customer reference practice. In fact, empirical research has favoured the supplier as its unit of analysis and has ignored the other two constituents of the reference triad: the reference customer and the potential customer. Therefore, empirical work featuring the potential customer as the unit of observation is an open research opportunity that will allow for a deeper understanding of customer reference relationships and their impact in the buying behaviour of industrial firms. The authors propose to fulfil this gap and to raise the following research question: “what role does customer reference marketing play on capital buying decisions?” The authors aim to respond to this question by developing a conceptual framework for analysis which is empirically tested in a single case study from a firm acting in the Portuguese energy industry. The case validates the adoption of the proposed framework for the study of customer referencing. This research work features a critical realism approach.

**KEYWORDS:** Industrial Marketing; Organizational Buying Behaviour; Business Relationships; Industrial Networks; Customer Reference Marketing; Reference Triad; Reference Customer; Case Study.

## INTRODUCTION

In order to better understand the customer referencing phenomenon the authors built a conceptual framework for analysis. The purpose of the study is to empirically test this framework. This empirical test is done within the electrical power industry. Based on the tested framework, the authors aim to contribute to research on organizational buying behaviour by describing customer referencing practice and exploring the ways in which it takes place. Moreover, the authors will aim to understand the issue of customer reference relationships and how it impacts on the buying behaviour of a potential customer. Jalkala and Salminen (2010) defined customer references as the customer relationships and the related value-creation activities that a firm leverages externally or internally in its marketing efforts. In the same way, these authors also conceptualised customer reference marketing as a way to demonstrate and concretize the solution value and the business benefits that a supplier is able to deliver.

Reference marketing is important in business markets (Rese et al. 2012; Kumar et al. 2013). Literature on organizational buying behaviour suggests that customer references have a positive impact on vendors' reputation (Helm & Salminen 2010; Salminen & Möller 2003; Salminen 1997; Salminen & Möller 2006). It also presents customer references as a source of competitive advantage and as a foundation for the competitiveness of the firm (Jalkala & Salminen 2010). Accordingly, customer references play an important function in increasing the vendors' credibility and brand equity, by raising its perceived competence. At the same time they decrease the buyer's uncertainty and perceived risk.

Nevertheless, empirical studies to support the building of a comprehensive theory of customer referencing are still missing (Morgado & Castro 2015). In fact, existing research is insufficient as empirical work done so far had its focus on the supplier as the main unit of empirical observation, and has ignored the other two constituents of the reference triad: the referencing customer and the potential customer. Therefore, empirical work featuring the potential customer as the unit of observation is an open research opportunity which, once addressed, will allow for a deeper understanding of organizational buying behaviour by answering the following question "what role does customer reference marketing play on capital buying decisions?"

The research question is addressed by collecting empirical data that sustains the creation of a single case study from a firm acting in the energy industry. Semi-structured interviews follow a generic predefined outline (case protocol) that is supported by an open questionnaire. Available literature on buying behaviour does not clarify the role customer references play in the decision process of a potential customer. Also, the facts and circumstances associated with the influence of customer reference marketing are not yet determined. Therefore, the purpose of this work is testing a conceptual framework for analysis and its ability to sustain the future study of the relationships established in interaction between customers and suppliers of capital equipment (and the role customer references play in this context). A deeper knowledge of the customer referencing phenomenon would allow managers to pursue strategies based on efficient customer reference marketing.

A case study featuring customer reference relationships in the Portuguese energy industry illustrates the buying behaviour adopted in the acquisition of capital equipment. By focusing on the relevance that customer references play in industrial buying behaviour, the present study offers new perspectives on how and under which circumstances customer buyer relationships can be leveraged in industrial markets. In this way, this work deepens the understanding of this phenomenon and contributes to the literature featuring customer references, industrial networks, and industrial marketing.

Based on organizational buying behaviour literature review the authors seem to be able to understand to some extent the role customer references play in the growth of the firm. Nevertheless, this literature is silent about the facts and circumstances that take place inside the potential customer organization (Morgado & Castro 2015). Assuming this gap in the literature, the authors propose to investigate the role customer reference marketing plays on the buying behaviour of the potential customer.

## LITERATURE REVIEW

The broad research topic for this project is organizational buying behaviour (Wind 1978) and the authors look at it from a specific point of view which is the “customer relationship and the related value-creation activities that a firm leverages externally or internally in its marketing efforts” (Jalkala & Salminen 2010). This specific perspective is often characterized as ‘customer references’ or as ‘customer referencing’. According to Johnston and Lewin (1996) “awarding the contract to a seller whose products and services have a proven intraorganizational track record helps reduce the perceived risk associated with an important purchase”. In the process of marketing customer references, existing customers act as advocates for the firm. With their enthusiasm, existing customers provide testimonies, receive visits from potential customers, and yield information on the characteristics of the solutions adopted and their performance. The relationships established with these customers can be considered as a marketing asset, suggesting the resource based view perspective (Wernerfelt 1984; Wernerfelt 1995; Barney 1991; Barney 1986) as a valid framework of analysis (Salminen & Möller 2006; Jalkala & Salminen 2008). This way firms are able to build strategic assets, either by increasing credibility and reputation, or by reducing the perceived risk derived from the purchasing of services or products from a particular supplier.

Why do vendors strive to gain references from their customers?

Customer references serves as valid ways of presenting evidence of the competence of the supplier, as well as other additional features that it possesses (Jalkala & Salminen 2009a). Therefore, they serve as indirect pieces of evidence of the ability of a supplier to provide a product, service or a solution (Salminen & Möller 2006). Salminen (2001) argued that a reference is the explanation of a supplier relationship with a customer that can be evaluated by other customers regarding the performance of products, management and their cooperation.

For Helm and Salminen (2010) reputation and customer references serve the same purpose and are highly effective tools, both in attracting new customers and in creating strong links with existing customers. For these authors firms operating in industrial markets should invest in creating a reputation, not only within the segments they serve, but also within its various stakeholders. They suggested that existing relationships, in the form of customer references, are solid foundations that allow the construction of a suppliers’ reputation. The need to get customer referrals is especially high in companies looking to enter new markets where their reputations are not yet established (Jalkala & Salminen 2009a). Suppliers also seek to demonstrate their ability to build strong relationships with their customers.

In fact, customer references play various functions such as reducing the perceived risk by the potential buyer and signalling the suppliers’ credibility (Salminen 2001; Jalkala & Salminen 2009a; Helm & Salminen 2010). Salminen and Möller (2006) added to these functions the fact that customer references contribute to the creation and maintenance of confidence in the existing relationships.

Jalkala and Salminen (2010) suggested several functions and practices in the use of customer referencing. They also suggested its classification as marketing critical assets. For these

authors (Jalkala & Salminen 2010), its external dimension is used: (i) to acquire status from reputable customers; (ii) to signal and strengthen suppliers' position in the market; (iii) to present and demonstrate suppliers' offer; and, finally, (iv) to provide evidence of experience, past performance, functionality, technology and customer value delivery. However, with respect to their internal dimension, benefits are revealed by: (i) facilitating organizational learning; (ii) developing a better understanding of customer needs, relating them to internal skills; (iii) advancing portfolio development; and finally, (iv) motivating and training employees through the sharing of success stories.

Status transfer is one of the three mechanisms of customer reference marketing (Jalkala 2009). The effects of status transference are larger in smaller companies or in firms which have settled more recently in the market than in larger companies that have a higher level of reputation (Jalkala & Salminen 2010). A vendor can close a deal with low or no margin in anticipation of gaining a valuable customer reference (Ruokolainen 2008a; Helm & Salminen 2010). The first customer reference is especially important for start-up technology companies seeking to enter a new market (Ruokolainen 2003; Ruokolainen 2007; Ruokolainen 2005b; Ruokolainen 2008a; Ruokolainen 2008b; Ruokolainen & Mäkelä 2006; Ruokolainen & Mäkelä 2007; Gomez-Arias & Montermoso 2007; Ruokolainen 2005a; Ruokolainen & Igel 2004).

Why do customers participate in referencing activities and programs?

Jalkala and Salminen (2010) contended that customer reference marketing takes place at the relationship level as vendors use their relationship with the reference customer as a marketing device. At the relationship level, the reference creation process starts by assessing the benefits both actors gain from being associated with each other. Nevertheless, Helm and Salminen (2010) defend that vendors select customers references that: (i) are satisfied with the supplier's products and services; (ii) have needs similar to potential customers' needs; and (iii) are easily accessible to potential customers.

Salminen (2001) argued that the reference customer extracted two different kinds of value received from a reference visit. The first takes place at the level of the customer manager who facilitates the reference and includes the possibility to discuss the equipment and development of production processes with colleagues. The second takes place at the level of the company and refers to: (i) receiving a good service from the supplier (if it proves to be useful reference site for the supplier); (ii) a potential discount on the yet unpaid spare part invoice; and/or (iii) a "free" service visit before the reference visit. The work of Salminen did not target the referencing customer but assumed these conclusions by interviewing the supplier. In this context, the referencing customer is a passive example customer.

Nevertheless, in a recent research, Aarikka-Stenroos (2009) suggested four dimensions in which it is possible to categorize the customers' motivation to participate as reference in a customer reference process: (i) social dynamics or reciprocity effect; (ii) satisfaction with the offer acquired; (iii) self-confirming effect; and finally (iv) motivation derived from the halo effect. The authors also argued that the usage of monetary compensation to acquire customer references destroys its credibility, damaging the positive network effects generated by its promotion. These recommendations are consistent with the work of Olaru et al. (2008) who states that reference customers should be included in joint communication strategies like: (i) referencing; (ii) presenting joint papers at industry conferences; (iii) publishing joint articles in the industry media as well as standard academic journals; and (iv) development of case studies to use in marketing campaigns.

What practices are being used by vendors to promote customer references?

The practices by which the references are acted upon include visits, lists and brochures that mention the reference cases, as well as suppliers' corporate websites (Jalkala & Salminen 2009a). On the other hand, customer references are also used in: (i) seminars; (ii) articles in trade journals; (iii) press releases; and (iv) promotional material (Salminen 2001).

Romanainen and Salminen (2008) highlighted the importance of customer references in the release of "industrial innovations" and suggested a framework to build a portfolio of customer references in this area. The portfolio of customer references is an important asset as it allows demonstrating the value delivered to the customer and forms the basis for the development of credible value propositions (Jalkala & Salminen 2008). Jalkala and Salminen (2008) suggested that for an industrial supplier an important competence is the ability to systematically build, manage and use the company's portfolio of customer references. In this sense, these authors identified several routines that can be adopted for this purpose. These routines are not the sole responsibility of the marketing department, since their presence should exist across various different functional areas of business.

What messages are being conveyed by vendors in using their customer references?

Jalkala and Salminen (2005) suggested that firms are able to use reference descriptions to build different organizational images. Based on empirical research, these authors (Jalkala & Salminen 2009a; Jalkala & Salminen 2005) identified the main discourses that structure the reference relationship. Three main discourses were acknowledged: (i) the "discourse of benefits" which features the offer business benefits; (ii) the "discourse of commitment" which describes the suppliers ability to develop partnerships and commitments to the customer through strong relationships; and (iii) the "discourse of technological expertise" that reveals the suppliers expertise in the field.

The dominance of the benefits discourse can be justified by its ability of communicating the value of the existing relationship in a credible manner. This sort of credibility is especially relevant in complex projects where the supplier's capability to generate customer value is critical. The authors claimed that "concrete benefits, such as the estimated amount of cost savings, are an efficient way of communicating the value of the relationship in a way that can be easily evaluated by the potential customer". Thanks to this kind of content, the customer is able to estimate the benefits but also the associated costs, in order to make a decision on whether or not to invest in the 'offered' or 'proposed' relationship.

Anderson, Kumar, & Narus (2007) emphasized "customer value calculators" and "value case histories" as extremely effective sales tools. The authors argue that these tools must provide evidence to potential customers about the superior value of the vendors offer. This evidence should be factual and based on real benefits (e.g. total cost of ownership) that other customers already received with that offering. As a result, the most adopted forms of marketing customer references are: (i) case studies; (ii) customer cases; and (iii) success stories (Jalkala & Salminen 2009a). These forms involve the description of the problem a customer is facing, the solution generated by the vendor and the customer assessment of the outcome or customer value.

Customer references also have an important role in heavy equipment or capital equipment business (Salminen 2001). In this context, the characteristics of a good customer reference communication were investigated by Salminen, Janos, Pekkarinen, Jalkala, and Mirola (2008). This research suggested the adoption of the Characteristics Reference Model which points out four relevant factors in a good customer references communication. In order of importance they are the following: (i) the application and desired benefits similarity; (ii) suppliers expertise, reputation and credibility; (iii) relationship longevity, commitment and

trust; and (iv) the degree of similarity between the customer that awards the reference and the potential customer.

## Discussion

The above revised literature suggests that it is possible to mention the existence of a discernible body of knowledge that deals with the customer referencing practice. Contributions to this theory arrived from several authors but primarily from within the Industrial Marketing and Purchasing Group (Axelsson & Easton 1992; Ford et al. 2003; Håkansson 1982; Håkansson & Snehota 1995; Turnbull & Valla 1986). ‘Customer reference’ is a concept seldom used in the business-to-business marketing literature (Salminen & Möller 2006; Jalkala & Salminen 2009a; Jalkala & Salminen 2010). However, customer referencing is an important component of marketing practice, recognized as such by practitioners and managers (Jalkala & Salminen 2009a). Salminen and Möller (2006) argued that this practice is theoretically understudied, considered its relevance to management practice. Consequently, the authors presented a theory that aims at a better understanding of the behaviour of customer references which they called the Normative Theory of Referencing (Salminen & Möller 2006). In this work, the authors proposed a conceptual framework which identifies the key modes of using references in industrial marketing and the factors that influence the need and relevance of referencing. The framework also tries to define the tasks assigned to references building and the business contexts where they are primarily employed. The authors of the present study consider the Normative Theory of Referencing (Salminen & Möller 2006) as the major stream of thought featuring customer referencing, based on which other scholars contributed with additional ideas which enhanced its comprehension.

One of the interesting facets of the research done so far has to do with the triadic relationship setting (Salminen & Möller 2006; Helm & Salminen 2010; Salminen 2001) that takes place during the generation, development and promotion of customer references. This particular triadic unity — also referred to as the reference triad — involves three actors: the reference customer, the potential customer and the supplier. This relationship benefits them all (Helm & Salminen 2010). Otherwise, the reference phenomenon would not take place, assuming that the reputational effect that derives from it is due to the fact that all the three actors agree to participate from free will. Let’s look at a counter example. Let’s suppose that the different bargaining power of each actor might hide non explicit forms of persuasion. In this case the credibility of the reference would be jeopardised once the dyadic relationship established between the potential customer and the reference customer would reveal fragilities in the relationship between the vendor and the reference customer. Therefore, the triadic setting only takes place when all parties participate in the referencing network by free will.

According to Helm and Salminen (2010) the reference relationship demands for significant relationship-specific adaptations in both companies. Nevertheless, in the literature on customer referencing nothing is stated regarding the potential customer (Morgado & Castro 2015), that is to say, the adaptations it might go through in this relationship as it is also a member of the reference triad.

The vendors’ motivation towards customer referencing is grounded in literature, as seen above (Salminen & Möller 2006; Helm & Salminen 2010; Salminen 2001). The reference customer motivation to participate in customer referencing endeavours is also identified in literature although one might question if the real motivations for this involvement have all been identified. For instance, one motivational ladder, which is not referred to is the corporate and individual pride to engage in a reference success story. Another ladder is its investment in the relationship with the vendor. This is probably the main source of motivation for reference customers to publically disclose relevant business information

associated to the value they have received from the acquired products or services. In addition, the self-confirming effect is also stated as a strong motivation to participate in customer referencing activities. It is possible that this has to do with the necessity to communicate internally (i.e. inside the reference customer organization) the correctness and the benefits of the decision that has been taken.

According to Salminen (2001) the potential customer benefits from referencing due to: (i) the possibility to see and try a supplier's equipment in real working circumstances; (ii) the possibility of closing a deal; (iii) the possibility to evaluate a supplier; (iv) trust building between one's own personnel and the supplier; and (v) possibility to also conduct a supplier visit to a supplier's plant during the same trip. Nevertheless, this list of benefits has been conjectured out from research that didn't specifically target the potential customer. This is why in our opinion some of these benefits might look somehow fragile as they make sense from the vendor's point of view but may not from the potential customer perspective. This is the case of benefits (ii), (iv), and (v). The benefits that are relevant for the potential customer are the access to observe a supplier's equipment in real working circumstances and the possibility to evaluate a supplier, especially if a customer value assessment takes place by having access to unbiased technical and business data like the one the reference customer is able to provide.

Unfortunately, research featuring what takes place after the collection of unbiased technical and business data does not exist. Therefore, the authors don't know how and in what circumstances the potential customer is using this data nor if the resulting insights are being considered in the buying decision process. Moreover, due to the lack of field research it is possible to question the existence of the reference triad as we don't have evidence of it. As a result, one might claim that customer references do not contribute to the competitiveness of the firm. On the opposite side, evidence of the existence of the other two dyads do exist and are well documented in customer referencing literature.

As it has been said previously, the existence of the reference triad presupposes that some level of relationship adaptation occurs in all its members. But, unfortunately the adaptation that takes place on the side of the potential customer has yet to be better understood. To be effective, this relationship-specific adaptation should take place at the level of the buying center of the potential customer and new research should be able to capture it by describing the buying process of capital goods. If the persuasion capability of the 'benefits discourse' is in fact strong, it should have some degree of influence on the potential customer and specifically on its buying behaviour. This effect should also be mirrored in the relationship the potential customer is able to establish with the reference customer.

Reference triad research should aim to describe and understand not only how far it influences the buying decision but also to reveal the internal processes and events that take place, especially in what concerns the potential customer. New research should aim to understand which of the elements of the buying center deals with the reference data analysis and therefore how it is gathered and analysed. In addition, new research should also profit from the opportunity to identify and understand the potential customer motivations to establish a dyadic relationship with the reference customer. A better and more profound knowledge of this mechanism would be relevant for managers who strive to use references as marketing or purchasing tools. Further research should also aim to generate insights on who from the buying center is exposed to reference marketing once it's to be believed that not all members are engaged in the same way. Furthermore, insights on the influence of each of the three discourses by members of the buying center would also be relevant for managerial purposes. The same applies to the diverse reference practices.

On the other hand, one must also consider the possibility of finding low levels of relationship adaptation in what respects the dyadic function established between the potential customer

and the reference customer. In this case, a different set of questions should be raised, namely the ones that might help to understand why this takes place. In detail, research should aim to explore the nature of the reference discourse and the utility it provides for solving the potential customers' problems or buying decision. A different possibility might take place not due to the utility but due to the credibility of the source of the message. In this case, the practices used for customer referencing should also be assessed, as some will most likely be more effective than others. To this respect, establishing direct contact with the reference customer would probably be more effective. Therefore, research should aim to study this possibility and to observe the ways it is being managed. To sum up, this setting assumes a (albeit implicit) framework.

#### Literature gap

Although conceptually valuable, the theory of customer referencing is empirically problematic. Empirical work to support a comprehensive theory of customer referencing is still scarce. This is supported by Table 1 that exhibits the disparity between the research that had the supplier as the unit of empirical observation and the research that had the other two remaining elements of the reference triad under study.

Three exceptions should be considered. The first is the work of Ruokolainen and Mäkelä (2007) where the view of the potential customer is present. However, it appears as a non-core element in this research process and can't be considered as significant as the view of the supplier.

The second is the work of Ruokolainen (2008a) which brings in the view of the potential customer as a way to gain a better understanding on the meaning of the customer reference under study. For this purpose the author interviewed the "Human resource manager of the potential customer". This is a highly questionable research decision because in the majority of firms it is not common to locate the human resources manager as a member of the buying center. An exception to this circumstance arrives from products and services dealing with specific human resources buying needs. Unfortunately, this was not the topic addressed in the study of Ruokolainen (2008a).

The third exception is the work of Aarikka-Stenroos and Makkonen (2014). This is the most interesting work as it isolated the potential customer as the single unit of analysis. The authors argued that "instead of learning only from mere customer references, suppliers also need to employ other means in order to reveal more relevant experience-based information". This research deals with three different concepts at the same time, bundling them under the term "experience-based information": customer references, referrals and word-of-mouth. Unfortunately, the comprehensive understanding of the role customer references play in the buyer decision is lost. This is the case because this research dealt with these three elements simultaneously. Although the authors claimed a contribution to industrial marketing literature (by examining references empirically from the buyer's perspective), it is not possible to understand the influence of customer referencing in the buying decision. In fact, this research not only combined three dimensions under the same umbrella as it did not allow the reader to isolate the contributions of each to solve the presented "complex buying decisions".

It is therefore possible to confirm the suggestion provided by Jalkala and Salminen (2010) who recommended shifting the research focus away from the seller towards the perspectives of potential customers and reference customers. Aarikka-Stenroos (2009) already tackled the reference customer perspective by suggesting four factors in which it is possible to categorize the customers' motivation to participate in a customer reference process: (i) motivation to develop markets: keeping competition sharp, facilitating new entrances with new offerings; (ii) relational motivation towards the seller party: satisfaction, advocacy, goodwill,

partnership; (iii) collective motivation towards seller or buyer party: social control, reciprocity, social reward, mentoring, involvement on the common topic, liking, duty to help peer; and (iv) individual, self-interested motivation: indirect monetary rewards, halo effect, self-confirmation. Thus, empirical work to confirm these hypotheses is also an open research opportunity albeit it won't be the target for the present work.

Moreover, the relationships that emerge from the reference networks should also be studied because they contribute to the understanding of the customer referencing practice. Salminen and Möller (2006) suggested the creation of case studies featuring companies that represent best practices in referencing behaviours as a way to gain deeper knowledge in this area. According to these authors, this research should be done from the networks perspective promoted by the Industrial Marketing and Purchasing Group. They also suggested that it's important to quantify the number of strong and weak ties established between the actors in order to evaluate the influence of the relative value of references, and emphasized the need to conduct additional empirical research in this area.

Within the Industrial Marketing and Purchasing Group perspective it is suggested that the use of references allows a firm to gain a more favourable trading position. For instance, Håkansson and Snehota stated (1995, p. 18) that "One of the most common ways to evaluate a new partner is through references, i.e. by investigating how it has handled earlier relationships".

In sum, it remains unclear how customer reference marketing influences the buying center to acquire goods from a specific vendor. Accordingly, the purpose of this study is introduce a conceptual framework which will be able to contribute to organizational buying behaviour literature by describing the facts and circumstances associated with the customer reference practice and to explore ways in which they take place from the potential customer point of view. Given these facts and circumstances it is necessary to include the study of the relationships which provide a solid background for the emergence of the reference network.

## CONCEPTUAL FRAMEWORK

This study ex-ante conceptual tentative framework focuses on five sets of related variables, assembled in the following five constructs: (i) the buying center; (ii) the buying behaviour; (iii) the customer references; (iv) the reference relationship adaptation; and (v) the reference benefits (from the buyer perspective).

The first three constructs — the buying center, the buying behaviour and the customer references — affect the dyadic reference relationship established between the reference customer and the potential customer. This temporary adaptation (Holma 2009; Helm & Salminen 2010) allows the active buying organization to benefit from customer referencing. This benefit is apprehended by observing the following capabilities: (i) to assess the vendors' reputation; (ii) to establish the vendors' credibility; (iii) to evaluate the suppliers' competence; (iv) to reduce the buying decision associated risk; (v) to learn how to successfully deploy an innovative technology; and (vi) to forecast the return on investing on a new product or service. These capabilities are temporary as they relate to the relationship which is established with a single provider. Nevertheless, in the context of capital goods acquisition, they might offer a strong source of superior business performance to the buying organization by avoiding a wrong selection of the vendor or solution.

According to Holma (2009) and Helm and Salminen (2010), adaptation is a central feature of a reference relationship setting. In the present conceptual framework, the concept of reference relationship adaptation is apprehended by three variables: (i) the involvement, that is, the existence of members of the buying center that establish a conversation with the reference customer; (ii) the catalyst, in other words, the members of the buying center who actively

promote customer reference materials and its analysis inside the buying firm; and (iii) the motivation, to be more precise, the driving forces that inspire the buying center member to act as a reference analyst and as an internal promoter of reference information. If this change does not occur then it is not possible to claim the existence of a reference triadic network or its benefits mentioned in the industrial marketing literature.

All the above mentioned constructs and variables are detailed in Table 2.

Based on the above mentioned constructs and variables, the authors built an analytical theoretical and tentative framework in which they suggested relations among themselves. The ex-ante conceptual framework is represented by Figure 1 and will be empirically tested in the energy industry.

From a critical realist (Sayer 2000; Sayer 1997; Archer et al. 1998; Easton 2002) perspective the authors will set off this research by considering the buying center, the buying behaviour and the customer references as objects engaged in the same structure. This structure might possess casual powers like the reference relationship adaptation. If that is the case then (under specific conditions) the above mentioned structures will produce effects, like for instance the reference benefits. The present research intends to uncover all these elements featuring the selected theoretical framework. Furthermore, it will also try to uncover liabilities, conditions and additional effects that may surround the three described reference objects. In detail, the authors will move towards understanding what liabilities and conditions may inhibit or catalyst the reference relationship mechanism to deliver the reference benefits effect. This research will also aim to test the above presented theoretical framework from a critical realist approach.

## METHODOLOGY

Empirical work done so far in the field of referencing has had its main focus on the supplier as the main unit of empirical observation and has ignored the other constituents of the reference triad (Helm & Salminen 2010): the reference customer and the potential customer. Furthermore, Ruokolainen (2008b), and Salminen and Möller (2002) suggested that more theoretical models featuring customer references are needed. More importantly, Jalkala and Salminen (2006) and Salminen and Möller (2002; 2006) argued that future research on customer references should take place in the context of the industrial networks theoretical approach. There is also a need for additional qualitative research, especially case studies, because it increases the understanding of the customer references phenomenon and provides additional and far-reaching insights of the variables related (Ruokolainen & Mäkelä 2007; Salminen & Möller 2006; Salminen & Möller 2004). Contrary to this understanding, Ruokolainen and Mäkelä (2007), Ruokolainen (2008b), and Salminen and Möller (2004; 2006) argued that running large-scale statistical studies would play a significant role in what regards the prevalence of the conceptual frameworks associated to customer references. The present research is descriptive (Zikmund 2003; Saunders et al. 2003) and adopts a research strategy based on case study (Yin 1989; Stake 1995; Shanks 2002; Darke et al. 1998; Halinen & Törnroos 2005; Easton 1998; Gummesson 2007; Woodside & Wilson 2003; Patton & Appelbaum 2003; Easton 2010). Several authors (Salminen & Möller 2006; Salminen & Möller 2004; Ruokolainen & Mäkelä 2007) recommended case studies as the main research strategy for customer references research. In this research the authors follow a methodological framework which includes recommendations such as those provided by Eisenhardt (1989), Yin (1989; 2011), Stake (1995), and Dul and Hak (2007). The energy sector is chosen as the empirical field for this research. Jalkala and Salminen (2009b) recommended that future research should consider different industry sectors from the

ones that already have been studied. According to these authors, by following this recommendation it is possible to broaden the scope of the theory of referencing.

Ruokolainen and Mäkelä (2007) acknowledged the market for complex technology products as a “reference business” because in this setting references are emphasized by corporate customers. In “reference businesses” corporate customers typically buy complex, high technology, products or services. The energy industry possesses the features of a reference business and it hasn’t been yet the subject of customer referencing research.

According to Salminen (2001), customer references play an important role in heavy equipment or capital equipment business. This idea is also defended by Salminen and Möller (2004) who claimed that references play a key role in the bidding process of capital equipment. Additionally, Salminen and Möller (2006) described the contextual factors affecting the importance of references. They argued that high technological and market uncertainty raises the relevance of customer references by augmenting the potential customers perceived risk. Among others, these uncertainties are impelled by the total amount of investment and by the innovation embedded in the offered product or system.

This is an interesting context because all players in energy sector are committed to high capital investments. Contrary to other industries, energy firms possess a broader scope of vendors to work with, as the buying of capital goods is not prearranged in a vendor’s shortlist, neither bounded in the form of “strategic partnerships”. The buying of capital goods has already served as a field for research, like for instance in the work of Cunningham and White (1974) where these authors pointed out some specificities regarding the output of the interaction process. They claimed that the buying of capital goods, like for instance machine tools, is a negotiation process where the formulation of the need of the buyer suffers a modification according to what is available in the market. The authors believe that capital buying decisions provide an interesting research context as they allow customer references to be more explicit in vendors marketing activities.

Customer referencing stream of research arrives from two different geographies: the north-European and the north-American. In reality, contributions arriving from geographies other than north-European are scarce. Therefore, one might consider that this research topic has been dominated by authors belonging to the north-European stream. This fact confirms the pertinence of having empirical research arriving from other countries, like for instance Portugal. Due to this reason, authors restricted the present research to firms operating in in this country.

The unit of analysis selected for this research is the transaction managed by the buying center of the potential customer, a subset of the reference triad (Helm & Salminen 2010). Holma (2009) addressed the complexity of business relationships, having the topic ‘adaptation’ as the main phenomenon under investigation and the ‘triadic relationship setting’ as the research structural context. According to the author the triadic approach to business relationships is relevant, not only in situations where an intermediary is involved, but also where the three actors are directly connected with each other, which is the case of customer referencing. The focus of that study was the triads in the context of corporate travel management. It integrated theory from the industrial network approach and theory from the sociological landscape, which were used to understand the triadic relationship setting. However, the author states that only a few studies applied this approach due its difficult application in the research practice. This conclusion supports the argument presented in the present work, to be more precise, the decision to focus on just one side of the reference triad.

The particular kinds of triads that are investigated in the present research are the reference triads. The concept of reference triad considers that interaction takes place among three key actors: the seller, the buyer and the reference customer (Helm & Salminen 2010). The broad entity of theoretical inquiry for this research is, therefore, the reference triad and it will be

studied through the lenses of one specific actor: the potential customer. In concrete, the fieldwork is carried out by tackling the buyer perspective which means that the potential customer is selected as the unique source for data collection. In short, the present research has the transaction managed by the potential customer as the unit of empirical analysis. This decision might be questionable from the Industrial Marketing and Purchasing Group perspective. According to Gemünden (1998) authors who contributed to develop theories about relationships use only one side of the dyad in their empirical research. Therefore, the Industrial Marketing and Purchasing Group framework overstates the relationship — and not the transaction — as the selected unit of analysis. Nevertheless, this decision is maintained due to both operational restrictions and theoretical concerns. From an operational standpoint the authors don't possess enough resources (e.g. time and access) to broaden this research scope (at least at the present moment). From a theoretical stance they aim to integrate the North American perspective (Sheth 1973; Webster & Wind 1972; Webster 1965; Wind 1978; Sheth 1996; Kennedy 1983; Robinson et al. 1967; Johnston & Lewin 1996) in this research which means bringing the buying center and the transaction into a more visible position. Concerning the collection of primary data for the case creation process, semi-structured interviews followed a generic predefined outline supported by an open questionnaire (case protocol). In addition, side comments and additional relevant elements given by respondents were also valued as secondary data. This approach is considered useful, especially when there is a need to study more subtle issues and when long answers are required to deeply understand the topics being reported by respondents (Ackroyd & Hughes 1992). The data collected from the interviews provided the strong empirical foundation for the theoretical contribution that emerged from this research.

## THE CASE OF REN

Founded in 1994, REN is an energy transmission company. It became an independent company in the year 2000 due to the unbundling of the Portuguese electrical sector. Today (2015), the firm is a listed public limited company counting with 30% of free float. In addition, 25% of shares are owned by State Grid of China and 15% by Oman Oil. REN operates in two major business areas: (i) the transmission of electrical power (electricity); and (ii) the transport of high-pressure natural gas. To achieve this aim, the firm manages both the national electricity system and the national natural gas infrastructure. Its mission is to ensure an uninterrupted supply of electricity and natural gas at the lowest cost with quality and safety. The firm manages a total amount of fixed assets estimated value of *circa* five billion euros.

REN operates the National Transmission Grid which connects power generating units to consumption centres, ensuring a balance between energy supply and demand. REN is the single electricity transmission entity operating in Portugal. The grid feeds the distribution network which supplies end customers. The distribution network is managed by private firms which are responsible for servicing and billing end users.

Transmission networks transport electrical power from generating units to demand centres. Electricity is generated using primary energy sources such as water, natural gas, fuel oil, coal, diesel, sun, biomass, and wind. Hydroelectric plants, thermoelectric power stations, wind farms, co-generation power stations and photovoltaic plants are used as power generation units. The transmission infrastructure carries electrical power long distances, aiming to reach local distribution networks. Between the power generating units and the consumer, electric power flows through several different voltage levels in order to increase its efficiency of transportation. Substations transform voltage from low to high, or the reverse. A transmission substation is a part of an electrical system connecting two or more transmission lines. A

substation includes transformers to change voltage levels between high transmission voltages and lower distribution voltages.

REN is a TSO, that is to say, a transmission system operator. A TSO is in charge for transporting energy using fixed infrastructure like transmission lines. A TSO moves electrical power from generation units belonging to private firms (e.g., EDP, EDP Renováveis, Tejo Energia, and others) over the electrical grid to the distribution firms (e.g., Endesa, EDP Distribuição, GALP). The transmission of extra high voltage electricity (150, 220 and 400 kV) within Portugal is managed by REN due to a concession contract that includes the planning, construction, operation and maintenance of the National Transmission Grid. This grid has a total length of 8733 km, being 2434 km of 400 kV lines, 3565 km of 220 kV lines, and 2734 km of 150 kV lines.

The term TSO is often used by the European Commission to refer the natural monopoly that emerges from the cost of establishing a transmission infrastructure. Due to their monopolistic nature, TSOs are frequently subjected to regulation. Although being a private firm, REN is subject to diverse legal and regulatory standards and operates under a public service concession contract. In this context, the firm has the obligation to guarantee an uninterrupted supply of electricity and natural gas to mainland Portugal. In addition, REN is obliged to follow the Portuguese law for procurement. The firm is, therefore, not able to use some more aggressive purchasing techniques.

### The buying behaviour

Since 2010 REN has a centralized procurement department, which is in charge of the acquisition of goods and services. Before 2010, the operational departments were responsible for buying capital goods. The firm's procurement department handles all sorts of products and services directly related to its two core business activities. The acquisition of capital goods is, therefore, indispensable to the firm's reason d'être. Contracts featuring electrical grid expansion, construction of electrical substations, renewal of substations, building of new gas pipeline sections, liquefied gas storage terminals, and gas cave storage systems, serves as an example of capital investment managed by the procurement department. Beyond these, the purchasing service also handles the buying of services related to supporting the business activity, like for instance cleaning services, surveillance services, information systems (IT), and others. Nevertheless, the procurement department is not involved in the acquisition of strategic consulting services, real estate, financial products, and legal services.

According to the procurement director, capital goods are all the goods belonging to the assets of the firm. The buying of capital goods starts by listing the needs in the firm's investment pipeline, also referred as the Annual Procurement Plan. This plan strives for: (i) defining acquisition strategies according to each purchasing category; (ii) aggregating acquisition volumes; (iii) identifying potential sources of synergies; and (iv) savings increase for the company. The Annual Procurement Plan is managed within the investment department, which is not a financial organization but more like an engineering group, mostly made up by project managers whose mission is to assure a correct integration of new gear into the existing infrastructure. The Annual Procurement Plan is approved by an investment committee which takes place twice a year. This committee gathers the chief operational officer, the chief financial officer, the planning and engineering department, the procurement department, the investment department, and the operations department. The investment committee only deals with investments worth more than five million euros.

Several operational departments of the firm (like the planning and engineering department) are engaged in forecasting infrastructure development, aiming to guarantee an uninterrupted energy supply of energy to the country. Diverse sources of information are used for this

purpose, such as demand forecasts. Once approved, investments are remunerated according to the Portuguese law which details the related rate of return. The remuneration amount is incorporated in tariffs and paid by consumers.

The firm's adopted procurement model lies on splitting responsibilities between three different bodies: (i) the service responsible for specifying the purchase need (one of the several operational departments); (ii) the service responsible for the negotiation (the procurement department); and (iii) the service responsible for managing the contracts and payments (the operational or the technical departments). Rules and procedures were set to frame the purchasing mode of operation which applies to the whole firm. This procurement model aims to reduce the total cost of ownership of the infrastructure managed by the firm. Before launching a new request for proposal, the service responsible for specifying the purchase need and the purchasing department needs to agree on the details of each tender, like its timeline, weight of the criteria price, approach to vendors, terms of payment, among others. According to the procurement director, the implementation of the present procurement model was not gathering much consensus as operational areas were highly concerned with the weight of the criteria price which could often go up to 90%. Operational areas claimed that price could not achieve these sort of amounts in the buying of equipment considered as "strategic", resulting in the acquisition of lower quality gear which could jeopardize the firms' mission. According to the same source, nowadays this concerned has been overcome and operational areas are comfortable with the weight of the criteria price. To reach this level of contentment, the procurement department has put in place a set of measures like rigorous acceptance procedures, manufacture tests, factory visits, among others. Sometimes, REN contracts firms specialized in auditing the manufacturing of complex electrical grid equipment.

The procurement process defines all the procurement stages, as of the identification and planning of the necessity to the payment of the invoice. It also frames all the activities related to suppliers' management. The operational department becomes responsible for the management of the contract as soon as the approval of the selected proposal takes place. The contract is managed according to the terms and conditions agreed with the supplier. The acceptance of the supplied goods enables suppliers invoicing and subsequent payment.

The suppliers' management model comprehends: (i) the suppliers' qualification system; and (ii) the evaluation processes. The suppliers' management model enables potential vendors to be invited to reply to a "request for proposal". REN uses the qualification system to shorten the amount of suppliers it has to deal with (aiming at reducing the overall costs associated with suppliers' management). Nevertheless, the firm claims it applies several ethical principles like fair competition and equality of treatment to all potential suppliers. The firm also claims that these principles lie on a set of objective and rigorous criteria aiming to assess suppliers' capabilities.

Selected vendors reply to REN's request for proposal after receiving an invitation. The proposal is presented to the firm in two different documents: (i) the commercial offer; and (ii) the technical offer. Each commercial offer is analysed by the procurement department whereas all technical offers are studied by the service responsible for specifying the purchase need. Above all, the procurement department validates competitors' compliance regarding formal technicalities demanded by the initial tender requirements. These initial tender requirements are not subject to negotiation once they emanate from the procurement policy of REN. Afterwards, the procurement department produces a report featuring all received commercial offers and the same applies to the service responsible for specifying the purchase need, which will also deliver a report reviewing all the received technical offers. Both documents are subject to appreciation by the board that then decides on the overall winning offer. In order to award a contract to a supplier, REN discloses a contract expecting its

agreement to all clauses. According to the procurement director, firms arriving from the USA are the ones that argue the most against this modus operandi as they habitually pursue to negotiate contract terms.

### The acquisition of two transformer units

The procurement department was recently (2014) in charge of purchasing two transformer units featuring 170 MVA (220 V/60 kV). This investment was approved by the investment committee because it was part of a bigger investment featuring the renovation of two substations. In this case, the option was to split the initial overall contract into smaller parts. Although operational departments prefer to buy “turn-key” solutions (as they are easier to manage), the procurement department opted for the unbundling as it increases the gains of a better procurement process, claims the procurement director. Nevertheless, operational areas made an effort in maintaining the *status quo* during the suppliers’ qualification process by promoting incumbent vendors.

An electrical transformer is a device that transfers energy between two circuits by means of electromagnetic induction. Transformers technology features long innovation cycles. Therefore, it is possible to characterize it as being conservative. The procurement director of REN defends that in this business context is harder for new entrants (like the Chinese players) to gain new accounts.

These two new acquired units served to amplify two different substations belonging to the National Transmission Grid managed by REN. In the words of the procurement director, this purchase was considered strategic as the security of the grid depended on these two pieces of gear. These two units would cover two points of the grid considered as fragile. In case of failure, each point of the network would affect several thousands of homes that would run out of electrical supply. It’s often common that a transformer weights up to 120 tons. This trait causes complex logistic troubles in case a transformer needs to be repair back in the factory where it was built. In addition, the market does not offer transformers for rent in order to overcome a repair situation.

The tender specified the features of the gear to be acquired and the associated installation services but it didn’t include any additional maintenance or repair services. According to the procurement director this is a normal procedure in similar buying contexts as the useful life span of this kind of equipment pieces is considered to be much expanded. The adopted procedure is to run stronger and less regular interventions to guarantee the equipment working conditions. These interventions target an individual contract, most often unveiling large sums of euros, and in general taking place in cycles of 10 years.

After the initial approval, the buying process took four months to complete. The planning and engineering department defined equipment specifications whereas the negotiation was managed by the procurement department. This supply is considered as build to order and not build to stock, as the transformer will be built according to RENs’ specifications. The delivery is estimated to take one year.

The Executive Committee was also involved because this purchase dealt with economic figures that required its guidance and approval. The planning and engineering department reported to the chief operational officer and the procurement department reported to the chief financial officer. both the chief operational officer and the chief financial officer were members of the firms’ executive committee. All these elements configured the buying decision unit.

The list of vendors qualified to supply the two transformer units were the following: (i) ABB; (ii) Alston; (iii) Efacec SA; (iv) Hyundai Heavy Industries; (v) Shandong Electric Power Equipment Co.; and (vi) Siemens AG. The planning and engineering department had a close

relationship with the vendors ABB, Alston, Efacec SA, Siemens AG while the procurement department related more closely to Shandong Electric Power Equipment Co. and Hyundai Heavy Industries. The procurement director argues that suppliers wishing to sell to a new customer usually run into the purchasing service (using it as the entrance door) while present and actual vendors strive in consolidating relationships they already have with operational areas. Purchasing services make good entrance doors as they value increasing rivalry among competing suppliers.

In the past, REN awarded similar contracts for the sourcing of transformers to players like Efacec and a Chinese firm. This time, the winning bid was set by Siemens AG featuring a price of circa 2,5 million euros. The second bid was circa 100 thousand euros more expensive. The criteria price accounted for 90% of the proposal assessment while the remaining 10% were significantly represented by the number of years of guarantee. Siemens AG decided to manufacture these two transformers in a factory located in China. This factory is owned by Siemens AG. This decision allowed Siemens AG to offer a highly competitive price, which led it to winning the tender. The procurement director argues that Siemens pricing decision was strongly linked to competing with a Chinese firm. Nevertheless, the manufacture of Siemens transformers in a factory based in China caused some level of anxiety in the operational teams which was later surpassed with the support of the procurement department. To reach a level of 90% in the criteria price, one needed to detail in precision all the specifications. This level of detail was only possible to achieve because REN has previous solid experience in the buying of transformers.

#### The handling of customer references

Customer references are requested by the procurement department during the suppliers' qualification process. According to the procurement director, customer references constitute a major component of the suppliers' qualification, being the most relevant dimension for vendors' assessment. They allow assessing vendors' competence, associated risk, degree of innovation, know-how and experience. In fact, a vendor who does not present customer references is not qualified. Nevertheless, customer references are not used to assess suppliers' reputation, neither its credibility. The procurement director defends that sometimes the market is filled by rumours and their attendance can be misleading.

The procurement director of REN argues it's often common that conversations featuring references take place during seminars, events and summits gathering electrical industry purchasing professionals. In addition, it's also common that electrical industry purchasing professionals exchange emails and phone calls with the same goal, as well as with the objective of exchanging experiences, become aware of novelty and best practices, among others.

The procurement director claims that, in general, a proper language exists among purchasing professionals. Within this group, they only reveal that they have a relationship with a supplier or, in the opposing direction, they state that the relationship is bad. There is not a middle term. One should not expect a customer telling good things about a supplier. According to this source, purchasing professionals expect their present suppliers to perform according to their expectations; otherwise they wouldn't contract them. Being a good supplier is what is expected from the procurement department point of view.

The procurement director also reveals that operational teams also have communication channels where they are able to confirm customer references. Nevertheless, the procurement department is more active in this practice as it is responsible for driving the suppliers' qualification process.

Outside the scope of suppliers' qualification process REN encourages workshops with suppliers where they present new products and technologies. In this environment is often common that vendors reveal customer references in the form of business cases. These cases exhibit a solution provided to address a customer need and its associated business benefit, like for instance cost savings. In the past, similar cases have already led to identify several buying needs. Nevertheless, REN always takes in consideration the presented figures and adapts them to reflect their own reality. By adopting this procedure, the firm is able to build its own business case, for instance to deploy a new solution. In short, the procurement director of REN acknowledges the importance of customer references. She defends this is an important vehicle to learn and bring knowledge inside the firm. In addition, she also defends that these workshops are very useful for the procurement department as it helps to deal with (technical) dogmas professed by operational departments. These workshops are attended by operational areas and the procurement department in simultaneous.

References were requested for the tender featuring the acquisition of the two above mentioned transformer units. These references needed to detail the amount of units sold and to which customers, as well as making the respective contacts available. Hyundai's account team provided a complete portfolio of references, including detail reports of similar projects and photographs. In the opposite direction, the procurement department considered ABB's references as less valuable because they didn't reflected projects and customers similar to REN, in terms of dimension and geography.

The procurement director of REN contacted its counterpart in a Spanish TSO aiming at confirming references provided by the supplier Hyundai Heavy Industries. This contact was made during Hyundai's qualification process. The motive triggering this contact was disclosure as the conversation went on. Questions like "what is Hyundai sourcing you?" and "how is it running?" were placed by the Portuguese professional. The Spanish purchasing director acknowledged that it took him a long time before he could convince his operational departments colleague's to get Hyundai inside the suppliers' short list. He also added that at the date of the phone call all was running well in what concerns the relationship with Hyundai and the supplied equipment. He also shared former Hyundai references he had check in the past. All this information was given in an informal context, that is to say, no written statement was given to REN.

## DUSCUSSION AND ANALYSIS

In order to better understand the customer referencing phenomenon the authors built a conceptual framework for analysis aiming to test it empirically within the electrical power industry. The selected case offers a buying center composed by four actors: (i) the procurement director; (ii) the planning and engineering director; (iii) the chief financial officer; and (iv) the chief operational officer. From these four actors only two are exposed to customer reference marketing: (i) the procurement director; and (ii) the planning and engineering director. The case also reveals that these two actors have a positive and engaging attitude towards customer reference marketing.

The case of REN featuring the acquisition of two transformer units also allowed observing the buying behaviour of a TSO facing the buy phase "qualification of potential suppliers". Regarding the Buying Situation, this acquisition featured a modified rebuy.

In what concerns the different customer references discourses, the case offered immediate evidence for the discourse of benefits. This discourse takes place during the workshops the firm regularly promotes with vendors. In contrast, the topics commitment and technological expertise are subject for the conversations that, for instance, the procurement director establishes with her Spanish counterpart. As these conversations are not being promoted by

the vendor, they cannot be considered as a vendor discourse. The vendor doesn't have any kind of control on the content of the conversation. Accordingly, no evidence was found for the discourses of commitment neither for the discourse of technological expertise.

The reference practices present in the case of REN are: (i) the reference lists; and (iii) detailed descriptions of similar contracts. Reference lists are used during the qualification process of vendors. They allowed REN to check references with other TSO's. The last reference practice is also present in the case of REN by the hand of the workshops the firm promotes with vendors.

Findings also suggest the existence of a reference triadic network as reference relationship adaptation (Holma 2009; Helm & Salminen 2010) took place in the analysed case.

Adaptation was apprehended in all the three analysed dimensions: (i) involvement; (ii) catalysts; and (iii) motivation. Regarding the first dimension, involvement, researchers observed that both the procurement director and the planning and engineering department established proactive conversations with reference customers. The same does not apply to the other members of the buying center, the chief financial officer and the chief operational officer, as no evidence was found of their involvement with any sort of customer reference activity. Regarding the second dimension, catalysts, both the procurement director and the planning and engineering department were involved in promoting customer reference materials and its analysis within the company. Lastly, the driving forces inspiring the procurement director and the planning and engineering department to act upon reference information were identified. Their motivation to analyse reference information and to promote it internally within the firm was mainly related to the supplier's qualification process. In addition, the case also revealed a concern with the organizational learning process and its relation to customer referencing. Evidence of the role customer references play regarding organizational capabilities building is, therefore, also found.

Finally, research found evidence for referencing benefits like: (i) suppliers' competence assessment; (ii) buying decision risk valuation; (iii) innovative technology learning; and (iv) return on investing forecasting. On the other hand, the case didn't provide any evidence for the following benefits: (i) assess the vendors' reputation; and (ii) establish the vendors' credibility.

The revised literature on customer referencing presents vendors as being in control of their reference activities. Nevertheless, the case exhibits a buying situation in which the vendor is in scarce control of what is being stated about his customer relationships. Vendors don't place much effort in managing customer reference marketing, restricting their duty to elaborating reference lists and presenting success stories at workshops. In addition, vendors don't strive for adopting diversified customer referencing practices. The case only reveals two types of practices being adopted by vendors. The positive attitude that REN displays towards customer referencing allows considering that other referencing practices, like reference visits, could have an impact on the firms buying behaviour. The authors infer that this is an opportunity which vendors are not exploiting on their behalf.

The case also suggests that customer reference marketing influences the buying center of potential customers. The influence takes place at the level of uncovering buying needs and by positioning vendors inside the list of qualified suppliers. The uncovering of buying needs takes place at the workshops which are regularly promoted with RENs suppliers. These workshops are important for the firm as they are a source of organizational learning.

## LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

The present research presents limitations at three different levels. At a theoretical level, the main limitation arrives from the absence of other streams of thought like for instance

literature featuring organizational purchasing. At a methodological level, limitations arrive from the lack of other research strategies other than case study research. Finally, the main empirical limitation is the shortage of data about the dyadic relationships established between each of the three members of the reference triad, the focus on one geographic area, and the concentration on one type of industry.

As referred above, the use of only one side of the dyad in this empirical research carries some methodological constraints. Hence, an immediate suggestion for further research is to expand the empirical unit of analysis from the transaction managed by the potential customer to the entire triadic network and also to include all the established dyadic relationships.

Limitations for this research also emerge from the research method adopted: the case study. Due to the inherent lack of empirical generalization it allows no claim of statistically significant sample will be made for this work. In this sense, one suggestion for further research is to adopt quantitative methods as an additional form of research.

In addition, other industries should also be studied, for instance the telecommunications sector. This industry already served as the research field within the context of the Industrial Marketing and Purchasing Group. Nyström (2008) researched the Finnish telecommunications sector in order to understand the effects of convergence processes on business network dynamics. This work revealed the telecommunications industry as a proficuous field for research in the industrial networks context. Moreover, this industry is interesting because all major players are committed to high annual capital investments which are managed on a regular basis. Also, telecom industry features a technology renovation and rhythm of launch for innovative services that is high in comparison with other industries that have high capital expenditure.

One line of research related to the topic of customer references that hasn't yet been considered and truly analysed is the usage of success stories as an instrument of customer reference marketing. Success stories aren't yet classified neither deeply documented by theory. They might act as part of what Håkansson (1982, pp. 22, 25, 31) describes as being the "institutionalization" of the "interaction process". Still, from a theoretical point of view we know very little about this phenomenon and the relevance it has, if any, in the customer-vendor relationship.

The authors believe that research actors should jump into this greenfield as, recently, it has become an area of increasing marketing expenditure and investment for companies. A useful contribution to management would tackle the development and suggestion of "best" practices to put in place this form of customer referencig.

## CONCLUSION

Literature on customer referencig raises the hypothesis that customer references have a positive impact on vendors marketing activity (Ruokolainen & Mäkelä 2007; Salminen & Möller 2004; Jalkala & Salminen 2009a; Helm & Salminen 2010; Salminen 2001; Jalkala & Salminen 2010; Salminen & Möller 2006; Jalkala & Salminen 2005; Ruokolainen 2008a). In this research the authors suggest that the present theory of customer referencig is still open to receive additional contributes. This theory already has a body of knowledge which strongly supports it. Nevertheless, it is not possible to claim its comprehensiveness (Morgado & Castro 2015). In the context of reference networks, the business relationship consists of, at least, three dyadic relationships. In order to sustain the customer referencig body of knowledge, research should observe the dyads that are established during the customer referencig process.

According to Helm and Salminen (2010), dense reputation transfers take place inside reference triads. Aarikka-Stenroos and Jalkala (2012) argued that reference customers create

value for potential customers and for the seller but also the other way round. The vendor's perspective of customer references marketing (in what regards their motivation to invest in customer references) is a research subject that has already been under the attention of the scientific community. The literature on customer referencing (Olaru et al. 2008; Wheeler 1987; Ruokolainen & Mäkelä 2007; Salminen & Möller 2004; Salminen & Möller 2006; Jalkala & Salminen 2010; Jalkala & Salminen 2005) portrays customer references as a source of competitive advantage and as a source of irrefutable influence in what regards the competitiveness of the firm. Customer references have a positive effect in increasing the vendors' credibility and brand reputation by raising its perceived competence. At the same time they decrease the buyer's uncertainty and perceived risk. Nevertheless, this body of knowledge didn't consider the transaction as the unit of analysis.

In this research the authors challenge the body of knowledge featuring the understanding of the customer referencing practice. The authors defend that empirical work to support a comprehensive theory of customer referencing is still missing in the organizational buying behaviour literature and they point out a research path that aims to contribute to this debate. In particular, they suggest the adoption of a conceptual framework of analysis to research customer reference relationships. Future studies adopting the suggested framework will allow for a deeper understanding of customer reference relationships and the role they play in the buying behaviour of industrial firms. This research path will contribute to deepen the understanding we now have on the research topic and might validate the present knowledge on the influence of reference marketing in the buying decisions of firms.

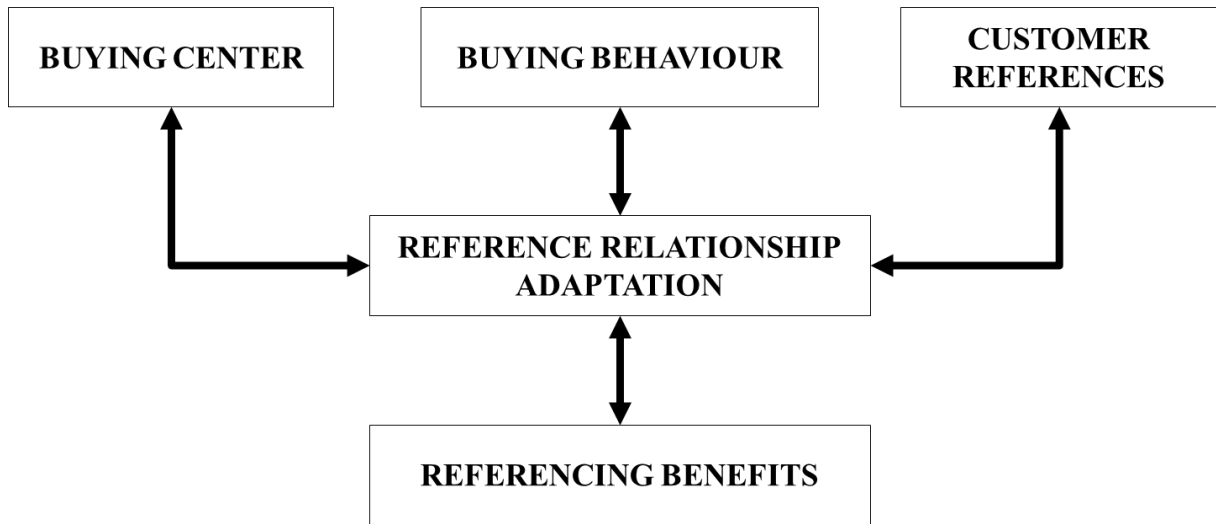
The case of REN describes a customer referencing practice and explores the ways in which it took place. It allows testing the suggested conceptual framework and deepens the understanding of customer reference relationships and how they impact on the buying center of a potential customer. The case suggests that customer references play a critical role in the qualification of vendors regarding the process of capital equipment acquisition within the Portuguese electrical power industry. The case also suggests that vendors are in limited control of their reference marketing assets. This limited control might be due to and less proactive management of customer reference activities. Vendors would be able to exploit a source of competitive advantage by managing correctly their customer references.

**TABLE 1**  
**Published customer references research according to the unit of empirical observation**

SOURCE	QUOTE	UNIT OF EMPIRICAL OBSERVATION		
		Supplier	Reference customer	Potential customer
Salminen, Risto T. (2001)	“The selected company has a goal of 20 percent increase in sales. To reach this goal the company needs to pursue new customers and thus to utilize its references.”	X		
Salminen, R. T., and Möller, K. E. (2004)	“The ultimate idea was to use such criteria so that the use of reference information would be as important as possible for the selected company and that it would have a relatively long and wide spread experience of using references.” (...) “The vice president/marketing manager, two SBA managers, four area sales managers, and one marketing communications manager of the company were interviewed during the study.”	X		
Jalkala, A., and Salminen, R. T. (2005)	“This paper reports on a study which explores how companies communicate about their customer references on their Web sites and how reference relationship is discursively constructed in these descriptions (...) The data consists of 140 reference descriptions gathered from three case companies’ Web sites.”	X		
Ruokolainen, J., and Mäkelä, M. M. (2007)	“This case study concentrates on evaluating concepts that are central to customer references from the viewpoint of the start-up technology companies.” (...) “The first customer was willing to act as a test site, thus, helping to verify the functionality of the new software.”	X		
Ruokolainen, J. (2008a)	“The present work is an embedded single longitudinal case study with two levels of analysis units: the company and its customers. Pattern-matching” (...) “In order to gain a better understanding of the meaning of the customer reference, one of the potential customers was also interviewed.” (...) “Human resource manager of the potential customer”	X		X
Jalkala, A., and Salminen, R. T. (2009a)	“This paper reports on an exploratory case study examining how six industrial companies communicate about their customer references on their Web sites”	X		
Jalkala, A., and Salminen, R. T. (2010)	“This multiple-case study focuses on the practices and functions of customer reference marketing and on the ways through which customer references can be deployed as marketing assets. Analysis of 38 interviews with managers in four case companies” (...) “gain a holistic perspective on each case company’s customer reference practices”	X		
Aarikka-Stenroos, L., and Makkonen, H. S. (2014)	“This study generates new understanding on how buyers gather and use experience-based information to solve complex problems in buying. It contributes by merging references, word-of-mouth, collegial social networks, and reputation as sources of experience-based information”			X

**TABLE 2**  
**Variables adopted in the conceptual framework for analysis**

CONSTRUCT	VARIABLES	DESCRIPTION
<b>Buying Center</b>	Membership	The members of the organization who are involved in the organizational buying process.
	Exposition	Members of the buying center who are exposed to customer reference marketing.
	Attitude	Buying center members individual attitude towards customer reference marketing.
<b>Buying Behaviour</b>	Buy Phases	The phases through which the buying process takes place. A subset of organizational tasks that evolves from the definition of a buying situation and that must be performed to solve the buying problem.
	Buying Situation	The purchase status is one of the following: new task, a straight rebuy, or a modified rebuy.
<b>Customer References</b>	Discourse	The key-message is captured by one of the following: the discourse of benefits, the discourse of commitment, and the discourse of technological expertise.
	Practices	The reference practice is one of the following: reference lists; press releases; promotional material; visits and demonstrations in reference sites; articles in trade journals; detailed descriptions of similar contracts; and seminars and conferences.
<b>Reference Relationship Adaptations</b>	Involvement	The member(s) of the buying center who establishes a conversation with the reference customer.
	Catalysts	The member of the buying center who promotes customer reference materials and its analysis internally.
	Motivation	The driving forces that inspire the buying center member to act as an analyst and as an internal promoter of reference information.
<b>Referencing Benefits</b>	Outcomes	Are the following: assess the vendors' reputation; establish the vendors' credibility; evaluate the suppliers' competence; reduced the buying decision associated risk; learn how to successfully deploy an innovative technology; and / or forecast the return on investing on a new product / service.



**FIGURE 1 — Conceptual framework for analysis (ex-ante)**

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