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FACULTY OF TECHNOLOGY MANAGEMENT

DEPARTMENT OF INDUSTRIAL MANAGEMENT

CS10A9000 Kandidaatintyö ja seminaari

**Customer reference marketing and utilization of social media as an integral
part of customer references**
**Asiakasreferenssimarkkinointi ja sosiaalinen media osana
asiakasreferenssimarkkinointia**

Bachelor's Thesis

Juhana Laasonen

Jussi Korpela

ABSTRACT

Authors: Juhana Laasonen, Jussi Korpela	
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The objective of this Bachelor's Thesis is to find out the role of social media in the B-to-B marketing environment of the information technology industry and to discover how IT-firms utilize social media as a part of their customer reference marketing. To reach the objectives the concepts of customer reference marketing and social media are determined.

Customer reference marketing can be characterized as one of the most practically relevant but academically relatively overlooked ways in which a company can leverage its customers and delivered solutions and use them as references in its marketing activities. We will cover which external and internal functions customer references have, that contribute to the growth and performance of B-to-B firms. We also address the three mechanisms of customer reference marketing which are 'status transfer', 'validation through testimonials' and 'demonstration of experience and prior performance'.

The concept of social media stands for social interaction and creation of user-based content which exclusively occurs through Internet. The social media are excellent tools for networking because of the fast and easy access, easy interaction and vast amount of multimedia attributes. The allocation of social media is determined.

The case company helps clarify the specific characteristics of social media usage as part of customer-reference-marketing activities. For IT-firms the best channels to utilize social media in their customer reference marketing activities are publishing and distribution services of content and networking services.

TIIVISTELMÄ

Tämän kandidaatintyön tavoite on löytää sosiaalisen median rooli informaatioteknologiatoimialan B-to-B markkinointiympäristössä ja määrittää kuinka IT-yritykset hyödyntävät sosiaalista mediaa osana asiakasreferenssimarkkinointiaan. Tavoitteen saavuttamiseksi asiakasreferenssimarkkinoinnin sekä sosiaalisen median käsitteet on määritelty.

Asiakasreferenssimarkkinointia voidaan pitää käytännössä hyvin relevanttina, mutta akateemisessa tutkimuksessa varsin vähän tutkittuna alueena. Se tarkoittaa tilannetta, jossa yritys käyttää aiempia asiakassuhteitaan sekä toimittamiaan ratkaisuja referensseinä markkinointitoimenpiteissään. Käsittelemme asiakasreferenssimarkkinoinnin sisäisiä ja ulkoisia toimintoja, joilla edistetään B-to-B yritysten kasvua ja suorituskykyä. Esittelemme myös asiakasreferenssimarkkinoinnin kolme mekanismia, jotka ovat "status transfer", "validation through testimonials" ja "demonstration of experience and prior performance".

Sosiaalisen median käsite tarkoittaa sosiaalista kanssakäymistä ja käyttäjälähtöisen sisällön tuottamista yksinomaan Internetissä. Sosiaaliset mediat ovat erinomaisia välineitä verkottumiseen, koska niihin on nopea ja helppo päästä sisään, niissä on helppoa olla vuorovaikutuksessa muiden kanssa ja niillä on paljon multimediaominaisuuksia. Sosiaalisen median jako eri osa-alueisiin on määritelty.

Esimerkkiyritys auttaa selventämään sosiaalisen median käytön ominaisuuksia osana asiakasreferenssimarkkinointitoimenpiteitä. IT-firmoille parhaat kanavat käyttää sosiaalista mediaa, osana asiakasreferenssimarkkinointia, ovat sisällöntuottamispalvelut ja verkottumispalvelut.

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1 INTRODUCTION

The concept of customer reference marketing is relatively new and therefore has quite little academic literature written on the subject. To qualify as a legit subject for bachelor's thesis, there has to be enough data for us to master this topic. Fortunately, we have found some just compositions that touch the subject and from these works we have built up this thesis.

Customer reference marketing can be characterized as one of the most practically relevant but academically relatively overlooked ways in which a company can leverage its customers and delivered solutions and use them as references in its marketing activities. We will cover which external and internal functions customer references have, that contribute to the growth and performance of B-to-B (business-to-business) firms. We then address the three mechanisms of customer reference marketing which are status transfer, validation through testimonials and demonstration of experience and prior performance. Also, the practices and functions of customer reference marketing are dealt to bring more thorough understanding about the different dimensions of the subject.

We have then further bounded our subject, which will show primarily in the selection of our case company. The idea is to find out, how corporations have adopted social media in their customer references. Primarily, we try to get a picture to which extent they exploit social media in their marketing efforts.

The web has over the last few years quintessentially shifted towards user-driven technologies such as blogs, social networks and video sharing platforms. Due to this paradigm shift we have chosen social media as one of the aspects of our thesis. We cover how corporations use social media as a new indispensable tool in their marketing activities.

Goals of the study are to find answers to two main research questions: 1) how do information technology (IT) firms utilize social media in business-to-business

marketing, and 2) how do IT-firms utilize social media in their customer reference marketing. The case company helps clarify how this works in real life. The research questions, objectives of the study and methods are formulated in table 1.

Table 1. Research questions, objectives and methods

Research questions	Objectives	Method
1) How do IT-firms utilize social media in B-to-B marketing?	To find out the role of social media in IT-industry in B-to-B marketing environment.	Case-study and literature review
2) How do IT-firms utilize social media in their customer reference marketing?	To explore the variety of practices through which companies in IT-industry can leverage social media in their customer-reference-marketing activities.	Case-study and literature review

The first research question's aim is to find out where does social media stand when it is applied in B-to-B marketing environment of information technology (IT) industry. The research method used here is case-study and literature review. The same method is applied to the second research question. It is chosen to clarify the different practices of the utilization of social media among companies in IT-industry. Empirical information is gathered from the Web sites and social media platforms utilized by the case company.

We have bounded our topic inside B-to-B marketing simply because customer references tend to play a bigger role in marketing to other businesses than marketing to customers. According to Jalkala (2009) high complexity, innovativeness and uniqueness of the supplier's offering tend to increase the importance of customer references. Such products are not widely sold to customers but other businesses; hence the limitation is in place.

Social media aspect creates a different kind of limitation mainly in the selection of our case company that works in the information technology (IT) industry. This

doesn't have to be the case, but it tends to be easier to find examples of social media utilization among corporations in IT industry. Not to underrate the fact that social media has only recently become as vast phenomenon as it is now.

The focus of our bachelor's thesis is thus in the utilization of social media as a part of customer references in business-to-business environment. In addition, the supplier side is dealt more thoroughly, even though we look how customer references from buyer's perspective are suggested to reduce the perceived risk and uncertainty related to the purchasing situation and supplier selection (Raydell & Lee, 1992).

As sources in this study we have used text books, doctoral thesis and articles. The material associated with our selected case company is collected from their Web sites and other media they have adopted in their customer-reference-marketing activities.

The structure of this thesis is demonstrated simplified in figure 1. The first few chapters constitute the theoretical part of the thesis. Thus, the theory of customer reference marketing and concept of social media. Discussed theories focus especially in industrial marketing and supplier side marketing activities. Then we delve into the practices and functions of customer reference marketing and how social media generates additional value when used in conjunction with customer references. Empirical part of the thesis is consisted of case company's demonstration and studying how it utilizes social media as a part of customer references in its marketing activities. Chapter 6 summarizes the findings of the study and reviews the results. In chapter 7 we discuss the conclusions based on the theory and case example.

Figure 1. Outline of the thesis

This bachelor's thesis is conducted in pairs as a normal procedure in the department of industrial management.

2   CUSTOMER REFERENCE MARKETING

This chapter creates the main theoretical basis of the thesis. In it, we discuss the concept of customer reference marketing and further analyze the three mechanisms of customer reference marketing as stated in Jalkala's (2009) doctoral thesis. In addition, we demonstrate Salminen and Möller's (2006) framework model for the supplier's reference utilization.

2.1   The Concept of Customer Reference Marketing

There are various other analogs used for customer reference marketing. In both academic and management literature it is indicated using simply 'reference', 'client reference' and 'user reference' (Jalkala, 2009) (Salminen, 1997).

Salminen (1997) reached to a conclusion on the reference concept: 'a reference is the supplier's relationship to its existing/former customer that might be evaluated by that customer in terms of the supplier's product/service, management, and cooperation performance'. We shall use the same definition as presented in Jalkala's (2009) thesis and come in terms with that customer reference is a multidimensional concept comprising two main components: value-creation activities and customer relationship. These two components are intertwined in a way that the nature of contemporary economic activity is considered relational (Vargo & Lusch, 2004). Therefore, the concept of customer reference is defined here as following:

'Customer relationship is an existing or previous customer relationship and the related value-creation activities that the supplier leverages externally or internally in its marketing activities.' (Jalkala, 2009, p.32)

Further it can be defined as

'a cross-functional process that involves building, managing and leveraging a portfolio of customer references that can be used externally or internally as marketing assets in targeting organic growth and firm performance.' (Jalkala, 2009, p.33)

This concept needs to be further distinguished from word-of-mouth (WOM) communications. WOM can be described as an informal interaction between customers. (Jalkala, 2009, p.33) The importance of it is recognized by marketers and sociologists and it is argued that WOM affects the majority of all purchase decisions (Brooks, 1957) (Dichter, 1966). Figure 2 depicts the earliest and simplest understanding of consumer WOM (Kozinets et al., 2010).
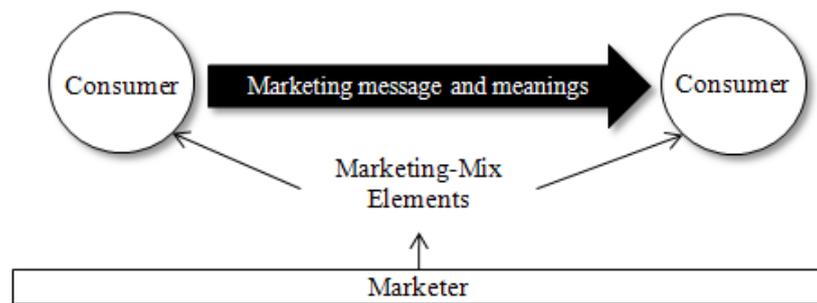
Figure 2. The organic inter-consumer influence model (Kozinets et al., 2010)

The model assumes that WOM occurs naturally among consumers when marketers perform their job of developing market innovations and performing effective product notification through advertising and promotion. (Bass, 1969) (Whyte, 1954) We later delve into the benefits of social media in the same kind of data transfer process.

The main difference between WOM and customer reference marketing is that previous is a market-level phenomenon largely beyond the control of marketers, and latter is a collection of supplier initiated activities undertaken in order to leverage customer relationships. It is not to say, however, that WOM wouldn't be relevant in B-to-B markets, because some customer reference activities have the

potential to trigger positive word-of-mouth. (Jalkala, 2009, p.33) Social media is later argued to be an apt tool in creating positive WOM among customers or industry buyers.

Although WOM according to Mason (2008) cannot be managed, there are various actions which with it can be facilitated. Such actions include pairing satisfied customers with potential customers at events or gathering testimonials to be used in a newsletter which actually is a customer-reference-marketing action, rather than WOM on its own. Bad customer references may though create negative WOM and, therefore, harm the supplier's reputation. (Jalkala, 2009) (Mason, 2008).

2.2   Reference Model

The following reference model is developed by Salminen and Möller (2006). It constitutes a framework model for the supplier's reference utilization. Therefore, the model suits perfectly to open different aspects of customer references. It's also an introduction to mechanisms and practices and functions of customer reference marketing.

Figure 3 presents the customer reference model. Three main characteristics are suggested: environmental, supplier and purchase problem characteristics. These characteristics influence the use and necessity of customer references.
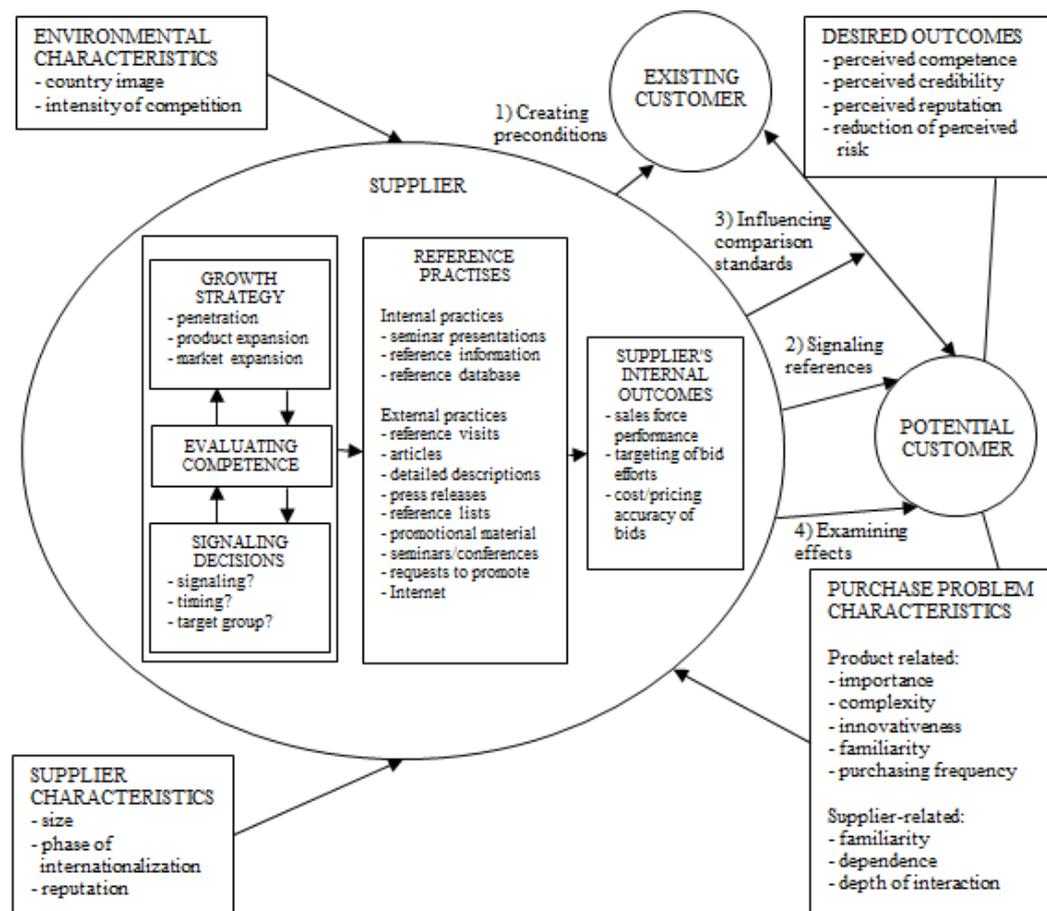
Figure 3. The customer reference model (Salminen & Möller, 2006, p.33)

2.2.1 Supplier and Environmental Characteristics

In supplier characteristics there are three points: firm size, reputation and the phase of internationalization. Salminen and Möller (2006) suggests, for example, that larger firms that have established their reputation in international markets are not as dependent on good references as small firms which operate with only small home market base. Even large and relatively internationalized firms do need references if they have a weak reputation in a specific product/systems field, when they try to establish a market position in a new product or market area. (Salminen & Möller, 2006, p.34)

Environmental characteristics come in when home-country image is negative and there's an intense competition between suppliers. This increases the need for good references. (Salminen & Möller, 2006, p.34)

2.2.2 Purchase Problem Characteristics

The purchase problem characteristics are more situational than the supplier and environmental contexts. They influence a buyer's evaluation of potential suppliers and the choice criteria, among others perceived risk. They contain innovativeness, importance and complexity of the product, familiarity and purchase frequency. Authors argue that there are complex contingency relationships between these factors. Positive prior experiences such as supplier familiarity are therefore reducing the need of references. However, even familiar supplier has to offer strong referential evidence if its solution is new and highly innovative that will have long term impact on the buyer's manufacturing process. (Salminen & Möller, 2006, pp.34-35)

2.2.3 Buyer's Perspective

It is suggested that customer references play an important role in reducing the perceived risk and uncertainty related to the purchasing situation and supplier selection (Raydell & Lee, 1992) (Anderson & Wynstra, 2010). Typical uncertainties that the industrial buyer's face are concerning whether or not the solution will suit their needs, will perform as expected, will be delivered successfully and will produce a return on the investment. (Håkansson et al., 1976) (Cardozo, 1980) (Sharma, 1998) When the industrial customers' purchase is a higher-value, higher-price offering, the reference customer's value evidence in reducing the contradiction is found effective (Anderson & Wynstra, 2010).

2.3   Mechanisms

This section is based primarily on Jalkala's (2009) doctoral thesis due to its groundbreaking nature and proposition of three mechanisms of customer reference marketing. These mechanisms are status transfer, validation from testimonials and demonstration of previous performance and experience. They all build supplier's reputation and reduce the potential customer's uncertainty. As these mechanisms are analytically distinguishable, in practice they might be at work simultaneously. (Jalkala, 2009) The following mechanisms are attached to phase 2 in figure 3 (customer reference model), thus, they help explain the positive effects of signaling customer references to potential customers.

2.3.1   Status Transfer

Status transfer stands for a situation where a firm's reputation and status are likely to improve when it formalizes a relationship with a high-prestige partner. The relationship between supplier and an important customer reference can, for example, be signaled through displaying the name and logo on supplier's Web site or with a press-release about a deal with a reputable customer. (Jalkala, 2009, p.39)

Stuart (2000) explains status transfer mechanism, firstly, that prominent organizations are likely to be selective in their choice of strategic partners, in order to preserve their own reputations. More on this in chapter 3.4, benefits of social media to enterprises, which deals with the hidden code of conducts related to social media. Second reason Stuart (2000) gives, is that highly regarded organizations are likely to be perceived as relatively strict evaluators that are capable of detecting quality differences among potential partners. Thirdly, representative organizations typically have many options as regards to supplier candidates, and therefore the selected customer by virtue of being selected, can be deemed more desirable than number of alternatives. (Stuart, 2000)

Stuart et al. (1999) notices that status-transfer effects are more likely to occur when there's high asymmetry in the perceived statuses of the actors (Stuart et al., 1999). We argue that same applies to the received benefits of social media in a way that smaller firms tend to get more out of social media in their customer-reference-marketing activities than their larger counterparts.

2.3.2   Validation from Reference Customers' Testimonials

The main reason for using testimonials done by reference customers is that they positively affect the credibility and believability of the supplier's claims about its offerings and capabilities. They also act as a third party validation of supplier's marketing message. (McKnight et al., 1998) In addition, it explains the co-effects of customer references on the relationship level and the value-creation level (Jalkala, 2009, p.42).

According to Jalkala (2009) the similarity between the reference customer and the potential customer, as well as between the individual in the reference-customer organization and the testimonial receiver in the potential buyer organization, affects the testimonial effect. To optimize the testimonial effect of reference customer there can be done something. The organization can, for example, use customers who are considered experts and similar to potential customers. (Jalkala, 2009, p.43) The effectiveness is increased, when the testimonial applies to the potential clients specific set of circumstances (Dean & Biswas, 2001).

2.3.3   The Demonstration of Experience and Prior Performance

This third mechanism is related primarily to the value-creation level of customer references. As customer references typically involve demonstrations of past performance, this provides an indirect opportunity for customers to rationally judge the supplier's potential future performance. A useful tool in demonstrating the supplier's track record of successful deliveries is a customer reference

portfolio. (Jalkala, 2009, pp.43-44) According to Pablo et al. (1996) past performance is an indicator of the likelihood of successful future performance and it may thus influence the perceptions of risk.

A rather grim aspect is revealed from Hall's (1993) study, where it's stated that, although, positive reputation takes time to build and 'is usually the product of years of demonstrated superior competence', it is highly fragile and can be lost overnight. The contents of chapter 3.4 about the benefits of social media to enterprises shed light to the issue in practical level.

3   DEFINITION AND CONCEPT OF SOCIAL MEDIA

Jari Juslén (2009) implies in his book "Netti mullistaa markkinoinnin" (The Internet Revolutionizes Marketing) that the social media consists of two distinct words 'social' and 'media'. The word 'social' indicates the basic need of a human being to be social, to interact with other people. This is a very powerful need that is on the mid-level in Maslow's hierarchy of needs, a theory in psychology, proposed by Abraham Maslow in 1943. The other word 'media' refers to communication, which social media is all about. The concept of social media stands for social interaction and creation of user-based content which exclusively occurs through Internet. Social media are excellent tools for networking because of the fast and easy access, easy interaction and vast amount of multimedia attributes. (Juslén, 2009, pp.115-17)

3.1   The Distribution of Social Media to Different Sectors

The social media can be thought as a general term for many different forms of services working in the internet. These services and short descriptions of them are presented in table 2.

Table 2. The allocation of social media (Juslén, 2009, p.118)

Name of the service	Description of the service	Most popular sites
Networking services	Used for networking and interaction with the community.	MySpace, Facebook, LinkedIn
Virtual worlds	Interaction with the community via an avatar.	Habbo Hotel, Second Life
Publishing and distribution services of content	Used to share users' own material to others.	YouTube, Flickr
Classification and evaluation services of information	Used to present or to evaluate the information found on the Internet	Twitter, Digg, Technorati
Forums and Wikis	Used to discuss or to share information with others about specific subjects.	Wikipedia, Pinoy Exchange, IRC

The social media would not work without its users, since they are responsible for the content of the services. The different social media platforms are all open by nature and based on user participation. Each of the types of services has different functions. (Juslén, 2009, pp.117-28)

3.2 Web 2.0

Web 2.0 is a term that is used to describe the evolution of Internet from a static environment focused on the one-way provision or receipt of information (this state called as web 1.0), to an interactive community where users can communicate, share, post, blog and create content in real time. (Brennan, 2010, p.1)

Sometimes the term web 2.0 is used in context with social networks. Web 2.0 means technologies that enable users to communicate, create and share content via communities and social networks easier that before. Lehtimäki, et al. (2009) group web 2.0 tools into blogs and podcasts, social networks, communities, content

aggregators and virtual worlds – the same allocation as of social media. They consider social media as the new information channel on the Internet and web 2.0 tools as applications for using this channel. The term was first introduced by O'Reilly in 2005 and is considered as a set of technologies and a new way of thinking. (Lehtimäki et al., 2009, pp.2, 12)

3.3   Electronic Word-of-Mouth

Electronic word-of-mouth (eWOM) is the phenomenon of word-of-mouth behavior occurring over the internet. As described earlier, WOM is, in short, often defined as all informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services or the sellers. The original and traditional WOM was recognized as an important phenomenon in the mid-1900s (Kozinets et al., 2010, p.72). Back then there was no such thing as internet providing instant accessibility and reach to people. Internet has made it possible to easily discuss about different products or phenomena with other people in suitable contexts, for example in blogs, product review websites, retailers' Web sites, social networks, message boards or in brands' Web sites which are all typical types of platforms for eWOM. (Lee & Youn, 2009, p.2)

Compared to the traditional form, eWOM has several unique characteristics. EWOM often occurs between people who have little or no prior relationship with one another and can be anonymous. The aspect of anonymity allows consumers to share information comfortably without the need to reveal their identities. The downside of the anonymity is that anyone can hide behind a nickname in a website and, thus, there is no guarantee that the comments are credible. This makes determining the quality of online posts a subject of suspicion. Also, the anonymity allows the producers and marketers of the product to hide behind fake names and give false or biased information about the product. (Lee & Youn, 2009, pp.2-3)

EWOM is usually posted to complete strangers which leads into that the eWOM communicators often do not feel much responsibility for the consequences of their recommendations. This increases the possibility of misinformation passing on to other consumers, which leads to that they try to find out the poster's motives from surroundings. If the comments are on a website of a brand they might be biased since the firm owning the brand might be commenting on its own product, but if the comments are on an independent retailer's website the information is more likely to be valid since the people there tend to be more honest about their thoughts. In their research of eWOM, Lee and Youn have come down to two hypotheses about the effectiveness of eWOM in different contexts. (Lee & Youn, 2009, pp.3-7)

Hypothesis 1: "Consumers exposed to a review posted on an independent product review website and a personal blog will be more likely to attribute the review towards the product's actual performance and less likely to attribute it towards the circumstance than those exposed to the review on a brand's website."

Hypothesis 2: "A review posted on an independent product review website and a personal blog should have a greater impact on a consumer's product judgment than a review posted on a brand's website."

3.4   The benefits of Social Media to Enterprises

Although the ROI of social media benefits can't always be measured, the channel still bestows many profits to enterprises that wisely use it. Using the social media as a channel of influence requires time and constant dedication to be effective. This is due to the highly dynamic and rapidly evolving nature of the social media; customers expect their questions and comments to be notified and answered within a short period of time. If an enterprise is willing to be dedicated to a constant monitoring of the chosen channels, they will be granted access to the

benefits of the following kind defined by Valerie Brennan (2010). (Brennan, 2010, pp.1, 6)

- Depending on the subject, some press releases can be replaced with social media updates. This enables the distribution of the message to the main target audience in an instant.

- Through social media enterprises can communicate consumer news quickly. Such news can be about upcoming events or sales.

- Social media enables companies to investigate, follow and monitor their clients and competitors in a subtle way.

- Enterprises can use social media to affect electronic word-of-mouth by responding to customer complaints about products or the enterprise itself.

- Social media is a channel among others to recruit new employees.

- It is possible to monitor the behavior of employees in social media.

- Social media can be taken as a part of the organization's channel of internal communications. (Brennan, 2010, pp.2-5)

Social media also has its back side of the coin. Many marketing campaigns that have gone wrong have had negative impact on the advertised brands. This means that an enterprise entering the social media environment has to know the codes of conduct of the chosen web 2.0 application. This can be difficult because each Web site has more or less unique codes of conduct. For example an American soft drink company released a marketing campaign through six teenagers to promote and spread positive word-of-mouth about its new product. The campaign was designed so that the blogs did not appear to promote the product but a part of the readers revealed that the company was behind the blogging effort. The marketing campaign was attacked by the readers who started a boycott the product which made it disappear from markets entirely. (Hoffman & Fodor, 2010, pp.1-4)

Enterprises planning to implement social media in their marketing will have to consider a few things before entering in the environment. These main issues are presented in table 3. (Lehtimäki et al., 2009, pp.18-19)

Table 3. Main issues when planning marketing with web 2.0 tools. (Lehtimäki et al., 2009, p.19)

Know the environment	The main thing is to know which kinds of tools are appropriate for the company and how to use them properly.
Creativity and content	In social media it is all about content and creativity. Only content interesting enough lures users in to participate and share the content forward in a viral way.
Committed personnel and support of the management	Since web 2.0 tools require constant updating and new content, devoted personnel are required.
Continuous content generation	New content needs to be generated continuously in order to keep customers interested.
Measurement	Measuring the interaction level and visitor amounts is quite simple with web 2.0 tools.
Specified goals	There should be specified goals set up in order to measure benefits reached with web 2.0 tools.
Listening and discussion	Through interaction with customers a company can get useful feedback to enhance its operations and to maintain customer relationships.

4 UTILIZATION OF SOCIAL MEDIA IN CUSTOMER REFERENCES

The purpose of this chapter is to find out how companies actually leverage customer references as marketing assets. The practices and functions of customer reference marketing are divided into external and internal categories to obtain full understanding of the subject. The end of the chapter is an introduction to our case company as we deal with the supplier's control in social media marketing. In brief, the limelight is on the different practices that companies apply in order to leverage customer references in their marketing efforts. As no other comprehensive literature on the practices and functions of customer reference marketing exists than Jalkala and Salminen's (2010) multiple-case study on the subject, it is chosen as basis of this chapter.

4.1 Practices and Functions of Customer Reference Marketing

The aforementioned Salminen and Möller's (2006) reference model (figure 3 on page 8) provides a good starting point for handling practices of customer reference marketing. It categorizes reference practices as either external or internal practices. The former stands for a situation where the supplier signals references to potential buyers and other stakeholders, whereas, in the latter, the supplier uses customer references internally, such as internal case studies and customer reference database (Salminen & Möller, 2006). The newly acquired technologies (web 2.0) that allow social media to be utilized in customer reference marketing and reference practices increase the value of reference usage in companies of all sizes. The opportunities that arise are among others displaying success-story videos and podcasts on company Web sites and similar content through social media sites put up exclusively to promote the company to its existing and potential customers.

In table 4 the proposed mechanisms of customer reference marketing are connected with related practices (Jalkala, 2009). It would seem reasonable that the

solitary representative customer is not enough when marketing and purchasing complex solutions and projects. Reuber and Fischer (2005) found out in their study, after having interviewed 27 CEOs of young firms operating in B-to-B markets, that high status customers alone were not sufficient. Dimensions of the study included complexity of the customer's purchase process and customization of the offering. The conclusive difference was demonstrating that these reputable customers obtained positive outcomes from the offering. (Reuber & Fischer, 2005)

Table 4. The proposed mechanisms and examples of possible customer reference marketing practices (Jalkala, 2009, p.45)

	Status transfer from reputable customers	Validation from reference customers' testimonials	Demonstration of experience and prior performance from the signaled track record
Possible customer-reference-marketing practices	Reference lists including the customer's name and logo, press releases about closed deals with important customers	Reference calls, reference visits, customer testimonial videos, reference podcasts, customer interviews in trade magazines, success stories/customer cases with comments from the customer	Lists of delivered reference projects/solutions, customer cases, success stories, 'white-label cases', ROI studies, reference visits

According to Jalkala and Salminen (2010) the reference lists have the function of signaling the supplier's track record and experience in certain market or technology area. Especially, in a situation where a company is acquiring its first reference customer in a new technology or market area, this kind of reference list can enhance the supplier's position through status-transfer effects. (Jalkala & Salminen, 2010, p.978)

The most crucial role of customer reference marketing – and perhaps the most important finding of Jalkala and Salminen's (2010) article – is that not only does it concretize the supplier's solution but it also demonstrates value and the business benefits that the supplier has been able to deliver. This kind of external customer reference marketing can have different stresses depending on the resources of the companies. Jalkala's case companies, which operate in IT-industry, had invested more effort in producing reference-related marketing material than the ones operating in process technology industry. Customer cases, success story videos and recorded reference podcasts are examples of these practices. It's also mentioned that companies considered case descriptions the only viable way of demonstrating the complex solutions and their actual business impacts to managers and other decision makers. (Jalkala & Salminen, 2010, p.979)

To overcome the problem of customers not wanting to act as references because they would risk revealing information that might benefit the competitors, there were different practices. For example, by providing industry recognition, giving access to high-level decision makers and granting key-customer status. Credits or monetary rewards were though not used to motivate customers to act as reference. (Jalkala & Salminen, 2010, p.980) This would undermine the value of customer's testimonial, which in the era of social media can have devastating effects.

As customer references externally work as critical sales and promotional tool for winning new customers and building the supplier's market credibility, internally they can act as a marketing asset by providing a template for organizational learning. (Jalkala & Salminen, 2010, p.981) In table 5 the different functions of both internal and external practices are opened up.

Table 5. Functions of internal and external customer-reference-marketing practices (Jalkala & Salminen, 2010, pp.979-81)

	The supplier's reference marketing practices	The proposed function of reference-marketing activity	The supplier's control (external)
External	- Reference lists **Success stories, customer cases, case studies, ROI-studies** - Sales presentation reference slides **Audio/video testimonial (webcast/podcast)** **Recorded reference interviews/podcasts** - Press releases - Articles in trade journals - Promotional material - Customer presentations at seminars and conferences - Reference calls (one-to-one/one-to-many) - On-site reference visits - Customer events and meetings **Social media**	- Provide indirect evidence about experience - Enhance credibility through status-transfer effects - Demonstrate and concretize the offering - Provide indirect evidence of previous performance - Demonstrate delivered customer value - Serve as a certificate of passing through a selection process - Provide indirect evidence about the functionality of the technology - Generate positive word-of-mouth	High Low
Internal	- Lessons learned and best-practice exercises - Systematic analysis of a well-documented portfolio of customer references - Measuring delivered customer value from reference cases - Selecting and documenting "iconic cases" - Internal success stories and "solution of the month" types of announcements - Internal reference case descriptions and "reference black books"	- Enhance organizational experiential learning and reduce redundancy - Enhance understanding of customer needs and internal competences - Develop credible value propositions - Aid in customer-led offering development - Motivate personnel - Educate and train personnel	

The supplier's control 'scale' only applies to the external customer-reference-marketing practices. Internally the supplier has full control in using its references, which is not the case in external practices. The most important external reference practices for the purposes of this study are typed bold. These are among others success stories, customer cases, ROI-studies, audio/video testimonials, recorded reference interviews and especially social media. The aforementioned components are intertwined so that customer-reference practices in social media are consisted of these web- and podcasts and success stories etc. The following case company clarifies how this works in real life.

Jalkala and Salminen's (2010) article sums up the roles of internal and external practices of customer reference marketing. Externally, customer references contribute to building reputation, firm's customer equity and market credibility. Internally, they are used to organizational learning and with a help of a thorough analysis of the existing portfolio of customer references they may deepen the understanding of internal competencies. This takes time to develop and can't be easily transferred to other organizations. Thus, customer references incorporate the qualities needed for creating competitive advantage. (Jalkala & Salminen, 2010, p.982) (Barney, 1991)

4.2   Supplier's Control in Social Media Marketing

The level of control in different customer-reference-marketing practices varies to some extent. For example, displaying reference list to potential customers and communicating success stories the suppliers have relatively high level of control according to Jalkala and Salminen's (2010) article. In table 5 the level of control is displayed regarding the external practices of customer reference marketing. Social media appears to have relatively low level of control compared to reference lists. This results from the continuous availability of the supplier's Web based material. It makes possible for the potential buyers to evaluate suppliers' references already at the early stages of the buying process. The potential buyer is also in greater control of choosing and processing information than in the case of reference visits or brochures for example. (Salminen, 2001) (Jalkala & Salminen, 2009) Although the supplier would have provided vast amount of information on their Web site or other social media platform, it is up to the potential customer to choose which testimonial videos to watch or success stories to read. Especially when social media is taken into account, the role of customer increases. The customer has the power to choose which Web pages to browse, for how long and how much information to obtain (Dholakia & Rego, 1998). It must be stated though that different customers allow different levels of engagement when participating in customer reference programs. Therefore, the continuum from high to low (table 5) depends on the reference customer's role – some allow only

company name and logo to be published while others might engage in personal interaction with customers. (Jalkala & Salminen, 2010, p.980)

When social media is applied in different marketing activities, the question of measuring its benefits rises. CEOs and CFOs should demand evidence of potential return on investment (ROI) before allocating resources to social media marketing efforts. According to Hoffmann & Fodor (2010) even more important than measuring the ROI of social media efforts, is to make sure that social media efforts are effective. Two important facts are recognized when implementing social media campaigns: 1) Managers must exercise a fair amount of control over the rules and framework for brand participation of social media. A manager can control who posts to a blog devoted to the company's brand and how consumers will engage with their brands in the social media space. 2) Managers must appreciate that social media environment is highly dynamic and rapidly evolving. (Hoffman & Fodor, 2010, p.48) Even though Hoffmann & Fodor's (2010) article is mainly focused on consumer marketing, we argue that its aforementioned results can be applied in B-to-B environment. Brand recognition and becoming conscious of the fact that marketing practices and customer behaviors are not fixed in social media, is important in both markets.

5 CASE EXAMPLE

The following case company is selected to highlight the specific characteristics of social media usage as part of customer-reference-marketing activities. Company is from IT-industry due to the relatively new social media concept; consequently, information technology companies tend to be more likely to implement social media in their marketing efforts – and specifically in their customer-reference-marketing activities.

We used the following criteria in the selection of our case company: 1) firms operating in B-to-B markets, 2) firms operating in IT-industry, and 3) in terms of size the firm is a large, global solution provider. IBM is chosen based on these criteria. It stands for a large company that has established its reputation in international markets. This outset links our case company into the reference model introduced in chapter 2 as the purchase problem characteristics play a big role.

5.1 Case IBM

IBM (International Business Machines Co.) is the leading enterprise of the IT industry with revenue of 99, 9 billion USD and over 400 000 employees in 2010. The firm is globally involved in services, software, systems, fundamental research and related financing. It has been behind many inventions like, for example, the personal computer (PC), the continuous blood separator used to treat critically ill leukemia patients and now recently the IBM Watson, a question answering machine that was made to compete in the game show 'Jeopardy!' and which now offers new possibilities in the sectors of business and healthcare. (IBM, 2010)

In this case we find out in which social media platforms IBM is present, what products it markets there and how it has implemented social media in its customer-reference-marketing activities. Within the concept of customer reference marketing IBM is a solution provider that provides the hardware, software, training and maintenance required by the client. In their website the customer

references can be found under the name of success stories. There are over two thousand references available for view differing from simple solutions to complex projects and from twenty-five different industries. (IBM, 2011)

IBM can be found in all the dominant social media platforms of today consisting of Facebook, Twitter, LinkedIn, YouTube and Wikipedia. Due to the nature of social media the purposes of these channels are mainly limited to sharing news and information and connecting with existing and potential new customers. The exception to this is YouTube where we found a channel dedicated to presenting customer references of IBM Corporation. This channel (found in youtube.com under the name IBMcustomerreference) contains more than one hundred references in audiovisual format of how the solutions provided by IBM have been of benefit to the clients. (IBM, 2011) A view of the channel front page is presented in figure 4. The quality of these videos is high. In them the customer and its problem is presented first. Then the solution is described followed by the benefits that the solution has given to the customer.

Figure 4. IBMcustomerreference -channel on YouTube. (IBM, 2011)

IBM apparently has not seen it necessary to include customer reference videos in other social media platforms. This can be considered as a logical solution since all the success stories and podcasts can be found on the Internet only a few clicks away on their own website as a neat archive.

5.1.1   Success Stories of IBM

The success story has seven main paragraphs: 1) introduction of case company, 2) demonstrating client's problem, 3) strategy, 4) key benefit areas, 5) key cost areas, 6) best practices and 7) calculating the ROI. The ROI paragraph is especially interesting to many of IBM's potential customers, because it demonstrates the delivered customer value. This kind of calculation and case-study is made to many of IBM's customers, one of the customers being First Tennessee Bank (FTB). FTB needed a better way to analyze accumulated customer-related material, and IBM's solution was its Business Analytics software. By implementing this tool, FTB reduced its marketing costs, increased net income and improved the productivity of marketing staff. The total accumulated ROI to FTB is reported being 642 %. The case study also demonstrates payback time to be 2 months, and average annual benefit for the project which was 899,095 USD. (IBM, 2011).

This is the way IBM generally describes its customer's success stories, although some of the customers are not dealt as thoroughly nor the return on investment is calculated. This executes one of the proposed mechanisms of customer reference marketing, when IBM demonstrates its experience and prior performance and gives access to all potential customers to freely view its case studies.

5.1.2   Reference Model and IBM

The supplier characteristics of Salminen and Möller's (2006) reference model mean, in this case, that because IBM is a large and established firm in international markets, it's not as dependent on good references as small firms tend to be. However, it enjoys the benefits of customer references in trying to establish

new market positions in a new product or market area. This suits IBM very well, because its products generally represent state-of-the-art technologies. Thus, customer-reference-marketing activities apply here to the point.

IBM's YouTube-channel represents the validation on reference customer's testimonials -mechanism proposed by Jalkala (2009). The access to this channel is easy, interaction is quick and effortless. In addition, the amount of related multimedia attributes is vast. This fulfills all of Juslén's (2009) criteria of effective networking in social media. All potential customers can easily comment the reference videos and related material. A bonus feature is inbuilt on all the accounts on YouTube. The publisher of the content has access to statistics, for example, how many times videos have been watched. To some degree even when the potential customer hasn't commented the videos, publisher can easily find out user's location and figure out who or which company has viewed the material.

5.2 Other Firms Using Social Media in Reference Marketing

IBM is not the only firm taking advantage of social media in customer reference marketing, although it has the most material there. For example Hewlett-Packard, Oracle, VMware and Mentor Graphics have uploaded customer reference videos on YouTube. Hewlett-Packard has a channel of its own which contains almost six hundred videos but only a couple of these are reference videos. There are two videos of VMware's customer references on YouTube but they aren't uploaded by the firm itself but a third party. Mentor Graphics has over ten well-produced customer reference videos on their channel on YouTube. After IBM, Oracle has the second most customer references on YouTube, but unlike IBM's references, Oracle's references are video blogs where customers only talk in front of the camera. (HewlettPackard, 2011) (Oracle, 2011) (ericni25, 2007) (MentorGraphics, 2011)

6   REVIEW OF THE RESULTS

In this chapter we review the results and open up the research objectives. The main objectives were to find out the role of social media in B-to-B marketing, and to explore the variety of practices through which companies in IT-industry can leverage social media in their customer-reference-marketing activities. These findings contribute to expand the understanding of social media utilization as a part of customer references.

6.1   Findings and Contributions

IBM's customer reference marketing efforts are clear and straightforward. It has not scattered the reference content all over different social media platforms, but everything looks to be in its rightful place. The customer has the ability comment on the desired reference, and has the possibility to contact IBM with an ease for further information. The channels also allow IBM in a subtle way to follow and monitor their clients, and generate positive word of mouth. To avoid the pitfalls of social media, it must though constantly update and generate new content to its industrial buyers. To be effective the content has to apply the specific set of circumstances as good as possible. With the help of IBM's YouTube Channel the customers can watch different testimonials, and by reading the success stories to become convinced on how effective the solutions have been. When the content in particular applies to the potential clients specific set of circumstances the effectiveness is increased. IBM will, with high probability, continue to update its customer reference material and create new ways to better pass on their message.

IBM fitted superbly as a case example, because it utilizes a wide variety of social media platforms and uses some of them as an integral part of its customer references. The most important channels for IBM according to our study are success stories section and IBM-customer reference channel on YouTube. Success stories section executes the mechanism of demonstration of experience and prior performance, whereas YouTube-channel the validation on reference customer's

testimonials and status-transfer. These mechanisms, as Jalkala (2009) describes, can be at work simultaneously, although they are analytically distinguishable. The varying social media platforms IBM utilizes in its customer-reference-marketing activities really do form a practical entity where its different aspects support each other.

The third mechanism, status transfer has another aspect due to IBM's huge size compared to most of its customers. Although IBM receives similar benefits from its reputable customers they are usually on a different level when examining the status transfer -effects that its customers receive from having IBM as a client. Stuart's (1998) article has an example of status transfer mechanism between IBM and a chipmaker, Advanced Micro Devices (AMD). The news about IBM choosing AMD's chip to be used in some of its future models sent AMD's shares up to $5. The announcement routinely preceded a thorough evaluation; therefore, a technology alliance as this is a public certification of another firm's products. (Stuart, 1998, p.675)

Other benefits of status transfer effects for IBM comes when it enters into new markets, where it has no prior references, or when its products are highly innovative. When customers want to comment on reference videos or other material on IBM's vast social media reference base, the tools of social media allow it immediately to respond. This requires time and effort and committed personnel to function as desired. It is up to managers to control who posts to a blog, answers the questions and more importantly how they are answered. The highly dynamic and rapidly evolving social media environment creates a challenge to all the companies applying it in their marketing activities, or as IBM has successfully done, as a part of its customer-reference-marketing activities.

The information technology industry as a whole is taking advantage of social media. All major firms have their own Facebook pages and LinkedIn pages, many firms even have their own YouTube channel for video content. But when the question of customer reference content comes to topic the situation is completely

different. The only social media platform where references could be found was YouTube, and even there the content was either sloppy or nonexistent, excluding IBM. Firms are not taking even close to full advantage of social media as a channel for customer reference marketing. Since in Web all imaginable content is only a few clicks away it is understandable that written references could not be found in social media. In this way all the reviewed firms were on right track – why copy references to social media where they fit badly, when they can be found on their own websites?

6.2   Ways for Firms to Further Utilize Social Media

In chapter 3 the social media were distributed to different sectors, to networking, publishing, sharing and evaluation media and to virtual worlds. From these sectors the content publishing media suit best for the needs of customer references. Networking media are more suitable for creating an interface between the firm and the customer than for displaying references. In addition, these media platforms could be used for informing the followers of new important deals made – giving reference value when the deal is made with prestigious customer.

Of publishing and sharing media the video content sharing media work the best for the needs of customer references. A prime example of this is YouTube which was by far the most used media in our research. Videos open up customer references in whole different ways than their written associates. There is a downside in the video reference library: creating it uses up a lot more resources than written format. Nevertheless, video references are an excellent way for firms to take their customer reference marketing to a new level since there can be included audio and video instead of just plain text. When done right, like IBM has done, the credibility and interest of the viewer towards the company can rise tenfold. Other publishing media, for example Flickr, suit worse for the needs of customer references. It is hard to imagine how references could be compressed into single pictures.

In summary the authors consider video sharing media as the best format for reference marketing in social media and think that networking and miniblog services like Facebook, LinkedIn and Twitter are best for informing followers about new status leveraging references. Some social media are clearly pointed at consumers, not businesses, and the authors consider that these media are best left intact.

7 CONCLUSIONS

The purpose of this study was to find out the role of social media utilization as a part of customer reference marketing in a business-to-business environment of IT-industry. We addressed the following research questions:

1) How do IT-firms utilize social media in B-to-B marketing?
2) How do IT-firms utilize social media in their customer reference marketing?

Together these research questions illustrate the field of social media, and how companies operating in information technology industry can utilize it in their customer-reference-marketing activities. Answers were found through literature review and case study.

The first research question aimed to identify the role of social media in B-to-B marketing and specifically in IT-industry. IT-firms do not comprehensively utilize social media in their B-to-B marketing. Our case company IBM has clearly implemented and found ways to utilize social media in marketing to industrial customers. As the web has gone towards user driven technologies such as blogs, social networks and video sharing platforms, so have the marketing activities of companies. IBM's customer reference marketing efforts indicate that even large and internationalized firms need the help of social media tools to market their products and services. The most popular social media in IT-industry are networking services and publishing and distributing services of content.

The second research question identifies variety of practices through which companies in IT-industry can leverage social media in their customer-reference marketing activities. The findings of case study indicate that customer-reference practices in social media are consisted mainly of podcasts, video testimonials and success stories among others. Following opens up the backgrounds of both of the research questions.

The importance of customer reference marketing in everyday business is clearly significant. Customer references have three distinctive mechanisms that they execute: status transfer, validation from testimonials and demonstration of experience and prior performance. Through a variety of ways companies try to get the best of their existing or previous customers to lure in new, potential customers to be their clients. Social media provides an excellent environment for companies to do that, and to easily contact these potential customers and answer their questions.

IBM utilizes social media in marketing to industrial customers. Good example in conjoining both of the research questions is IBM's customer reference channel in YouTube. It demonstrates how a company can utilize video testimonials from its customers operating in B-to-B markets to validate its offering. For more, success stories and ROI-studies are implemented so customers can make more detailed calculation whether the solution is right for them. Meanwhile, the perceived risk and uncertainty, for even complex technological solutions, that might have a long term impact on the buyer's manufacturing process, is lowered. To influence and alleviate the prejudices towards the purchase problem characteristics, social media is an apt tool.

To implement social media in customer reference marketing is relatively easy and straightforward. Although, it requires time to create the content, the distribution of it is far faster and easier than with conventional tools, such as seminars and other presentations that require a conference or similar event to take place and customers to interact. Important things for companies to remember, when utilizing social media in customer-reference-marketing activities, are that they must know the environment, have committed personnel and, more importantly, the personnel must have full support of the management. Knowing the environment means that not all tools are appropriate for customer reference marketing, and knowing how to use them. Support of the management is necessary, because the impact of social media content can hit companies back if they are not aware who's making the blog entries and giving feedback to potential customers. It's important to keep in

mind that the positive reputation accumulated over years is highly fragile and can be lost overnight. It is therefore, not to be taken too lightly – IBM's devotion can be seen from the vast reference related material on its Web site and particularly on its YouTube channel and quality of the content.

The supplier's control is low in social media environment, because of the continuous availability of the supplier's Web based material. The potential customer has full control of choosing which testimonial videos to watch or success stories to read, for how long and how much information to obtain. Also the level of engagement of different reference customers vary: some might allow only the displaying of company logo, others might engage in video testimonials, or even to meet the customers.

The important thing in customer reference marketing is that it means a collection of supplier initiated activities undertaken in order to leverage customer relationships. Although suppliers' control in social media environment is relatively low, the effectiveness of customer reference marketing doesn't have to be hurt from that. It is up to any company that chooses to utilize social media in its customer reference marketing efforts to apply sufficient control over its brand and products it has on offer. B-to-B markets do not differ greatly from consumer markets, as in both of them companies have to become conscious of the fact that customer behaviors are not fixed in social media, but changing every now and then.

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