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**MODEL TO BUILD A SERVICE QUALITY CENTRIC  
CUSTOMER REFERENCE PORTFOLIO IN A  
SOFTWARE AS A SERVICE COMPANY**

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## ABSTRACT

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**Title:** Model to build a service quality centric customer reference portfolio in a software as a service company.

**Year:** 2016

**Location:** Helsinki, Uusimaa

Master's thesis. Lappeenranta University of Technology, Industrial Management

95 pages, 5 figures, 11 tables, and 2 appendices

Supervisors: Professor Asta Salmi, and Post-Doctoral Researcher Joonas Keränen

**Keywords:** Customer reference marketing, customer reference portfolio, software as a service, service quality

The goal of the master's thesis was to develop a model to build a service quality centric customer reference portfolio for a software as a service company. The case company is Meltwater Finland Oy that leverages customer references externally but there is no systematic model to produce good quality customer references that are in line with the company strategy.

The project was carried out as a case study, where the primary source of information were seventeen internal interviews with the employees of the case company. The theory part focuses on customer references as assets and service quality in software as a service industry. In the empirical part the research problem is solved.

As a result of the case study, the model to build a service quality centric customer reference portfolio was created and further research areas were suggested.

## TIIVISTELMÄ

<b>Tekijä:</b> Pekka Hyvärinen	
<b>Työn nimi:</b> Palvelulaatukeskeisen asiakasreferenssiportfolion rakentamisen malli SaaS-pilvipalveluyrityksessä.	
<b>Vuosi:</b> 2016	<b>Paikka:</b> Helsinki, Uusimaa
Diplomityö. Lappeenrannan teknillinen yliopisto, tuotantotalous.	
95 sivua, 5 kuvaa, 11 taulukkoa ja 2 liitettä	
Tarkastajat: Professori Asta Salmi, Tutkijatohtori Joonas Keränen	
<b>Hakusanat:</b> Asiakasreferenssimarkkinointi, asiakasreferenssiportfolio, SaaS-pilvipalvelu, palvelun laatu.	
<p>Diplomityön tavoitteena oli kehittää asiakastyytyväisyyskeskeinen malli asiakasreferenssiportfolion rakentamiseen SaaS-yrityksessä. Tutkittavana yrityksenä on Meltwater Finland Oy, joka hyödyntää asiakasreferenssejä merkittävässä määrin ulkoisesti, mutta systemaattista mallia yrityksen strategian kanssa linjassa olevien laadukkaiden referenssien tuottamiseen ei ole.</p> <p>Tutkimusprojekti toteutettiin tapaustutkimuksena, missä pääasiallisena tietolähteenä olivat seitsemäntoista haastattelua tutkittavan yrityksen henkilöstön kesken. Tutkimuksen teorettinen osio keskittyy asiakasreferensseihin voimavarana ja palvelun laatuun SaaS-toimialalla. Empiirisessä osiossa tutkimusongelma ratkaistaan.</p> <p>Tapaustutkimuksen tuloksena syntyi palvelulaatukeskeinen malli asiakasreferenssiportfolion rakentamiseen SaaS-yrityksessä ja jatkotutkimukselle ehdotettiin aiheita.</p>	

## ACKNOWLEDGEMENTS

The idea of this thesis and its subject came alive when I started working at Meltwater in 2013 and since then it has been my plan to conduct this project. During the past three years' new responsibilities at work and in personal life postponed this project, but finally I was able to take few months off from the work and allocate time for the research work only. Special acknowledgements for giving me this opportunity goes to my direct superior Martin Illman. Without him and his understanding this could not have been possible. I thank also my previous superior Juha Westerlund, who helped me forming the research problem and who has been a big influencer and contributor for me on my career and a mentor and sparring partner in my life changing moments.

The biggest acknowledgements go to my spouse Tanja Lautiainen. She supported me throughout this project even it consumed the major part of our time together.

Helsinki, 21th of March 2016

A handwritten signature in black ink, appearing to read 'Pekka Hyvärinen', with a long horizontal stroke extending to the right.

Pekka Hyvärinen

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## ABBREVIATIONS

AM	Account Manager
ARR	Annualized recurring revenue
ASP	Application service provider
ASP-QUAL	Application service provide service quality
B2B	Business-to-business (trade between companies)
CA	Client Acquisition
CS	Client Success
GE	Growth Executive
IaaS	Infrastructure as a service
IS	Information system
KAM	Key Account Manager
NPS	Net promoter score
PaaS	Platform as a service
RBV	Resource-based view
SaaS	Software as a service

SaaS-QUAL Software as a service service quality

SalesOps Sales Operations

SERVQUAL Service quality

WOM Word-of-mouth

ZOT Zone-of-tolerance

## 1 INTRODUCTION

Customer references and their utilization in business marketing is still relatively overlooked topic in the academic world. However, their significance has been noticed in the practical world in reducing potential buyer's uncertainty and perceived risk and increasing supplier's credibility and brand equity by raising its perceived competence. Customer relationships has been said to be the most valuable resources that a company possess and the portfolio of customers can be seen as assets through which companies can build growth and competitive advantage. By understanding how to build and manage a reference portfolio from the existing client relationships that company possess, the company can turn them as its assets and by systematically leveraging them internally or externally it can turn them as its capabilities.

The market of cloud based information system services has grown significantly compared to overall enterprise information technology on recent years and the same development is forecasted to continue. Software as a service (SaaS) is taking the major part of cloud markets from platform as a service (PaaS) and infrastructure as a service (IaaS). However, the understanding about SaaS satisfaction is still in its early stage.

These two themes are in the center of this study. The goal is to form a model to build a service quality centric customer reference portfolio for the internal use of the case company. In addition, guidelines are given based on the formed theory for leveraging customer reference internally and externally.

### **1.1 Background information**

The topic for the master's thesis is provided by Meltwater Finland Oy that is a Finnish subsidiary of a Meltwater Group. Meltwater Group is the global market leader in SaaS based *digital media monitoring services* with more than 23000 clients globally and over 1700 in Finland. The company was founded in Oslo in

2001 and it has opened more than 50 offices in almost 30 countries during the past 15 years of its operation. At the moment, there are no group level processes or guidelines for building, managing or leveraging customer references. However, references are used in practice by sales in sales materials, proposals, in public procurements, and by marketing by inviting clients to talk in events and presenting logos of clients on the company website. Before the case company can focus to develop the leveraging of references, it must first understand how to systematically build and manage a reference portfolio from the customer relationships that it possesses. The case company measures service quality through surveys. That process is not systematic and the metrics are not supporting the work of the employees responsible of the customers. Good service quality affects positively to the relationship with the supplier and the customer, and therefore it is a prerequisite for customer reference portfolio activities. Thus, the managerial problem of the study is to understand the formation of service quality on SaaS industry, suggest metrics to develop measuring service quality and create a model for building and managing a service quality centric customer reference portfolio, and give suggestions how the case company could leverage their references more effectively internally and externally.

The study is a case study. The report starts with introduction chapter defining the managerial problem of the study and the research questions. Theory chapters on customer reference portfolio as an asset and on service quality on software as a service industry are followed by the methodology chapter that follows the findings and conclusions. The selected research method is *an embedded single case study* since all units of the case company are analyzed to form the results (Yin 2009, p. 50).

## **1.2 Research goals and limitations**

As mentioned before, there is no systematic process to build, manage nor leverage customer references in the case company at the moment. The methods and processes to measure and assess service quality are in its infancy. Therefore, the

goal of this study is to create a model to build and leverage a service quality centric customer reference portfolio. Hence the research questions are the following:

1. *How to build a service quality centric customer reference portfolio?*
2. *How to manage a service quality centric customer reference portfolio?*
3. *How to leverage a service quality centric customer reference portfolio internally and externally?*

Since the case company is still at its infancy regarding the overall understanding and leveraging of customer references and formation of service quality, the research is limited to understanding the current situation of reference portfolio activities and assessing customer satisfaction in the case company. The goal is to give clear steps of action to each part of service quality centric customer reference portfolio activities. The study is limited to give suggestions based on the theory for external leveraging of customer references. The understanding of the formation of service quality is limited to the theory and internal views of the case company that are formed through the interviews. This limitation was done to narrow the scope of the study to enable the completion of the report in the given timetable by the case company.

The theoretical part of the study is divided and limited in a way that it supports the research questions. The first theory chapter is related to reference portfolios and the second gives understanding of the formation of SaaS service quality. The empirical part focuses on the development of the model to build a service quality centric customer reference portfolio for the case company, thus answering to the research questions. The purpose of this study is not to create new theory but to solve the managerial problems of the case company.

### **1.3 Structure of the report**

The report is divided to four individual but interconnected parts; 1) introduction, 2) theoretical part, 3) methodology, and 4) case study with discussions and

conclusions. The structure of the report and the purpose of each chapter as part of solving the case are presented in Figure 1.

INPUT	CHAPTER	OUTPUT
Background & Research problem	1. Introduction	Objectives, limitations and research questions
Need to understand the significance of customer references as assets.	2. Customer reference portfolio as an asset	Framework for building, managing, and leveraging a customer reference portfolio
Need to understand the traits of SaaS industry and the what's the role of good relationships	3. Service quality in software as a service	Model to measure the service quality in SaaS company as part of the theoretical framework
Need to form a systematic methodology to solve the research problem	4. Methodology	Selected research method, data collection and analysis method, and the basis to assess the quality of the study
Case and problem background and results	5. Case study	Findings on the research questions
Analyzing findings with theory framework	6. Discussions	Discuss about the results, answers to research questions
Main findings delivered from the study	7. Conclusions	Conclusion of the study

Figure 1. Report structure and purpose of each chapter.

The completion of the research project is started by setting the research questions and selecting the suitable research methodology to solve the managerial gap in the study (Chapter 1.). The process continues by explaining the concepts and theories of customer reference as assets (Chapter 2) and service quality on SaaS industry (Chapter 3.). After that more deep understanding of the research methodology is obtained through getting familiar of the selected research method (Chapter 4). After completing these the interviews questions are formed to support the design of the study and to get sufficient data to solve the research questions. When the data is gathered, it is analyzed to form the view of the current status in the case company in the reference portfolio related activities and measurement of the customer satisfaction (Chapter 5.). The last step in the project is to give clear action steps to how build a service quality centric customer reference portfolio by linking the theory to the current status of reference activities and measuring customer satisfaction (Chapter 6.). The study ends with conclusion by summarizing the topic of the study and its main findings, explaining the theoretical and managerial implications, and gives suggestions for future research (Chapter 7.).

## 2 CUSTOMER REFERENCE PORTFOLIO AS AN ASSET

The purpose of this chapter is to give the reader a broad understanding of how customer reference portfolio can be used as marketing assets. The chapter begins with definition of key concepts in *customer reference marketing* and continues to *resource-based view* and *portfolio approach* to understand more deeply the basic of theories used in the end of the chapter. The chapter ends with framework *for customer reference portfolio activities* to understand how industrial companies build, manage and leverage customer reference portfolios. Fundamental question in this chapter is, how industrial companies can build and manage a customer reference portfolio consisting of their existing customer relationships and leverage it in their marketing activities internally and externally.

### 2.1 Concept of customer reference

Relationships with company's customers are one of the most valuable resources a company possesses (Håkansson 1982) and previous delivers indicates strongly its potential (Möller & Törrönen 2003). *Relationship* is the pattern of interactions and the mutual conditioning of behaviors that occur over time between two entities such as a company and a customer, a supplier or another organization (Ford et al. 2003, p. 38). Combination of company's existing and previous customer relationships and the delivered customer solutions forms a resource base that can be deployed in many ways (Jalkala 2009, p. 13). Using references in company's marketing activities is one of the most practically relevant but academically relatively overlooked way to leverage its customers and delivered solutions. (Jalkala 2009, p. 13; Salminen & Möller 2006, p. 1) In academic literature in business-to-business (B2B) marketing concepts such as *customer advocacy marketing*, *customer evidence marketing*, and *customer reference marketing* are used to describe phenomenon of leveraging existing customers and delivered customer solutions in the company's marketing activities (Jalkala & Salminen 2009, p. 975).



Jalkala and Salminen (2010, p. 976) defines the concept of *customer reference* to be “a customer relationship and the related value-creating activities that a firm leverage *externally* or *internally* in its marketing efforts”. Customer references can be used *externally* to; 1) acquire status-transfer effects from reputable customers, 2) signal and enhance suppliers’ position in the market, 3) present, demonstrate and concretize supplier’s offerings, and 4) provide indirect evidence of experience, past performance, functionality, technology and delivered customer value and *internally* to; 1) facilitator of organizational learning, 2) developing understanding of customer needs and internal competencies, 3) advance development of offering, and 4) motivate and train employees through internally shared success stories. (Jalkala & Salminen 2010, p. 982-983)

Customer references have important role in reducing potential buyer’s *uncertainty* and perceived *risk* and increasing supplier’s *credibility* and *brand equity* by raising its perceived competence (Jalkala and Salminen 2010, p. 975; Morgado & Castro 2015a, p. 2). Reference marketing has an important role in B2B markets and theories on organizational buying behavior suggests that customer references impacts positively to vendors’ reputation (Morgado & Castro 2015a, p. 2).

Distinction between customer reference marketing and word-of-mouth (WOM) communications is that WOM is informal interaction between customers and therefore beyond the control of marketers. Customer reference marketing concerns supplier-initiated activities to leverage customer relationships and previous deliveries. (Jalkala and Salminen 2010, p. 976)

Academic literature does not have comprehensive theory of customer referencing (Morgado & Castro, 2015b) and previous research on customer references has focused to the supplier as the main unit of empirical observation and it has ignored the referencing customer and the potential customer. Available literature does not clarify what kind of the role references has in decision process of a potential customer. (Morgado & Castro 2015a, p. 2) These limitations must be taken into account when analyzing the results of the study. Especially external leveraging of

the customer reference portfolio assumes that references has an impact on organizational buying behavior.

## **2.2 Resource-based view**

Resource-based view (RBV) is useful in analyzing the required resources to deliver complex project-oriented solutions in industrial markets (Davies & Hobday, 2005). It provides a conceptual basis for viewing a firm's customer reference portfolio as a marketing asset and examining the tasks activities to build, manage and leverage such portfolio (Jalkala & Salminen 2008, p. 5), and thus it is logical choice for this study. Other possible theoretical choices could have been the interaction and network approach, and the social exchange theory (Jalkala 2009, p. 18).

Origins of the resource-based view of the firm was created from the interest in the relationships between company growth and firm-specific resources (Penrose 1959; Wernerfelt 1984; Barney 1991). In the resource-based view of the company, resources and capabilities of a company are seen as basis of building competitive advantage and long-term profitability (Wernerfelt 1984; Grant 1991). By having more resources or utilizing them better competitive advantage can be gained (Barney 1991). Existing portfolio of reference customers can be viewed as part of firm's customer-based assets that exist through the relationship that the firm has built with its customers. These assets are often regarded as the most important type of marketing assets. Customers can also be seen as resource for building growth and competitive advantage. (Jalkala & Salminen 2008, p. 3; Jalkala & Salminen 2010, p. 977)

*Resource* is term that has been used with varying definitions referring to anything that can be seen as strength or weakness of a given firm or as a set of intangible or tangible *assets* and *capabilities*. These terms have different meanings and distinction must be made between them. *Assets* are a set of accumulated resource endowments such as brand equity, investments in scale or efficiency of facilities and systems. (Jalkala & Salminen 2008, p. 3) Day (1994, p. 16) defines *capabilities*

as “complex bundles of skills and accumulated knowledge, exercised through organizational processes that enable firms to coordinate activities and make use of their assets”. Assets are distinctive from capabilities since they are not activity chains or processes. From this distinction, reference customer relationships can be regarded as assets and systematic utilization of references as capabilities. (Jalkala & Salminen 2008, p. 3)

### **2.3 Portfolio approach**

Portfolio theory was developed in the area of financial investments as a mechanism for reducing risk (Markowitz, 1952). When considering customer references as assets, it is logical to consider the set of customer references from the portfolio perspective since its roots lie in asset management (Jalkala & Salminen 2008, p. 7). Relationships are valuable bridges to access resources and can be therefore regarded as resources as well. The process to develop business relationship is usually costly, the costs precede the future benefits, and therefore is similar to an investment process. When the investment becomes successful business relationships it becomes assets that must be taken care of and utilized in an efficient way. (Håkansson & Snehota 1995, p. 31) Relationships are the most important assets of a company since without them it cannot gain access to the resources of others, acquire the supplies it needs, or solve its customers’ problems and thus generate value (Ford et al. 2003, p. 49).

Business company has typically limited number of customer relationships. Even though the total numbers are relatively small, there is great variety in company’s relationships. Some of those are long established, and other more recent. Some represent a large proportion of its total sales, and others lower volume. Some of its relationships may be highly involved and others less. The variety leads to importance to allocate development, adaptation and relationship management resources most effectively. The problem of relationship portfolio management forms from the choices about individual relationships and the interconnections between them. (Ford et al. 2003, p. 82-83)

The idea of portfolio concept is that the different customer relationships of the company represent expensively acquired, valuable assets. The question is how to balance the investment of time, money and resources in each relationship asset and maximize the return across the portfolio. A central question in portfolio management is to find suitable criteria to deal with the resource allocation problem. Typically resources across customer relationships are allocated according to criteria that are neither clear nor explicit. Many companies have customer portfolios that reflect the initiative of their customers rather than their own intended strategy. High-involvement relationships are common to develop because of requests from customers that the supplier does not feel able to refuse. During that similar relationships may not be developed with other customers where the potential pay-offs would be greater and which could meet better the supplier's objectives. In this way the resources are invested into relationships where the returns are doubtful. (Ford et al. 2003, p. 83-84)

The way to solve this problem is to make explicit criteria for resource allocation, assessing each relationship, and prioritizing them according to the extent that they contribute towards balance in the portfolio and the overall interest of the company. This requires analysis beyond simply gathering figures on the current volume of business or profitability. Assessment must include the analysis of the future potential of existing customer relationships and the potential pay-offs from alternative levels of involvement in relationships. (Ford et al. 2003, p. 84)

Portfolio of customer references as customer-based asset include a relational element in the form of developing customer relationship, and an intellectual element that results from the value-creation activities undertaken during the relationship (Jalkala & Salminen 2010, p. 977). Building a customer reference portfolio is highly path-dependent process that builds from series of successful customer deliveries and customer relationships, which need to be motivated to act as reference. Thus the customer reference portfolio can be characterized as inimitable, path-dependent customer-based marketing asset. Portfolio of customer

references forms from result of past growth targets and may constrain future growth opportunities since path dependency implicates that unique history and past experiences of the organization shape its future behavior and the strategic options at its disposal. (Jalkala & Salminen 2008, p. 6)

The portfolio approach to building, managing and leveraging references is relevant basis in the context of customer reference marketing since firm's need to manage the whole set of customer references not only focus on single relationship. This set of relationships can be divided into distinct sub-sets that require specific actions and can be leveraged externally or internally in firm's marketing activities. (Jalkala & Salminen 2008, p. 8) Tikkanen, Kujala and Artto (2007) discuss about four portfolios in a project-business (customer relationship, network relationship, offering development, and sales delivery) and identify different management tasks to each one. Successful projects in the delivery portfolio create references that build trust and commitment to existing customer relationships, and facilitates the inclusion of new potential customers to that portfolio. Strong relationships with existing customers in customer relationship portfolio creates possibilities to sell more easily and deliver additional projects in sales and delivery portfolio. This way the portfolios are interrelated with each other. (Tikkanen, Kujala and Artto 2007, p. 203)

Supplier's customer-reference portfolio constitutes of two different levels, relationship level and delivery level. Firm's may leverage their relationship with their reference customer by displaying the name of the customer on the company web site, for example. On the relationship level the question is if the supplier gains benefits from being associated with the reference customer. Throughout the existence of a customer relationship there may be several individual projects or deliveries, "reference projects" or "delivered customer solutions", that are seen as value-creating activities and used to evaluate supplier's past performance for example in official procurement procedures. These two levels of customer references define the customer-reference portfolio to consist of the customer

relationships and related value-creating activities that are used in firm's marketing activities. (Jalkala & Salminen 2008, p. 8-9)

Customer-portfolio management involves processes to identify customers, creating customer knowledge, building customer relationships and sharpening customer's perceptions of the organization and its offerings. Segmentation and key-customer identification are essential portfolio-management activities as well. (Jalkala & Salminen 2008, p. 9) The quality of the relationship between the customer and the supplier is positively associated with a customer's willingness to recommend and act as a reference and good customer relationship is thus a prerequisite for leveraging references especially when the reference customer is actively involved in the process. (Jalkala & Salminen 2008, p. 9-10)

Variety between homogeneity and heterogeneity in the reference customer portfolio defines the value of the portfolio. Homogeneous reference base is strong in a narrow niche context when heterogeneous reference base is more valuable in terms of expanding either the application or the market scope or both. This emphasizes the need to analyze the coverage of the reference portfolio in terms of the industry, geographic, and application area when managing reference portfolios. (Jalkala & Salminen 2008, p. 10)

## **2.4 Framework for customer reference portfolio activities**

This chapter focuses to explain the framework model developed by Jalkala and Salminen (2008). The model focuses to the tasks and activities related to building, managing and leveraging customer references on industrial markets (Jalkala & Salminen 2008, p. 5). The framework consists of three processes; 1) building, 2) managing, and 3) leveraging the customer reference portfolio that are interrelated since leveraging the customer reference portfolio contributes to winning new customers and facilitating sales, which in turn build the customer reference portfolio (Jalkala & Salminen 2008, p. 15). Figure 2. illustrates the processes and

activities under each process. Next chapters go through every process individually explaining the purpose of each in the framework.

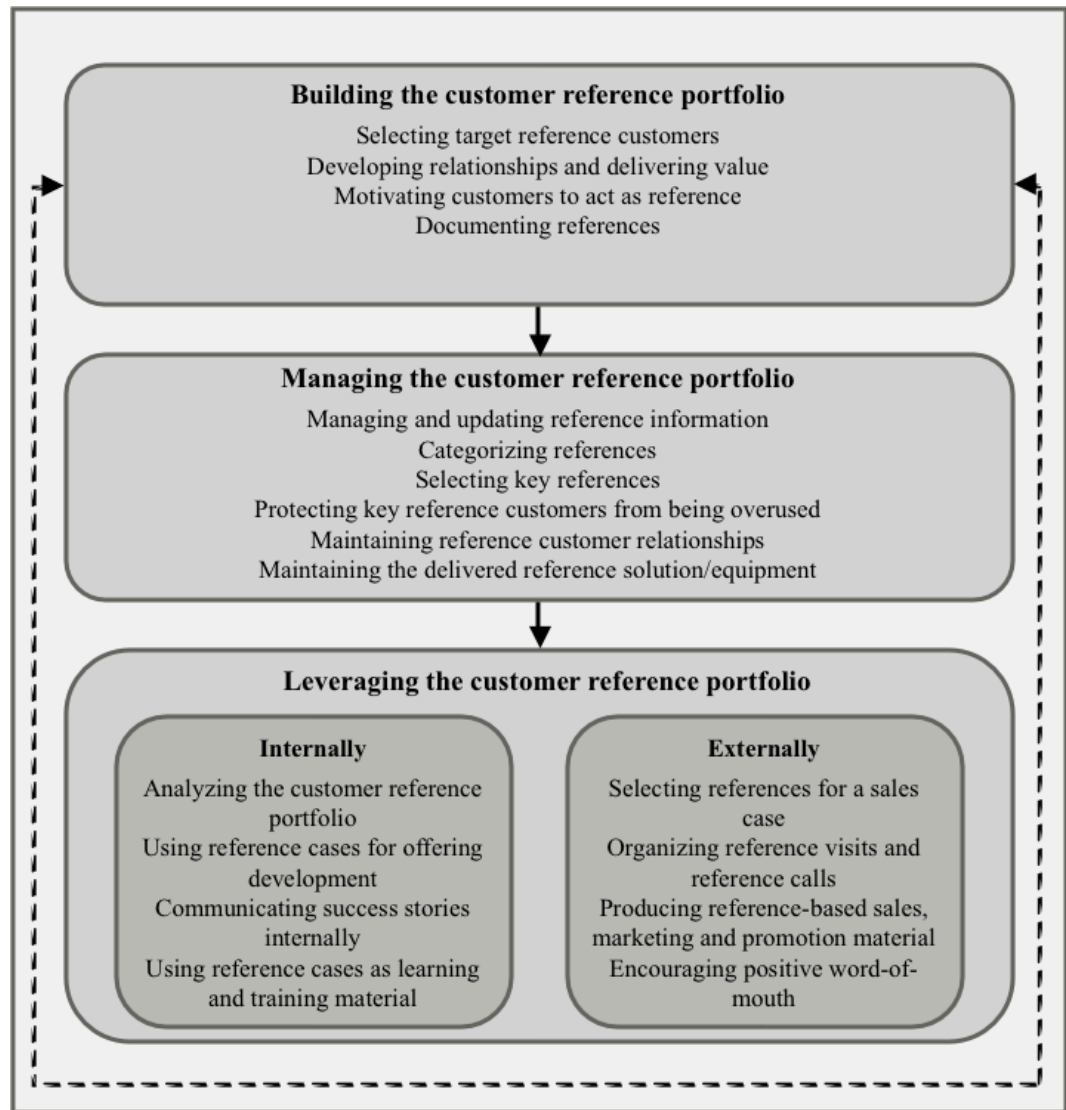


Figure 2. A framework of customer-reference-portfolio activities (Jalkala & Salminen 2008, p. 16).

#### 2.4.1 Building a customer reference portfolio

Key tasks in building a customer-reference portfolio include selecting target reference customers, developing relationships with them, motivating customers to

act as references, and documenting the information. (Jalkala & Salminen 2008, p. 16) Next paragraphs goes through each task individually.

When building a customer reference portfolio, important task is to intentionally select the target reference customers with high leverage potential. Acquiring first reference in certain technology or market area is highly challenging and requires a specific approach that includes identifying potential pilot customers who are willing to take the risk and evaluate their potential reference value. In order to get the first reference in a new technology or market area, companies tend to make concessions, such as price reductions, extra services, specific customer support and extended guarantees. Building a first reference for a new technological solution may require joint research-and-development activities with the potential first reference customer. (Jalkala & Salminen 2008, p. 17)

Motivating customers to act as a reference and get them to take part in reference activities requires to develop good personal relationships with the people in the customer organization and making sure that the reference customer get benefits from being a reference. Successful delivery is a prerequisite for acting as a reference. (Jalkala & Salminen 2008, p. 17) Due to the competitive pressures, reference customers may not share information about received business benefits. Customers may not want to act as a reference to avoid a risk of sharing information that might benefit their competitors. (Jalkala & Salminen 2010, p. 980) Potential factors to motivate customers to act as a reference are positive recognition, peer-to-peer information exchange and positive visibility. Potential methods to encourage customers to take part in reference activities are providing industry recognition, giving access to high-level decision markers and grant a key-customer status. (Jalkala & Salminen 2010, p. 980; Jalkala & Salminen 2008, p. 17)

Documenting references and collecting reference-related information requires both relationship-specific and solution-specific information. Information about the operational costs and the benefits received by the reference customer is highly important. Documentation of customer reference case includes basic information



about the customer and its situation at the beginning of the sales case, their challenges and needs, supplier's solution and its scope, supplier's people in the sales team, main contact person in the customer organization, and lessons learned from the sales case. Measurable quantified customer benefits are valuable since they benefit leveraging the customer reference. (Jalkala & Salminen, 2008, p. 18)

#### **2.4.2 Managing customer reference portfolio**

Process of managing and updating customer reference information includes updating and analyzing customer reference information, categorizing references, identifying and selecting the key references and protecting them from overuse, and monitoring and managing reference customer relationships. (Jalkala & Salminen, 2008, p. 19) Next paragraphs go through each process individually.

Managing and updating customer reference information is important but highly challenging task. Many companies have different information systems for managing reference related information but the challenge is their adaption rates throughout the organization. Reference-related information is usually stored in separate systems and in people's mind. (Jalkala & Salminen 2008, p. 19)

References can be categorized according to geographical area, application area, product or service type, or customer industry. Under these categories all references can be divided to public or classified references depending whether or not the customer has agreed to act as an external reference. Public references are used externally and classified reference internally. (Jalkala & Salminen 2008, p. 20)

Key references are typically long partnership-type relationships that has strategic importance or customers that had deliveries with new technological innovations. Especially with key references, developing close personal relationships and contacts on several organizational levels including senior management is highly important. Acting as a reference especially when it requires activities such as reference visits can become burden and therefore organizations have to make sure

that references are not overused and that customers benefit from acting as a reference. (Jalkala & Salminen 2008, p. 20-21)

Maintaining good relationships with reference customers is important especially with those customers that are active in reference activities. Responsibility of maintaining the relationship with the reference customer is cross-functional task that includes sales organization, customer-care and service functions, and even sometimes research and development. (Jalkala & Salminen 2008, p. 21)

### **2.4.3 External leveraging of customer reference portfolio**

Leveraging customer references externally has different functions and practices that are summarized in Table 1. Next paragraphs go through each function of reference marketing activities. Practices are not described individually.

Table 1. Identified practices and proposed functions of external customer reference marketing (Jalkala & Salminen, 2010, p. 981)

The role of customer references as marketing assets	The proposed function of reference-marketing activity (external)	The supplier's reference-marketing practices (external)	The reference customer's role	The supplier's control
Critical sales and promotional tool	<ul style="list-style-type: none"> <li>• Provide indirect evidence about experience</li> <li>• Enhance credibility through status-transfer effects</li> <li>• Demonstrate and concretize the offering</li> <li>• Provide indirect evidence of previous performance</li> <li>• Demonstrate delivered customer value</li> <li>• Serve as a certificate of passing through a selection process</li> <li>• Signal an enhanced market position</li> <li>• Provide indirect evidence about the functionality of the technology</li> <li>• Generate positive word-of-mouth</li> </ul>	<ul style="list-style-type: none"> <li>• Reference lists</li> <li>• Success stories, customer cases, case studies, ROI-studies</li> <li>• Sales presentation reference slides</li> <li>• Audio/video testimonial (webcast/podcast)</li> <li>• Recorded reference interviews/podcasts</li> <li>• Press releases</li> <li>• Articles in trade journals</li> <li>• Promotional material</li> <li>• Customer presentations at seminars and conferences</li> <li>• Reference calls (one-to-one/one-to-many)</li> <li>• On-site reference visits</li> <li>• Customer events and meetings</li> <li>• Social media</li> </ul>	<ul style="list-style-type: none"> <li>• Allowing company name and logo usage</li> <li>• Participating in producing marketing/sales material</li> <li>• Participating in media activities</li> <li>• Participating in personal interaction with potential customer(s)</li> </ul>	High
				Low

Leveraging customer references externally by presenting them to potential customers and other stakeholders is important tool for sales and marketing. Using references as part of the sales process, the supplier demonstrates previous installations and reduces the perceived risk of potential buyer. Practices in external customer reference marketing vary from reference lists and success stories to press releases, reference calls and visits. (Jalkala & Salminen 2010, p. 978)

Reference lists provide indirect evidence about the supplier's experience in technology or market area (Jalkala & Salminen 2010, p. 978) Successfully delivered equipment, services or projects are generally seen as references by managers. These

delivers are usually combined into different types of reference lists that are attached to offers. Lists are hoped to give a positive impression of the supplier and its products and services. Reducing the perceived risk of a potential buyer facing the choice of a new supplier or a product by communicating the credibility of the supplier is frequently expressed goal of using references lists. (Salminen & Möller 2006, p. 2) Sending press release of a new deal with high-status customer is called 'closed deal' reference marketing and it is commonly used practice especially when acquiring a first reference customer in a new technology or market area. It sends a signal that the supplier has gone through a highly selective evaluation and thus may enhance the supplier's credibility through status-transfer effects. In highly competitive markets, the public announcement of a major deal may also signal enhanced market position of the supplier to competitors and other stakeholders. Case reports, success stories and other well-documented reference descriptions are considered an important reference-marketing practice. Descriptions demonstrate and concretize the supplier's solution. (Jalkala & Salminen 2010, p. 978-979)

External customer reference marketing has various practices that have multiple functions. It serves as tool for demonstrating and concretizing the supplier's solution and for gaining status-transfer effects. Customer references lend credibility by providing indirect evidence about the supplier's previous performance, technological functionality, experience, and ability to deliver customer value. (Jalkala & Salminen 2010, p. 980) Leveraging references externally by demonstrating them to potential customers is a major sales and marketing tool. External references enable companies to show their capability and technological performance and to concretize their value for a potential customer. (Jalkala & Salminen 2008, p. 21)

Key tasks in leveraging references externally include selecting references for a sales case, organizing reference visits, producing customer reference-based sales, marketing and promotional materials, and encouraging positive word-of-mouth. Sales and marketing are in key role in leveraging customer reference portfolio externally. Reference value of a particular customer is highly context-dependent

thus the most important factor of selecting a reference for a sales case is similarity in relation to the potential customer's situation. Producing reference related material such as reference lists, customer cases, success stories and press releases is responsibility of marketing-communications in cooperation with sales. Encouraging positive word-of-mouth by inviting customers to talk at industry events and organizing customer meeting is an important way to leverage the customer-reference portfolio externally. This activity is not however fully controllable by the supplier since these activities include informal information exchange between customers. (Jalkala & Salminen 2008, p. 21-22)

#### 2.4.4 Internal leveraging of customer reference portfolio

Leveraging customer references internally has different functions and practices that are summarized in Table 2. Next paragraphs go through each function of reference marketing activities. Practices are not described individually.

Table 2. The identified practices and proposed functions of internal customer reference marketing (Jalkala & Salminen 2010, p. 981).

The role of customer references as marketing assets	The function of reference-marketing activity (internal)	The supplier's reference-marketing practices (internal)
Template for organizational learning	<ul style="list-style-type: none"> <li>Enhance organizational experiential learning and reduce redundancy</li> </ul>	<ul style="list-style-type: none"> <li>Lessons learned and best-practice exercises</li> </ul>
Knowledge base for customer-need and market sensing, and for understanding internal competences	<ul style="list-style-type: none"> <li>Enhance understanding of customer needs and internal competences</li> </ul>	<ul style="list-style-type: none"> <li>Systematic analysis of a well-documented portfolio of customer references</li> </ul>
Basis for building credible value propositions	<ul style="list-style-type: none"> <li>Develop credible value propositions</li> </ul>	<ul style="list-style-type: none"> <li>Measuring delivered customer value from reference cases</li> </ul>
Schema for offering and new-product development	<ul style="list-style-type: none"> <li>Aid in customer-led offering development</li> </ul>	<ul style="list-style-type: none"> <li>Selecting and documenting "iconic cases"</li> </ul>
Instrument for internal motivation	<ul style="list-style-type: none"> <li>Motivate personnel</li> </ul>	<ul style="list-style-type: none"> <li>Internal success stories and "solution of the month" types of announcements</li> </ul>
Tool for training and educating personnel	<ul style="list-style-type: none"> <li>Educate and train personnel</li> </ul>	<ul style="list-style-type: none"> <li>Internal reference case descriptions and "reference black books"</li> </ul>

Key tasks in the internal leveraging of customer references include analyzing the reference portfolio, using the cases for offering development, communicating

success stories internally, and using the customer cases as training material. (Jalkala & Salminen 2008, p. 23)

When analyzing customer reference portfolio, customer reference-related data must be sufficient in order to be able to analyze the customer-reference portfolio. In large global organizations it is important to have a reference database to make easier to find potential reference customers for other market segments. (Jalkala & Salminen 2009, p. 23)

Internal practices in leveraging customer references involves many organizational functions, including sales, project organization, and research and development. Portfolio of customer references serves as resource for learning and training purposes across the organization. Sales function can leverage reference documentation to do win-loss analysis to uncover the reasons why a specific case was won or lost. Analyzing references cases can help organizations to develop understanding of customers needs and internal competences and transform the company from a product orientation towards a solution orientation. (Jalkala & Salminen 2010, p. 980) Reference cases can be leveraged for learning and training purposes among sales and technical personnel. Information about the reasons behind secured projects can be systematically analyzed by documenting best practice from reference projects. (Jalkala & Salminen 2008, p. 24)

Using reference cases for offering development purposes puts together multiple organizational functions to work. This is the only way to make sure that research and development pays attention to customers needs. (Jalkala & Salminen 2009, p. 23)

Communicating success stories internally is valuable method to motivate employees, give recognition, and bring customer cases closer to technical personnel who are not working at the customer interface. Internal communication of reference cases increases awareness of the offering of the organization and can open up cross-selling opportunities. (Jalkala & Salminen 2008, p. 24; Jalkala Salminen 2010, p.

981) Customer references can be valuable in building credible value propositions by measuring, analyzing and calculating the business impacts of the solutions from the reference cases (Jalkala & Salminen 2010, p. 981).

#### 2.4.5 Nature of customer-reference related task

Building, managing and leveraging the reference portfolio tends to be informal and unplanned process despite customer references has acknowledge to have strategic importance. Collecting and maintaining reference related information is the biggest challenge in managing the reference portfolio. Responsibilities are often unclear and motivating people to update reference related information is not always easy. To improve the customer-reference-marketing capability, systematic process must be established to clearly define the ownership of the relevant tasks involved in customer reference related tasks. Table 3. illustrates the tasks and responsibilities of different functions in customer reference portfolio management. (Jalkala & Salminen 2008, p. 24)

Table 3. Tasks and responsibilities of different functions in the process of managing the customer reference portfolio (Jalkala & Salminen 2008, p. 25).

	Building the customer reference portfolio	Managing the customer reference portfolio	Leveraging the customer reference portfolio
<b>Sales organization</b>	<ul style="list-style-type: none"> <li>Selecting target reference customers</li> <li>Building new customer relationships</li> </ul>	<ul style="list-style-type: none"> <li>Documenting sales cases</li> <li>Maintaining relationships with reference customers</li> </ul>	<ul style="list-style-type: none"> <li>Using references as a sales tool</li> </ul>
<b>Project management and/or Service organization</b>	<ul style="list-style-type: none"> <li>Securing a good reference through successful delivery</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining reference equipment</li> <li>Monitoring customer satisfaction</li> <li>Up-dating ref. information</li> </ul>	<ul style="list-style-type: none"> <li>Utilizing references for learning and training</li> </ul>
<b>Marketing / Marcom</b>	<ul style="list-style-type: none"> <li>Motivating customers to act as a reference</li> </ul>	<ul style="list-style-type: none"> <li>Collecting and analyzing reference information</li> <li>Measuring the delivered business benefits</li> </ul>	<ul style="list-style-type: none"> <li>Producing reference-related material for internal and external use</li> <li>Communicating references</li> </ul>
<b>Research and development</b>	<ul style="list-style-type: none"> <li>Joint R&amp;D activities with potential customers</li> </ul>	<ul style="list-style-type: none"> <li>Updating reference installations through joint development activities with key reference customers</li> </ul>	<ul style="list-style-type: none"> <li>Using reference documentation for offering development</li> </ul>

As the Table 3. illustrates building, managing and leveraging the customer reference portfolio is complex cross-departmental set of organizational processes and routines designed to leverage existing and previous customer relationships as assets. In order to make reference management more systematic, the tasks related to managing and leveraging references should be included and specified in the sales-process descriptions. Other way to encourage collecting and updating reference information is to link it to the overall organizational reward and measurement systems and quality processes. In order to make reference management more systematical and enable the leveraging of references across different business units, centralized technology solution is needed to coordinate customer-reference information. (Jalkala & Salminen 2008, p. 25-26)

Building, managing and leveraging the reference portfolio should be aligned with the evolution of company's growth strategies and build to support the selected target growth areas and to cover relevant spectrum of product types, customer industries, company sizes and business challenges. By analyzing the customer reference portfolio systematically, companies can identify the gaps and determine the specific areas relevant to sales that require more references. (Jalkala & Salminen 2009, p. 26)

When leveraging customer reference portfolio systematically in sales, alignment must be made in order to match the position of the representatives in the reference customer's organization with the key contact persons in the potential customer's organization. Reference can be utilized to maintain and awake "sleeping relationships" by introducing best-practice industry examples and solution-application to the customer. (Jalkala & Salminen 2008, p. 26)



### **3 SERVICE QUALITY IN SOFTWARE AS A SERVICE**

The purpose of this chapter is to give the reader a broad understanding of how service quality affect to customer relationships in software as a service companies. By understanding the variables that affect to quality of relationships with the suppliers and customers, it can be linked to how supplier should take care of its clients in order to leverage them in their customer reference marketing activities. In building reference portfolio key activity is to identify the target companies to act as reference customers. In addition to that, the chosen clients need to be in line with the company's strategic plans, they have to feel that they are getting value out of the offering and the relationship is good. In this study the analysis on service quality of SaaS is based on theory framework of SaaS-QUAL that is developed specifically to analyze service quality (SERVQUAL) in SaaS and formed from basis of SERVQUAL, IS SERVQUAL, ASP SERVQUAL, and IS ZOT SERVQUAL theories (Benlian, Koufaris & Hess 2010). Other possible framework could have been theory of how competence-based trust and openness-based trust affecting to satisfaction (Chou & Chiang 2013) but in order to get full view of all possible factors influencing SaaS service quality the SaaS-QUAL instrument was chosen. In next chapters the SaaS-QUAL and SaaS continuance model are explained in detail and then linked to creating and managing customer reference portfolios. The fundamental question of this chapter is, how software as a service company can identify the clients that are most satisfied to the supplier's services and thus the most fruitful for customer reference activities?

#### **3.1 Software as a service**

Software as a service (SaaS) refers to software applications delivered as service over the Internet. SaaS has said to provide numerous benefits for software users such as IT cost reductions, operational elasticity, faster upgrade cycles, and ease of implementation. (Benlian, Koufaris & Hess 2012, p. 86) Worldwide SaaS software revenues are forecasted to reach \$106B in 2016, increasing 21% over projected 2015 spending levels. Spending on cloud computing infrastructure and platforms

will grow at a 30% compound annual growth rate, which is six times faster than 5% overall growth of enterprise IT. (Columbus, 2015) Despite the popularity of SaaS and its importance to help firms gain benefits, understanding about SaaS satisfaction is still in its early stage (Chou & Chiang 2013, p. 149).

Satisfaction is in key role in avoiding a client to switch to a new vendor and increasing the positive word of mouth and enabling a long-term relationship with the service provider (Chou & Chiang 2013, p. 148). For new business model such as SaaS, understanding the formation of satisfaction is critical, because before routinization in the early maintenance stage users are unlikely to be enchanted by the new services leading to possible discontinuance. (Chou & Chiang 2013, p. 149)

In order for SaaS to grow beyond its initial diffusion stage, it must provide an effective and efficient alternative to traditional software models. Services quality issues are vital to its continued success. Inability to fulfill customers' expectations regarding service quality, such as application availability or vendor responsiveness, may have critical consequences for the customers and vendors. (Benlian, Koufaris & Hess 2012, p. 86) Top three reasons why organizations discontinue SaaS or put SaaS on hold are security or privacy issues, problems with technical integration, and low-quality customer support (Pring & Lo, 2009). SaaS business model can not solely rely on cost and implementation advantages compared to on premise solutions, because of the apparent importance of service quality aspects. In order to be accepted and continuously used by its clients, SaaS suppliers need to shift focus to all aspects of service quality management including all cues and encounters that occur before, during, and after the delivery of software services. To deliver superior service quality, the SaaS providers must understand how customers perceive and evaluate SaaS-based services. This way suppliers can allocate investments and resources correctly to maximize the service quality and increase SaaS renewal rates. (Benlian, Koufaris & Hess 2010, p. 2) Without minimal level of satisfaction, users are discontinuing using SaaS and the investments are not recoverable. This emphasizes the importance of understanding satisfaction. In order to deliver satisfied services, SaaS vendors have to earn the trust of their customers' and

provide them with highly quality service from which the trust can be created. (Chou & Chiang 2013, p. 148)

In order to understand the service quality in SaaS, background of service quality research must be understood. Next chapter goes through the background of service quality research in order to build the foundation of understanding the up coming chapters on specifically SaaS service quality.

### **3.2 Service quality**

Research on traditional non-Internet service quality has been conducted extensively during the past 25 years. Early proposals of service quality suggested that service quality stems from comparison of what customers feel a company should offer with the company's actual service performance (Lewis & Booms, 1983; Parasuraman, Zeithaml & Berry, 1985). Parasuraman et al. (1988) studied several industry sectors to develop a SERVQUAL model to quantify customers' global assessment of a company's service quality. This study assessed customer perception of service quality in service and retailing organizations (Parasuraman, Berry, & Zeithaml 1988, p. 12). SERVQUAL identified five service quality dimensions; 1) *tangibles*, that are physical facilities, equipment and appearance of personnel, 2) *reliability*, that is the ability to perform the service that is promised dependably and accurately, 3) *responsiveness*, that is willingness to help customers and provide fast service, 4) *assurance*, that is the knowledge and kindness of employees and their ability to inspire trust and confidence, and 5) *empathy*, that is the caring and individualized attention for the customer of a firm (Parasuraman, Berry, & Zeithaml 1988, p. 23). Gap scores that are calculated from the differences between perceived levels of service and expectations of service, has raised concern on the SERVQUAL's reliance (Benlian, Koufaris & Hess 2012, p. 89) and as response to that Kettinger and Lee (1997, 2005) developed an alternative instrument referred as the zone of tolerance (ZOT). ZOT states that service expectations exist at two levels that customers use as a basis to assess service quality: 1) *desired service*, that is the level of service desired; and 2) *adequate service*, that is the minimum level of service

that customers can accept. These two levels form the “zone of tolerance” that is the range of service performance that customer can consider satisfactory (Kettinger & Lee 2005, p. 607).

Rise of the Internet and electronic channels added several adaptations to the SERVQUAL including Gefen’s (2002) extending of SERVQUAL conceptualization to the electronic context, Parasuraman, Zeithaml, & Malhotra’s (2005) research on four criteria to electronic service quality perceptions, and Swaid and Wigand’s (2009) scale for measuring service quality in online retailing. Drawing on previous research in IS SERVQUAL and literature on online service quality, ZOT-based ASP-QUAL was developed to understand service quality in application service provider (ASP) context where software applications are not installed on the client’s servers, but delivered over a network (Ma, Person, & Tadisina 2005). Although several factors from these previous studies can be transferred and adapted directly to SaaS context, important factors for SaaS service quality such as flexibility and security are not addressed (Benlian, Koufaris & Hess 2012, p. 90). In order to understand service quality in SaaS companies, SaaS-QUAL model was introduced to understand and measure SaaS specific unique service quality challenges for vendors and service quality expectations for their clients (Benlian, Koufaris & Hess 2012, p. 119). Next chapter introduces this model and goes through SaaS-QUAL in depth in order to understand its usage in identifying clients that are satisfied to their service quality in the case company.

### **3.3 SaaS-QUAL**

SaaS-QUAL model was developed in order to understand the service quality in SaaS companies (Benlian, Koufaris & Hess 2012, p. 119). Benlia, Koufaris, & Hess published two articles (2010; 2012) examining the forming of SaaS-QUAL and in this study content from both articles are used to get best understanding of the method. SaaS-QUAL instrument formulated in systematic three-step process by first studying existing SaaS and service quality literature and then validating the chosen factors by different research methods such as interviews, focus groups, pilot

surveys and quantitative tests (Benlian, Koufaris & Hess 2012, p. 96-97). The study formed six SaaS specific factors to complete SaaS-QUAL measure instrument to measure service quality in SaaS by combining, validating, redefining and defining factors from service quality previous studies (Benlian, Koufaris & Hess, 2012 p. 97-99). The study found the SaaS-QUAL instrument has significant validity and it replaced the original confirmation measure in the IS continuance model developed by Bhattacharjee (2001) in SaaS context (Benlian, Koufaris & Hess 2012, p. 117 & p. 119). SaaS-QUAL model is ZOT-based in order it to be highly practical measurement instrument. (Benlian, Koufaris & Hess 2012, p. 121) Next SaaS-QUAL is explained in detail linking it to the IS continuance model.

The SaaS-QUAL instrument includes six SaaS-QUAL factors (Benlian, Koufaris & Hess 2012, p. 104) that are defined in Table 4. Each factor is independent from others (Benlian, Koufaris & Hess 2012, p. 112).

Table 4. Conceptual definitions of the six SaaS-QUAL factors (Benlian, Koufaris & Hess 2012, p. 99).

Factor	Conceptual definition
Rapport	<ul style="list-style-type: none"> <li>Includes all aspects of an SaaS provider's ability to provide knowledgeable, caring, and courteous support (e.g., joint problem solving or aligned working styles) as well as individualized attention (e.g., support tailored to individual needs).</li> </ul>
Responsiveness	<ul style="list-style-type: none"> <li>Consists of all aspects of an SaaS provider's ability to ensure that the availability and performance of the SaaS-delivered application (e.g., through professional disaster recovery planning or load balancing) as well as the responsiveness of support staff (e.g., 24-7 hotline support availability) is guaranteed.</li> </ul>
Reliability	<ul style="list-style-type: none"> <li>Comprises all features of an SaaS vendor's ability to perform the promised services timely, dependably, and accurately (e.g., providing services at the promised time, provision of error-free services).</li> </ul>
Flexibility	<ul style="list-style-type: none"> <li>Covers the degrees of freedom customers have to change contractual (e.g., cancellation period, payment model) or functional/technical (e.g., scalability, interoperability, or modularity of the application) aspects in the relationship with an SaaS vendor.</li> </ul>
Features	<ul style="list-style-type: none"> <li>Refers to the degree the key functionalities (e.g., data extraction, reporting, or configuration features) and design features (e.g., user interface) of an SaaS application meet the business requirements of a customer.</li> </ul>
Security	<ul style="list-style-type: none"> <li>Includes all aspects to ensure that regular (preventive) measures (e.g., regular security audits, usage of encryption, or antivirus technology) are taken to avoid unintentional data breaches or corruptions (e.g., through loss, theft, or intrusions).</li> </ul>

Each factor includes unique amount of items consisting in total of 42 items (Benlian, Koufaris & Hess 2012, p. 104). These measurement items are used in measuring service quality under each factor. (Benlian, Koufaris & Hess 2012, p. 109) Table 5. explains each item in detail.

Table 5. Items for measuring factors in SaaS-QUAL (Benlian, Koufaris & Hess 2012, p. 101-103).

SaaS-QUAL factors	Items When it comes to . . .
Rapport	<ul style="list-style-type: none"> <li>• ... a shared approach to problem solving</li> <li>• ... customer-specific trainings and courses</li> <li>• ... understanding our business goals and processes</li> <li>• ... a good personal relationship</li> <li>• ... an aligned working style (e.g., convenient operating hours)</li> <li>• ... having the knowledge to answer customers' questions</li> <li>• ... the cultural fit between SaaS provider and our company</li> <li>• ... support that is tailored to our individual needs</li> <li>• ... having the customer's best interest at heart</li> </ul>
Responsiveness	<ul style="list-style-type: none"> <li>• ... system availability/uptime for business (e.g., system crash or freeze)</li> <li>• ... network performance</li> <li>• ... efficient disaster recovery</li> <li>• ... efficient contingency and replacement policy</li> <li>• ... hardware and software redundancy</li> <li>• ... an adequate number of service personnel dedicated to our company</li> <li>• ... the support of up-to-date, cutting-edge hardware, software, and network technology</li> <li>• ... (technical) support availability (i.e., the promptness of providing services)</li> <li>• ... (multichannel) customer care (i.e., the SaaS provider's willingness to help users)</li> </ul>
Reliability	<ul style="list-style-type: none"> <li>• ... providing services at the promised time</li> <li>• ... performing services right the first time</li> <li>• ... fulfilling the obligations to the contract (including SLAs)</li> <li>• ... user problems, our SaaS provider shows a sincere interest in solving them reliably</li> <li>• ... the provision of error-free services and accurate budgetary controls</li> </ul>
Flexibility	<ul style="list-style-type: none"> <li>• ... the integration and interoperability of the SaaS application with our information and communications technology infrastructure</li> <li>• ... application scalability (i.e., number of user subscriptions)</li> <li>• ... modularity of features from which can be chosen (i.e., packaging choices)</li> <li>• ... having access to the latest software versions</li> <li>• ... modifying contractual parameters at later stages</li> <li>• ... choices of ways to pay (e.g., payment/billing options)</li> </ul>
Features	<ul style="list-style-type: none"> <li>• ... a visually appealing and sympathetic user interface</li> <li>• ... a user-friendly navigation structure and search functionality</li> <li>• ... data reporting and extracting features</li> <li>• ... the SaaS application's configuration (e.g., user administration, etc.) features</li> <li>• ... the SaaS application's help functionalities</li> <li>• ... the dashboard features with metrics measuring customers service usage</li> <li>• ... the SaaS application's core features to support process steps/activities</li> </ul>
Security	<ul style="list-style-type: none"> <li>• ... data backup and recovery</li> <li>• ... regular security audits</li> <li>• ... providing a secure physical environment (i.e., secure data center)</li> <li>• ... anti-virus protection</li> <li>• ... data encryption</li> <li>• ... data confidentiality</li> </ul>
<ul style="list-style-type: none"> <li>• Rated on 7-point Likert scales with 1 = "low" and 7 = "high" for "My minimum service level is ...," "My desired level of service is ...," and "My perceived service level is ..."</li> </ul>	

In order to understand how perceived service quality in SaaS-QUAL affects to overall continuance intentions in SaaS, it is linked to original IS continuance model developed by Bhattacharjee (2001). (Benlian, Koufaris & Hess 2012, p. 116) In SaaS continuance model (Figure 3.) SaaS-QUAL replace the original service quality confirmation variable of IS continuance model. (Benlian, Koufaris & Hess 2012, p. 116)

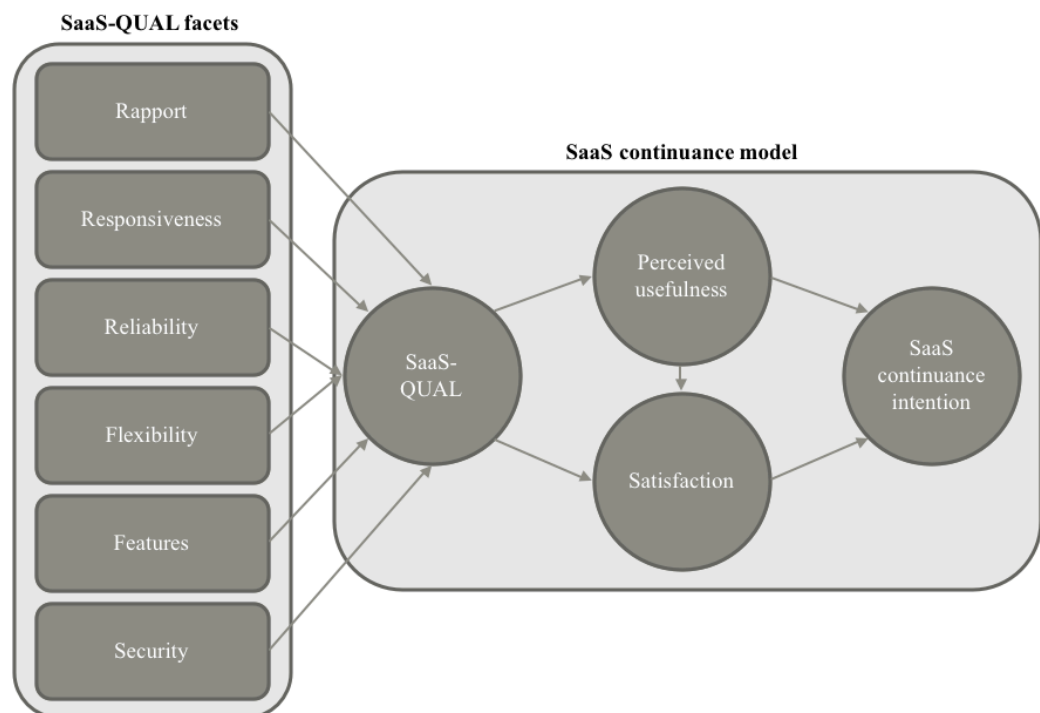


Figure 3. SaaS continuance model (Benlian, Koufaris & Hess 2012, p. 117).

To complete the measurement of service quality in SaaS continuance model, questions to measure satisfaction, perceived usefulness and SaaS continuance intention are introduced in Table 6.



Table 6. Questionnaire to measure perceived usefulness, satisfaction and SaaS continuance intentions (Benlian, Koufaris & Hess 2012, p. 110 & 117).

Constructs	Indicators
SaaS continuance intention	<ul style="list-style-type: none"> <li>• We intend to continue using the SaaS-based software delivery model rather than discontinue its use.</li> <li>• Our intentions are to continue using the SaaS-based software delivery model than use any alternative means (e.g., on premise solutions).</li> <li>• If I could, I would like to discontinue the use of the SaaS-based software delivery model (reverse coded).</li> </ul>
Satisfaction	<ul style="list-style-type: none"> <li>• How do you feel about your overall experience of using the SaaS-based software delivery model?               <ul style="list-style-type: none"> <li>• Very dissatisfied/very satisfied</li> <li>• Very displeased/very pleased</li> <li>• Very frustrated/very contented</li> <li>• Absolutely terrible/absolutely delighted</li> </ul> </li> </ul>
Perceived usefulness	<ul style="list-style-type: none"> <li>• Using the SaaS-based software delivery model (compared to other ones) improves our performance in managing our functions/processes.</li> <li>• Using the SaaS-based software delivery model (compared to other ones) increases our productivity in managing our functions/processes.</li> <li>• Using the SaaS-based software delivery model (compared to other ones) enhances our effectiveness in managing our functions/processes.</li> <li>• Overall, the SaaS-based software delivery model (compared to other ones) is useful in supporting our functions/processes.</li> </ul>

In order to understand SaaS continuance model, IS continuance model must be understood. IS continuance model is based on expectation-confirmation theory that is widely used in the consumer behavior theory. (Bhattacharjee 2001, p. 352) The theory suggests that satisfaction with the use of IS is the strongest predictor of users' continuance intention and perceived usefulness significant but weaker predictor. Perceived usefulness is a cognitive belief, while satisfaction and attitude reflect users affect in both pre- and post-acceptance phase. The effect of perceived usefulness on users' intentions in acceptance and continuance context varies between pre-acceptance and post-acceptance phases. Users' attitude in pre-acceptance phase is based on cognitive beliefs such as usefulness or ease of use and it is formed potentially via second-hand information from media or other sources. These sources can be biased and hence user attitude may be inaccurate, unrealistic, and uncertain. Post-acceptance satisfaction is grounded in users' first-hand

experience with the IS and therefore it is more realistic, unbiased, and less sensitive to change. Since perceived usefulness is more crucial for acceptance intention and satisfaction is more dominant for continuance intention, IS firms should adopt a two-fold strategy for maximizing their return on investments in customer training by informing new or potential users of the potential benefits of IS use and educating existing users on how to use IS effectively so as to maximize their confirmation and satisfaction with IS use. Satisfaction may also explain the users' discontinuance of IS after its initial acceptance. Since satisfaction is the stronger predictor of continuance intention, users' that are dissatisfied with the use of IS may discontinue its use even though they had positive perceptions of its usefulness. Dissatisfaction and not perceived usefulness is the necessary condition for IS discontinuance. (Bhattacharjee 2001, p. 364-365)

Confirmation of SaaS service quality seem to have a much larger impact on satisfaction than on perceived usefulness. If SaaS service is meeting quality expectations, it leads to a strong overall feeling of satisfaction with the system when increased productivity and efficiency in client's operations does not have equal effect. One explanation to this is the relatively young age of SaaS systems and therefore clients have not had enough time to fully evaluate their usefulness. (Benlian, Koufaris & Hess 2012, p. 119-120)

Research also implicates the nature of service quality expectations for SaaS clients. By using zone of tolerance (ZOT) approach developed by Kettinger and Lee (2005), specific areas can be identified where SaaS clients feel that their expectations are met or not (Benlian, Koufaris & Hess 2012, p. 120). In SaaS key factors driving the influence on customer satisfaction and perceived usefulness are responsiveness and security. In order to increase customer satisfaction ZOT analysis suggests that SaaS providers should start from meeting the requirements on responsiveness and security since they have the highest minimum acceptable expectations and highest affect on overall service quality. An approach combining SaaS-QUAL and ZOT provides a clear picture of where corrective action is necessary to improve service quality for SaaS users. (Benlian, Koufaris & Hess 2012, p. 120) The next important factors in

ZOT analysis in the order of their importance are flexibility, reliability, features and rapport (Benlian, Koufaris & Hess 2012, p. 118)

### 3.4 Theoretical framework

The theoretical framework that is presented here is the collection of the selected elements gathered from the previously presented theory. The formed theoretical framework works as a foundation steering the empirical part of the study. The theoretical framework builds on the framework of customer-reference portfolio activities and SaaS-QUAL facets of the SaaS continuance model (Figure 3.). The formation of the theoretical framework is described in Figure 4.

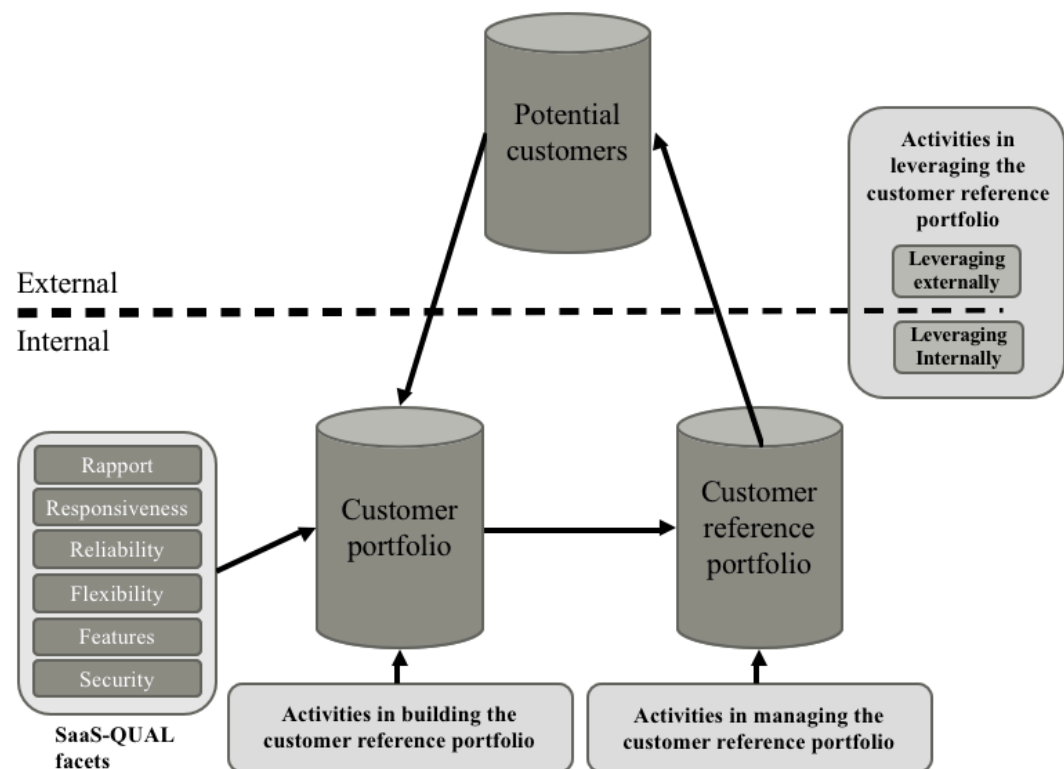


Figure 4. Theoretical framework in this study.

The formed framework enables intentionally identify and select those customers that have the biggest potential to be in customer reference portfolio by enabling more systematic and profound measurement of service quality. Since satisfaction is

in key role in avoiding a client to switch to a new vendor and increasing the positive word of mouth and enabling a long-term relationship with the service provider (Chou & Chiang 2013, p. 148) and the quality of the relationship between the customer and the supplier is positively associated with a customer's willingness to recommend and act as a reference and good customer relationship is thus a prerequisite for leveraging references (Jalkala & Salminen 2008, p. 9-10), the formed framework is in synergy with both theories presented in past chapters.

## **4 METHODOLOGY**

The purpose of this chapter is to go through the research methodology that is used in this thesis. The chosen methodology has an impact on the overall research design. This chapter contributes to the explanation of the used research method, data collection and analysis methods, and assessing the quality of the research. This chapter builds a bridge between the previous theoretical parts and the following empirical part.

### **4.1 Case study**

A qualitative research is chosen as a research strategy, as it gives opportunity to focus on the complexity of business-related phenomena in their context (Eriksson & Kovalainen 2008, p. 3) and since prior insights of the topic under study are limited (Ghauri & Kovalainen 2005, p. 202). Qualitative research produces new knowledge about how and why things work in on-going business context as they do, and how to make sense of them in a way that they might be changed (Eriksson & Kovalainen 2008, p. 3). It has an ability to present complex and hard-to-grasp business problems in an accessible, vivid, personal, and down-to-earth format (Eriksson & Kovalainen 2008, p. 116).

Research questions themselves explain the type of study and suggested data gathering method (Yin 2009, p. 8-10). Questions “how” and “why” deal with operational links that needs to be traced over time and thus these questions often lead to the use of case studies, histories, or experiments (Yin 2009, p. 9). This study focuses to “how” questions and contemporary events, and the study does not require control of behavioral events, thus the selected research method is case study (Yin 2009, p. 13).

A case study is an empirical inquiry that investigates a contemporary phenomenon in depth within its real-life context. It is especially useful when the boundaries between context and phenomenon are not evident. Case study inquiry copes in

technically unique situation in which there are more variables of interest than data points, and as results case study relies on multiple sources of evidence that are converged in a triangulating fashion, and it benefits the previous theoretical propositions to guide data collection and analysis. (Yin 2009, p. 18)

Case studies have four different applications. First, they explain the presumed causal links in real-life interventions that are not researchable through survey or experimental strategies because of their complexity, and second they describe an intervention and the context in which it occurred in real-life. Third, case studies illustrate certain topics within an evaluation in a descriptive mode, and fourth the case study strategy can be used to enlighten situations in which the intervention does not have single set of outcomes. (Yin 2009, p. 19-20)

A good case study considers alternative perspectives and examines evidence from different perspectives and not only from a single point of view (Eriksson & Kovalainen 2008, p. 133). Case study is valuable when researcher has own interest and specific case providing insights towards the topics, and wants to understand the construction of the case in detail (Eriksson & Koistinen 2005, p. 9). A good case study report pleases the eye and engages the reader in a way that the reader cannot stop reading until exhaustion. The report needs to be written in clarity and the researcher need to have something extraordinary to say to the readers. (Eriksson & Kovalainen 2008, p. 133)

There are four types of designs for case studies; 1) holistic single case design, 2) embedded single-case design, 3) holistic multiple case design, and 4) embedded multiple case design. (Yin 2009, p. 46-47) Holistic single-case study analyses single unit where as embedded single-case study analyses multiple units (Yin 2009, p. 46). Same single case can involve more than one unit of analysis. This happens when within a single case attention is also given to a subunit or subunits. When more than two units are involved in the analysis, the research design is embedded case study. In contrast, the study follows holistic design when it examines the global nature of an organization or of problem. (Yin 2009, p. 50) Since this study examines the

current situation in reference portfolio management in each unit in the organization individually and combines that into overall status of reference portfolio management, this study is single case study. To provide a throughout description of the current status of customer reference portfolio management in the case company through documents and interviews, a case study is a suitable method. Case company is a reasonable research platform for case study since it 1) it possess significant amount of clients that are not systematically processed into customer references, and 2) it leverages references unsystematically internally and externally. Since this study aims to solve the customer reference portfolio management in the case company there are no criteria for selecting the target company or other detailing limits.

#### **4.2 Methods in data collection and analysis**

Process of preparing for data collection can be complex and difficult. It is a critical phase in doing case study since if it is not done well, the entire case study investigation can be jeopardized and all of the earlier work in defining research questions and designing the case study can be done for nothing. (Yin 2009, p. 67) Interview as a source is one of the most important source of information in case study. (Yin 2009, p. 108) Interviews in this study are *focused interviews* in which the individuals are interviewed for a short period of time. Questions are open-ended that are delivered from the case study protocol and they are assume in conversational manner. (Yin 2009, p. 107) This approach was selected since the research questions are narrowed to solve the specific nature of current status of reference portfolio management and established facts can be already assumed from the theory and practical experience of the researcher.

The primary data collection method of this study are interviews that are conducted with open-ended questions. This method allows to interact with the personnel who have the most detailed knowledge about the case. Interview questions were formed through the theoretical framework presented in Table 4. and they are described in details in Appendix 1. Second method for collecting data is analyzing internal

documents such as customer satisfaction surveys. Notes are taken during the interviews to ensure the accessibility of interview data in possible technical difficulties.

### 4.3 Selecting the interviewees and the analysis of interview data

The interviewees were selected in a way that they represent the most experienced people from each unit in the whole organization. Each of the interviewees has worked in the position they are more than a year and most of them have multiyear experience from different positions in different units in the company. The titles of the interviewees and their departments are described in Table 7.

Position of the interviewee (department)	Count of interviewees
Director (Finland, CS & CA)	4
Account Manager (CS)	2
Key Account Manager (CS)	3
Sales Manager (CA)	2
Growth Executive (CS)	3
Marketing (Marketing)	1
Client Onboarder (CS)	1
Sales Operations (SalesOps)	1

Table 7. Description of internal interviewees.

Most of the interview were conducted in person at the case company's main office in Finland and only few by phone with individuals who are not based in Helsinki. Interviewee's received a cover letter (Appendix 2.) before the interview to get them familiar with the topics that were discussed in the interview. This sample has an ability to provide information and perspectives that are extensive and high quality in order to solve the research problem. In contrast of explaining causal relationships by means of objective facts and statistical analysis, this study uses hermeneutic



perspective by personal interpretative process in order to understand the reality in the case company (Gummesson 1991, p. 152).

Content analysis was chosen as method to analyze the collected data. When a wide range of conditions need to be incorporated, content analysis is a useful technique (Jauch, Osborn, Martin 1980, p. 522). The interviews were recorded with two recorders in order to ensure the availability of data in technical problems. The transcript audio data was analyzed with qualitative content analysis where the goal is to categorize the data. The frequency or volume of a word or context is measured and the goal is to create a sound generalization (Wilson 2012, p. 234). The interview data was triangulated by asking multiple questions around same topic. The goal was to reach saturation in each question. Saturation is a stage when researcher have no need to continue with further cases and contribution of a new case approaches zero (Gummesson 1991, p. 85). The role of secondary data is to support the understanding of the current situation in measuring customer satisfaction.

The researcher works in the case company as a director and this possibly affected to the interviewees' willingness to give honest answers to interview questions. This was taken into account by explicitly stating that their answers or their identity would not be exposed during or after the research project. Since the researcher works inside the case company, the assessment of the answers is inevitably partly subjective and external data gathered through previous experiences may affect the analysis of the data.

#### **4.4 Quality of the research**

The challenge in qualitative research is to assure the scientific nature of the research and its quality and trustworthiness. To explicitly evaluate the transparency of the research and to provide the means to highlight the strengths and limitations of the results, adoption of explicit evaluation criteria is needed. (Eriksson & Kovalainen 2008, p. 290) Reliability, validity and generalizability form the basic framework for

the evaluation of the quality of the research (Eriksson & Kovalainen 2008, p. 291). These are the concepts on which the quality of this study is conducted.

*Reliability* is commonly used criteria to evaluate qualitative research. Reliability defines the degree of consistency in research in the sense that another researcher can replicate the study and come up with similar findings. This degree of consistency forms of the measure, procedure and instrument used in the research. *Validity* is the second classic evaluation criteria. Validity refers to the aims to provide research with guarantee that the report or description is correct. Procedures to establish validity are analytic induction, triangulation and member check (Eriksson & Kovalainen 2008, p. 292)

*Analytic induction* combines the analysis of the data after it is coded with the process of integrating the data with theory. *Triangulation* uses multiple perspectives to refine and clarify the finding of the research. (Eriksson & Kovalainen 2008, p. 292) Triangulation can be done through multiple forms by; 1) *combining* qualitative and quantitative *methodologies* in the same study, 2) using *several methods* and techniques in the analysis to validate findings, 3) *gathering data* from multiple empirical sources to cross-check the information, 4) using *several theories* in explaining, understanding and interpreting the case, and 5) using *several researchers* to investigate the empirical materials and cross-check their interpretations and conclusions. Triangulation draws on the idea that there is one version of reality that can be approached from different angles and viewpoints. Using different views adds to the overall understanding of the research field. *Member check* is a procedure by which the research feeds the interpretations that she makes back to participants to let them check the interpretations that are made of what they did or told the researcher. (Eriksson & Kovalainen 2008, p. 293)

Assessing the quality and the trustworthiness of the study is important, when taking into a consideration the position of the researched inside the case company (director of the other CA department) and the selected research method (case study). The

quality of the study is assessed through two classical criteria, reliability and validity. These form the overall quality of the case study.

The reliability of the study was ensured with multiple methods. The cover letter was sent to the interviewees before the interview, in order to make them familiar with the topic and to underlie the confidentiality of their answers. The goal was that the confidentiality would allow the interviewees give uncensored answers to the questions. The theories that were chosen were selected to build a holistic view to the customer references and SaaS as combined. The research questions were designed from the theory and the experience of the research as employee of the case company gave additional insight to the topic. In this process, time off from the workplace gave a good opportunity to be a researcher and see the case company through the theory.

The validity of the study was ensured by triangulating the data. The data was triangulated by collecting sufficient amount of interview data to reach saturation. The results of the case study were formed through seventeen interviews and by analyzing the surveys used in assessing the service quality.

## **5 CASE STUDY**

The purpose of this chapter is to provide holistic picture of the case company and insights about the interview responses that are the base of solving the research problem. The chapter begins with description of the process how the case is solved. The case company is described in detail to provide understanding of the environment of the case that helps evaluating it of the as a whole. This chapter studies the current status in building, managing and leveraging the customer reference portfolio. Special emphasis is given to service quality that is directly linked to the activities in building a portfolio.

### **5.1 Process of understanding the case**

The process to understand the case is iterative discussion with the empirical data and theoretical framework. The process starts with transcribing the interviews and analyzing the data. This follows the description and understanding of the case company and its characteristics. After this the research questions are reflected upon the the transcribed interview responds.

#### **5.1.1 Data analysis**

The primary sources of data in this study were seventeen interviews that were conducted with the most experienced personnel from each unit in the case company. Interview questions (Appendix 1.) were open-ended. Interview questions were designed in a way that interviewees in different roles would have different amount of information and input to different questions. All research questions were asked from each interviewee to create contrast inside each topic and question. In addition to pre-designed questions, additional questions were asked to get more extensive answers. This was done in two different situations. Firstly, detailing questions were asked when an answer left room for interpretation. From example, if an interviewee

didn't specify the difference between customer and customer references in question number two (see Appendix 1), it was asked after interviewee's initial answer. Second, questions broadening the view to the topic were asked when an interviewee had noticeable input to the theme because of her role or experience. Interviews were recorded carefully with two recorders in order to ensure that the data was available even if technical problem occurred. After transcribing the interview data, it was read through multiple times to get a deep understanding of the answers. After that each question was analyzed separately and themed under each part of theory framework and research questions. Secondary data source were surveys that are used to measure service quality and customer satisfaction in the case company.

### **5.1.2 Case company description**

The case company is the Finnish country organization of Meltwater Group. The software of Meltwater helps companies to make better, more informed decisions based on insights from the data outside of firewall. Meltwater believes that business strategy will be increasingly shaped by insights from online data. Organizations will look outside, beyond their internal reporting systems to a world of data that is constantly growing and changing. Meltwater's customers use these insights to make timely decisions based on real-time analysis. More than 23,000 companies use the Meltwater media intelligence platform to stay on top of billions of online conversations, extract relevant insights, and use them to strategically manage their brand and stay ahead of their competition. With 50 offices on six continents, Meltwater is dedicated to personal, global service built on local expertise. Meltwater also operates the Meltwater Entrepreneurial School of Technology (MEST), a nonprofit organization devoted to nurturing future generations of entrepreneurs.

The case company is a sales organization with support functions and local management. The organization consist of two client acquisition (CA) departments, one customer success (CS) department, marketing department, few employees from global Sales Operations department (SalesOps), and an Area Director who is

responsible of Meltwater's operations in Finland. CA and CS departments have their own directors who are in full profit and loss responsibility of the operations. CA's responsibility is to find and close new customers for Meltwater. CS's responsibility is to grow the value of Meltwater's client portfolio by ensuring that new and existing clients are not ending their co-operation with Meltwater i.e. churn (keep the value of existing client portfolio) and by finding and closing new opportunities inside the current client portfolio (grow the value of existing client portfolio). In CS department, Account Managers (AM) and Key Account Managers (KAM) are in responsible of client portfolios. KAM is a senior role which means that they have more experience compared to AM's. Growth Executives (GE) are in responsible of growing the client portfolios.

Next sections go deep into the findings on the current status in activities of building, managing, and leveraging reference portfolio, and understanding and measuring of service quality. The findings are presented in the order they are described in the theoretical part to enhance the readability of the report.

## **5.2 Concept of customer reference and general leveraging customer references**

Understanding about the customer reference as a concept varies between different departments in the organization. AM's and KAM's who are directly in responsible of their client portfolio, sees customer reference as a customer who has accepted that their name, logo, or story of them can be used as a reference in external reference activities. In contrast, CA understands a reference as a customer. However, some employees in CA identify satisfaction as a prerequisite in choosing a customer for their reference activities. GE's fall in between AM's/KAM's and CA in their views of customer references. Customer satisfaction is a prerequisite for them in selecting a customer reference but clients that have not gave a permission to use their name or logo in reference activities are commonly used as well. The importance of customer references is noticed on the top management of the company and they are seen as crucial part of every interaction during a sales process and in developing the business as a whole. The views of marketing are the

most demanding regarding the prerequisites of a potential customer reference. The customers that marketing would like to work with should be that satisfied that they would speak about the services of Meltwater on their own without asking.

When describing the concept of customer references, the majority of the interviewees described briefly how they are leveraging references and the impact of references they have experienced. These are studied more deeply in the following chapters when discussing about leveraging of references but here is a short introduction to the topic.

Methods and the impact of leveraging customer references are quite similar in all units of the organization. References are leveraged by telling stories when meeting customers and when speaking with them over the phone. Logos and names of the customer reference clients are showed in meeting and shared in emails when trying to build interest with potential client. When a customer has accepted that they can be leveraged in external reference activities, their contact information might be shared for potential clients so that they can confirm the story and the value of the services from them directly. Approved customer references are shared on the website.

References are seen as way to be convincing as a company and as an individual when interacting with customers. References help individuals to be more professional and build their personal brand. References are felt to build trust and credibility between individuals and organizations. They build and concretize the value through third party direct experiences of the services that the individual is selling. They help individuals get the attention and interest of a potential client to listen more about what the sales people have to say.

Words that were used the most to describe the current status of the whole organizations reference activities were unsystematic and unstructured. Those individuals who were or had been working in sales, told that they use references frequently compared to AM's or KAM's who had the most differing views about

the topic. Some of them did not use references at all and some did. The mutual understanding in the organization about how references are leveraged and how important they are in sales was nonexistent. This status concretized with an interviewee who had not worked in sales during her career at the case company. Her point of view was that references are not that used in the case company and they are not that important in work with customers. This points out that the importance of references is not communicated through the organization and the different departments in the organization are not communicating with each other regarding the references.

The study will go more deeply into these topics when describing in detail the current status of activities under building, managing and leveraging customer reference portfolio. The next chapter discusses the activities under building a reference portfolio.

### **5.3 Activities in building a customer reference portfolio**

This chapter describes the findings on activities in building a customer reference portfolio. These activities are selecting target reference customers, developing relationships and delivering value, motivating customer to act as references and documenting references.

#### *Selecting target reference customers*

Even though references are seen valuable by the management of the company, selecting target reference customers is not linked to the company strategy. Target reference customer are selected reactively when they are needed and the need is initiated by the situation. Typically, the situation is either a public tender where references are required or a need to find a reference for a client meeting or a call. The only department that is doing systematic selecting of target reference customers is marketing. This is not communicated to other departments. Marketing is trying to find potential reference customers by talking with AM's and KAM's, and asking



them to recognize satisfied customers that match their other requirements. Cool brands and big companies that can potentially participate in many reference activities and reach large audience if they are sharing the reference stories in social media, are the most interesting customers for marketing. These activities are part of global initiative of the group to make Meltwater cool brand globally. These references differ from the day to day needs of CA departments. CA is mostly talking with small or mid sized enterprises, governmental organizations or non-governmental organizations. However, many interviewees identified that if a big brand is talking positively about the case company, it can potentially encourage positive word-of-mouth, and this has noticed to ease selling in both CA and CS departments.

Measuring service quality is done officially by surveys that are sent in different phases of customer life cycle. The timing of these is not clear even in CS department whose direct responsibility is ensure that the case company's customer portfolio is satisfied. This tells a lot about the attitudes towards the survey and its usefulness.

The survey consists of multiple open-ended and Likert questionnaire where respondents specify their level of agreement or disagreement on a symmetric agree-disagree scale for a series of statements. These statements regard the received client training, the case company's consultant's eager to understand the responders needs and their willing to help to get more value out of the service, how well the client support has met the expectations, how well the service has met the expectations, how valuable the responder sees the service in their work, in what role they are working, why they bought the service, would the responder be willing to hear more about other services that Meltwater provide, does the responder see need for Meltwater's services in their organization's other departments, and would they be willing to recommend Meltwater's services to their colleagues (net promoter score – NPS). This survey is the same for all clients in all phases of client life cycle and it is sent from generalized email address.

In all departments in the case company these surveys are not experienced to add value. Reasons behind this are multiple. One of the biggest reasons to impact to the experienced usefulness of the surveys is that the response rate is between five and twenty percentages, which is experienced to be relative low. The other important reason is that the design of the survey is felt to be heavy and the most important question (NPS) is the last. The internal expectations for the score of the NPS is felt to be imbalance with the culture in Finland. On a scale one to ten, nine and ten are seen as good, seven and eight as approved and everything bellow that as alarming. Interviewee's experienced that in Finland high grades for that direct and personal question are not common. The last reason is that the survey is given by the group and it is not possible to modify it to the local needs. When asked, many interviewees shared their own ideas about the how they would develop the survey but these are not possible to implement to the global survey. Since the survey is not appreciated and valued, the clients are not reminded to response to it and they are read occasionally.

Since the official method of measuring service quality is not working, the assessment of service quality is done by CS department's AM's and KAM's individually. This gut feeling is formed without any instructions and it is not documented systematically. Each AM and KAM pays attention to the aspects they think are the traits and qualities of satisfied customer and if someone asks they can name a customer that is satisfied. This method creates a big variability to the over all assessment of the satisfaction and it is not analyzable since it is not documented.

#### *Developing relationships and delivering value*

Developing the relationships and the delivering value is the responsibility of the CS department. Currently the best word to describe the work with customer relationships is reactive. There are no clear and explicit criteria how the resources across the customer relationships should be allocated. The only exception is that the customers are divide according to the revenue they produce between AM's and KAM's. KAM's have smaller portfolio when it comes to the number of customers

in their portfolios and therefore they should have more time and know-how to consult the clients in their portfolio but only the later is realized. Currently both AM's and KAM's have more customers than they should have. This combined with relatively high amount of high-involvement relationships and some technical problems with the provided SaaS applications, has created a reactive environment for developing customer relationships where the focus is in the preventing potential disasters.

The value that Meltwater deliver can be divided to two; 1) the SaaS application itself and the value it creates in the client organization, and 2) the supporting consulting that is provided during the client life cycle to get the best value out of the SaaS application. This is an internal understanding of how the clients' see the value of the case company's offering and it is therefore formed through subjective views all interviewees'. They have formed their views from their past experiences in their work with the case company's customers. These results are leaning strongly to internal perceptions and they need to be assessed with reserve. However, the interviewees had over 120 years of total experience working on the industry so the combined view to the topic is relatively reliable.

The value is case sensitive regarding the use case for what the SaaS application is sold in the first place. The client assesses the value of the service by analyzing the produced value over the cost of the service and has output of SaaS application met the expectations that were set in the sales process by the CA department. If the value is higher than the costs, the service is doing what promised, and there is no opportunity to get the same valued service from a competitor with lower costs, the client relationship continues. By developing the customer relationship, the perceived value increases. This is done by meeting or exceeding the expectations of the supporting consulting that is done by the CS organization. For example, if AM or KAM replies to customer's request faster than the customer is expecting, value is created. The value culminates in the quality of the relationship and the trust between the individuals in client organization and the AM or KAM who is in responsible of the client. Most typical reasons for losing the trust are experienced

injustice in the situation in which the client would have wanted to end the relationship but the contract type does not allow that and the relationship is forced to continue, if the client feels that the expectations towards the supporting consultation are not met, or if the service is not capable to perform the tasks it was promised to do during the sales process.

The situation is the same in developing the delivered value as it is in developing of the relationships. Relatively high amount of high-involvement relationships and some technical problems with the provided SaaS applications has created a reactive environment where the main focus is in trying to ensure that those clients who are experiencing problems or are in need of help are served. This leaves the development of the value to the GE's whose work is measured by how much they are able to grow the customer portfolios. Developing value is commonly understood in the case company as selling more and growing the portfolio rather than consulting the client to get more out of the services they are already paying for.

In the discussions with the interviewees, individuals from each department shared their views how things should be done in CS if it was possible. These methods and objectives are not met in all situations, but they are listed in order to give the understanding of what is the potential organization if the resource investment problem is solved.

Proactive development of the relationship and the delivered value included different methods how the expectations can be met and exceeded and how the value is developed. These methods divide between the SaaS application and the provided consulting service. The development of the SaaS application included; 1) proactive communication of the latest product updates, 2) developing the service and its output by following the latest news and updating content to the service proactively for specific customer on specific industries how would be willing to receive that particular information, and 3) offering small extra features that build the value of the service without asking to pay for them. The development of the consulting service included; 1) proactive discussing with all users within a customer to make

sure that every user is getting value out of the service, if there are problems they are solved, and if there is potential to sell more it is used, 2) building professional image by providing newest insights through telling reference stories and sharing materials produced by the marketing of the latest updates from the industry. However, these are done occasionally and individually when there is time from the reactive work.

#### *Motivating customer to act as references*

Motivating customer to act as references is not systematic, there is no process or guidelines how to do it. If reference customers are needed for example in public tendering process, the individual who is in responsible of the tender, contacts those AM' and KAM's she feels would have good reference customers to match that specific industry on which the tendering entity is operating or the use case for what they are tendering the services. Typically, AM's and KAM's have a gut information of the most potential reference customers for that particular case. Usually the selected reference customers are contacted and asked for an approval if they could act as a reference in that particular tendering process. In this type of processes, the selected reference clients are motivated to act as a reference by providing them better customer service or by verbally communicating their significance as a client and how much it would help if they would act as a reference when asked the approval. These references are then documented to tendering documents and stored on that individual's personal computer who is in responsible of the tendering process.

In some cases, when negotiating with potential or existing customer, the customer may ask for discount and offers to act as a reference for the case company in return. In these cases, there is no systematic process or guidelines how to process the offer, and each individual is responsible of doing the decision whether or not accept it. If the offer is accepted, these reference customers are not documented systematically, they are not searchable for the whole organization, and this reference relationship is only known by the individual who accepted the offer.

Those clients that marketing finds interesting, are motivated to act as a references more systematically. Acting as a reference has been made as easy as possible. The reference stories and other written materials related to the reference case are produced by the case company's marketing department and after that they are approved by the reference customer. Other motivating methods are; 1) give industry recognition, positive visibility and chance for peer-to-peer information exchange by asking them to talk in events organized the case company or in general industry events, 2) asking them to write a blog or, 3) attend a webinar to share stories of their successful operations.

### *Documenting references*

There is no systematic process to document the customer references. During the past years there has been projects to list customers on different industries to documents that are stored in organization's Google Drive but no one is in charge of this, they are not systematically updated, they are hard to find, and therefore they are nearly forgotten. Only few interviewees brought this up and they were the most seniors.

The case company has a CRM system that is developed and updated internally by the group. The CRM is not used in documenting the references. The problem with the CRM is that it does not offer functionalities to document reference stories besides one checkbox that can be used to mark a customer as a reference customer which makes it searchable under "referenceable clients". To describe the level of utilization the CRM system, only few interviewees knew about the existing of that checkbox. If an individual want to find information about different customers in the customer portfolio, it is possible but it is not made fast and easy. All clients in the CRM are given a category when they are registered to the system and they are searchable with different parameters such as their name, their category and what product they are using. The process of registering a new potential customer to the CRM is not monitored and wrongly registered opportunities are common since the categories are felt to be unclear. There is high competition of good potential

customers among individuals in CA department and the in hurry of registering an opportunity before their colleagues, the category is felt to be minor detail. This leads into a situation in which the data in CRM is not correct and its utilization rate declines. Some interviewees pointed out that some of their colleagues does not know how to use the CRM efficiently and this also leads to declined utilization rate of the CRM.

The reference customers are documented in each individual's mind as stories, on their computer's hard drive into presentations as list of customer names or set of logos, and into tendering documents as list of customer names and short descriptions of how they leverage the SaaS applications they buy from the case company and what has been the return on investment of client relationship. The story that is in individual's mind includes more in-depth story that explains the value of the service by providing examples how the service has saved time, enabled more sales or created value through other way. This model does not enable sharing and searching reference customers throughout the organization and the process of finding a potential reference customer for a specific need requires internal communication through instant message software such as Skype or Slack or by talking with colleagues in the office or over the phone.

#### **5.4 Activities in managing a customer reference portfolio**

This chapter describes the finding on activities in managing a customer reference portfolio. These activities are managing and updating reference information, categorizing references, selecting key references, protecting key reference customer from being overused, maintaining reference customer relationships, maintaining the delivered reference solution/equipment.

##### *Managing and updating reference information*

Since customer references are not documented systematically, the process of managing and updating reference information is nearly nonexistent. Each

individual who is leveraging customer references is responsible of checking if the customer they refer is still a customer, are they satisfied to the relationship and the value, and what has been the story behind the customer relationship. Currently, only the status if a company is a customer or not is searchable through the CRM and all other information is stored in employees' minds. The functionality to mark customers as references in CRM is not used. The process of managing and updating reference information is therefore reactive, it requires input from each individual who is possessing viable information about a reference customer, and after receiving the information each individual must update the materials (logos, stories, lists) manually or remember the stories. These materials are not accessible or searchable to whole organization.

#### *Categorizing references*

Currently the customer portfolio is not categorized in any way. Recent initiative by the group will categorize the customer portfolio into tiers based on the revenue the customer produce. The tiers from the smallest revenue to the largest are; 1) bronze, 2) silver, 3) gold and 4) platinum. If a customer is identified as a high potential client, it can be marked in the CMR with a checkbox. High potential clients are typically large organizations with multiple possibilities to broaden the co-operation by selling to different departments, to more users in the current department, or to subsidiaries. The potential is analyzed solely by the potential to grow the produced revenue and other variables are not taken into account (for example possible reference value).

The different categories are taken into account in the client work by giving the largest clients into a responsibility of KAM and by contacting them more regularly by the GE's with an objective to sell more. High value and high potential customers are not treated differently in the client work since working reactively with high-involvement customers is taking the most of the resources available. However, the tier should affect to the service they receive from the CS organization. For example, the smallest bronze portfolio is a self service portfolio without dedicated consultant



and the largest have a spend budget and KAM in charge. However, these are not implemented yet.

Reference customers are categorized by industry or by use case when they are documented to the presentation that are used when presenting the offering of the case company in client meetings or when they are documented into public tendering documents. Officially references are not categorized.

#### *Selecting key references*

The process of selecting the key references is based on each individual's experiences. When an individual has good experience of using a specific customer as a reference, it is typically used again in other situations. This process is the same in all departments of the organization even if the customer has accepted to act as reference or not. This way the CS department is building the relationship and the value of that particular customer but the selection criteria is not standard and the selection is not linked to the company's strategy. This process produces reference customers from random industries for the proactive use for that individual only. Those customers are usable for the whole organization only if someone asks information of that customer directly and if the individual in possession of that information wants to share it.

#### *Protecting key reference customer from being overused*

Unsystematic and unstructured documentation of the reference customers protects the reference customers from being overused. The information of reference customers who are accepted to act as references are in the minds of the AM's or KAM's who are responsible of those customers. To protect their customer relationships, these stories are rarely shared proactively and if asked, caution is emphasized that this relationship can be used only in specific use cases for example in public tendering processes and sometimes the use of them must be confirmed from the customer itself. Even the CA departments are not willing to share reference

stories with each other since that leads to losing the competitive advantage against the internal competitor. This protecting approach keeps these valuable reference customers away from the uncontrolled and unmanaged external leveraging of customer references, which was described as “wild west” in several occasions by several interviewees. In addition to this, AM’s and KAM’s monitor the discussions about references in Skype or Slack. If someone replies with a customer that is not satisfied for the service they buy, the contract is renewing for the next contract period in the near future, or because of some other unknown reasons, the AM or KAM prohibit the use of the customer as a reference.

#### *Maintaining the reference customer relationships and delivered reference solution*

As described earlier in chapter 5.3.2 when reporting the findings in developing relationships and delivering value, there is no clear strategy to allocate the resources across different customer relationships and the high-involvement relationships are getting the most of the resources whether they are satisfied or not. Those customers that have accepted to act as references are typically the most satisfied customers of each AM or KAM and they are noticed in their work by trying to keep them happy on any cost. In the reactive loop with high-involvement relationships the requests of these customers are prioritized even on the cost of doing work overtime. Newest product updates are also introduced proactively to the best reference customers before the majority of customer and some KAM’s and AM’s are trying proactively give newest ideas of how to leverage the services they are leveraging.

### **5.5 Activities in leveraging customer reference portfolio internally**

This chapter describes the findings on activities in managing a customer reference portfolio. These activities are analyzing the customer reference portfolio, using reference cases for offering development, communicating success stories internally and using reference cases as learning and training material.

#### *Analyzing the customer reference portfolio*

The analysis of the development of the customer portfolio and the customer reference portfolio are different. The analysis on the development of the customer portfolio is done by in each department on their own and by the Area Director monthly. There are no clear guidelines how the departmental analysis should be done and therefore the content of it differs between different departments. CA departments might analyze the new customers they closed by discussing about the reasons behind why they bought and the CS department calculates the count of lost clients and money, what were the services they were using and what could have been done otherwise to prevent losing the clients. More profound analysis is not done in any department. The analysis of the Area Director contains analysis of that month's growth in annualized recurring revenue (ARR) combining the sum of lost ARR in CS with the sum of ARR produced by CA departments and GE's together.

The analysis of customer reference portfolio is not done in any departments nor by any individuals. There is no real customer reference portfolio on a company level but only individual documentations and stories of current or previous customers.

#### *Using reference cases for offering development*

In discussions with potential or existing customers, rising demand in particular content has lead to multiple local content partnerships and internal innovations to develop other data sources enabling the development of the offering. This happens in discussions by the individuals who are working in the customer interface in all departments of the case company and their contacts from the client organizations. Emerged needs on the market direct the investments of CA departments to specific industries and use cases. This process starts with one employee finding out unique selling point form the offering of the case company's services. Successful delivery in this newly formed portfolio creates a references story and when the direction of the investment in sales is not directed by the management, many individuals follow the "easy money" that is in the minds of everyone. However, these stories are not shared between CA departments systematically.

### *Communicating success stories internally*

The CS department shares stories proactively with each other by discussing verbally about their cases and by writing on their own channels in Skype or Slack. However, these stories are not systematically communicated throughout the whole organization. Some individuals from both CA and CS departments write occasionally about the good feedback they receive from their customers to channels available for whole organization in Skype or Slack. The only forum in which stories of customers are communicated systematically for the whole organization is the deal bell, that CA rings when they close a new customer or when CS renews (not in all renewals) or upsells a customer. When the bell is rung, all personnel at the office gather around the bell to hear the story of the customer. The content of the stories differs but usually it contains at least the name of the customer, what and why they bought the service, and what was the value of the deal. These stories are verbal and they are not documented in writing. As mentioned in previous chapters, CA departments share information about the newest ideas and industries within the personnel inside their own department but cross-departmental information sharing is rare.

### *Using reference cases as learning and training material*

Reference stories are used when individuals are sparring cases with each other in CS and CA departments. Stories are experienced to be an easy and effective way to concretize and communicate the value of a specific use case on a specific industry. Stories are said to be more memorable as well than merely facts about the service.

References are leveraged in learning and training purposes especially when training new employees. The training program enhances the leveraging of references by giving it its own part in the program and when the services are explained, stories of past customers are told to concretize the offering and the value it produces.

## **5.6 Activities in leveraging customer reference portfolio externally**

This chapter describes the findings on activities in leveraging customer reference portfolio externally. These activities are selecting references for a sales case, organizing reference visits and reference calls, producing reference-based sales, marketing and promotion material and encouraging positive word-of-mouth.

### *Selecting references for a sales case*

References are selected with the same criteria in all departments. Even there is no clear communication on the company level about the leveraging of the references, the parameters are the same. This tells about the practical know-how that the whole organization possess.

The references are chosen by matching the industry, the size, or the use case of a reference customer with the potential customer. The same industry and/or size has felt to make the reference story more easily identifiable compared to completely different industry or big size difference. In those cases, the potential customer evaluating the references might feel that the services are not for them because they are too big, too small or from different industry than the presented reference customer. The same use case has felt to give easy way to concretize the value of the services without explaining the technical details. Using direct competitors as references differs between individuals. Some feels that referring direct competitors either build or break value. The positive effect of using direct competitors as a reference is that the potential client gets a feeling that they must buy the service because they are missing something that others are getting. The negative effect of using a direct competitor as a reference is the chance of being seen as immoral business partner or that the customer feels that there no competition advantage to be gained because the competitor has already leveraged the potential that the service could deliver. These findings must be assessed with reservation since there is no direct data how the potential customers assess the references in reality.

### *Organizing reference visits and reference calls*

There is no systematic process to enable the communication between a potential customer and a reference customer. Since there is no documented portfolio of customers available for different needs, this is not considered to be a possible part of the sales process and the calls are arranged if the customer asks.

### *Producing reference-based sales, marketing and promotion material*

Currently the marketing department is producing reference-based materials on their own grounds for the use of the whole organization. These include reference stories on the company website or blog posts written by reference customers. These materials support building the public image and the brand of the case company in general, but they do not serve the daily needs of CA and CS departments.

Reference-based materials that are used in CA and CS departments when meeting customers, such as presentation where the logos or the names of the references are listed, are produced by each individual and that shows in the quality. Typically, these materials are done in a hurry, the logos and the names are here and there, and the presentations does not build professional image for the company or the individual.

### *Encouraging positive word-of-mouth*

References were not leveraged systematically in marketing before. The recent changes in the global initiatives in marketing has changed this. Reference customers are use by asking them to; 1) participate in webinars, 2) talk in events, 3) write a blog, and 4) share the materials in social media.

This kind of positive visibility has felt to increase the positive word-of-mouth about the case company on the markets which has. Other positive way to encourage the positive WOM has been articles about the case company in Finnish media.

## **6 DISCUSSION**

In this chapter the results of the case study are linked to the theoretical part of the study. Through this process the research questions are answered and the service quality centric model for building a customer reference portfolio is formed. This chapter is structure by each research question to ease readability and understandability of the results. The used research method, and the researchers position in the case company requires discussion about the reliability of the results and these are discussed throughout the chapters when questions are raised.

### **6.1 Building a reference portfolio**

This chapter goes through the results of the case study linking them to the theories that were presented in chapter two regarding the basic fundamentals and activities of building a reference portfolio and by linking the SaaS continuance model to those enabling systematic identifying of satisfied customers. The chapter forms the first building block of the model to create a service quality centric customer reference portfolio.

Analysis of the current status in customer-reference-portfolio activities regarding the activities under building the customer reference portfolio states that in each activity needs to be improved. Table 8. summaries the grounds on which the action plan can be made in order to build a customer reference portfolio in the case company.

Table 8. Current status in activities in building the customer reference portfolio.

<b>Building the customer reference portfolio</b>
<p>Selecting target reference customers</p> <ul style="list-style-type: none"> <li>• Selecting target reference customers is not linked to company strategy.</li> <li>• Marketing is selecting target reference customers on their own basis for their own purposes.</li> <li>• Target reference customers are selected by each individual for day-to-day use.</li> <li>• References are randomly selected from different industries and use cases.</li> <li>• Official method to measure the client satisfaction is not appreciated or used and identifying satisfied client is done with gut feeling.</li> </ul>
<p>Developing relationships and delivering value</p> <ul style="list-style-type: none"> <li>• Investments in customer relationships are not linked to company strategy.</li> <li>• Most of the investments go into high-involvement relationships.</li> <li>• Growing the customer portfolio is seen as developing relationships and delivering value.</li> </ul>
<p>Motivating customers to act as reference</p> <ul style="list-style-type: none"> <li>• Those target reference customers that are chosen by marketing, are motivated systematically.</li> <li>• Those target reference customer that are used by other departments in day-to-day and who've approved to ac as a reference are motivated by giving discount, giving extra services without payment, or by promising and delivering better consulting service to them.</li> </ul>
<p>Documenting references</p> <ul style="list-style-type: none"> <li>• References stories are documented to each individual's mind and they are not searchable.</li> <li>• Reference customers are documented to presentation as lists of logos or names, or to public tendering documents as short descriptions. These documents are stored on individuals computer's or in Google Drive.</li> <li>• CRM enables tagging a client as a reference but majority does not know this functionality and additional functionalities are not available.</li> <li>• CRM enables finding customers by their name or industry.</li> <li>• CRM is not used in documenting references.</li> </ul>

### *Selecting target reference customers*

In order to steer the strategy and position of the case company in the network it operates, the selection of target reference customer need to be linked to the overall strategy of the case company. Since the portfolio customer references forms from the results of past growth targets and since it may constrain future growth opportunities by limiting the future behavior and the strategic options at disposal, the selection of the target reference customers must be done carefully.



The customer-reference-portfolio activities should be cross-functional involving each department with department specific responsibilities that are communicated, understood, and executed through the organization. The work that each individual does in finding the references for their own use does not build a common customer reference portfolio for the use of the whole company but for that individual only. The work that marketing does with references supports the goals of the group but does not support the day-to-day needs of CA and CS departments. In order to produce reference materials for wide array of use cases, cross-functionality needs to be developed to communicate the needs and responsibilities of every department.

To be able to find satisfied customers systematically, the utilization level of the surveys must be increased by emphasizing the importance of them to the whole organization, by developing their content to meet the needs of the local markets, and by developing them to include the SaaS-QUAL and SaaS continuance model metrics. Currently, the surveys contain eleven questions from which only six are touching factors of SaaS-QUAL or parts of SaaS continuance model. From these six questions, three are assessing rapport, one features, one satisfaction and one perceived usefulness. In order to get the real overall understanding of the customer satisfaction, these metrics need to be developed.

To support the identifying of satisfied customers, the formation of the gut feeling must be generalized and systematized by linking the observed data points with the metrics in SaaS-QUAL and SaaS continuance model. Currently the analysis is based on understanding and know-how of each individual working with a customer portfolio.

#### *Developing relationships and delivering value*

In order to intentionally develop selected relationships and maximize the return on investment, clear and explicit guidelines need to be established for the basis of investing resources between different type of customers. As strong relationships with existing customers creates possibilities to sell more easily to the existing

customer portfolio, the proactive development of the customer relationships is in line with the company's goals. Developing relationship and delivering value is understood as growing the client portfolio. Since the study does not have data from the customer interface, the methods described by the interviewees' to proactively develop the relationship and delivered value have to be considered with reserve. However, if timely resources are released through explicit guidelines, the methods that have had positive impact should be implemented first.

The portfolio approach requires the management of the whole set of customer relationships and references, not only focusing on single relationship. These set of relationships can be divided into distinct sub-sets that require specific actions. To support this, more deep categorization and segmentation is needed and key-customer identification is not enough.

Clear communication between the CS and CA departments is required to share the information of the possibilities in the offering and develop the know-how about the services. Many interviewees pointed out that customers have experienced that the service is not doing what promised. This problem is multidimensional since the problem can be that the service is not capable of fulfill that need, the implementation of the service is not done correctly, or the CS representative is not capable of correcting the problem.

#### *Motivating the customer to act as reference*

When clear responsibilities are given to each department and when the cross-departmental process is producing identifiable satisfied customers, they can be selected and motivated to act as references. The methods that the marketing department uses are in line with the methods suggested in the theory.

#### *Documenting references*

In order to make the customer reference portfolio searchable, automatically updatable, and available throughout the whole organization, the functionalities of the CRM system need to be developed or additional information system need to be created. At current state, the work of the individuals is building only their own reference portfolios and it does not serve the whole organization. There needs to be clear responsibilities in the process of documenting the references. The content of the reference documentation needs to be developed to include all relationship-specific and solutions-specific aspects. In current status the documentation includes only the name of the customer, a short but not detailed description of the solution, and the main contact person in the customer organization. Missing components are; 1) measurable benefits received through the case company's solution, 2) description of the situation at the beginning of the sales case, their challenges and needs, 3) supplier's solution and its score, 4) people involved in the case, and 5) the lessons learned from the sales case.

## **6.2 Managing a customer reference portfolio**

This chapter goes through the results of the case study regarding the activities in managing the customer reference portfolio. The chapter forms the second building block of the model to create a service quality centric customer reference portfolio. The model builds on top of the previous parts, thus building the customer reference portfolio is a prerequisite for managing it. Table 9. summarizes the grounds on which the action plan can be made in order to manage a customer reference portfolio in the case company.

Table 9. Current status in activities in managing the customer reference portfolio.

<b>Managing the customer reference portfolio</b>
<p><b>Managing and updating reference information</b></p> <ul style="list-style-type: none"> <li>• Each individual updates their own reference portfolio on their own.</li> <li>• The information in these reference portfolios is rarely updated and unsatisfied and previous clients are commonly used in reference activities.</li> </ul> <p><b>Categorizing references</b></p> <ul style="list-style-type: none"> <li>• References are not categorized systematically on a company level.</li> <li>• In presentations and public tendering documents references are categorized based on industry or use case.</li> </ul> <p><b>Selecting key references</b></p> <ul style="list-style-type: none"> <li>• Key references are not selected systematically or based on any criteria on a company level.</li> <li>• Key references are related as references that are successfully used previously or as references with who the AM or KAM has exceptionally good relationship.</li> </ul> <p><b>Protecting key reference customers from being overused</b></p> <ul style="list-style-type: none"> <li>• Documenting reference customers into individuals minds protect the reference customer from being used.</li> <li>• Keeping information within each department protects the customer references from being used by other departments.</li> </ul> <p><b>Maintaining reference customer relationships and the delivered reference solution/equipment</b></p> <ul style="list-style-type: none"> <li>• Those customer reference that AM's and KAM's have identified as their own key references are getting better service than the rest of the clients.</li> </ul>

### *Managing and updating reference information*

Currently individuals manage their own customer reference portfolios occasionally and update the information to their own files that are stored on their own computers. To enable managing and updating reference information on a company level, the CRM system need to be developed to provide the functionalities needed to perform these tasks. If this is not possible, additional system is required. After this the cross-departmental responsibilities need to be formed to ensure that overlapping work is not done and the timely resource are invested wisely.

### *Categorizing references*

The prerequisite for categorizing customer references is to categorize the customers. Currently the customers are categorized by splitting them between AM's or KAM's and after that dividing them to tiers (bronze, silver, gold, platinum, high potential, cool brand). This categorization is done based on the revenue the customer produce.

Successful categorization of the references would include multiple parameters that are based on the attributes of the customers – not on the internal metrics. Possible categories from the theory are geographical area, application area, product or service type, or customer industry. Under these categories, the customer references can be divided to public or classified references whether the customer has agreed to act as an external reference or not.

#### *Selecting key references*

There is no company level policy in how to identify a key reference. Currently a key reference is a customer that an individual has used multiple times successfully in her reference activities. These reference are randomly selected references from any use case or industry, and they are not in line with the company strategy. The selected customer might not know that they are “a key reference” and that they are used in external reference activities. AM's and KAM's select key references by the quality of the relationship the have with the personnel inside the customer organization. However, this selection is not linked into a company strategy either.

Key references should be long partnerships-type relationships that has strategic importance or customers that had deliveries with new technological innovations. With key references, close personal relationship and contacts on several organization levels including senior management is highly important. These requirements might be realized in those references that AM's and KAM's choose based on the quality of the relationship but these traits of a key reference are not used as a basis in choosing them.

### *Protecting key reference customers from being overused*

Since the information of reference customers is located inside individuals' minds, some references are extremely well protected and some are extremely over used. The low level of information exchange between the CS and CS departments even further protects the key references.

In the current state the internal demand of customer references is higher than the supply. References are leveraged externally by the CA departments and CS department a lot. If the system could produce satisfied and categorized customer references to fulfill that gap between the demand and the supply, maybe the classified references would not be used externally any more and the excessive protection would end.

### *Maintaining reference customer relationships and the delivered reference solution*

The most of the customers are getting the same quality of service whether they have accepted to act as a reference or not. However, some AM's and KAM's are providing better service for those key references that they use actively. As discussed before, company level guidelines in investing resource to customer relationships are needed in order to develop the key references more systematically.

## **6.3 Leveraging a customer reference portfolio**

This chapter goes through the results of the case study regarding the activities in leveraging the customer reference portfolio. The chapter forms the third and the last building block of the model to create a service quality centric customer reference portfolio. The model builds on top of the previous parts, thus building and managing the customer reference portfolio are prerequisites for leveraging it. The chapter is divided to two part describing internal and external leveraging separately. The results on the external leveraging are described in a detail that is reliable, meaning that suggestions that are given are formed through the theory, not through studying

the impact of customer references as part of the case company's buying process. This approach assumes that customer references have the same impact on the industry on which the case company operates than on the industries through which the theories are formed.

### *Internally*

This chapter goes through the current status with leveraging customer references internally. Table 10. summaries the grounds on which the action plan can be made in order to leverage a customer reference portfolio in the case company internally.

Table 10. Current status in activities in leveraging the customer reference portfolio internally.

#### **Leveraging the customer reference portfolio internally**

##### Analyzing the customer reference portfolio

- Each department analyzes the development of client portfolio monthly with unstructured methods.
- Area Director analyzes and reports the monthly growth of the operations in total.
- There is no analysis on the development of the reference portfolio.

##### Using reference cases for offering development

- Emerging demand might lead to local partnerships or internal innovations to provide new content.
- Successful deliveries generates reference stories that steer the investment of the CA departments.

##### Communicating success stories internally

- CS department share success stories verbally or through Skype or Slack inside their own organization.
- Some individuals share success stories proactively though Skype or Slack to whole organization.
- CA and CS share stories of client around deal bell to those who are at the office then.
- CA departments share success stories inside their own organizations.

##### Using reference cases as learning and training material

- Reference stories are used when sparring cases.
- New employees are trained through telling reference stories.

The analysis of the customer reference portfolio requires sufficient customer reference-related data and in the current state that is not produced. Therefore, the

processes of documenting customer references and managing and updating the documentation must be implemented before the analysis can be made.

When customer reference portfolio is regarded as marketing asset, it works as knowledge base for customer and market sensing, and for understanding internal competences. By systematically analyzing well-documented portfolio of customer references, the understanding of customer needs and internal competences enhances. Credible value propositions can be developed by analyzing the value delivered in successful reference cases. Selecting and documenting “iconic cases” helps in offering development and new product development.

In order to motivate the personnel by sharing success stories internally, the communication between different departments must be developed. In the current set up the departments are proactively sharing information inside their own organizations and the information is centered. To even further develop the internal leveraging of customer references in training and learning purposes, the documentation of the references needs to be implemented and processes for proactive information sharing established.

### *Externally*

This chapter goes through the current status in leveraging customer references externally. Table 11. summaries the grounds on which the action plan can be made in order to leverage a customer reference portfolio in the case company externally.



Table 11. Current status in activities in leveraging the customer reference portfolio externally.

<b>Leveraging the customer reference portfolio externally</b>
<p>Selecting references for a sales case</p> <ul style="list-style-type: none"> <li>• References are selected by each individual independently matching the industry, the size, or the use case of a reference customer with a potential customer.</li> </ul>
<p>Organizing reference visits and reference calls</p> <ul style="list-style-type: none"> <li>• There is no systematic process to enable communication between a reference customer and a potential client.</li> </ul>
<p>Producing reference-based sales, marketing and promotion material</p> <ul style="list-style-type: none"> <li>• Reference-based material used when meeting clients are produced by each individual on their own.</li> <li>• Marketing produces materials that support building the brand and public image.</li> </ul>
<p>Encouraging positive word-of-mouth</p> <ul style="list-style-type: none"> <li>• Activities that marketing is arranging with customer references are in line with the theories in encouraging positive word-of-mouth.</li> </ul>

The methods and experienced impacts of leveraging references externally are partly in line with those that the theory suggests. References are used as lists in presentations and offers, they are hoped to give a positive impression of the case company and its products, they lower the risk of the buyer by building credibility and trust and through gaining status-transfer effects, and they explain the offering of the case company by concretizing the value of it. However, since well-documented reference descriptions are not available due to the insufficient documentation of references, the available practices are limited to each individual's previous experiences and know-how.

The selection of references for a sales case is in line with the theory. Reference value of a particular customer is highly context-dependent, thus the most important factor of selecting a customer reference for a sales case is the similarity of it in relation to the potential customer's situation.

Since the case company is selling software, on-site reference visits are not possible. However, through systematically producing satisfied customer references and documenting them, customer references that are willing to participate in reference calls can be formed.

Producing the day-to-day reference-based materials is the responsibility of each individual. This process is not controllable by the management and it produces materials from random industries with varied quality. In order to ensure the quality of the materials, marketing should take responsibility of this process.

Marketing is already doing activities that the theory suggests to encourage positive word-of-mouth. To even further develop this and increase the volume and the quality of the activities, the portfolio needs to produce satisfied clients continually.

#### **6.4 Service quality centric customer reference portfolio**

This chapter answers to all research questions and defines clear steps how to implement a service quality centric customer-reference-portfolio in the case company. Linking the SaaS-QUAL and SaaS continuance model to the process of developing the measurement and assessment of service quality is left to be implemented by the case company. The theory gives guidelines for what the survey should include and on what grounds the gut feeling should be formed in order to get the best possible complete understanding of the service quality.

The cross-departmental nature of the customer-reference-portfolio activities implicates that each action need to have a person responsible of completing it. Dividing the responsibilities between the departments is left to be decided by the case company. Theory suggests how to divide the responsibilities between different functions, but when taken into account the organization structure of the case company (for example there is only one person responsible of marketing, and the project management, service organization, and the sales organization are the same, CS), the implementation of the responsibilities needs to be planned by the case company itself.

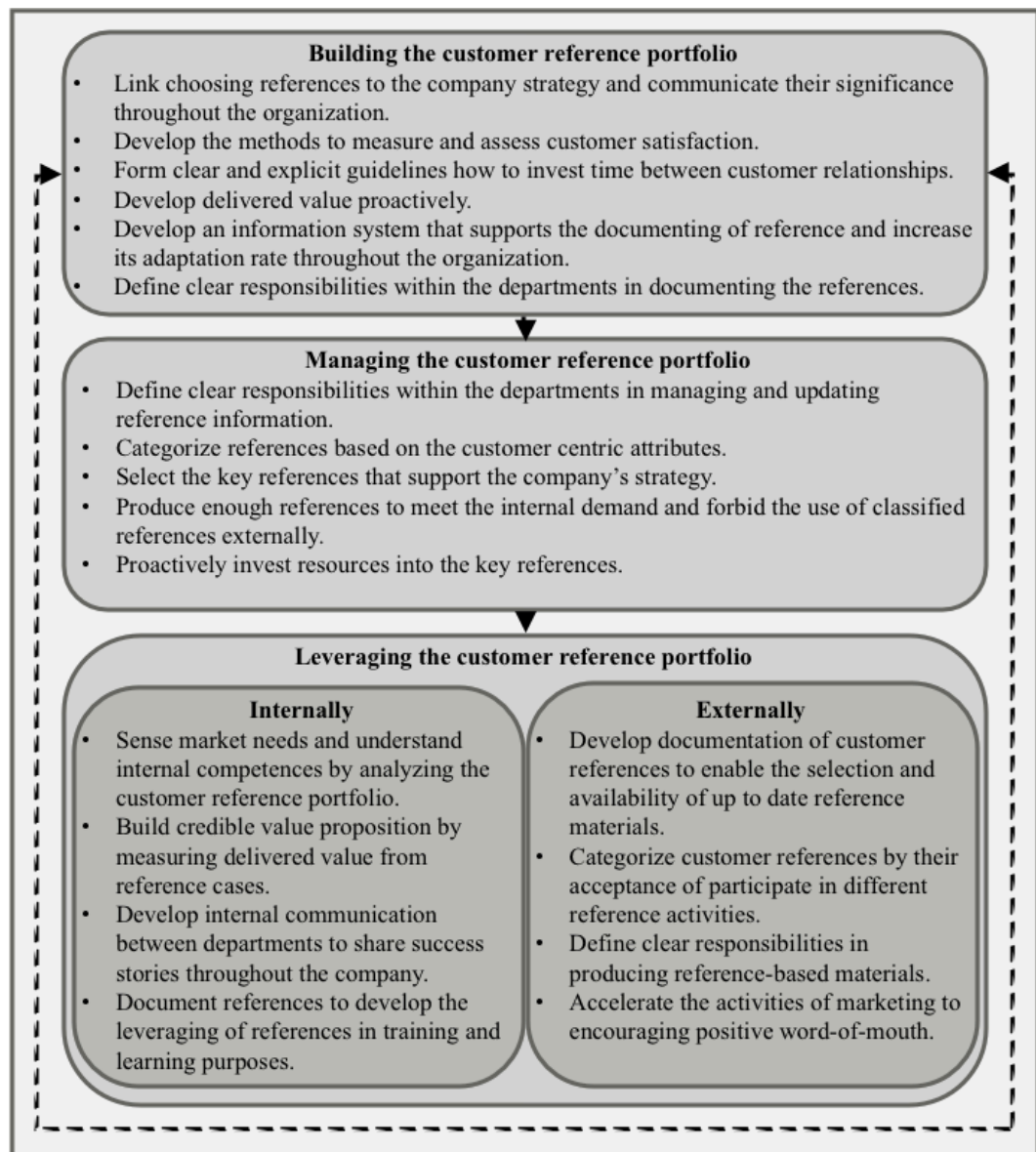


Figure 5. Model to build a service centric customer reference portfolio.

The actions suggested to build a customer reference portfolio are (answer to research question one):

- Link choosing references to the company strategy and communicate their significance throughout the organization.
- Develop the methods to measure and assess customer satisfaction.
- Form clear and explicit guidelines how to invest time between customer relationships.

- Develop delivered value proactively.
- Develop an information system that supports the documenting of reference and increase its adaptation rate throughout the organization.
- Define clear responsibilities within the departments in documenting the references.

The actions suggested to manage a customer reference portfolio are (answer to research question two):

- Define clear responsibilities within the departments in managing and updating reference information.
- Categorize references based on the customer centric attributes.
- Select the key references that support the company's strategy.
- Produce enough references to meet the internal demand and forbid the use of classified references externally.
- Proactively invest resources into the key references.

The actions suggested to leverage a customer reference portfolio are (answer to research question three):

Internally:

- Sense market needs and understand internal competences by analyzing the customer reference portfolio.
- Build credible value proposition by measuring delivered value from reference cases.
- Develop internal communication between departments to share success stories throughout the company.
- Document references to develop the leveraging of references in training and learning purposes.

Externally:

- Develop documentation of customer references to enable the selection and availability of up to date reference materials.
- Categorize customer references by their acceptance of participate in different reference activities.
- Define clear responsibilities in producing reference-based materials.
- Accelerate the activities of marketing to encouraging positive word-of-mouth.

By systematically developing customer relationships into customer reference relationships the company builds a resource-based portfolio of customer references. This portfolio is build through strategically planned investments in selected customer relationships, thus it is highly path-dependent and inimitable marketing asset that can be utilized thought the organizational capabilities in order to build competitive advantage.

On a group level there is strong emphasis on to the growing the existing customer portfolio. This raises a question where or not AM's and KAM's should focus in selling more on every contact they have with their customers or should they focus in developing the customer relationship and the delivered value. Theory on customer references and SaaS service quality suggest that; 1) strong relationships with existing customers in customer relationship portfolio creates possibilities to sell more easily and deliver additional projects in sales and delivery portfolio, 2) successful projects in the delivery portfolio create references that builds trust and commitment to existing customer relationships which facilitates the inclusion of new potential customers to that portfolio (this way the portfolios are interrelated), 3) satisfaction is in key role in avoiding a client to switch to a new vendor and increasing the positive word of mouth and enabling a long-term relationship, and 4) by developing the quality of the customer support by focusing to all aspects of service quality management including all cues and encounters that occur before, during, and after the deliver of software service the case company lowers the risk of client switching to new vendor.

When taking all these factor into account, building a service quality centric customer reference portfolio is in line with the company goals. The implications are that AM's and KAM's should focus to produce satisfied clients and leave growing the portfolios for the responsibility of GE's.

### **6.5 Evaluating the impact of the model, limitations of the study and recommendations for further research**

The research questions were answered and the suggested actions were given, thus the goals for the study were reached. The benefits of the study are significant raising the following implications in addition the action steps that were presented previously:

- The internal communication between different departments is nearly nonexistent.
- There is no company level strategy and each department is acting on their own without knowing of each other. (for example no one knew about the marketing's focus to collect references)

The results of the study lean on assumption that customer references have a positive impact as part of buying process and that the customers of the case company evaluate service quality with same parameters that SaaS continuance model implicates. These are the limitations of the study. Further development and study on the following areas would increase the understanding of service quality centric customer reference portfolio:

- How the customers evaluate service quality?
- What kind of impact references have in buying process?
- How using competitors as references in buying process affects to the buyer?
- How using same sized companies (not competitors) as references in buying process affects to the buyer?

- How using companies from the same industry (not competitors) as references in buying process affects to the buyer?
- How using companies (not competitors) that have the same problem that the seller is proposing to solve as references in buying process affects to the buyer?
- How internal communication could be improved?
- How to steer the strategy process of the case company?

## 7 CONCLUSIONS

The motivation for this study became from a practical problem where the supply of references was not meeting the demand of references in the case company. The external leveraging of customer references was active but the understanding of their impact or an ability to produce good quality reference systematically for the use of sales staff were missing. There was no well documented portfolio of customer references or process to build one. These formed the managerial problem of the study.

Relationships with company's customers are one of the most valuable resources a company possesses. The combination of company's previous and existing customer relationships and delivered solutions forms a resource base that can be deployed in many ways. Resource-based view sees resources and capabilities as basis of building competitive advantage and long-term profitability. Resources forms from assets that are a set of accumulated resource endowments and capabilities as bundle of skills and accumulated knowledge that enable firms to coordinate activities and make use of their assets.

A customer reference is a customer relationships and the related valued-creating activities that a firm leverage externally or internally in its marketing efforts. Customer reference have an important role in reducing potential buyer's uncertainty, perceived risk and increasing supplier's credibility and brand equity by raising its perceived competence. Reference customer relationships can be regarded as assets and systematic utilization of references as capabilities. Though intentional selection of the target relationship, by completing series of successful deliveries and by motivating the customers to act as reference, a reference portfolio can be built. Customer reference portfolio can be characterized as inimitable, path-dependent customer-based marketing asset.

On SaaS industry satisfaction is in the key role in avoiding a client to switch to a new vendor, increasing the positive word of mouth, and enabling a long-term



relationship with the service provider. However, the understanding of the formation of service quality and its importance are not known.

The combination of these two topics was in the center of this study. The goal was to integrate the theories in customer reference portfolios and SaaS service quality, and thought that build a theoretical framework that can be used to study the current status in the case company in relation with the topics in the theory, and to give suggestions how to develop them.

Case study was selected as the research methodology since it provides a way to analyze the current situation in the case company as it is. Theoretical part of the report divided to two section; on 1) customer reference portfolio as an asset, and on 2) service quality in software as a service. The theoretical framework was constructed to give a complete understanding of the nature of customer reference portfolio as an asset and activities related to building it on SaaS industry. Data was collected through seventeen interviews that were conducted face-to-face and by phone. The interviewees were the most senior employees from all departments of the case company. Creating a model to build and leverage a service quality centric customer reference portfolio was the goal of the study. This goal divided into three research questions that are listed below and answered in table x.

1. *How to build a service quality centric customer reference portfolio?*
2. *How to manage a service quality centric customer reference portfolio?*
3. *How to leverage a service quality centric customer reference portfolio internally and externally?*

As a result, a model was created (Figure 5.) that includes step by step actions that need to be implemented in the case company. Each step is put into its part in the model (building, managing, leveraging). The results do not specify the order of the actions in each section. Each part of the model is depended of the previous. This defines the order in which they need to be implemented.

This study contributes to Jalkala & Salminen (2008) framework of customer-reference portfolio activities by broadening the understanding of measuring customer satisfaction in SaaS industry and systematizing the selection process of reference customers, and by giving better general understanding of SaaS industry and its special traits in related to customer reference portfolio activities. Since the goal of the research was to solve a specific managerial problem in the case company, additional theoretical implications were not formed.

For practitioners working on SaaS industry this study gives usable model to build a customer reference portfolio in their companies. In addition to that, this study raises the importance of service quality on SaaS industry and suggests methods how to measure it more systematically.

As a conclusion, the goal of the study was achieved and the required actions to build a service quality centric customer reference portfolio were given and through that the managerial problem was solved. Since the study was focused to managerial problems, future research topics to broaden the theory are not given. The following future research topics would be relevant to develop the activities around customer reference portfolio and service quality in the case company; 1) understanding the formation of service quality from the customer stand point, 2) understanding the possible impact of customer references in selling process, 3) developing internal communication, and 4) steering a company strategy.

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## APPENDIX 1: Internal interview questions

- 1) Could you tell about your background and your current role at Meltwater?
- 2) Describe on you own terms what means customer reference?
- 3) Describe the current the leveraging of customer references in your company?
  
- 4) How service quality is measured? How these metrics support your work with clients?
- 5) Based on your experience, which factor are important for customer when they are assessing the provider of SaaS applications?
- 6) Based on your experience, on what grounds customers assess the continuance of services?
- 7) Based on your experience, which factors lead to cancellation?
- 8) Based on your experience, on what grounds customers assess their satisfaction to the SaaS application? Which factors out side the SaaS application?
- 9) Describe one of your customer that would be a good customer reference. Why you chose this particular customer?
- 10) Describe on what grounds the customer references are chosen from all customers?
- 11) How reference customers are motivated to act as reference?
- 12) Who is in responsible of detecting and selecting of the potential customer references?
- 13) How would you describe the current documentation of the customer references?
- 14) Where customer references are documented? What the customer reference documentation include?
- 15) How the different department of the organization participate in documenting the customer references?
- 16) How the current internal information systems are used in documenting the customer references? How these information systems support this use case?
  
- 17) How clients are categorized? How customer references are categorized?
- 18) How the leveraging of customer references is controlled?



- 19) How customer with high potential are recognized? How these high potential customers are notice in client work?
- 20) Could you describe the communication that happen during the first contract period? How this varies when the customer is recognized as satisfied and unsatisfied?
- 21) Could you describe the work with the customers as a whole.
- 22) How the customer relationship is taken care of and developed? How the development is assessed?
- 23) How the quality of the SaaS application and the perceived value is developed during the customer relationship?
  
- 24) Describe a situation where you have successfully leveraged references? Why do you think this situation was successful?
- 25) On what grounds you select a customer reference for your reference activities?
- 26) In which situations you leverage customer references internally and/or externally? Do you know other situations in the organization where references are leveraged internally and/or externally?
- 27) How customer references are communicated externally/internally?
- 28) How customer references are leveraged in marketing?
- 29) How the customer itself is used in reverence activities?
- 30) How the current internal information systems are used in leveraging customer references? How these information systems support this use case?
- 31) How the development of customer portfolio and/or customer reference portfolio is analyzed and leveraged as part of managing the whole company?
- 32) How the leveraging of customer references should be developed so that you would get the best out of it in your current position?

## APPENDIX 2: Cover letter for interviewees

Hello,

I'm doing a master's thesis for Meltwater as a part of my degree at Lappeenranta University of Technology. The thesis regards creating a model for building, managing, and leveraging a customer reference portfolio. The purpose of this email is to prepare you for the next week's interview.

My goal is to understand the current situation at Meltwater in all activities regarding the customer reference portfolio and based on that, build a model how this process should be conducted in the best possible manner. I approach the subject from three directions; 1) building a customer reference portfolio that consist of the current customers, 2) managing the built portfolio, 3) leveraging customer references internally and externally.

The views and opinions to different subjects are documented in personal interviews with open-ended questions- The answers have impact to the results of the study. There is no right or wrong answer and the names of the interviewees are not shared in any part of the study or after it. Therefore, I hope that the answers to the questions are truthful so that the end result of the study would best possible.

We will talk next week on previously agreed time. Have a great start to the week!

Best Regards

Pekka Hyvärinen

Master's thesis worker