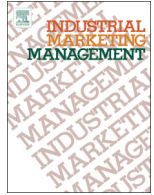




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## Industrial Marketing Management



# Customer reference marketing: Conceptualization, measurement and link to selling performance

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## ABSTRACT

The use of customer references to facilitate marketing and sales in business markets has received growing interest among practitioners and academics. The importance of references has been highlighted in a wide range of contexts, such as customer relationship management, customer value management, sales, and marketing communications. Yet knowledge about the effective application of references in business remains scant, and studies have not addressed in-depth what constitutes customer reference marketing or studied its relation to firm performance. This study contributes to this important but underdeveloped business marketing topic by 1) conceptualizing customer reference marketing based on theory and an extensive qualitative field study, 2) building a measure for the construct using survey data, and 3) demonstrating its relevance by linking the construct to firms' selling performance with additional collected data. The results broaden and specify the current understanding of how to effectively deploy references in business markets and provide evidence of the hypothesized performance, as well as contingency effects. The established conceptual foundations for the phenomenon provide substantial opportunities for practitioners and theory-testing oriented business marketing research.

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## 1. Introduction

Many firms, particularly in business-to-business (B2B) markets, use existing customer relationships as references to encourage the adoption of new customers and to facilitate sales and marketing. Customer references lend credibility to companies' value propositions and are important in reducing the perceived risk of target customers (Kumar, Petersen, & Leone, 2013; Salminen & Möller, 2006). Although numerous studies in various areas of marketing, including customer relationship management (Payne & Frow, 2005; Reinartz, Krafft, & Hoyer, 2004), customer value management and selling (Anderson, Narus, & Van Rossum, 2006; Terho, Haas, Eggert, & Ulaga, 2012), and marketing communications (Ballantyne, Frow, Varey, & Payne, 2011), have noted the importance of customer references, only a few studies have specifically focused on firms' use of customer references in the firms' marketing efforts. Consequently, the conceptual foundations of this central business marketing phenomenon remain fragmented and embryonic. Recent studies highlight the need to study the use of customer references in marketing and the performance effects more systematically (Anderson & Wynstra, 2010; Kumar et al., 2013).

The present study addresses this important but underdeveloped topic by 1) conceptualizing customer reference marketing (CRFM), 2)

developing a measure for the construct and 3) demonstrating its nomological validity and managerial relevance by studying the relation of CRFM to firms' selling performance. As the current knowledge about the topic is scarce, we used a discovery-oriented, theories-in-use approach for the conceptualization (e.g., Kohli & Jaworski, 1990; Tuli, Kohli, & Bharadwaj, 2007; Zaltman, LeMasters, & Heffring, 1982). In other words, we build on initial insights from a review of key customer reference literature and complement this perspective with insights from firm practices based on 38 in-depth interviews with managers. The conceptualization is followed by a measure development study based on survey data from business managers responsible for work tasks focused on customer reference marketing. Finally, based on a third study, we demonstrate the predictive validity of the CRFM construct by linking it to firms' sales performance based on additional data from business firms.

The present study contributes to business marketing theory by establishing the conceptual foundations for customer reference marketing. We extend the contemporary knowledge on how business firms can deploy customer references in business markets in three central ways. First, our findings highlight that CRFM is a broader phenomenon than most marketing studies to date have indicated (see Anderson & Wynstra, 2010; Godes, 2012; Kumar et al., 2013). The present findings show that CRFM consists of the active leveraging of customer references, not only externally for marketing and sales purposes as most studies have highlighted to date but also internally for internal

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development purposes, such as customer learning, business opportunity identification, or building of best practices. Second, the present study develops operative measures for CRFM, thus enabling future explanatory theory-testing research in the area. Third, the study provides initial empirical evidence that CRFM has a positive relation with firms' selling performance and that this link is contingent on the context of the CRFM application. Overall, the conceptualization and measures offer fruitful avenues for a broad range of business marketing research and have concrete implications for managers who want to advance the effective use of customer references in their organizations.

## 2. Conceptualization of customer reference marketing

### 2.1. Previous research on customer references

Customers that are already using a firm's products or services and are willing to share their experiences often play a key role in the purchase process of organizational buyers (Anderson & Wynstra, 2010; Kumar et al., 2013). Selling firms in business markets apply reference marketing through various activities designed to leverage the value of existing customers to facilitate sales and build reputation (Anderson & Wynstra, 2010; Helm & Salminen, 2010; Reuber & Fischer, 2005; Salminen & Möller, 2006). Although customers' referral and word-of-mouth behavior have been studied extensively (e.g., Helm, 2003; Kumar, Petersen, & Leone, 2007; Ryu & Feick, 2007), selling firms' activities related to using customer references in marketing have received less attention (Jalkala & Salminen, 2010). Previous research suggests a phased approach, in which firms carefully establish and maintain relations with initial key customers and then signal references to prospective customers (Salminen & Möller, 2006). The ability to use references effectively has been noted to be particularly important for firms that sell higher-value offerings and in contexts of high uncertainty (Anderson & Wynstra, 2010; Hada, Grewal, & Lilien, 2014), as well as being contingent upon several factors, such as customers' willingness to act as references or the level of reference management in the firm (Jalkala & Salminen, 2010). Although not empirically tested in the literature, efforts to systematically employ references in sales and marketing should have a positive influence on firm performance in B2B markets according to numerous business marketing studies (see Anderson & Wynstra, 2010; Godes, 2012; Hada et al., 2014).

The research on customer references has several unresolved research issues. From a conceptual perspective, we know little about how firms effectively use customer references to facilitate the firms' marketing and sales, and therefore, a comprehensive understanding of what constitutes CRFM is lacking. Extant research is missing sound conceptualization and measures for the customer reference marketing, and although there is some evidence that the use of references is an effective marketing approach particularly in risk-intensive settings (Anderson & Wynstra, 2010; Kumar et al., 2013), the effects on firm performance remain largely unstudied.

Many recent studies have understood customer references narrowly as using existing customer relationships simply to attract new customers (Huntley, 2006; Kumar et al., 2013). Some recent studies suggested that references also have much wider-ranging functions, such as building reputation or acting as value evidence, implying that references should be understood more broadly than as just straightforward customer acquisition tools (Anderson & Wynstra, 2010; Jalkala & Salminen, 2010). Building on the extant literature on customer references, we adopt a broad theory-based definition for the basis for our conceptualization work and define customer reference marketing initially as a firm's efforts to use existing or previous customer relationships and related value-creation activities in the firm's marketing activities targeted at potential customers and other stakeholders. Thus, what distinguishes customer references from the overall portfolio of customer relationships and delivered products or services is the active

deployment of customer references in the supplier's marketing activities to influence potential customers and stakeholders.

### 2.2. Field study method

Given the sparse literature on customer references, we conducted a qualitative field study to gain a better understanding of the domain of the construct, that is, how reference marketing is manifested in companies' everyday marketing practices. Similar to Kohli and Jaworski (1990), Tuli et al. (2007), and Ulaga and Reinartz (2011), we adopted a discovery-oriented, theories-in-use approach (e.g., Glaser & Strauss, 1999) with the objective of integrating theory-based and field-based views of reference marketing for an operational definition of customer reference marketing that specifies the activities that make up companies' customer reference marketing.

We used purposive theoretical sampling (Eisenhardt & Graebner, 2007; Glaser & Strauss, 1967) and studied firms that are particularly revelatory in terms of the focal phenomenon (Yin, 1994). We elaborated our sample carefully in an attempt to select firms that 1) operate in B2B markets, 2) vary in industry characteristics for ensuring rich information about the focal phenomenon, 3) are known to have invested in reference marketing activities and include knowledgeable interviewees with experience in the topic, and 4) represent industry leaders in their respective markets. As a result, we selected four B2B companies from two industry sectors, process technology and information technology, which have been recognized as especially relevant fields for reference marketing (DeKinder & Kohli, 2008; Forman, Lippert, & Kothandarama, 2007). The selected firms are large international firms whose headquarters are in Finland and operate in the areas of telecommunications equipment, information technology and services, mining technology, and process technology equipment business. To avoid single-informant bias and to get an in-depth, comprehensive view of the firm-wide CRFM practices, we collected data from 7 to 14 informants per firm. The selected interviewees had significant amounts of work experience and reflected a wide distribution of hierarchical levels, functions, and industries. To make sure that the conceptualization covered the whole domain of the construct, we selected respondents carefully so that all potential key stakeholders in CRFM, including sales, marketing, business development and corporate strategy functions, were included.

We developed a semi-structured interview protocol that consisted of four sections. In the first section, we asked the respondents to describe their company background and role in the firm and how they viewed the role of customer references in the firm's business. In the second section, we asked the participants to name key activities that focus on using customer references and presented specific questions regarding the nature of the firms' references and their management. In the third section, we asked the participants to provide concrete examples and real-life vignettes to illustrate how references were employed and to describe the firm's practices related to customer references in detail. Finally, we asked about related areas, such as the growth targets, nature of the sales process, customer relationship management activities, and the participants' view of how customer references were related to these areas. All interviews were tape-recorded and transcribed verbatim. In total, 38 in-depth interviews were conducted with senior and mid-level managers responsible for their companies' customer reference marketing. The interviews lasted between 35 and 86 min, and the transcribed interviews included a total of 362 pages text.

The analysis of the interview data followed the principles of qualitative content analysis (Krippendorff, 2004) and the processes of data reduction, data display, conclusion drawing, and verification (Miles & Huberman, 1994). Data reduction involved several rounds of inductive and iterative coding with the help of NVivo 8 software. During the first coding round, we categorized the data roughly according to the interview themes, and during the following rounds, we identified potentially relevant concepts and their subcategories. We used data displays,

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