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## Reference Customers of New Ventures

How do reference customers of new ventures  
contribute to initiation of customer  
relationships?

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## PREFACE

This master thesis is written as a concluding part of the M.Sc at the Norwegian School of Entrepreneurship at the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway. The thesis is written within the subject TIØ4945 Innovasjon og Entreprenørskap, and conducted in Spring 2016. The thesis further examines the topics that were investigated upon the literature review pre-project “The Importance of the Relationship Between a New Venture and an Early Customer” which was conducted Fall 2015 through the subject TIØ4530 Innovasjon og Entreprenørskap. The thesis was also prepared through the term paper conducted fall 2015 through the subject TIØ4535. Based on qualitative research, this thesis investigates how reference customers of new ventures contribute to initiation of customer relationships. This subject was chosen due to the author’s interests for sales and customer relationships for new ventures, and through studying this subject, the author has learned several elements that will contribute to her further carrier.

The author wishes to especially thank her most important confidant and friend through the work on this master thesis, her supervisor, Lise Aaboen. She has carried the author through many tough periods with her patience, kindness and guidance throughout the fall of 2015 and spring of 2015. The author also wants to thank the interviewees for sharing their valuable experiences - you are inspiring! Lastly, the author wishes to thank her biggest fan, Sondre, who has been her greatest supporter and champion throughout the period.





## ABSTRACT

The purpose of this thesis is to investigate how reference customers of new ventures contribute to initiation of customer relationships. In particular the relationship between the new venture and its initial reference customer will be investigated. This relationship will be investigated within a network approach and from the new venture's perspective.

The idea that reference customers play an important part in business marketing is generally taken for granted; yet there is limited reported academic research on the phenomenon. Prior research has focused on their use, effectiveness and reference activities (Salminen and Moller, 2006); internal learning from reference customers (Ruokolainen, 2004; Ruokolainen, 2005; Ruokolainen and Mäkelä, 2007; Ruokolainen, 2008) and contextual factors that influence the benefits of the reference customer (Aarikka-Stenroos and Makkonen, 2014). Limited research however has been devoted to how the nature of the relationship between the new venture and the reference customer influence further initiation processes. This thesis will contribute to this gap by investigating the nature of the reference customer relationships with the new ventures, to understand how these reference customers contribute in initiation processes and to understand how the initial reference customer relationship is connected with the further customer relationship pattern of new ventures.

Three research questions are designed to contribute to the purpose of the master thesis. The first research question examines the nature relationship between the new venture and the reference customer with the aim of understanding understands how this initial reference customer has contributed to further customer relationships. The second research question aims to understand how reference customers contribute to the initiation of customer relationships. This research question incorporate aspects such as actor and industry characteristics, as well as the nature of the product. The final research is concerned with the new venture's customer relationship pattern and how the initial reference customer influences this. Combined, these research questions will contrite to understanding how reference customers of new ventures contribute to initiation of customer relationships.

The thesis is carried out by two different contributing sources; a literature review and empirical data. The literature review was developed and presented by Husefest (2015), and presents relevant theory as well as a conceptual framework that capture the relevant phenomenon. The empirical data collection gathered through semi-structured interviews. The interviews were held in Spring 2016 by the author of this thesis. The interviewees were representatives from the new ventures, either through the role as the CEO or the Sales Director. The case interviews were selected based on four criteria.

The results of the analysis provide a foundation for understanding the factors that influence the reference customer and the customer development of new ventures. The thesis has found that the initial reference customers often are established within the new ventures network, based on either professional or social ties. The nature of the relationship is closely connected

to the whether the relationship is initiated based on social or professional relations as well as the nature of the product. Relationships based on social ties are found to include products with low risks connected to implementation, and there is a larger degree of a personal layer to the relation. Relationships with are higher risks connected to implementation of the product view the personal relations as less important. These are still characterized by a high degree of commitment and trust due to interdependence and the need to being long-term customers. The contribution of the reference customers are closely connected to the industry of which they operate and the nature of the product, and the potential customers are concerned with elements due to these aspects. The thesis has also found a strong connection to the initial reference customer and further customer relationships. New venture recreates a reference customer strategy based on the experiences from the entry market when entering a new market. Thee experiences are strongly connected with their initial reference customer. In conclusion, the initial reference customer relationship is important for both acquiring a potential new customer, but just as much for the strategic customer acquisition strategy of the new venture.

The thesis provides several implications for the new ventures. The main implication lies in the new venture's initial network, whether they are connected with actors with potential opportunities for the new venture. It is suggested that new ventures devote time to develop their social as well as professional network in order to easier recognize opportunities. New ventures are also suggested to devote energy to learn as much as possible about sales processes and industry knowledge, as well as internal capabilities such as sales arguments and customer needs within the initial reference customer relationship. The study does however show that there is room for improvements within the theoretical area of the phenomenon, and recommend that further research continue to add to the research on reference customers. Particularly the author recommends that the research is investigated through the perspective on the reference customer and/or the next potential customers in addition to the new venture, in order to understand their perspective and perception on the phenomenon.

## SAMMENDRAG

Formålet med denne masteravhandlingen er å undersøke hvordan referansekunder til oppstarter medvirker til initieringen av nye kundeforhold. Spesielt vil forholdet mellom oppstarten og dens første referansekunde bli undersøkt, og påvirkningen dette har på oppstartens utvikling. Dette formålet vil bli undersøkt innenfor et nettverkstilnærming og fra et oppstartsperspektiv.

Tanken at referansekunder spiller en viktig del i markedsføringen til bedrifter er generelt sett tatt for gitt. Likevel er det begrenset akademisk forskning på fenomenet. Tidligere forskning har fokusert på referansekunders opprettelse, bruk, effektivitet og aktiviteter (Salminen & Möller, 2006); intern læring fra referansekunder (Ruokolainen, 2004; Ruokolainen, 2005; Ruokolainen og Mäkelä, 2007; Ruokolainen, 2008), og kontekstuelle factorer som har innflytelse på referansekunden (Aarikka-Stenroos og Makkonen, 2014). Det er likevel begrenset forskning viet til hvordan forholdet mellom oppstarten og referansekunden påvirker videre initieringsprosesser. Denne avhandlingen vil bidra til dette gapet ved å undersøke hvordan relasjonen mellom referansekunden og oppstarten bidrar til initieringsprosesser og hvordan dette bidrar til videre kundeforhold.

Tre forsknings spørsmål er designet for å bidra til å innfri formålet med denne avhandlingen. Det første forskningsspørsmålet betrakter forholdet mellom oppstarten og den initiale referansekunden, med mål om å forstå hvordan dette har påvirket oppstarten for videre kundeforhold. Det andre forskningsspørsmålet eksaminerer hvordan referansekundene påvirker initiering av kundeforhold. Dette forskningsspørsmålet inkluderer aspekter som aktør og industri karakteristikker, i tillegg til produktets natur. Det siste forskningsspørsmålet utforske kundeforholdene til oppstarten for å undersøke om det er finnes mønster som kan knyttes tilbake til de tidligste referansekundene.

To kilder til informasjon er brukt i denne avhandlingen; en litteraturoversikt av eksisterende og relevant litteratur og empirisk data. er en litteraturgjennomgang som er utviklet og presentert av Husefest (2015). Denne oversikten presenterer relevant teori knyttet til fenomenet som undersøkes, og presenterer et konseptuelt rammeverk som gir en helhetlig oversikt over det gjeldende fenomen. Det andre settet er et empirisk datasett, innhentet gjennom semi-strukturerte intervjuer. Disse intervjuene er innhentet våren 2016 av forfatteren av denne avhandlingen. De intervjuede er representanter fra oppstarter valgt ut basert på fire kriterier.

Resultatene av analysen gir et grunnlag for å forstå variablene og faktorene som påvirker referansekunden og kundeforholdsutviklingen til oppstarten. Avhandlingen fant at forholdet til den initiale referansekunden ofte er etablert innenfor oppstartens sosiale nettverk, basert på profesjonelle eller sosiale bånd. Forholdets natur er relatert til om det er inngått basert på sosiale eller profesjonelle bånd, og produktets natur. Forhold som er inngått basert på sosiale bånd har angivelig lav risiko knyttet til implementering, og det er større grad av personlig grad. Forholdene hvor det er høyere risiko knyttet til implementering ser ut til å være mindre personlig, men likevel karakterisert ved stor grad av forpliktelse og tillit grunnet gjensidig

avhengighet og behovet for å være langsiktige kunder. Påvirkningen av referansekunder er knyttet til industrien som aktørene opererer i, og kunder vil være opptatt av ulike elementer knyttet til dette. Avhandlingen har også funnet at det er en sterk sammenheng mellom første referansekunde, videre kundeforhold og oppstartens videre bruk av referansekunder. Kort sagt viser det seg at oppstarten bruker sine erfaringer fra sitt inngangsmarked og omgjør det til strategi når det entrer et nytt marked. Erfaringene fra inngangsmarkedet er sterkt knyttet til sin initiale referansekunde, og dermed kan man forstå at den initiale referansekunde som viktig for videre utvikling.

Denne avhandlingen gir flere implikasjoner for oppstarter. Man kan forstå den største implikasjonen til å ligge i oppstartens initiale nettverk, om de er tilknyttet aktører som med potensielle muligheter for oppstarten. Det er foreslått at oppstarten vier til å utvikle sitt sosiale og profesjonelle nettverk for å lettere oppdage gode muligheter. I tillegg vil det anbefales at oppstarter vier til og energi til å lære fra sin første kunde, både om interne salgsprosesser og salgsargumenter som industrikunnskap. Studien viser at det er rom for forbedringer innenfor det teoretiske området om referansekunder, og anbefaler at det gjøres mer forskning på temaet. Spesielt anbefaler forfatteren at forskning også blir gjort gjennom perspektivet til også referansekunden og den neste potensielle kunden for å forstå alle deler av fenomenet.

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# 1. INTRODUCTION

The purpose of this thesis is to investigate how the reference customer of a new venture contributes to initiation of customer relationships. This will be investigated through the perspective of the new venture within the network approach.

There is a general consensus in the new venture literature that early customers are detrimental to the survival of new ventures in business-to-business markets (Ruokolainen, 2004; Pitkänen et al., 2014; Davidsson and Honig, 2003). Early customers enhance a new venture's credibility and reputation in the business markets as well as providing leads and introductions to new potential customers. When customers offer such opportunities and benefits, they are often referred to as *reference customers* (Ruokolainen, 2008; Aarikka-Stenroos and Lehtimäki, 2014). Reference customer relationships are often regarded as one of the most important resources of a new venture, as they can assist in reducing uncertainties in buying situations, finding new potential customers as well as increasing credibility (Ruokolainen, 2008).

The idea that reference customers play an important part in business marketing is generally taken for granted; yet there is limited reported academic research on the phenomenon. Prior research has focused on their creation, use, effectiveness and reference activities (Salminen and Moller, 2006), internal learning from reference customers (Ruokolainen, 2004; Ruokolainen, 2005; Ruokolainen and Mäkelä, 2007; Ruokolainen, 2008) and contextual factors that influence the benefits of the reference customer (Halinen, 2007). Limited research however has been devoted to how the nature of the relationship between the new venture and the reference customer influence further initiation processes. This thesis will contribute to this gap by investigating the nature of the reference customer relationships with the new ventures, to understand how these reference customers contribute in initiation processes and to understand how the initial reference customer relationship is connected with the further customer relationship pattern.

In the following paragraphs the purpose of this thesis will be elaborated, including three research questions that will be elaborated to assist in answering the purpose of this thesis. Finally, the scope and the structure of this thesis will be presented.

## 1.1 PURPOSE

The purpose of this thesis is to investigate how the reference customers of a new venture contribute to initiation of customer relationships. In particular the relationship between the new venture and its initial reference customer will be investigated. This relationship will be investigated within a network approach and from the new venture's perspective. Five different sets of connected relationships involving a reference customer are explored in the paper, being new ventures in business-to-business markets. Interviews with the involved actors are the main source of data, and the data will be analyzed with the help from relevant literature and other sources of information. To fulfill the purpose, the author will explore new ventures and their relationship with their initial reference customer to understand how these have contributed to initiation of later customer relationships.



Different approaches have been used to describe the phenomenon of reference customers. Aarikka-Stenroos and Makkonen (2014) views the reference customer as one aspect of a larger category of thirds, as these all contributes to communicating previous performance of the seller. Information through referrals, word of mouth, referencing and sharing informational reputation are thus included in the category of thirds. Not only customers, but also complementary products, non-profit agencies and even competitors, can act as promoting thirds (Halinen, 2007). Not all researchers places the term under a category of thirds. (Salminen and Moller, 2006) define the reference as “*an indirect proof, based on some practical or concrete evidence, like product, service or systems of delivery, of a supplier’s capability of delivery*” (Salminen and Moller, 2006, p. 5). The reference here can thus be a customer, but it can also be artifacts of the service value. Jalkala and Salminen (2010) define the concept of customer reference as a *customer relationship and the related value-creation activities that a firm leverages externally or internally in its marketing efforts* (Jalkala and Salminen, 2010, p. 5). Thus the “go-between” from the social network theories also seems to provide the similar benefits of a reference customer as it can provide a bridge to not-connected parties (Uzzi, 1997). Reference customers are in this literature defined as a *marketing asset employed to leverage and capture benefits from the customer relationship* (Jalkala and Salminen, 2010).

Early customer relationship initiation generally focus on with typical issues connected to initiation of customer relationships such as wish to lower risk and uncertainty and the impact of prior relations (E.g. Dwyer et al., 1987; Hite, 2005). Business relationship theorists regard trust as a main feature for reducing uncertainties, reducing conflicts and to building long-term relationships with customers (Dwyer et al., 1987), this thesis seeks to examine the relationship between the initial reference customer and the new venture. This leads to the first research question:

*RQ1: How is the relationship between new ventures and reference customers developed?*

This research question is based on the assumption that a reference customer relationship must be a good relationship in order for the new venture to capture benefits from it. This question aims to analyze the nature of the relationship between the new venture and the reference customer to understand what contributed to it being a reference customer. This question includes aspects such as the motivation and the characteristics of the actors, the nature of the solution and whether prior relations existed.

Reference customers can contribute to the next customer relationship in different ways. It can behave actively through referring to network partners, share experimental information and mediating contacts with others or it can behave passively through its good reputation and image that contributes to the market access of the supplier (Aarikka-Stenroos and Makkonen, 2014). The activity modes can also be divided into *external modes* of which the new venture signals its references to potential buyers and other stakeholders, and through the *internal mode*, through various practices such as communicating internal success stories and internal sales capabilities (Salminen and Moller, 2006; Ruokolainen, 2008). Reference customers can

also be differentiated on the *relationship level* and the *delivery level*, which separates between the relationship between the two actors and the deliveries of the product (Jalkala and Salminen, 2010). These different perspectives on the contributions of reference customers leads to the next research question:

*RQ2: How do reference customers contribute to the initiation of customer relationships?*

This research question aims to investigate how the reference customer contributes to initiation of customer relationships. This question involves variables such as actor characteristics and industry characteristics, as well as the nature of the product. The belief is that the different reference customer relationship will influence the new ventures in different ways dependent on these variables.

The literature suggests that new ventures' early conditions have a lasting impact on future outcomes (Milanov and Fernhaber, 2009). In this perspective, the founding conditions, the environment, partnerships, competition, resource endowments and other internal and external factors influence a new venture, which in turn imprint throughout the ventures life cycle. Put simply, the founding conditions impact a new venture's life. These assumptions include partnerships with alliance partners (Milanov and Fernhaber, 2009), however none of the imprinting literature has focused on the initial reference customer. This leads us to the final research question that will contribute to fulfilling the purpose:

*RQ3: How does the initial reference customer influence the customer relationship pattern?*

Through these research questions, the author aims to fulfill the purpose on how the initial reference customer relationship influence the further customer relationships of new ventures, and contribute to the existing literature on how reference customers influence a new venture.

## 1.2 STRUCTURE OF THE THESIS

This thesis explores the research subject through the following chapters: Methodology, Theoretical Review, Data analysis, Discussion, Conclusion, Implications and Suggestions for further research. The introduction will address the challenges tied to the purpose and three research questions have been addressed. Methodology will explain the process of which the data used in this thesis have been acquired and used to contribute to the purpose. Data analysis will present the findings and understand it through literature. The discussion will highlight and discuss the main findings of the thesis, and the conclusion will sum up and highlight the main findings. Implications will introduce challenges and limitations for further research. The thesis ends with suggestions for further research. The author which are referred to in this thesis is the author, Malin Husefest.

## 2. LITERATURE REVIEW

The literature review presents the literature that deals with the phenomenon of new ventures and reference customers. The phenomenon of reference customers is ambiguous, and many different literature streams have previously incorporated several different perspectives to the phenomenon. To answer the purpose of this thesis, only literature that deals with the exact phenomenon is presented.

New ventures are known to lack capabilities and resources to exploit opportunities, and social capital and the network of the entrepreneur are recognized as the new ventures most important resource in the early phases. The new venture's network in the early phases is usually found through previous social relations. Therefore the social network perspective will be presented. The business network approach will also be presented to understand the micro perspective of business relationship. The research aims to understand the new venture and its reference customer relationships through a network perspective. As the thesis aims to understand the business relationship between the new venture and the initial reference customer, previous literature about business relationships and the factors that affect this relationship will be presented. The literature about reference customers and third actors will then be presented as a factor that influences these relationships. The literature will be concluded in a conceptual framework. The framework will work as a basis model for the further analysis and discussion.

### 2.1 NEW VENTURES AND RELATIONSHIPS

New ventures need information, capital, skills and labor to start business activities, and also to some extent legitimacy and credibility to pursue commercialization. This scarcity of resources and capacities is known as the *liability of newness* of the new venture (Yli-Renko et al., 2001; Witt, 2004). This "newness" stem from different areas, such as lacking routines for efficiently obtaining and using resources (Witt, 2004), lacking track records with external suppliers, buyers and customers, and therefore lack track records and business references (e.g. Ruokolainen, 2008) and the lack or scarcity of social capital and the inability for the entrepreneurs to effectively leverage it (e.g. Davidsson and Honig, 2003). The literature highlights that this lack of history with key constituencies translates into an absence of trust and legitimacy, and an unlikeliness to have a fully pre-formed offering with solid sales arguments to present to customers, especially if the new venture is in an area of application that is new to the buyer company (e.g. (La Rocca et al., 2013; Ritter, 1999; Ruokolainen, 2004).

To enter into the market, new ventures must acquire resources, identify and connect with potential customers and discover opportunities. The scarcity of resources and capabilities of new ventures, forces the firms to exploit their social resources and capital. The new venture's social networks and relations are thus acknowledged to be one of the most important resources of a new venture (e.g. Ostgaard and Birley, 1994; Lechner et al., 2006)). The network and social relations of the firm is known as the *social capital* of the firm. Social capital is generally defined as "the ability of actors to secure benefits by virtue of membership of social networks or other social structures" (Portes, 1998, p. 6). In other words, social capital of the firm is its ability to extract valuable benefits from its social relations. This is the basis of the *social capital theory*, which refers to the

ability of actors to extract benefits from their social structures, networks and memberships (Portes, 1998).

## 2.2 ENTREPRENEURSHIP AS A PROCESS

Jack and Anderson (2002) found that embeddedness is an important factor in the entrepreneurial process. They found that entrepreneurs are embedded in the local and this influenced the way in which their business were established and managed. The entrepreneurial process is ongoing and reflects changes in the local context. Jack and Anderson (2002) found that in an entrepreneurial contact, embeddedness is a process of becoming part of the structure. It means more than simply developing social networks, although it is through these that social endorsement and acceptance occurs. Jack and Anderson (2002) suggests that the networks, ties and relationships of the entrepreneur determine the level of embeddedness in the local environment. Thus social networks provide the mechanism for becoming embedded. Embedding is a two way process of gaining credibility, knowledge and experience. Reciprocity provided the entrepreneurs with knowledge, contacts and resources, but this was only achieved when the locals knew the entrepreneurs. A theoretical construct of structuration is that the future is anchored in the past. That is, the past sets the conditions for the future, but not deterministically. Thus in the entrepreneurial process the local environment acts as a socio-economic context whereby social relationships impact upon economic outcomes. The process of embedding is about establishing these social relationships, which enable the entrepreneur to become part of the local structure. Embedding is a way of joining the structure; by joining the structure one enacts it.

## 2.3 THE NETWORK APPROACH TO ENTREPRENEURSHIP

Two perspectives have traditionally been in focus when looking at the entrepreneurial network perspective; the social network perspective and the business network perspective. Slotte-Kock (2009) recommends integrating both of these approaches to investigate both the macro level of network structure and the micro level of dyadic interaction when studying entrepreneurship and networks. Both of these will be presented in this literature review. The social network perspective see networks as individuals with clear memberships defined by ties and their various characteristics (Granovetter, 1973). The business network perspective focus on the interaction that is happening between companies and the interplay within and between dyads, and the external influences that shapes it (Slotte-Kock, 2009).

## 2.4 THE SOCIAL NETWORK PERSPECTIVE

The social network perspective refers to a tradition in social science, which focuses on the joint activities of, and the continual exchanges between, participants in a social system. Network perspectives generally focus on the relationships between people, instead of on characteristics of people (Elfring and Hulsink, 2007), hence the value are what is created within the networks. Network perspectives sees networks as vital when it comes to gaining access to new opportunities, collecting the resources needed to build a new enterprise and obtaining legitimacy (Ostgaard and Birley, 1994; Jack, 2005; Jack et al., 2008), thus the network perspectives capture important insights to new venture creation. The usefulness of a network is dependent on the ties between actors in a network, and the characteristics of these ties (Granovetter, 1973). The theory of

embeddedness is also an acknowledged contribution to the social network theory, evaluating how personal relations influence economic transactions.

#### *2.4.1 STRONG AND WEAK TIES*

Tie strength is characterized by the closeness and interaction frequency of a relationship between two parties (Granovetter, 1973). Strong ties are often close relationships derived by family and friends, providing a secure and consistent access to resources (Elfring and Hulsink, 2007). It is argued that strong ties provide the ability to recognize potential for entrepreneurial opportunities, business development and continuity of activities, developed on the basis of trust and expectations (Jack, 2005). Strong ties have also understood as intense relations. Given time and energy constraints of a player (scarce resources in relation building and maintenance) intense relations are characterized by a disproportionate consumption of time and energy (compared to other relations). Granovetter (1973) showed that strong ties are often characterized by high similarity between the players. A strong tie offers great depth of knowledge but little diversity of knowledge (Lechner and Dowling, 2003). Weak ties on the other hand are nodes operating in a wider social context that can be used to provide resources, generate business and enhance reputations. Weak ties are often reached and activated through strong ties (Lechner et al., 2006), and therefore an important predecessor to weak ties.

Both Granovetter (1973) and Ronald (1992) argue that a network should consist of both strong and weak ties because the nature of these ties influences the operation and structure of networks. However, ((Granovetter, 1973)) argue that strong ties are less beneficial than weak ties because they are likely to provide redundant information since they can be anticipated to move in similar, if not the same, social circles (Ronald, 1992). As a result, the homogeneity of strong ties is thought to be less effective, breeding local cohesion (Granovetter, 1973). At the same time, (Granovetter, 1985) noted that the information and support gained through strong ties offers multiple benefits; it is cheap, it is more trustworthy because it is richer, more detailed and accurate; it is usually from a continuing relationship and so in economic terms it is more reliable. The heterogeneity of weak ties on the other hand enables information to flow into other social clusters and the broader society (Ronald, 1992). Accordingly, weak ties are useful in obtaining information that would otherwise be unavailable or costly to locate, and can give access to new industry information and contacts (Elfring and Hulsink, 2007).

Within the social network perspective, there is also the concept of ‘embeddedness’, which suggests that the actions individuals choose are influenced by the social relations within which they function.

Within this view, economic decisions are often based upon a history of past dealings and ongoing social interactions, and hence influenced by pre-existing social ties (Granovetter, 1985). Accordingly, economic exchanges are not carried out between strangers, but rather by the individuals involved in relationships.

#### 2.4.2 EMBEDDEDNESS IN RELATIONSHIPS

Embeddedness exists when the social relationship of a tie influences the economic decisions of a firm (Granovetter, 1985; Uzzi, 1997). Thus the interaction between ties is not primarily economically motivated, but rather grounded on more personal relationships, social capital and a history of dyadic interactions. Thus embeddedness overlaps to a great extent with other network concepts such as strong ties. Embedded ties are more prominent in the earlier stages of the firm because they help emerging firms overcome the challenges of resource access and limited awareness regarding available resources and opportunities. Emerging firms rely more on embedded ties also because their limited search capability means they are less likely to know of the full range of potential market ties.

The theory of '*social embeddedness*' (Granovetter, 1973) distinguishes typical market transactions without personal emotions between the transaction partners (arm's-length relations) and transactions embedded into permanent social relations ('embedded ties') (Witt, 2004). Arm's-length relationships are handled like the traditional economic theory predicts, i.e. guided by short-term, selfish and profit-maximizing behavior of the people involved (Uzzi, 1997). Embedded ties on the other hand are distinguished by including the personal nature of the relationship, seeing transaction partners as 'business friends'. The transaction partners of embedded ties trust each other and show reciprocal instead of profit-maximizing behavior. The factor of trust is an explicit and primary feature of embedded ties; "trust is the distinguishing characteristic of a personal relationship" (Uzzi, 1997).

Embedded ties are primarily developed out of third party referral networks and previous personal relations (Uzzi, 1997). In these cases, an actor with an embedded tie to between two unconnected actors acts as a "*go-between*". The "*go-between*" transfers expectations and opportunities of an existing embedded social structure to a newly formed one, furnishing a basis for trust and commitment. This formation process makes the exchange process to a multiplex relationship made up of economic investments, friendships and altruistic attachments (Uzzi, 1997). The theory of embeddedness implies that a venture benefits from having existing relationships with business partners to enter a business network, and better if this entrance would be into an embedded business network built on trust and reciprocity.

#### 2.4.2 COHESIVE NETWORKS

Cohesive networks are characterized by high density, mutuality among ties, and a higher relative frequency of ties among group members than nonmembers. A network that exploits structural holes entails a "separation between non-redundant contacts" (Ronald, 1992). Thus, a firm that bridges a structural hole connects firms that otherwise would not be connected. New ventures gain access advantages to when gained membership in closed, cohesive network. In such networks, resources will be more accessible as others offer assistance based on mutual identification, a sense of social obligation and 'enforceable trust'. A notion of enforceable trust lowers the risk of dealing with the emerging firm because the closure and cohesion of the network ensure that opportunistic firms faces sanctions from others within the network.

### 2.4.3 IDENTITY-BASED NETWORKS

Hite (2005) define identity-based networks as egocentric networks that have a high proportion of ties where some type of personal or social identification with the other actor motivates or influences economic decisions (Granovetter, 1985; Uzzi, 1997). Thus, identity-based networks suggest that the identity of the network ties - whom the ties are- matters more than the specific economic functions or resources that this tie can provide for a firm. These networks tend to be smaller, less diverse and more path dependent than calculative networks. In contrast to identity-based networks, calculative networks have the advantage of providing greater resource availability and mitigating more environmental uncertainty.

### 2.5 THE BUSINESS NETWORK

The unit of interest in a business network perspective is the relations among the companies in the network (Moller and Halinen, 1999). The network interaction theories see actors as part of business networks, which are concerned with the relations between the companies and focus on how to establish, build and maintain or change relationships to create a position within a network (Slotte-Kock, 2009). Business relationships are part of a broader context, a network of interdependent relationships. According to Snehota and Hakansson (1995) the notion of interdependence of business relationships means what is happening in a relationship impact other relationships. As relationships are embedded in or connected to other relationships, these connections cannot be disregarded when regarding a relationship's development.

Within these the business network perspective theories are the network interaction models, which are concerned with how relationships develop, and how changes occur within the dyadic relationship as a result of interaction that happens with the actors that are involved. Interactions are seen as composed of processes throughout which a relationship is established, developed, maintained and ended (Håkansson and Group, 1982). Thus, the development happens through processes of interactions between actors. Further, Håkansson and Group (1982) see interaction as episodes of interaction, thus a relationship is developed over time through interaction episodes. Further, the literature highlights that business networks are formed by three basic elements; business actors, activities and resources (Snehota and Hakansson, 1995). Within this view, relationships are realized when a certain amount of interaction has taken place. As the actors are connected, the network interaction models see relationships as being strongly influenced by the social exchanges, exchanges, interaction environment and the interacting parties. Last, but not least, the complexity of the product of exchange are in this view regarded to play an essential role of the relationship as it is often the core of the exchange, and inevitably will impact the nature of interaction between the actors (Håkansson and Group, 1982). Further, in this view, the notion of social exchange is referred to the human communications between the actors, such as communicating meanings and interpreting and learning values.

### 3.6 BUSINESS RELATIONSHIPS

According to Snehota and Hakansson (1995, p. 25) a business relationship can be understood as “a mutually oriented interaction between two reciprocally committed parties”. The business network perspective argues that a company is embedded into a

larger network of firms. This network function describes the connectedness of the focal relationship to other relationships (Håkansson and Ford, 2002).

The focus in this thesis is on the dyadic interaction in business relationships, both how relationships develop as well as the initiation of relationships. However the network function is important to describe the customer development of the new ventures. Therefore this literature review will consider both the network function as well as the primary function.

### 3.7 THE DYADIC RELATIONSHIP

Snehota and Hakansson (1995) distinguish between structural characteristics and process characteristics in business relationships. The structural characteristics are *continuity*, *complexity*, *symmetry* and *informality* and basically imply how important the business relationship is to companies. The process characteristics are *adaption*, *cooperation* and *conflict and social interaction*, and *routinization*, and basically refer to the social relations among the business partners. The characteristic about informality is about to which degree the business relationship is a formal strategic alliance or more as an informal social agreement. The distinction between the formal and the informal cooperation is of interest because 1) a formal cooperation is more visible within the cooperating firms and for outstanding actors; 2) an informal cooperation is based on trust which often develop through social exchange, and there is a growing awareness for mutual interest which again takes time and resources; and 3) an informal cooperation is developed by the actors who are directly involved in the business exchange, often on the middle management level. Within the process characteristics the social interaction and personal bonds play an important roles during the formation of a business relationship. The individuals within a business relationship are important elements in the development of ties between firms. Social contacts within the relationship are important. The bonding in a dyadic relationship is described as a process that is progressive over time (Dwyer et al., 1987). The social bonding gets stronger if the “personal fit” between the actors is good.

As we can see there are many aspects that influences a business relationship. These characteristics result in a variety of different types of relationships between firms. This thesis will focus on the aspects of the relationships that influence the reference customer behavior and influence on new ventures, and therefore it is also important to look at the factors that influence new business relationships.

### 3.8 FACTORS THAT INFLUENCE A BUSINESS RELATIONSHIP

The presented literature on business relationships has identified factors that are argued to influence a business relationship. As the aim of research question two is to investigate what the literature say about these factors, the following section will present the identified factors from the previous section. First, and perhaps the most important feature to influence a business relationship, is identified as the nature of the product or service. The nature of the product or service is recognized to influence the nature of the interaction among, as well as the level of uncertainty and the perceived risk. Contextual factors, such as the environment and the industry of which the relationship operates, were also identified as factors to influence business relationships. Further, social aspects such as prior relations, trust and reciprocity



have also repeatedly been emphasized as factors that influence a business relationship. The literature on these characteristics is presented in the following paragraphs.

The view that the *nature of the product* or the service has an effect on a relationship as a whole has been emphasized by many business relationship researchers (Håkansson and Group, 1982; Snehota and Hakansson, 1995; Dwyer et al., 1987; Larson, 1992). These researchers propose that the complexity of the product is the main impact on the nature of the relationship. The complexity of the product impacts the number of actors involved in the exchange, the actor's interdependence and the intensity and nature of interaction. The literature agrees upon the notion that the higher the level of complexity, the higher demand for a mutual understanding, learning and adoptions between the actors involved, which in turn makes the actors more interdependent. Further, the notion of uncertainty is an important aspect to the product of exchange, of which the product or service are able to fulfill a buyer need that is easy to identify and how complex it is.

*Environmental* and *industrial* factors have also been highlighted in the business relationship literature to influence a business relationship. Particularly in the network perspectives these contextual factors play an important role as business actors are seen to be part of a broader context of interdependent businesses. Market structure, dynamism, internationalization, position in the manufacturing channel and the social system has been mention in this context (Håkansson and Group, 1982). The network perspectives also highlighted the notion of embeddedness and closed networks to be beneficial as they promote a higher level of effectiveness and cooperation of the actors involved and engaged in the networks.

The importance of *prior relations* has been highlighted in both in the social and in the business relationship literature as well as the literature about new ventures. This notion emphasizes the fact that prior relationships reduce uncertainties and promote trusting relationship. As recalled from the social relationships this is done through the strong ties of the actors. Larson (1992) found empirical evidence that the relationships that had been established on prior relations and thus incorporated trust and reputation had more personal and cooperative relations. This is also emphasized in the new venture literature, highlighting the fact that prior relations and the firm's social capital often are the reason why some new ventures survive and others not. Reputations, personal and firm related, as well as prior social relations are acknowledged to influence the relationship in which it reduces uncertainty, clearing expectations and enhancing early cooperation. This notion of previous relations has been especially highlighted in the network theories, as trust and reciprocal behavior can be transferred through strong or embedded ties or/and in closed networks, which in turn furnishes relationships based on trust and reciprocity.

*Reciprocity* is a factor that has been mentioned above in this section and has been highlighted several times in the previous presented literature. Reciprocity, or reciprocal behavior, is generally rooted in the social exchange theory (Homans, 1958; Blau, 1964). Reciprocal behavior refers to the intentional development of cooperative relationship based on reciprocal actions and perceived mutual benefits between the parties. In the relationship development theories it generally presumes a process of exchange activities, or interaction episodes, leading gradually to clearer mutual knowledge such as expectations, shared values and norms (Ford, 1980; Dwyer et al., 1987; Håkansson and Group, 1982).

The notion of *trust* has also been emphasized in the presented literature as it has been emphasized in many studies regarding business relationships (Blau, 1964; Håkansson and Group, 1982; Snehota and Hakansson, 1995; Dwyer et al., 1987; Larson, 1992a; Edvardsson et al., 2008) and in the social relationships and network theories (Granovetter, 1973; Granovetter, 1985; Coleman, 1988; Uzzi, 1997). Business relationships theorists regard trust as a main feature for reducing uncertainties, reducing conflicts, and to building long term relationships with customers (Dwyer et al., 1987; Morgan and Hunt, 1994). As the social exchange theory Blau (1964) provided inspiration for the relationships, its view on trust also followed in the reviewed relationship models (Blau, 1964). The social exchange theory argues that trust is a factor that has to be earned through increasing transaction, and thus the evolvement of trust is a slow process. This is especially recognized in the network interaction models that propose that trust may be a result of a certain amount of interactions between the actors involved. The literature also highlights *commitment* as a close factor of trust (Morgan and Hunt, 1994). Commitment is generally viewed in the literature as amount of motivational investment that buyers and sellers are prepared to commit in the long term (Dwyer et al., 1987; Morgan and Hunt, 1994). Trust is an essential part to being willing to committing resources, and thus the actors will not commit the resources that bond the relationship together. As the acknowledgement of the importance of trust has in the relationship literature been agreed upon, however the literature on trust also argues that instead of asking whether trust is important, researchers should rather focus on maintaining trust and commitment towards key relationships and how firms can build trust (Doney and Cannon, 1997).

In a literature review, Doney and Cannon (1997) found factors that invoke trust building processes among others are the reputations of a supplier firm, length of the relationship, frequency of contact and likability and similarity of the salesperson. The notion of what trust is has also been discussed. Doney and Cannon (1997) separate the notion of trust into perceived credibility and benevolence of a target of trust. The first dimension of trust is the objective credibility of an exchange partner. The second dimension of trust, benevolence, is the extent to which a partner is genuinely interested in the other partner's welfare and motivated to seek joint gain. The impact and importance of trust is also emphasized in the network literature. We can recall that strong ties are based on trust (Granovetter, 1985), and the acknowledgement of trust as an explicit and primary feature of embedded ties, and the underlying factor for reciprocal behavior (Uzzi, 1997). The network's presentation of trust implies that trust can be transferred, and thus contradicts the notion of long-term relationships and motivational commitment.

This section has presented us with factors that may influence business relationships. Five factors was highlighted as they were revealed in the literature on business relationships; the nature of the product or service of exchange, *environmental and industrial factors*, *prior relations*, *reciprocity* and *trust*. Based on the presented literature it can be argued that the factors of prior relations, reciprocity and trust serve to similar effects, such as reducing uncertainty and risk. In the further discussion these will be presented within the aspect of trust.

### 3.9 INITIATION OF BUSINESS RELATIONSHIPS

Literature on initiation of business relationships is usually described in terms of stages, states or processes. Studies on to this line of research are e.g. Ford (1980) and Dwyer et al. (1987). The

most cited article divides the stages into awareness, exploration, expansion, commitment and dissolution (Dwyer et al., 1987). In this stage model, it is assumed that the actors get to know of each other in the awareness face, and starts to communicate, bargain and develop expectations in the exploration face. Ford (1980) divides the stages into the pre-relationship stage, early stage, development, long-term stage and final stage. According to this theory, the customers start to evaluate new potential suppliers already in the pre-relationship stage. This evaluation is conditioned on the experience with the previous supplier, uncertainty about potential relationship and the distance between customer and potential supplier. Similar to this approach is the conceptualization of relationship initiation by Edvardsson et al. (2008). These researchers highlight the first faces of relationship initiation; 1) unrecognized, 2) recognized and 3) considered. The forces causing the process are the converters and the inhibitors, in which the converters push the relationship forward or backward, and the inhibitors prevent the process from changing status. Converters are thus the buyer's experience, such as growing trust in the seller's competence. Similar to these approaches, Larson (1992) highlights three phases of dyad formation; preconditions, conditions to build the exchange structures and integration and control. In the first phase, buying actors are concerned with personal reputation, prior relations and firm reputations. This phase is concerned with uncertainty, and also expectations and obligations start to take place. Phase one two is the trial period starts, mutual economic advantages start to take place and leads to commitment, clear expectations, reciprocity and trust.

This section has provided us with insights to the initiation processes of business relationships, and factors that are important within the different phases. This thesis is concerned with investigating the influence of the reference customer, and it is therefore important to investigate further the factors that influence the initiation process.

### 3.10 FACTORS THAT INFLUENCE THE INITIATION PROCESS

The factors that were identified to influence relationships and presented in the previous section, the nature of the product or service of exchange, the environmental and industrial factors, prior relations, reciprocity and trust, can also be acknowledged to impact the initiation processes. However, this section presents some of the characteristics of the first phases of initiation that deserves extra attention, as it can be acknowledged as the reference customer are probable to serve the most important contribution in the initiation phases of a new customer relationship. The distinguishing factors in the initiation processes have been revealed to be the *need to decrease uncertainty*, *social exchange* and *risk connected with the exchange* (Ford, 1980; Dwyer et al., 1987; Larson, 1992; Edvardsson et al., 2008). It has been acknowledged that parties in emerging relationships try to reduce their social distance from each other, reduce risk and as such buyers require evidence that can provide evidence of the supplier's performance and capabilities. The nature of the product and service of exchange, as presented in the previous literature, are inarguably connected with the level of risk and uncertainty. However, as it is discussed in the previous section, other concerns will be taken into account here. Buyers seek to reduce uncertainty by obtaining information, which can be done through the suppliers e.g. personal and firm reputation, references or track records. Prior relations, as recalled from previous section about the factors that influence business relationships, can be acknowledged as one of the main

contributors to reducing uncertainties.

Firm and personal reputations has been mentioned in the literature as means to provide reduce uncertainties. However, new ventures often lack the financial resources to invest in large-scale marketing materials to build trust, brand and reputation, and must thus invest in creating relationships to create this image (Aarikka-Stenroos and Makkonen, 2014). The literature that incorporates the business network view highlights the notion of mediators, however regarded with different terms. As recalled, the business network perspective sees markets as webs of interactive relationships where relationships do not exist in isolation, but are connected and influenced by each other. Mediation happens when firms, directly or indirectly, affect the initiations between other firms through referencing and introductions (Ritter, 1999; Snehota and Hakansson, 1995). Thus, actors in a network with direct relationships can bridge parties and act as mediators that connect previously unconnected actors and assist in reaching new actors. This mediation effect draws similar proposals as the social network theories that highlight the go-between as an introducer and a transferor of trust, acting on the norm of reciprocity (Uzzi, 1997). Another factor that the literature highlights is the value of the connected actor in different industries. The literature regards the value of this connected actor as higher the more uncertainty there is in the market (e.g. Stuart et al., 1999; Jalkala and Salminen, 2010), and thus the value of relations, such as a customer reference, is higher in these kinds of markets.

This section presented us with literature of factors that are of significant importance in the initiation phases of a customer relationship. One of the main challenges of the initiation phases of new customer relationships is reducing the levels of uncertainty and the perceived risk in the transaction. Established ventures can enhance its reputation and thus reduce uncertainty through expensive marketing campaigns and built-up reputations. New ventures on the other hand faces great challenges due to lack of financial resources and lack of history and reputation. The literature concerned with new ventures thus highlights the importance of prior relationships, which may act as mediators or reference customers, in order to reduce the challenges of risk and uncertainty. The next section presents us with the how the reference customer may influence the initiation of business relationships.

### 3.11 THE REFERENCE CUSTOMER - A PARTICULAR FACTOR INFLUENCING INITIATION OF BUSINESS RELATIONSHIPS

The literature presented in the previous section highlights the importance of prior and existing relations, particularly for new ventures, for reducing the level of uncertainty and the perceived risk of the potential customers. Early customers are often regarded as the most important type of marketing asset in which it can assist in finding new customers, reduce uncertainty and increase its reputation (Ruokolainen, 2008; Salminen and Moller, 2006; Jalkala and Salminen, 2010).

Different approaches have been used to describe the phenomenon of reference customers. Aarikka-Stenroos and Makkonen (2014) views the reference customer as one aspect of a larger category of third, as these all contribute to communicating previous performance of the seller. Information through referrals, word of mouth, referencing and sharing informational reputation

are thus included in the category of thirds. Also, not only customers, but also complementary products, non-profit agencies and even competitors, can act as promoting thirds (Moller and Halinen, 1999). Not all researchers places the term under a category of thirds. Salminen and Moller (2006) define the reference as “*an indirect proof, based on some practical or concrete evidence, like product, service or systems of delivery, of a supplier’s capability of delivery*” (Salminen and Moller, 2006, p. 5). The reference here can thus be a customer, but it can also be artifacts of the service value. Jalkala and Salminen (2010) define the concept of customer reference as a *customer relationship and the related value-creation activities that a firm leverages externally or internally in its marketing efforts* (Jalkala and Salminen, 2010, p. 5). Thus the “go-between” from the social network theories also seems to provide the similar benefits of a reference customer as it can provide a bridge to not-connected parties (Uzzi, 1997). The aim of this literature review is to highlight how the reference customer relationship influence further customer relationship, and thus reference customers are in this literature defined as a *marketing asset employed to leverage and capture benefits from the customer relationship*.

### 3.11.1 ROLES OF THIRD ACTORS

As mentioned in the literature above, reference customers can be important to new ventures through to a variety of mechanisms. The reference customer literature acknowledges that reference customers may contribute to the suppliers market either actively or passively ((Stuart et al., 1999; Aarikka-Stenroos and Makkonen, 2014; Jalkala and Salminen, 2010). The *active mode* refers to the reference customer contributing to market access of the supplier company by providing leads for its network partners, sharing experiential information about business actors and by mediating contacts with others. The customer can contribute *passively* through its good reputation and image that contributes to the market access of the supplier.

Salminen and Moller (2006) however separate the activity modes of reference marketing into two categories; external and internal. In the *external mode*, suppliers signal its references to potential buyers and other stakeholders, and in the *internal mode*, the supplier uses customer references internally through various practices such as communicating internal success stories and enhanced sales capabilities. Ruokolainen (2008) also emphasizes the internal practices, but focuses on the learning opportunity that an early customer may provide, such as finding arguments for sales and marketing purposes, learning project skills, and study the business logic of an industry (Ruokolainen, 2004).

Through a literature, Jalkala and Salminen (2010) found that prior research had identified two different levels of interest in a customer reference relationship; the *relationship level* and the *delivery level*. The relationship level incorporate the notion of using the reference customers as marketing tools, such as for instance displaying the name of the customer on the customer website. On the delivery level, Jalkala and Salminen (2010) found that solutions and deliveries could be used as references.

Aarikka-Stenroos and Makkonen (2014) identified twelve roles of customers that play an active role in the initiation of customer relationships. These roles present five main tasks of thirds in initiations: the thirds share information, diminish distance, share relations by connecting and mediating, establish trust and lubricate the initiation process. The identified

twelve roles of thirds are not clear-cut and separate, but often function together to support a relationship initiation, and advance the six key processes of relationship initiation. These are named *scouter*, *awareness builder*, *need creator*, *access provider*, *accelerator*, *advocate*, *seller*, *matchmaker*, *trust builder*, *evaluation assistant*, *expectations builder*, *risk reducer* and *provider of concrete evidence*.

The *scouter* role of thirds suggests that thirds can look for potential customers for sellers. The *awareness builder* builds awareness, and can employ relations with diverse thirds and to knit together a network of third actors who build their awareness further. The *need creator* have the special problem to diagnose the customer's problem, and communicate these to the buyer and refers to the supplier. The *access provider's* role implies that a third actor can offer access by creating the connection or by helping create the connection between initiating parties. The *accelerator* accelerates initiation. The *advocate marketer* promotes the good performance of the seller and its offerings and thus supports the seller's marketing activities for free. The matchmaker identifies the most suitable party, evaluate the fit between potential parties or aid the parties to themselves evaluate the fit. A matchmaker can also bring the potentially matching parties together. The *trust builder* builds and transfers trust by offering an external promise and statement about trustworthiness. *Evaluation assistants* reflect whether the focal supplier fulfills the relevant evaluation criteria, processes a relevant and sufficient industry understanding and operates in an appropriate way. The *expectations builder* builds realistic and explicit expectations that are acceptable for both parties. The *risk reducer* role implies that thirds can reduce risk - actively or passively - by offering risk-reducing information, by representing established social and organizational relations and by exemplifying successful works. The *provider of concrete evidence* implies that a third actor can make tangible and an intangible service. In particular, works and past assignments for customers can act as "examples of performance and give information about a potential solution and the outcome of the exchange".

### 3.11.2 MARKETING VALUE OF A REFERENCE CUSTOMER

Jalkala and Salminen (2010) and Stuart et al. (1999) argue that the marketing value of the reference customer is higher the more successful the organization is. The first argument towards this statement is that the fact that successful companies have selected the customer in itself sends a credible signal to other customers. This is rooted in the notion that reputable companies have strong evaluation skills, and that such companies evaluate their suppliers thoroughly. The second argument is that prestigious companies signal reliability. The social mechanisms behind this is the logic that suppliers impact the reputations of the company, and as such, a company's reputation might be damaged if the supplier is of low quality. These mechanisms may to some degree explain why new ventures may gain from a relationship with successful and prestigious companies, and using these as reference customers (Jalkala and Salminen, 2010).

Other researchers argue that small or medium-sized businesses with a good reputation are sufficient (Ruokolainen, 2008; Gomez-Arias and Montermoso, 2007) and complexity can overburden the new venture sales force and customer service capabilities (Gomez-Arias and Montermoso, 2007) and smaller companies will provide a closer involvement in the product development and relationship interaction (Ruokolainen, 2008). Another reference customer

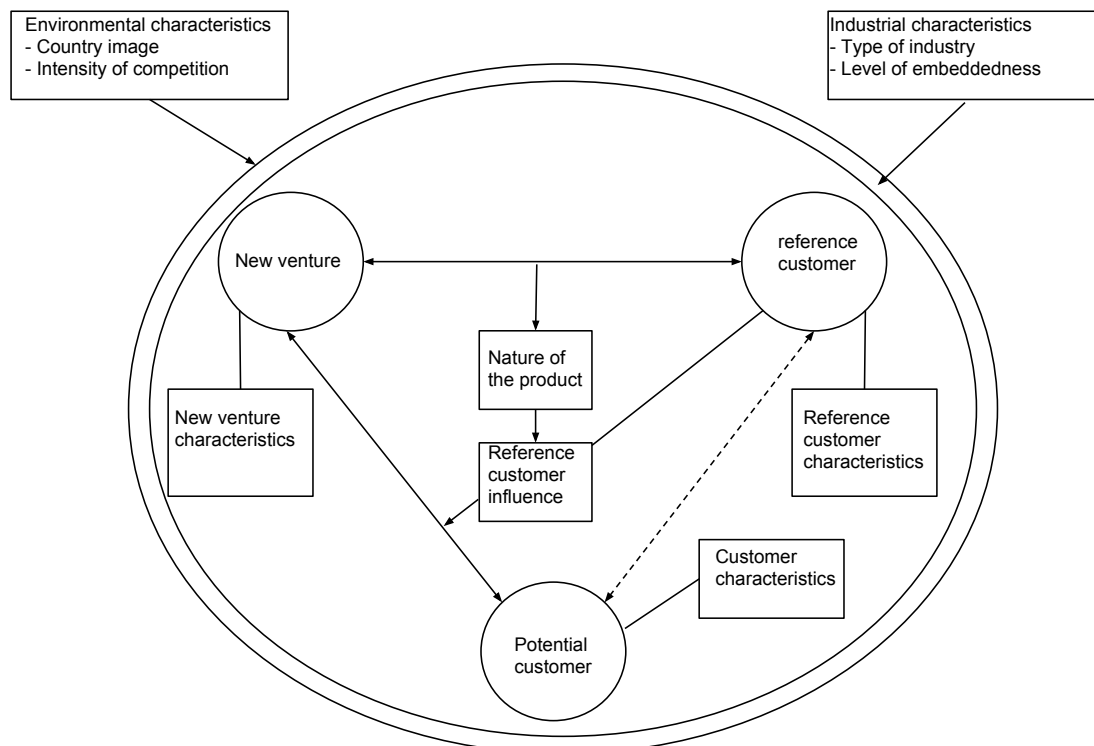
researcher, Helm and Salminen (2010) propose to cooperate with reference customers who have succeeded in establishing high brand equity rather than those with no visible brand, in order to create better reputational effects. The literature also mentions the reference also argues that the reference customer's approach to innovation will be the best references in the marketplace (Gomez-Arias and Montermoso, 2007).

The literature also highlights the industry and environment of which the reference customer operates as influencing the marketing value of the reference customer. The influence of the industry and the environment are especially emphasized by the reference customer researchers Ruokolainen (2008) and Salminen and Moller (2006). These researchers focus on different aspects of the environment and influence. Ruokolainen, (2008) emphasizes the age of the business and the business sector, while Salminen and Moller (2006) focuses on the intensity of competition and country image within the industry. Salminen and Moller (2006) also incorporate the aspects of the next potential customer by defining it by its purchase problem characteristics related to both the supplier and the product, thus entailing the aspect of similarity. These characteristics are highlighted as especially important when the buyer is facing a new and unfamiliar supplier. The product related characteristics are in this framework recognized as the importance of the purchase, the complexity of the product, the innovativeness of the product, the familiarity of the supplier as well as purchasing frequency of the buyer. These characteristics that can be recalled from the previous sections about how the nature of the product or service impact the customer relationship as well as the perceived uncertainty. Further, the supplier related aspects that are highlighted are familiarity of the supplier, dependence and depth of interaction. These notions as well can also be recalled from the previous sections on business relationships. Generally, it is acknowledged that the more similar the characteristic between the early customer and the next customer, the higher the marketing value of the reference customer is.

#### 4. A CONCEPTUAL FRAMEWORK

Three actors are presented in the framework, the *new venture*, the *initial reference customer* and the *potential customer*. These are illustrated by nodes in the framework. The nodes are described by each own characteristic. The new venture characteristics include the previous experience, capabilities and reputation in the market. The reference customer characteristics include elements such as the actor's market position, reputation, age, but also buying problem characteristics. The customer characteristics include the notion of purchase problem characteristics. The reference customer and the potential customer characteristics are important elements to understand the similarities between the two actors, however the actors position and reputation is seen as most important for the reference customer. Arrows connect the actors, which illustrates the ties between them. The strength of these ties depends on different aspects such as the nature of the product and whether the relationship is based on prior relations. The influence of the reference customer is shown by the reference customer influence box. This influence is impacted by the nature of the relationship between the new venture and the reference customer and the reference customer including its characteristics, which is explained earlier. This also incorporates the similarities between the reference customer and the potential customer. *Industrial* and *environmental* contextualls are also featured as exogenous factors to the relationship to illustrate that the actors operate within the same industry and context. These factors capture important elements such as country image, intensity competition, type of industry and level of embeddedness.

In reality, there are many different elements and factors that influence the initiation of a new customer, and each of the nodes are connected in webs of professional and social ties. The framework does however give a simple and easy-to-grasp picture on the most influential and important factors that influence the next potential customer of the new venture.



FIGUR 1: A CONCEPTUAL FRAMEWORK



### 3. METHODOLOGY

This chapter will explain the methods that have been used to explore the presented research questions. The research conducted in this thesis consists of two main parts. First, a thorough literature review was conducted. Second, a multiple case study was performed in order to add empirical insights from new ventures with different value offerings and industries. The presentation of method thus includes the use of and explanation for the choice of the qualitative research design. The method will cover how the author conducted the interviews, the criteria for choices of case and interview subjects and how the data analysis has been handled. The acquisition and analysis of the literature will also be presented and explained.

#### 3.1 A QUALITATIVE RESEARCH DESIGN

In this thesis, qualitative research was used to get a deeper understanding of how the reference customer contributes to the initiation of the new venture customer relationships. Data acquisition will be conducted through a multiple case design. This type of case study design enables the author to answer the “how” RQ’s (Yin, 2013), while also taking into consideration how a phenomenon is influenced by its context (Baxter and Jack, 2008). In addition, this case study allows for a many-sided view of a situation and its context, which is welcome when studying a phenomenon that lacks research (Halinen and Törnroos, 2005). The multiple case study also allows for broader and more generalizable data. The study aims to understand the process to where the new venture is today with the influence of the reference customer, and thus this is a retrospective study (Flick, 2015).

The conceptual framework presented in chapter 2 works as a summary of the literature, and features important factors that are connected to the purpose of understanding how reference customers of new ventures contribute to initiation of customer relationships. The conceptual framework will structure the data collection to provide comparability across cases without overly constraining the search for site-specific explanations. The framework will be recognized in the further data analysis and discussion.

#### 3.2 EMPIRICAL DATA ACQUISITION

The main source of the data acquisition will be provided through semi-structured interviews with targeted subjects. The author has performed interviews with members from five new ventures. This number is grounded in the fact that a number between 4 and 10 cases works well (Eisenhardt, 1989). This will be combined with secondary data to provide the data needed for the framework (Dalland, 2012). The data acquisition will follow the conceptual framework to find consistent findings directly related to the area of research. The theoretical review will also assist in understanding the phenomenon.

#### 3.3 PLANNING DATA COLLECTION

To answer the research questions, the author aimed to perform interviews with five case companies located in Trondheim, Norway. The purpose of the interviews is to bring forward experiences from the new venture’s initial reference customer. Ahead of the interviews, an

interview guide was prepared based on the conceptual theoretical framework (see appendix 1).

### *3.3.1 SELECTION OF CASE*

This thesis investigates how the reference customers of new ventures contribute to the initiation of customer relationships. Included in this purpose is how these relationships influence and impact the further relationships of the new venture. To acquire relevant empirical data that would contribute to explaining this phenomenon, several criteria had to be set for the selection of cases. The first criteria of the case criterion are that the new venture sells business to business (B2B). Further, as the focus of this research is to contribute to the entrepreneurial research, the selected cases were new ventures at the time it had its first sale. The study aims to understand the development of the new venture, while at the same time their relationship to the initial reference customer. The establishing year of 2013 was set as a third selection criteria as it is not too long ago, however the new ventures has had growth. Further, the aim is to find the variables and factors surrounding the new venture and the first customer, hence the fourth criteria is that the case objects have had positive experiences with their first customer in regards to the second. The geographical scope of the research is limited to Norway, thus the fifth criteria is the geographical limitation. To summarize, the case criterion are; 1) business-to-business relationships, 2) new venture at the time of the first sale, 3) the venture's first customer was important for the new ventures second sale, 4) the new ventures are headquartered in Norway.

### *3.3.2 SELECTION OF INTERVIEW OBJECTS*

The interview objects are also of importance as the intended research aims to capture the whole process from the first customer to the initiation of the second. This implies that the interview object should be someone who was involved at least from initiation of the first customer relationship. Also, as the research questions also aims to find the first customer relationship's impact on the new venture, this entails that the interview object should be someone in the top management of the venture. This results in two criterion in the selection of interview objects; 1) involvement the whole period of investigation, and 2) overview over the venture, the strategic decision making of the new venture and involvement in the customer relationship. This could either be the sales manager of the company or the chief of operations of the company.

### *3.3.3 SECONDARY DATA*

In addition to interviews, other documents must be analyzed in order to fill in all elements in the framework and to get a full picture of the context of which the new ventures operate. This include information about the industry, environmental characteristics and actor characteristics. These factors may have an impact on many factors such as the relationship between the new venture and the reference customer and the marketing value of the reference customer. This data will be derived from documents such as case reports, annual reports and industry reports, which is also suggested by (Dalland, 2012).

### 3.4 EXECUTING DATA COLLECTION

The data was collected through semi-structured interviews. In order to capture both objective as well as subjective interpretations of the interviewee's experiences, the interviews were kept on specific topics, but were not controlled and neither strictly structured, following the line of semi-structured interviews in the form that the questions would not be constraining and allowing for dialogue (Flick, 2015). The single researcher who is also the author of this paper conducted the interviews.

Prior to the interviews the author sent a presentation of the purpose of the thesis over mail, as well as agreement to record the interview. The researcher also conducted an informed agreement to inform about anonymity and confidentiality. The interviewees were also informed that the interviews would last approximately one hour. Three of the interviews happened at the case companies' own office space, while two of the interviews were held at the offices of the author. The decision of where to perform the interview was based on the preferences of the interviewee.

The interviews were all based on the same interview guide. The interview template contained three main topics correlated with the three research questions presented in chapter 1. The first topic dealt with the initiation and development of the initial reference customer relationship. Here the author wanted to understand the background of the relationship and whether there were prior relations involved in developing this relationship. The second topic dealt with how the new venture uses its initial customer relationship towards the next customer relationships. The author also wanted to understand whether there were strategic actions of reference marketing or whether these were coincidental. The third topic dealt with the present customer relationships of the new venture. The aim of this question was to get an understanding of the customer relationship portfolio development of the new ventures, and to get an overall understanding of how the new venture uses its reference customers today.

Although the questions asked in the interview were based on the same interview guide, how the exact questions were asked differed from interview to interview. The questions were often asked as natural follow-up questions to the previous question and answer. The exact order of the questions differed from interview to interview. The interviewee asked the questions and had a recorder to tape the conversation for afterwards. The respondents had pen and paper available for if they wanted to draw something.

### 3.5 PRESENTATION OF THE CASE COMPANIES AND INTERVIEWEES

In this section the case companies, Case Company 1, Case Company 2, Case Company 3, Case Company 4 and Case Company 5, are presented. First, the history and the facts about the new venture and the interviewee will be introduced and described. Second, the product and the industry of which they operate will be outlined. This enables the reader to understand the case companies in the context of their environment. The case companies are based on the selection criteria; 1) business-to-business relationships, 2) new venture at the time of the first sale, 3) the venture's first customer was important for the new venture's second sale, 3) Norwegian based company selling to Norwegian customers.

### 3.5.1 CASE COMPANY 1

Four students established case company 1 in 2013. The company was founded on an idea from an external inventor who worked at the same institution as the team were students. This inventor later became a shareholder and a member of the board. Throughout the years the number of team members have increased and declined, and now the company exists of the four founders, who are the CEO and product manager, a technical manager, a developer and a sales manager. The team also has two new interns working with sales. The team has had an initial round of seed funding. At the time of the interview, the company has had in total 15 customers, whereof 13 are customers today.

*The interviewee* is the Sales Manager in the Case Company 1 team. He has, together with the CEO, been responsible for sales since establishment of Case Company 1. The interviewee has a background from Nano technology, has had economic classes and no previous professional or startup experience.

*The solution* is an economy simulator for basic economy classes. The product is developed in-house, based on feedback from professors and educational experts. Their basic product is quite standardized and general, which essentially means that it can be applied to several different economic classes without much customization. They also offer more specialized modules, which can be applied by requests. These modules demand more efforts, but are made to be standardized and scalable. Product customization for each customer is therefore limited. Customization for each class however has to be adjusted and is correlated to the length of the course and timing. This is not a technical job, but a sales job. The product is made to fit each courses in order to escape potential switching barriers for the customers. The product is also low-tech and relatively simple to implement and to use.

Case Company 1 operates in the educational market, and their present customers are mainly Norwegian universities and colleges and some Swedish universities. This industry has traditionally been characterized by a low degree of innovativeness, but the digital revolution has impacted also this industry, and actors are opening up to new and digital solutions. The Norwegian educational industry can be seen as fragmented, actors are distanced far from each other and there are different regulatory constraints for each buyer. There is therefore low competition between the actors in this industry, and also few arenas where buyers actually talk across actors. As a results there are few network effects in the Norwegian market, and the sales processes are considered with low scalability. Case Company 1 also competes with few companies in Norway that provide similar products, and no one does direct sales similarly as them.

*“We haven’t felt the competition yet. This has been a reason why it has been good for us to start in Norway” - The interviewee, Case Company 1*

In the Case Company 1 case, the buyers are mostly professors. The decision to buy is based on the professor's own interest to improve its own classes, and there are not strong economic incentives to implementing the service. Therefore you can find different motivations with the different professors, and sell different “jobs to be done”. When approaching these different buyers, the Case Company 1 “*adjusts their selling arguments by listening to what they are*

*really looking for, so we start broadly, so they can tell us before we go into depth*". These buyers are generally new to the purchasing processes of such services. The purchase problem characteristics are that buyers are new to implementing purchases into their own budgets. As a result the Case Company 1 has had to do a lot of teaching on how to implement the product in budgets. The individual buyers are also characterized as fragmented and responsibility is up to each individual. The nature of the product is neither time-consuming to implement, and does not affect others with consequence. As a consequence, there is low risk connected to purchase. This is reflected in the sales processes:

*"It's a jolly industry. Sales are different from a deep technical industry"* - The interviewee, Case Company 1

### 3.5.2 CASE COMPANY 2

Four students from a university in Trondheim established case company 2 in 2013 as a spin-off from one of the largest research institutes in the world. Case Company 2 enjoys an exclusive license agreement to use the software and access to the know-how by this licensing partner. The team is now headquartered in Trondheim, Norway and has branch offices in Geneva and Paris. The team consists of 11 people, whereof 7 are full time employees. The team is tech heavy, the CEO have been responsible for most of the sales up until now, however now they have hired a sales person and will hire one more in US to make it scale. The company had a operating income of 1887' NOK in 2015, and a result before taxes of 18' in 2014.

*The interviewee* is CEO of Case Company 2 Technologies, who has been main responsible for sales since the time of the establishment of the startup. The interviewee has mechanical engineering background and no previous startup experience.

*Case Company 2 solution* provides open source software for management of digital assets. It provides a solution for storage of big data, large amounts of data, to be located and visualized in short time. The software was originally developed at the largest research company in the world to run its own document server, managing 1,5M bibliographic records in high-energy physics since 2002. Prior to the establishment of Case Company 2, the software technology was an active open source community, where more than 50 developers each year contribute code to continuously improve the software.

The Case Company 2 team operates in market segments that are involved in having to systemize and categorize big amounts of data. Potential actors within this segments can involve many sorts of industry actors with a larger library, and their customer base today consist of mostly research institutions, universities and larger global institutions. The size of the actors can vary to a large degree, from small to large libraries, and the industry is characterized by low speed and with few competitors. In many cases a purchase of the Case Company 2 service means a switch cost to changing the existing systems, and the actors have to be ready to change this before it is interesting for them.

The customers of Case Company 2 sells are established and traditional actors in the market, often constrained with regulatory and budget constraints. According to the interviewee *"the*

*nature of this product is that when implementing this product it is not often changed, and therefore the frequency of purchase of most actors is low*". In most cases, the nature of the product demands implementation and security of large and sensible amounts of data that needs to be kept safe and secure. There is therefore high importance connected to the product and therefore higher switch costs and implementation costs. Because of the importance connected to the implementation of the product, the buyers do a lot of research ahead of purchase and are very focused on technology delivery. In many cases there are strict procurement processes and contracts connected to purchases. As a result, the sales processes are often long-term due to the strict purchasing regulation, the importance connected to the product and the high switching costs associated with it.

### 3.5.3 CASE COMPANY 3

Two students established case company 3 in 2013. The company was established as a result of a research project between its first customer and a previous startup in 2011, which resulted in a working prototype and 10K users per week. Today the company exists of 17-18 employees, headquartered in Trondheim and with an office in Texas.

*The interviewee* is the CEO of Case Company 3 and has also been responsible for sales from establishment. He has a background in engineering. He has had previous startup experience, some successful and some less successful, and Case Company 3 was his fifth startup.

*The Case Company 3 solution* is an indoor and outdoor digital map solution. The product is developed in house, and based on the feedback from the research program and the earliest customers. The service is easy to implement and use when developed, but it takes between two weeks and three months to develop for each new customer, varying on the size of the customer. How much the customer needs to be involved depends on the application areas of the product.

Case Company 3 team operates within the educational industry, and their present customers are educational institutions all over the world. The industry has traditionally been characterized by a low degree of innovativeness, but the digital revolution has also impacted this industry and actors are opening up to new and digital solutions. In Norway, universities and colleges are governmentally regulated, controlled and financed. In practice, this means that these educational institutions does not collaborate, cooperate or compete in a large degree, and they are all concerned with different goals, missions and visions. Because the institutions are not cooperative or competitive, they are prone to act similarly. This low tendency to competition makes the actors more concerned with being updated on the new and innovative products, and aim to be as good as and better as the rest of the institutions. There are no real competitors to the solution of Case Company 3.

Contrary to the Case Company 1 customers whose buyers are the professors, the buyers of this product is on a more centralized level because it concerns the whole university. This means that Case Company 3 is closer to the decision makers, however more people are involved in decision processes. Because the government is financing these most of these institutions, the profit maximizing behavior is a lesser tendency than the will to be innovative. Norway is also a small country and therefore such new and innovative products on a higher

level usually reach all larger institutions. Internationally, the industry also differentiates from each country. In the US and Great Britain, the larger and most prominent institutions are the oldest universities in the countries, and are therefore often more conservative and traditional, with a low tendency to buy innovative products. These are self-financed, and are therefore interested in a profit-maximization. Also, these are often regulated by laws and regulations that says that they are not allowed to promote or market new products. Other countries, such as Sweden and Denmark however are more similar to the Norwegian institutions and culture. In sum, this industry is to a large degree influenced by environmental factors such as national culture and governmental policies.

#### 3.5.4 CASE COMPANY 4

*Case company 4* was established in 2013, by a team of four people who had had several years in the professional market. Fall 2014 the company got a funding from a public research institution to do an innovation driven company development project. This funding allows for innovation to be applied in the market with low risk for both parties involved. Case Company 4 got this funding in collaboration with the collective transport companies RP1 and RP2, with RP3-RP4 as sleeping partners. Today, the company consists of 11 people, seven people that works full time.

*The interviewee* is the sales director of Case Company 4, and has been responsible for all relationships and sales since establishment. The interviewee has been working in the company for 1,5 years. The CEO of the company recruited him for being in charge of the sales function. The interviewee has an academic background in pedagogy and has since then worked with IT since 1990 within areas such as teaching and education, as a consultant, within recruitment and within an IT startup. The interviewee ended up in Case Company 4 through previous professional and personal relations with the Case Company 4 founder.

*The case company 4 solution* is an infrastructure software for distributed computers placed inaccessibly for people, or for machines that moves such as buses and cars. They also develop new solutions based on ideas from the market that can be placed on top of the infrastructure software.

The case company mainly operates within the *public transport industry*. The early research and development partners were also a way to pave the way through this market. In Norway, there are 19 different counties' that has their own public transport companies. All of these have their own or the same operators, of which they are closely connected to. It is a very tight and closely connected industry. Because they have their geographical area to provide for, competition is low between these different actors, and collaboration is high. They have annual and even monthly meetings to update each other about the industry and their new products, and to inform about new products. It is generally a traditional industry with a low tendency to innovation.

### 3.5.5 CASE COMPANY 5

*Case company 5* is established as a spin-off from its mother company 2013. The mother company is an IT company, specialized within heavy calculating, bigger calculating machines, towards the oil industry, economy, research, and medicine - everyone with the need to have more calculatory power than a usual computer system or server. MC was established in 1999, and the same owners based on requests from its existing customers established Case Company 5.

*The interviewee* has a previous professional experience within sales towards the private business, and has worked in MC from 2007 through previous professional and personal relations to the mother company's founders.

*The case company 5 solution* is highly scalable compute facility that can be accessed as a pay-as-you-go basis via the internet. The value proposition is no more concerns over data centre space, power, cooling, or in recruiting and retaining the skills to implement and maintain the own cluster. They also offer consultation, design, implementation and system administration.

The case company operates within the oil and research industry. Established and conservative actors, with strong regulatory rules and regulations, characterize the industry. The oil sector however differs from the research industry. In the oil sector, the actors are concerned with establishing long-term relationship to ensure stability and close relationships due to the dependency of delivering of their suppliers. It is concerned with deadlines and keeping the frames of the projects. In the research industry deliveries have less consequences and a later delivery will rarely do much harm. The risks connected to implementing new services are high within this business due to the sensitive data. Actors do a lot of research and due diligence prior to contract initiation, and are eager to keep long-term relations.

The case company competes with larger actors who have the solution in-house and actors who implement it into larger service offerings. Also there are some larger international competitors that important to take into account. *"We see that those who deliver software, commercial software, the large that are used within the industry, they deliver their own solutions, so they don't only sell the software, they also sell the force in the background, they can buy a software and then they buy the calculating capacity of the software that it goes on because it is so comprehensive, and we see that there is some of that. There isn't so much to do about that, we can't say that they can't do it"*.

### 3.6 DATA ANALYSIS

The interviews were transcribed by the method presented by Dalland (2007). After each interview, the raw data from the interview was transcribed word for word. Next, the transcribed raw material was structured and systemized into categories based into the three themes connected to the purpose and the RQ's. Theme 1 dealt with the initiation and development of the initial reference customer relationship, theme 2 dealt with how the new venture uses its initial customer relationship towards the next customer relationships and theme 3 dealt with the present customer relationships of the new venture. The next phase consisted of analyzing the themes related to the themes of each of the new ventures.



The process of analysis can be understood as systematic combining, presented by Dubois and Gadde (2002). Literature on the topic was gathered during Fall 2015, and through the understanding of this literature, a conceptual framework was developed based on the initial understanding of the process. Five interviews with five unique new ventures were conducted, with these initial theoretical and personal presumptions in mind. During the course of the interviews, unidentified and unanticipated yet related issues appeared. These new issues were aspects of how the actors motivation for cooperation, the actors previous knowledge and importance of the context of the industry. These interviews also revealed that the pattern of the customer development had a strong association from its initial customer. Also, the interviews revealed that the factors of the relationship varied in importance in the contributions of the reference customers. One of the central elements that stood out as important was how the nature of the product of the new ventures impacted the relationship with the customers of the new ventures. This was incorporated and implemented in the conceptual framework (Figure 1). Another element that was important was the nature of the industry of which the actors operated. This was also further developed in the literature.

The new findings thus resulted in an edit of the theoretical review and theoretical framework, and were also researched further through the next interviews. As a result of new evidence and new related concepts, the literature review has been edited and concretized to the specific topic of this thesis. Figure 2 illustrates how the information was obtained and analyzed. The arrow symbolizes how the author went from its knowledge from the previous acquired literature acquisition to understand the empirical data, and how the findings from this empirical data forced the author to revisit the literature.

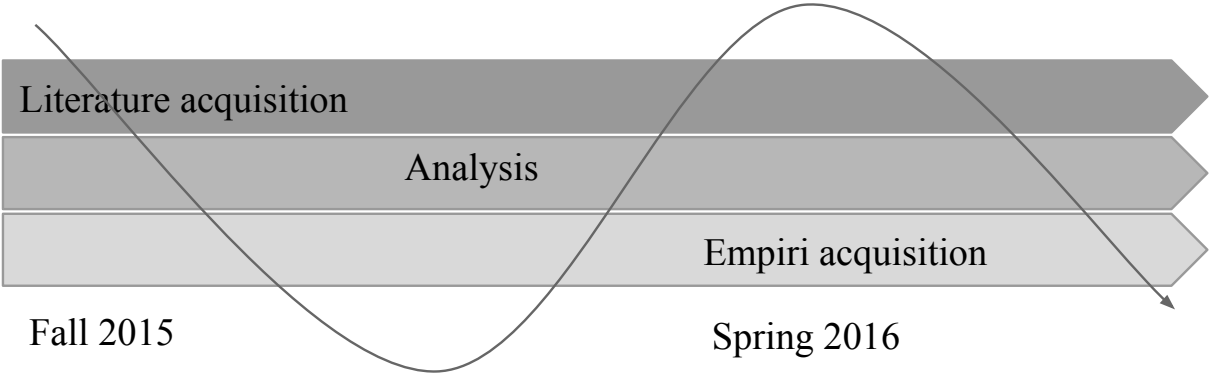


FIGURE 2 - DATA ANALYSIS

### 3.7 LITERATURE ACQUISITION

Previous semester a literature review by Husefest (2015) was made to evaluate and obtain an overview of the current research, literature, and methodological and theoretical contributions on the subject of reference customers. This literature review was presented in chapter 2. The literature is collected mainly through the web based search engine “Web of Science” by Thomson Reuters Science. Web of Science is one of the most extensive databases for academic literature, and is known for its academic quality and credibility. This site allows for filtrate searches based on citations and other relevant factors. Google scholar was used when looking for specific articles, where author and name of the article were already known.

The literature research methodology consisted of three parts; a preliminary search, a structured search and the snowballing method. A semi-structured literature search implies that a starting set of articles was used as a starting point followed by snowballing to find relevant literature, but instead of a systematic elimination process of all relevant articles found, the most relevant literature was chosen in an ad hoc manner. The preliminary search contributed to the initial understanding of the subject and the factors surrounding the phenomenon in the literature. The structured search contributed to an objective understanding of the literature that is directly connected to the purpose of investigation. The snowballing method contributed to a deeper and more complete understanding of the whole subject by studying the used research and background information of each relevant article. Combined, the author believes to have found a literature acquisition method that contributes to a full understanding of the phenomenon of reference customers. The literature has been through several iterations after new perspectives were uncovered during the case study and these perspectives were analyzed in light of existing theory.

### 3.8 REFLECTION ON METHOD, CHALLENGES AND LIMITATIONS

The qualitative research method is subject to a lot of critique, the main arguments against it that it provide little basis for scientific generalization (Yin, 2010). Lincoln and Guba (1985) proposed that a) credibility, b) dependability and c) transferability and d) conformability are appropriate criteria for qualitative research.

To increase *credibility* of the study, a multiple case study method was conducted. The multiple case design enhances the probability that the results are representable and/or recognizable for all participants (Eisenhardt, 1989). The number of cases, five, is recognized to be a credible number of cases, while at the same time being comprehensible for one researcher to conduct (Eisenhardt, 1989). The triangulation of data can also be seen as to enhance the quality of the research. This way, data sources were assessed against one another to crosscheck data and interpretation. The researcher's own pre-understanding and cognitive maps from previous knowledge from the literature review that was conducted ahead of the interviews may have biased the obtained information. However this knowledge may also have been beneficial to capture important aspects of the attained information from the case studies. To reduce bias, the author used the same interview guide for every interview. The author also avoided using leading questions, and thus reducing the probability of received leaded answers. The author also had peer debriefing after the interviews with her guidance counselor, to discover blind spots and discuss hypothesis and results (Flick, 2015). Lastly, a member checking technique was used to ensure that the researcher had accurately translated the informant's viewpoints into the data, which contributed to reducing the probability of misinterpreting the results.

A key factor in the *transferability* of the data is the representativeness of the informants for that particular group (Lincoln and Guba, 1985). To enhance transferability, three measures was conducted. First, ahead of each case study the author made sure that demographic information are available on the groups being studied, so that other researchers will be able to access the same information. Second, the author provides dense background information about the informants and the research context, allowing others to assess how transferable the findings are. Third, the author has done thorough job of describing the research context and the assumptions central to the research.

The *dependability* criterion relates to the consistency of findings (Krefting, 1991). The chosen data acquisition method, semi-structured interviews, allows for dialogue. This might have impacted the data that has been drawn. The case situation is also affected by the environment of the interview in addition to the individuals in the interview. The interview guide used for every interview, which is also mentioned in the credibility criterion, can also be seen as to increase dependability. Also, the advantage of being only one interviewer is that the findings are perceived in the same fashion. The use of the guidance counselor has also been used to check the research plan and implementation. The interviews were recorded, transcribed according to preplanned methods to enhance dependability.

The *confirmability* criterion is concerned with the topic of neutrality, which implies interviewer should not let his/her own predispositions or interests impact the findings (Guba,

1981). Again, the interview guide was a measure to increase also confirmability and avoid biased questions of the interviewer. Due to the nature of the interview technique, the questions may have been leading to some degree. The method of qualitative interviews should give descriptions of specific situations and events, and not general opinions (Dalland, 2012). The researcher had a template to focus on the specific topics, however the nature of the topics is perceived impressions, which are mostly based on opinions. In order to establish confirmability, an audit strategy was used (Guba, 1981). Finally, the researcher has made sure to provide documentation for every claim and interpretation from at least two sources to ensure that the data support the researcher's analysis and interpretation of the findings (Krefting, 1991).

### 3.8.1 LIMITATIONS AND CRITIQUE

To gain a better understanding of the respondent's history and strategy it may have been useful to follow the cases over a longer period of time. During the interviews it became clear that it has been a long time since the initiation of the initial reference customer. The result of this was a lesser understanding of the specific events and factors that influenced the relationship. On the other hand, this gave a larger impression of the relationship and the impact it had had for further relationships, as well as being relative to the new venture's other customers. This means that to gain an even better understanding of the characteristics and features of this relationship the cases could either be followed earlier or later cases should be chosen.

The interviews and case companies varied in quality due to variations in interviewees as well as the foundation of the new venture. It was evident that the specific notion of reference customers was more familiar than others. This resulted in varieties to how concrete and to the point the interviewees were. This may have been prevented if the author had been stricter about the interview technique.

Case Company 5 was listed as an independent startup established in 2013, similar to other companies. The fact that this new venture was founded and developed by the same people from another company that had been established for over a decade was however discovered during the interview. The author should have done a better due diligence of this case company ahead of the interview. The author evaluated whether this should be included in the study, and decided to pursue with the case company because the author appreciated the variety and differences of the case company. Case Company 4 were also a special case because they in reality they had no paying customers at the time of the interview due to the circumstances of the research project. They were however assessed to be credible and to bring value to the thesis because of the case context.

## 4. CASE STUDY RESEARCH

This section presents each of the case companies that have been studied in this study. Each of the case companies is presented with the actors of which it is involved in to understand the context of its customers, partners and others. After the presentations of the involved actors, the case companies initiation and development with its initial reference customers and further involvements are presented.

### 4.1 CASE COMPANY 1

Case company 1 provides an economy simulator for basic economy classes.

<b>Customers, partners and other</b>	<b>Actor description</b>	<b>Key characteristics and connections to other relationships</b>
Inventor (I)	Industrial economics professor	Pitched the idea to the founding team
First customer (C1)	Recognized university in Norway	I had connections to buyers internally, and had given a promise that they would be the first customers of the product.
Second pilot customers (C2-C3)	Universities in Norway located in smaller and larger cities in Norway.	Initiated in the very early phases, before the customer relationship with C1. No previous or connected connection to the team. Buyers had personal interests in the product. Faced low risk due to low implementation costs as well as low monetary costs.
Early customers (C4-C8)	Five universities and colleges, 4 in Norway 1 in Sweden.	Found through cold calling, no previous connections, found through cold calling. Professors within economy. Low price, low risk. Innovators.
Customers (C6-C12)	Further universities and colleges in Norway	Piggybacking on previous customers, no previous relations

TABLE 1 - CASE STUDY RESEARCH - CASE COMPANY 1

The cooperation with C1 started even before the beginning of the establishment of Case Company 1. *Intention deal (spring 2014)*: Case Company 1 had an intention deal already from the very beginning when the idea holder presented the idea to the team, as he expressed that “*if you deliver the qualities and qualification as expected, C1 will be your first*

*customer*". *Initial meetings with the inventor (spring 2014)*: The first meetings was with the inventor of the product, Tim, who was a part of creating Case Company 1, but then it was nothing formal or with money from C1. *First informal meeting (fall 2014)*: Tim did not want to be in conflict as he worked with Case Company 1 and C1 at the same time. He acted as a third actor and introduced them to who became their main contact person, deputy of the relevant institute, who they met informally during fall 2014. The intention that was set at this meeting was to complete a full-scale pilot test this fall. *Pilot test*: The full-scale pilot test should start this fall, but the institute was slow, and they did not get a meeting to discuss contract before after the pilot was completed. *Further meetings to discuss contract (spring 2014)*: During spring they had 2 formal and some more informal, follow-up meetings. These meetings consisted of the contact person, a professor with long seniority at C1, an associate at the institute who was the driving forces from C1, the head of administration from C1 who was in control over the formalia with the grant, and a lawyer from C1 who could agree to the contract. These meetings included formalia, such as money, implementation of the service to the program, follow-ups. *Formal frame agreement (fall 2015)*: During fall 2015 they got a formal framework agreement. They had 3-4 meetings to iterate on the agreement before it came into place November 2015. They agreed on an initial price, which was very low and more a symbolic gesture than anything (10K). It was frustrating for Case Company 1 that it took so long to get the formal contract in place, especially when the delivery of the pilot project was already completed. In total they had 10-15 meetings where some of them were very formal and to the point, while others were follow-ups. The relationship with C1 was off to a good start from the initiation of the relationship, which created a solid foundation for the further development of the product. The warm introductions (by the idea holder) gave the partnerships trust, which opened up to honest expectations from both parts. Case Company 1 had an interest in testing and developing the product, and the professors had a personal interest in the new and improved product. Relationship C1 was especially closely followed up by the Case Company 1 team, and Case Company 1 followed the process throughout the whole test. Case Company 1 wanted to do this to understand the users, to develop the product and to give the buyer (the professor) comfort and trust. This also gave the professor a chance to be part of the development of the product, which made them feel a part of it. It was also easy to follow up C1 due to the very close proximity. The two other pilot customers were initiated and started at the same time as C1. These were independent customers with no previous relationship with the new venture or C1. They had personal interests in the product, as well as there were low risk to implementation because of the low price and easy implementation. These were not customers after this project. The next customers (C4-C7) were found through cold calling by the new venture. Case Company 1 called 17 out of 25 schools, and 5 of these were convinced to become customers. In this process, Case Company 1, was dedicated to use prior experiences as proof of concept and namedropped their customers through various examples. These customers are still customers today.

## 4.2 CASE COMPANY 2

Case Company 2 provides an open source software for management of digital assets.

<b>Customers, partners and other</b>	<b>Actor description</b>	<b>Key characteristics and connections to other relationships</b>
Previous customers (CX)	Network of tech savvy users who has developed and implemented the software from the existing software	Existing users of the open source software. Some service contracts with LP were transferred to the LP team.
First customers (C1-C2)	Education and health Institutions	Connection to the C0 customers, which was were these customers got the information about the service. Inbound sale.
Third customer (C3)	Highly recognized organisation in Europe. Relatively small library. Strict procurement practices.	Connection through LP, connection to the team conference which was a door opened through LP
Fourth customer (C4)	A large university in Switzerland	Union of six affiliated schools, used the Case Company 2 products to manage all research outputs such as thesis, reports and articles.
Fifth customer (C5)	Similar institution as C3	Other customers within the C3 system initiated contact after this conference
License partner (LP1)	World's largest research institute	Relationship with the students' university

TABLE 2 - CASE STUDY RESEARCH - CASE COMPANY 2

Case Company 2 started with open source software, and therefore had some existing users prior to the company establishment. Some of these had service contracts with LP that were transferred to Case Company 2 at the time of their establishments, but most of them were not paying customers of the service. The size of the open source network is not known, and is therefore called CX in the table. C1 and C2 were the first real customers of Case Company 2. They had become aware of the service from the open software users. They had contacted the open source software users and asked how they could get the same, and they referred them to

Case Company 2. These were so-called inbound sales, because these users had done the market investigations and research ahead of contacting Case Company 2, and therefore the sales was mostly about formalities such as price and implementation. Therefore these are not regarded as being typical sales processes for Case Company 2. The next sale, C3, was with a highly reputable and recognized institution in Genève, located closely to the Case Company 2 offices. *Initial awareness at a conference (fall 2013)*: This actor had become aware of the company through updates in the LP newsletters and through research for finding a system like theirs. Case Company 2 was then invited to speak at a yearly internal conference for all of the C3 libraries. Case Company 2 was invited to this conference because the conference committee had researched relevant and interesting actors that would benefit the library community. *Contacted by phone (spring 2014)*: After this conference, Case Company 2 was contacted by the system administrator at the C3, who had also been at the conference. C3 had been looking for a SAAS solution such as Case Company 2 offered, and had looked a little at their technology before contact. *Early conversations (spring 2014)*: In the early conversations, the system administrator was interested in hearing more details and specifications about the product, what it could do and how it would fit into their existing library. These conversations were done over phone. After two early phone conversations, they arranged a physical meeting to demonstrate the product. *Initial meetings and demonstration (spring 2014)*: In these meetings further questions was addressed. These meetings were held at the LP offices, and purposefully with employees from LP participating in the meetings to increase credibility and trust towards C3. Case Company 2's previous customers were also mentioned in this phase to demonstrate the service, however not expressively, as two customers were not the most credible number of customers. The system administrator was their main contact point during this process. *Case Company 2 sent an offer (spring 2014)*: After a few months of discussion meetings, Case Company 2 sent an offer to C3. The system administrator got the response from her boss that the price was too high, and that she had to find something else. Case Company 2 was very eager to get this customer, due to its reputable and credible name, and therefore sent another offer to match it. This worked out, and they got the contract. *Contract iterations (summer and fall 2014)*: When this was established, they used about two months of iterations of the contract. In the end they couldn't use this contract anyway, because C3 they needed to do it through procurement, as C3 has quite strict procurement practices. It took 8-10 months before the formal procurement to the whole process was finished. The system administrator had been the contact point the whole process, and also the one they had contact with through support and negotiations. Before the contract was signed, they had "2-3 phone conversations and one physical meeting", and thus most of the relationship went through emails. *Signed contract (fall 2014)*: After signed contract, the communication was carried forth through email and a few phone conversations. Case Company 2 put much effort into making this customer happy, which was done through quick service and follow-up on feedback. The physical meetings were limited, but the physical proximity to the customer made it easy to take a trip if they had any follow-up questions of the software or similar. They also made a lot of adjustments to the solution they had delivered, so it fit well with the workflows that the institution had. They did not have a *personal relation* ahead of and during the sales process, but this has developed over time. Case Company 2 is a small company, and so is the C3 department. The system coordinator



who were their contact point throughout the whole time was the one to contact them if she had questions or feedback, so she knew everyone in the support team, wished them happy weekends and created a personal relationship with them. “We play a lot on personal relations. Before Christmas we sent them salmon, norwegian salmon, to all of our customers, because creating a personal relationship is the best way to sell”. C3 had much impact on the development of the service

*“In the beginning there was a lot of feedback. We were very worried that the feedback meant that the customer wasn’t pleased and that it was negative, but we fixed it so quickly that I think they were very pleased by how willing we were to make them happy and how fast we did it, and also when you compare with the products they had from before. So that we had a product that weren’t mature has actually contributed to making our customers even more satisfied today than if we had everything ready from day one, while at the same time we haven’t wasted any time making something they didn’t want either”* Interviewee, Case Company 2

The next relationship that was initiated was with C4. This happened only weeks after the contract was signed with C3. C4 had contacted Case Company 2 in interest to hear more about the product. C4 knew well that the technology came from LP and used of LP. The relationship with C3 was only barely mentioned in the early phases of this initiation phases.

### 4.3 CASE COMPANY 3

Case Company 3 provides an indoor and outdoor digital map solution.

<b>Customers, partners and others</b>	<b>Actor description</b>	<b>Key characteristics and connections to other relationships</b>
Research project participants (RP)	Norway's largest university and RP	The founder had done two previous successful startups in partnership with C1. This relation was made to key persons at C1 who made it come together. C1 paid part of the development costs, in addition to soft funding. C1 student.
Third actor	New venture delivering free internet in Trondheim.	
First pilot customer (C1)	The largest and most prestigious university in Norway.	The founder had done two previous successful startups in partnerships to C1. This relation was made to key persons at C1 who made it come together. C1 paid part of the development costs, in addition to soft funding. C1 student.
Pilot customer (C2-C4)	Large independent actors within the hospital industry, airport industry and building industry.	Heard about the service from the grand opening of the pilot project, and was interested in the project primarily.
Piggybacked Customers (C5-C7)	Two universities and one college in Norway.	Piggybacking from the references they had gotten within the university space.

TABLE 3 - CASE STUDY RESEARCH - CASE COMPANY 3

The cooperation with C1 started two years before the establishment over Case Company 1 through a research program by C1, RP and the Case Company 3 founders. Prior to this research program, the Case Company 3 founders had developed two separate startups together with C1. *The research program (2011-2013)*: The research program was to complete a pilot project for indoor navigation. They received funding, and C1 also paid parts of the development costs. The research program was initiated in The research program resulted in a finished product, with 10K users every week. *Intention deal (spring 2013)*: C1 promised that they would be Case Company 3's first customer if they decided to establish a company based

on the research results. *Establishment of Case Company 3 (spring 2013)*: Based on the valid proof of concept from the results of the research program and the intention deal with C1, the Case Company 3 founders decided to establish Case Company 3. *Grand opening (spring 2013)*: As a marketing strategy to attract more customers, Case Company 3 held an official “grand opening” when they launched the service at C1. The Case Company 3 partners invited the media and made a little happening out of it. “*The goal was to expose us to other potential customers in Norway that would be interested in being a customer*”. This worked well, with the media stunt three actors from different industry segments initiated contact, and wanted to hear more about the offering. They became the next pilot customers and were within the hospital, the airport and a government segment. Including C1, two of the actors were placed in Trondheim and two in Oslo. These three pilot projects after C1 were initiated and developed relatively parallel to each other. These customers very satisfied according to the interviewee, but the relationship with C1 kept being the closest. The next customer of Case Company 3 was contacted through a cold call. Case Company 3 had prior to this call decided to try to establish more relationships within the educational industry. In this phone conversation, the interviewee presented the problem and the value offering that Case Company 3 was made for. The interviewee presented the Case Company 3 company, their previous pilot customers and the development of the service together with C1. They also presented numbers, such as how many active users they had a week. The respondent were intrigued by the solution and invited Case Company 3 to a meeting to the C5 offices to present the offering further. At the initial meeting, Case Company 3 held a longer presentation where they again presented the pain points that they thought they might identify with. The C5 customer was a similar institution to C1, and therefore Case Company 3 strategically used their experiences and knowledge from their relationship and development with C1. They used the value propositions, challenges and pains that they had learned from C1, as well as the success story with C1. They also presented their relationships with the other actors in the different segments, but didn’t focus too much on them. Present at this meeting was one from the communication department, one responsible for facility and one IT person.

After this meeting, the buyers had to have *internal talk* to discuss the product further. Case Company 3 and C5 had a few more conversations over phone and emails to follow up the questions that C5 had. These questions mostly concerned details about implementations, the features and uses that could be implemented, and formalities such as price. In these conversations Case Company 3 focused on using examples from their experiences with C1 and with additional examples of how it could be used. In early summer Case Company 3 sendt a contract suggestion to C5, and they spent four months iterating back and forth on this contract before it was a done deal and they started to implement the service. In the early phases after contract initiation they spent some time with each other, however the development happened mostly separate. Then they had some testing, and after two months it was ready and done deal. The next customers, C5-C7, continued to be in the same segment as C1. The customers after this were the same segments as C1 and C5.

Today, Case Company 3 has 80% of Norwegian colleges and universities, and 30 have customers in total in Norway, Sweden, UK, US, New Zealand, South-America, and the Netherlands with over 100K users of the service each month.

#### 4.4 CASE COMPANY 4

Case company 4 provides infrastructure software for distributed computers.

<b>Customers, partners and other</b>	<b>Actor description</b>	<b>Key characteristics and connections to other relationships</b>
Research partner (RP1)	Public transport office in Norway.	One of the employees had worked in the collective transport software development department at RP2 who knew a few people.
Research partner (RP2)	Public transport office in Norway.	Got in touch after the user meeting initiated by RP1. Met first at that meeting, called after the meeting and initiated contact.
Sleeping partners (SP)	Public transport offices in Norway.	Got in touch after the user meeting initiated by RP1. Met first at that meeting, called after the meeting and initiated contact.
First customer (C1)	Operating company cooperating with RP2. One of the largest in Norway.	Introduced by RP2.
Second customer (C2)	One of the operating companies behind RP2 and the flight buses. One of the big ones in Norway, have 100 buses in Trondheim.	Introduced by RP2.

TABLE 4 - CASE STUDY RESEARCH - CASE COMPANY 4

*Introduction to RP1 (fall 2013):* Initially, the sales director was directed to a relation at the transport software development department that one of the employees at Case Company 4 had because of previous employment at this department. The sales director called this relation, explained his motivation and was referred to a correct person who was the head of innovation and technology at RP1. In this phone conversation, the Case Company 4 referred to the referrer to explain how he got to know him. Case Company 4 explained their offering and the BIE project that they had gotten. During this phone conversation, the interviewee also explained that they had 30 years of experience within the public sector industry, which is why they wanted to pursue this industry further. *Initial meeting with RP1 (spring 2013):* They had a meeting the week after to discuss further, and a month and a few informal meetings later the

deal was sealed with RP1. In the next meetings, the actors discussed the frames of the partnership, how many hours RP1 would have to commit and the expenses of the partnership. This type of partnership entails that RP1 tracks how many hours are spent on the project, and Case Company 4 gets the money back from Forskningsrådet. This means that RP1 commits to a certain number of development and cooperation hours, but pays nothing for the development. RP1 in turn would have great impact on the development of the product. They were therefore easily convinced and said yes to a partnership.

Due to the circumstances of their relationship, the degree of cooperation had already been established through a contract. They have had two or three meetings a month to discuss development of the service, in addition to several phone calls. This tight agreement has made the communication transparent and straightforwardly. Case Company 4 also had the strategy to really listen and learn about the market, and been responsive to RP1's thoughts on development and implementation. The result of this is that RP1 has had a commitment and ownership to the service, and has therefore been just as eager to cooperate throughout the relationship. Through this relationship they have started to develop a completely new product, a passenger counting product. This idea came from RP2, which they followed up and as a result this is a joint development by both parties. This has benefited Case Company 4 in that they have received gratitude and increased credibility in the market, while also trust and commitment to the relationship. This has also made them access other potential customers. In the early phases of the initiation with RP1, they asked them to join a user meeting, for all the public transport companies in Norway. They presented the idea and they got a name list of all the people who were present who were members of each public transport company in Norway. This gave them access other potential customers in a trustworthy way. It also benefited RP1, as they seemed as a trustworthy and innovative company. The personal relationship has developed in a positive direction. This is also due to the industry of which they operate, a very informal and low key industry. Case Company 4 works to get closer to the operating companies who are closely connected to RP1 and RP2, and the rest of the public transport companies in Norway. This is because these are the connected to the most bus companies, and are therefore larger and more important customers. They are clearly focused on Norway per now.

## 4.5 CASE COMPANY 5

Case company 5 provides a highly scalable compute facility.

<b>Customers, partners and other</b>	<b>Actor description</b>	<b>Key characteristics and connections to other relationships</b>
Previous customers (EC1-EC2)	Oil companies. Established actors within the oil industry.	Long-term customers of MC.
Previous customers (EC2)	Largest research institution in Scandinavia.	Long-term customer of MC. MC is the main supplier within their product segment.
Business partner (BP)	Large, American multinational <b>information technology</b> enterprise company.	Established business partner with MC. Presents the solution as one of their own service, and deliver through Case Company 5.
Mother company (MC)	One of the leading companies within its niche	Same founders who started Case Company 5 are the founders of Case Company 5.
First customer (C1)	Smaller oil company. In need of the Case Company 5 services.	Long-term, existing customer of MC.
Next customers (C2-C4)	Firms within oil and research	Existing customers of MC.

TABLE 5 - CASE STUDY RESEARCH - CASE COMPANY 5

Case Company 5 was established as a spin-of from an existing company to answer the needs of the existing customers of MC. C1 of Case Company 5 was the same as the one who requested the product, and was a customer that they had had in the mother company for over 10 years. This initiation process was easy, because this customer was asking for this service. The product was developed on this request. This customer needed to buy new equipment and they did not have their own space for it, and did not want to expand and use 100K on rooms, so when they asked if MC had the ability to do it, they did. They got the location, the data center at Dora, very cheaply. This customer was an existing customer at MC. *Contractual initiation:* The relationship with C1 was already established, due to the relationship with MC. C1 had been a client 7 years, and is one of MC's longest and most established customer relationships. The fact that they actually established this new service was due to this

customer, made the contractual relationship relatively easy. The contractual relationship was mostly just about the formalities of the contract, such as price and time perspective. *Development of the relationship:* Due to the low complexity of the product, there was limited contact between the two actors after the contractual relationship had been established. Most of the support were solved through support, via web and distance access and things like that, before that we sprang a lot, it depends whether the customers have safety policies, some are not online, then you have to be physically present to fix it, and then others have open. Due to the previous relationship with MC, there was a low threshold to keep contact when needed. Further customer relations were gained mainly through existing customers of MC, and through Case Company 1 and MC's partnership with BP. BP is responsible for doing Case Company 5 and MC's marketing. This way Case Company 5 cuts their marketing and selling efforts, and only really works through follow-up and initiation phases. This way they skip the awareness phase of customer relationship initiation and goes straight towards the contract initiation and negotiation phase. The further customers of Case Company were thus customers of which they had already established relationships with. The processes of contract initiation were thus similar to the initial relationships. These have become known through relations from suppliers. If they get questions they cannot answer, they give them to Case Company 5 because they know we do it. The macro swings has however affected the new venture in the way that less customer requests new supply. As a result, Case Company 1 has had to open up their solution to other solutions, such as acting as a hosting client for customers with existing equipment without locations. They still work towards initiating relationships with larger customers, and believe that this will happen now when the market is opening up as they see more projects coming.

## 5. CASE STUDY ANALYSIS

In this case study analysis these five case companies will be analyzed and understood through the previous literature. The case companies will be analyzed individually, and lastly, the case companies will be compared against each other. The theoretical framework will be used as basis throughout the analyses. The themes that will be addressed is 1) the relationship between the new venture and its early reference customer, 2) the roles of the third actors, and 3) the customer relationship patterns.

### 5.1 CASE COMPANY 1

#### *5.1.1 THE RELATIONSHIP BETWEEN THE NEW VENTURE AND ITS INITIAL REFERENCE CUSTOMER*

Case Company 1 was initiated as a result of needs in the network of which the founders were surrounded. An actor at the same institution of which the team was located introduced the needs. These actors had no prior personal relations, however both actors were actively involved in this institution. A social identification can therefore be identified between these actors, and this type of network can thus be understood as identity-based networks (Hite, 2005). The team and the inventor had, as mentioned, no prior relations, however the inventor had relations directly to the buyers, C1, of the product. We can therefore recognize a web of connected and interconnected ties surrounding the team and its early reference customer, C1. The inventor connected the two individual actors, the team and the buyers, together to form the early reference customer, and according to theory the actors were thus introduced through a go-between, the inventor (Uzzi, 1997). According to Uzzi (1997) such introductions transfer expectations and opportunities to a newly formed relationship, furnishing a basis for trust and subsequent commitment. Trust are in the relationship theories regarded as the main feature for reducing uncertainties, reducing conflicts and to building strong relationships with customers (Dwyer et al., 1987, Morgan and Hunt, 1994). These factors should produce outcomes that are more efficient, productive and effective. Before the contract with the reference customer contract was signed, the Case Company 1 team had two formal meeting and some follow-up meetings, despite the very close proximity, which could be argued to be little interaction to really build the relationship (Håkansson and Group, 1982). This rate of interaction could have connection to the prior relationships and because the team already had a continuing dialogue with the inventor, an actor within the same network.

Low switching costs and risks connected to implementation of the product can help understanding the low interaction episodes between the two actors in the initiating phases. The nature of the product is recognized as maybe the most important feature to influence a business relationship (Snehota and Hakansson, 1995; Dwyer et al., 1987; Larson, 1992). It is also argued that social exchange relations evolve in a slow process, starting with minor transactions where little risk is required (Snehota and Hakansson, 1995). This previous literature can help us understand why C1 did not sign the contract before after the service was done. C1 did however repurchase the service, and as a result the actors now can be seen as to have a long-term relationship. Case Company 1 regards C1 as its largest and most important customer to this date. Their long cooperation and development with this customer enhanced



the new venture’s internal capabilities such as sales arguments, value propositions and industry challenges and needs. Through this relationship, Case Company 1 team understood the challenges related to dealing with the newness of the buyer’s purchasing behavior, and learned how to help them. C1 has thus been of great importance for the learning capabilities of the company.

Figure 3 shows how the actors are connected. The inventor is connected to both the new venture and C1 through the represented arrows. The inventor also influenced the relationship through introductions, and has thus influenced the nature of the relationship between the new venture and C1. This relationship is today considered as strong, and the bolded arrow illustrates this.

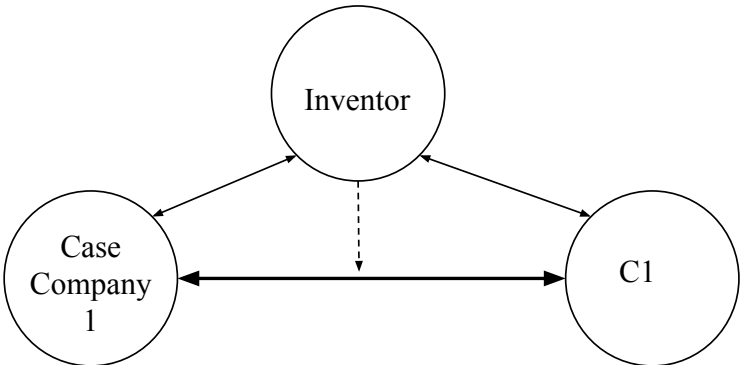


FIGURE 3 - INITIAL REFERENCE CUSTOMER RELATIONSHIP - CASE COMPANY 1

5.1.2 THIRD ACTOR ROLES IN NEXT INITIATION PROCESSES

Pilot customer C2 and C3 were initiated and executed parallel to the relationship with C1. These pilot customers were contacted in the very early development phase. These buyers were professors that were genuinely just interested in trying the product themselves, and therefore the previous relationships and credibility are understood as less important. This can also be explained by the low risk connected to the solution. Case Company 1’s relationship with C1 could be seen as influential due to the external effects of the reference customer because of C1’s innovative and competent reputation in the industry. The interviewee does not believe that other reference customer marketing effects of C1 influenced these actors. These customers were short-time contracts, and did not repurchase the service after the initial try. These customers did however contribute with beneficial insights on user experiences and quotes from both professors and users that Case Company 1 strategically has used in the next customer initiation processes. According to Aarikka-Stenroos and Makkonen (2014), an existing customer can be a target of the supplier’s reference behavior even though the relationship between the supplier and the existing customer is “sleeping”, i.e. there have been no major transactions for a long time. Despite the fact that these did not repurchase, these customers have still been contributive passively through being *providers of evidence* (Salminen and Moller, 2006).

The interviewee through a cold call contacted the next customer, C4. In this call, the interviewee introduced the product and presented their successful pilots at C1, C2 and C3 and thus used these experiences as *providers of evidence* (Salminen and Moller, 2006). The material that the interviewee sent the customer included more possible solutions exemplified through its previous customers, as well as quotes from previous buyers and users. The actors highlighted in the brochure had agreed to use the quotes, and therefore these actors acted as *passively* as reference customers. Whether it was the external level or the delivery level of the reference customer marketing, or the attractiveness of the product that affected the respondent is hard to evaluate. A combination of the three is reasonable to assume. Nevertheless, C1 is seen most influential as it can be understood as the opinion leader within the industry in regards to lead user status and innovativeness (Helm and Salminen, 2010). Throughout the first meetings, the interviewee continued to drop names and examples of use to ways to increase understanding of the product as well as to increase credibility.

*“In some time or another they have heard of all of our customers, but they don’t know it, and it makes them have faith that we know our stuff, and that many have confidence in us already”*, the interviewee, Case company 1

It appears as if Case Company 1 strategically has used a combination *provider of concrete evidence* and *risk reducers* through representing relations and by exemplifying successful works (Aarikka-Stenroos and Makkonen (2014) in the material and demo phase.

The high degree of novelty among buyers in the industry has affected the Case Company 1 team in the way that the Case Company 1 team has had to teach the buyers how to use it and how to implement the product in the budget. Case Company 1 team has learned more and more of from each customer. The low degree of competitiveness in the market also puts an additional effect on the level of novelty of the product and that buyers are not in a hurry to sign a contract. In that way, the sales processes takes longer time than appreciated. The level of risk associated to purchasing the product is regarded as low because the purchase does not affect others to a large degree because it is a supplement to usual standards as well as being low cost. As a result, the Case Company 1 team spends much time with each customer, making sure they are followed up and that they know what to do. This has created less social distance and less uncertainty between actors once the contract is initiated.

Because of the novelty of the product and its uses, the delivery level of the product has proved been the most important to the Case Company 1 sales, which according to (Jalkala and Salminen, 2010) are “solutions and deliveries that are used as references”. Case Company 1 has used this actively in their sales arguments, name-dropping all their different existing customers as proofs of evidence. The external effects, elements such as reputation and image (Salminen and Moller, 2006), may also impact the contribution of the reference customers, but to which degree depends on the different customers because it varies which actors they look up to. C1 is one of the most reputable institutions in Norway, and therefore it may have played a part to the other actors. However C5 might as well look up to C6 because

they are more similar institutions. Because it is uncertain which institution would be most influential, the Case Company 1 team has found it best to name-drop all of the universities.

The active use of earlier practice examples to illustrate both the uses of the prior customers as well as strategically dropping previous names and thus signaling externally, could appear to be a *hybrid* between the external signaling of reference customers (Salminen and Moller, 2006) and the delivery level of referencing (Jalkala and Salminen, 2010). Case Company 1 also uses the references externally through displaying logos of their largest customers as well as quotes from professors on their own website. The delivery level is evident when explaining the various ways that it could be used.

These findings are captured in the Figure 4. This figure illustrates the dyadic relationship between Case Company 1 and C4. Their relationship is influenced by the previous customers of Case Company 1, C2 and C3, and their present and closest relationship with C1.

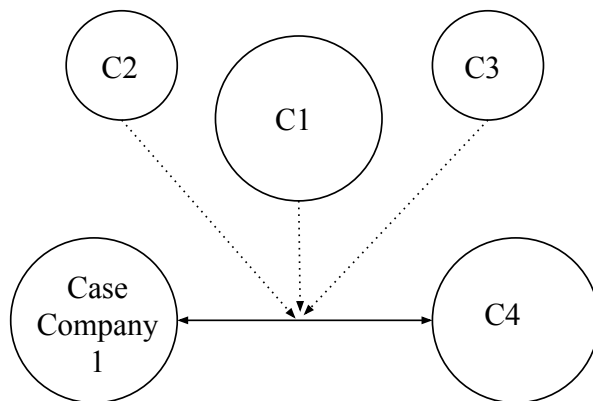


FIGURE 4 - REFERENCE CUSTOMER ROLES - CASE COMPANY 1

### 5.1.3 CUSTOMER RELATIONSHIP PATTERN

After these initial customer relationships, Case Company 1 has established relationships with most of the larger educational institutions in Norway. Today Case Company 1's solution is "*familiar in most of the Norwegian educational institutions*". Case Company 1 views C1 as the customer relationship that has been the most important for their expansion. Several factors that can contribute to understanding the customer pattern of Case Company 1.

Case Company 1 has been in the same customer segment since the beginning, which is natural due to the nature and characteristics of their offering. As recognized Case Company 1 developed this together with C1, and therefore adjusted the service according to their needs. Case Company 1 views this initial relationship as most influential for further sales. This can be explained by the external signaling effect of C1, but also the enhanced capabilities acquired internally. Case Company 1 spent a long time understanding the needs and problems of C1, and gained valuable insight on sales propositions and sales processes. These enhanced internal capabilities have been important for Case Company 1 due to the low knowledge of the buyers in this industry,

and because most of the time in initiation processes with new customers goes to teaching buyers on how to implement the purchase into their budgets. Frequency of purchase and the innovativeness of the product within the product related purchase problems characteristics are thus considered as important in this case (Salminen and Moller, 2006).

Case Company 1 has experienced that each customer have different actors that they look up to because of the varieties of the educational institutions and different educational philosophies. A smaller university may be more concerned with the practices at a larger university while a college in the suburbs is more interested in the colleges in the cities. Exactly which educational institution looks to who is uncertain ahead of meetings. This is why it has been important for Case Company 1 to mention all of their customers in the initial sales meetings with new potential customers. This means that in the Case Company 1 case, their largest and most reputable customer will not necessarily provide the best marketing effect towards a next customer. It is still assumed that, since C1 is a highly recognized institution and holds a high educational reputation and understood as an opinion leader, this customer will be an important external contributor in customer initiations. However, the various of ways that the solution is used can be understood to be more influential than the actors itself, because it is more similar to the ways that institution would use it. This way all of the actors, or some of them, will be important at the delivery level, not the external signaling value of the customer in itself.

The fragmented industry and spread actors does not provide Case Company 1 with *introducers* of its existing costs. Due to the low switching costs of the product however, Case Company 1 has focused on building strong and personal relationships with all of their customers in order to make these long-term customers.

*“we have some examples where it’s not the long term contracts that keeps us there, it’s the personal relations, so we are going to stick to that”*, the interviewee, Case Company 1

Today, Case Company 1 works towards entering Sweden, which is a relatively similar country both geographically and culturally. However, the reference practices that have been used in Norway do not work in Sweden.

*In Sweden it appears as if, they don’t have an overview over the swedish and norwegian syllabus, for all they know, norwegian is far below, so when CX outspokenly promote for them, it is accepted. But they often want to hear it themselves”*, the interviewee, Case Company 1

In other words, the reference customers in both the relationship and the delivery level of references do not apply similarly internationally. At the relationship level, the customer’s reputation and image does not apply, because they are not recognized internationally for their level of education. The same applies for the delivery level, the educational level is unknown and therefore the solutions may not conform. As a result, Case Company 1 now works to reintroduce reference customers in this new market to establish similar effects to what they received in Norway. Case Company 1 now works on initiating relationships with the largest and most prestigious schools in this new market, due to the belief that these will signal

credibility and quality of the offering. This use of opinion leaders is can be recognized from C1.

Case Company 1's customer development pattern is illustrated in Figure 5. In the figure, the new venture and its primary reference customer is attached by bold arrows, which symbolizes the strength of the relationship. The other actors are connected to Case Company 1, and their relationship is influenced by other actors that these actors can identify or wants to identify itself with. The main reference customer impacts all of the relationships, as discussed above, but smaller institutions can also influence individual relationships.

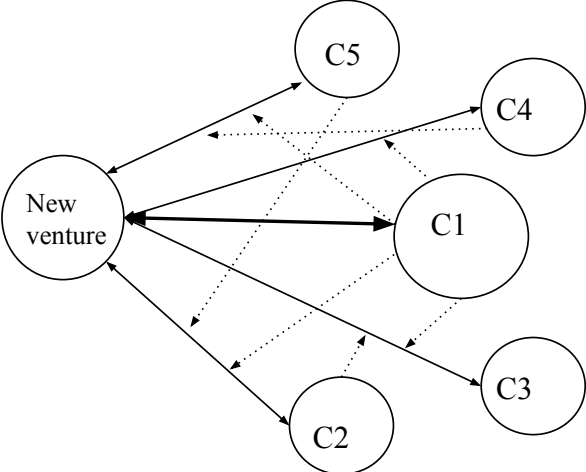


FIGURE 5 - CUSTOMER RELATIONSHIP PATTERN - CASE COMPANY 1

## 5.2 CASE COMPANY 2

### 5.2.1 THE RELATIONSHIP BETWEEN THE NEW VENTURE AND ITS EARLY REFERENCE CUSTOMER

The relationship with C3 was initiated as a result of active involvement and interaction within the network of C3. Prior to the relationship with C3 Case Company 2 had actively done some light marketing through their own and their LP's newsletters and in their networks, which had increased awareness to the potential customer. The direct involvement that led to C3 contacting Case Company 2 was at a conference with all of the actors within this closed network present. The invitation to actively be involved in this network was made by C3 as a result of the previous marketing and as a result of the needs of C3. This invitation however implies that some trust and credibility must have been present. A web of prior relations and interactions between C3 and LP from prior relations can be identified. These are institutions located in the same geographical sphere and with interdependencies through a long history of cooperation and interactions. Both institutions are recognized as reputable and credible, and Case Company 2's close connection to LP and LP's close connection to C3, these factors can be assumed to be spilled over on Case Company 2. Because of these previous interactions and history we can identify an identity-based network also in Case Company 2's case, because of the social identification. The connection to LP and the credibility to LP could be assumed to give credibility to the Case Company 2 technology offering, while at the conference Case Company 2 gained credibility as suppliers. This introduction can be seen as a way to reduce the social distance between Case Company 2 and the other actors and to make personal relations with the participants. In this sense, the conference committee could be understood as an *awareness builder*, a *matchmaker* and an *access provider* (Aarikka-Stenroos and Makkonen, 2014) for the Case Company 2 team, while LP could be understood as a *trust-builder* and *risk reducer*.

When C3 called Case Company 2 after the conference, a personal connection had already been created between the actors, and social distance had been reduced. The actor at C3 was mostly interested in understanding more about the technology and about how it could be applied to their systems. The actors had been in need for a technology like the Case Company 2 solution, and had therefore done a lot of research ahead. This focus on the delivery could be explained by the nature of the product because of the switching and implementation costs connected to it. The actor is established with a highly reputable image, and therefore implementation of new services is well researched to maintain their reputation. Accordingly, a high level of uncertainty is connected to initiation of these relationships.

In the early phone conversations, there was mainly focus on the technology. Case Company 2 used LP a lot in these conversations to ensure the quality of the technology. Case Company 2 managed to explain the technology in a credible way, and after these conversations C3 wanted to meet in person to get a closer look at the technology. The meetings were held at the LP offices with LP actors present. This was a strategic move by Case Company 2 to increase credibility when explaining and proving the technology. During the first physical meeting, the technology offerings and applications were

exemplified through previous customers and users of the technology. When Case Company 2 sent an offer; C3 responded that the price was too high. Gomez-Arias and Montermoso (2007) found that in high tech, the first customer is not only a financial resource, but also a marketing accomplishment to be trumpeted for reference selling and credibility. Case Company 2 understood the value of having C3 as a customer because of its high reputation, and therefore Case Company 2 sent an offer to match other offers, and got the contract.

Case Company 2 had the goal of making this customer very pleased, because of the awareness to the potential referencing effects of a relationship with C3. Case Company 2 therefore put a effort into building a strong relationship and making the customer satisfied. This including making adjustments and developing the technology according to the needs of C3. This way the relationship could be identified as intense relations, in the way that Case Company 2 spend much time and energy on one player and therefore a disproportionate consumption of time and energy compared to other relations (Lechner and Dowling, 2003). This effort could be seen as a very strong commitment from Case Company 2, and as a way to prove functionality of technology for C3. Case Company 2 also experienced that it was a good thing that the product was immature, because in that way C3 got to take a part of the development, which created a feeling of responsiveness and ownership to the offering.

Personal relations were less important in the initiation process due to the focus on technology and delivery. Case Company 2 does however feel that they have a personal relationship today. Today, C3 is the customer that Case Company 2 has the strongest relations to, and is *“always on the top of the list when it comes to reference customers”*. This relationship could be explained by various factors. First of all, although communication between the two actors has been mainly through web and a few phone calls and they rarely met physically, Case Company 2 were very quick to respond and to follow-up tightly to the customers questions and concerns. This means that they may have gained a personal relationship based on satisfaction and stability of Case Company 2. Another factor is the fact that the initiation and the contact person from C3 was the main actor involved from C3 throughout the whole relationship. As a result, the contact at C3 now knows everyone in the Case Company 2 team, and *“wishes them happy weekends”*, and has created a personal relationship with them. Researchers that argues that small and medium-sized businesses with a good reputation is sufficient (Ruokolainen, 2008; Gomez-Arias and Montermoso, 2007), because these will provide a closer involvement in the product development and relationship interaction, which agrees with the findings in this case study.

Figure 5 illustrates the relationship between the three actors involved in the initiation process with C3. The actors are connected with arrows. These illustrate that Case Company 2 has a close relationship with both its LP and C3. The relationship is influenced by its LP, which is illustrated by the dotted line towards the relationship between Case Company 2 and C3. LP and C3 are illustrated to have ties connected to them, however not strong ties, though the dotted line.

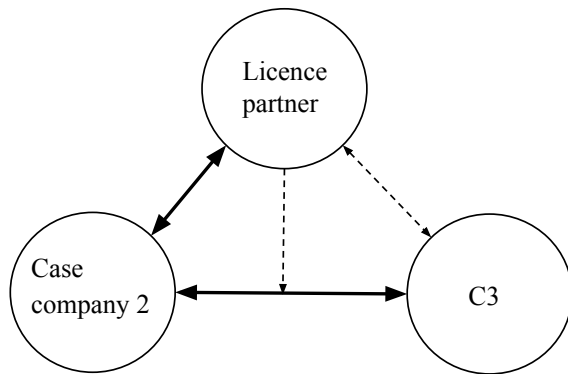


FIGURE 6 - INITIAL REFERENCE CUSTOMER RELATIONSHIP - CASE COMPANY 2

### 5.2.2 THIRD ACTOR ROLES IN THE NEXT INITIATION PROCESS

As the analysis shows above, LP and possibly previous users of the technology were important to convince early customer relationship in the initiation process. Case Company 2 experienced similar needs and uncertainties with the next customer, C4. Jalkala and Salminen (2010) found that references were highly important in terms of evaluating the technological risks because they provide concrete evidence that other customers have adopted the technology and that it is working well. Through the customer references, the supplier is able to provide indirect evidence of the functionality of the technology and thus reduce the perceived risk for a potential buyer. C4 had heard about the technology through the marketing through LP and Case Company 2, but not from C3. The LP logo was displayed on the Case Company 2 browser headline. Case Company 2 was actually the first company that LP has allowed access to use the LP company logo on their website, and when you Google Case Company 2 it says Case Company 2 - A LP spin-off in the browser bar.

In C4 and in the next initiation processes, Case Company 2 exemplified how the technology had been used with its previous customers. This by explaining the application areas and the implementation ways that Case Company 2 had had with its previous customers. This way Case Company 2 used both the external and internal category of reference marketing (Salminen and Moller, 2006) through communicating its success stories, using learned sales capabilities and name-dropping their customers. From the categories of Aarikka-Stenroos and Makkonen (2014), a combination of an active use of *proof of evidence*, *trust builders* and *risk reducers* are used. After this introduction, the interviewee remembered that the customer had no more questions for Case Company 2 about the previous customers or interest in reducing more uncertainties to the credibility of the product. As the interviewee puts it; *“After we got C3, there has not been much talk about our previous customer relationships, and we rather focus on the delivery”*. The rest of the initiation process was devoted to formalities such as planned implementation and price. The signaling effects of LP and C3 are assumed to have been the most influential third actors. LP is known for its high technological competence, and C3 is generally a very reputable and credible actor. Together these actors reduced risk and uncertainties connected to being involved in a relationship with Case Company 2.



The nature of the product implies that it requires much research ahead of and insurance when implementing the technology. This is due to the importance connected to implementation of the library, because of the valuable data that may be involved. This means that the purchasing frequency is low. This means that in many cases for Case Company 2, the problem is to put time pressure on the library actors. This implies high switching costs for the actors in the industry. Salminen and Moller (2006) argues that in high tech marketing, which is characterized by high market uncertainties and high technical uncertainties and high switching costs, the proposed task is to prove the functionability of the technology to the supplier, prove the functionability of the technology to the supplier and overcome the buyer's high switching costs. The tasks that are proposed to reduce these uncertainties are to show commitment and understanding of the product technology, ensure the credibility of the technology to the buyers (Jalkala and Salminen, 2010). The experience with the C3 customer has been needed to prove this commitment. This means that the delivery level as well as the relationship level of the customer relationship with C3 has been important for the next customers to be psychologically convinced, because this has been proved before. Trust in competency and technology therefore appears to be important factors for buyers in this industry, but also commitment.

It is appears as evident that LP and C3 have been the important third actors to have on the team when attaining new customers. Through the initiation of the initiation process with C3, LP in a way played the roles as an *access provider* by because it could seem as if the third actor helped create the connection between the initiating partners. Attending the meetings and having their offices at their location can also view LP seen as an *advocate seller*. Not at least LP in this way acted as a trust builder through transferring trust by investing in a long-term partnership with Case Company 2. LP is considered a front opinion leader within the technological environment, and has lead user status in most technological areas. It is also an old institution with a long history within the European market. C3 could also be seen as an opinion leader, but is perhaps more recognized for its work that influences most countries in the world. These are both recognized in the European market, and have reputable and credible names among most actors in most industries. Relationships with such institutions signal that these institutions have strong evaluation skills, and such companies evaluate their suppliers thoroughly, as well as signaling reliability (Jalkala and Salminen, 2010; Stuart et al., 1999). This way, C3 could be seen as an important *evaluation assistant*, which helps the new customer to evaluate the quality of the offering and the performance of the supplier. C3 can also be seen as an important *risk reducer*, by passively exemplifying the established social relations and by exemplifying successful works. The external signalements of these third actors appear as very important in Case Company 2's regard, and seems to have provided Case Company 2 with the largest contributions. The combination of the two actors signals technological competence and market accept, which give the Case Company 2 a trust and credibility in the market.

There has been little need for physical follow-ups after the contract initiation, but rather on follow-ups and support via their web support system. In result, Case Company 2 does not feel personal connections with their customers. They still however try to give the relationship a

personal layer, to make their customers feel appreciated. *“We play a lot on personal relations. Before Christmas we sent them salmon, Norwegian salmon, to all of our customers, because creating a personal relationship is the best way to sell”*. This is also a mean to make them feel closer to Case Company 2, and removing barriers for communication on more technical levels. Also, *“sales are always more pleasant when you have a personal level to them”*. Because of the nature and properties of the product the main focus areas of delivery on the relationships level are the technology and how it is applied.

Figure 7 illustrates the relationship between Case Company 2, LP and C3 and how these influence the relationship with customers C4, C5 and C6. These customers are used as illustratively. The bolded lines between Case Company 2 and LP, and are similar to the one we saw in Figure 7. The bolded line to C3 is new, and illustrates the strong relationship that has developed with C3 and Case Company 2. The arrows to C4, C5 and C6 illustrate Case Company 2’s relationship with these customers, and the dotted lines from LP and C3 illustrates how these affect the relationship with these customers.

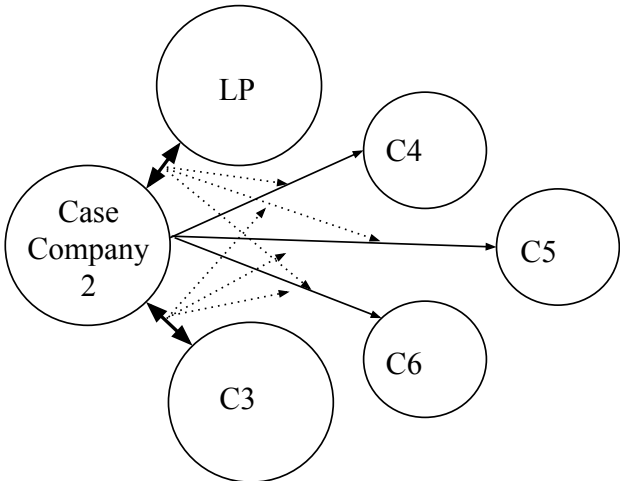


FIGURE 7 - REFERENCE CUSTOMER ROLES - CASE COMPANY 2

5.2.3 CUSTOMER RELATIONSHIP PATTERN

The relationship with C3 has influenced Case Company 2 in the way they can focus more on the deliveries of the technology and how it could be applied to new customer’s situation and less on previous customers of Case Company 2. However, what is interesting is that C3 is not within the same industry of which they have continued to operate in and different to the institutions of which they have continued to acquire customers.

After C3, Case Company 2 has acquired customers mainly within the educational market. As recalled, C1 and C2 were educational institutions. C3 however, which is understood to have been Case Company 2’s most influential reference customer on European soil, is not an educational institution. Case Company 2 is aware of and concerned with the similarities of the companies are important when it comes to sales.

*“It matters a lot, the relation, how much the company you are trying to sell to can relate to the reference sale, and if it is the same product and if it is in the same institution, in our case”.*

This is recognized from the purchasing problem characteristics by Salminen and Moller (2006), which captures the importance of similarities. C3 and educational institutions are arguably not within the same industry, and differs in organizational structure, culture, goals or visions. However, the part of the organization of which the Case Company 2 technology are meant to be applied may be relatively similar relative to the product purchase problem characteristics which are connected to the importance of the purchase, the complexity of the product, the innovativeness of the product, as well as purchasing frequency of the buyer which can be identified as similar to the other institutions. It is however reasonable to assume that due to the partnerships with LP and C3, Case Company 2 is not seen as a new and unfamiliar supplier.

The partnerships with LP and C3 was highly influential to the way new potential customers acted towards Case Company 2 in the new customer initiation processes, and as discussed above these actors had extremely important external signaling effects due to their position in the market. However, Case Company 2 experienced that when expanding to other continents, particularly US, and these signaling effects were reduced. Case Company 2 experienced that the US companies were skeptical about products from outside the US, and that the third actors were more or less not convincing. This could be a function of the US culture.

*“Americans are usually more sceptical about products outside of the US”. The interviewee thinks Americans “are more cynical by nature, at least with an not-american company. In Europe it’s not a big deal whether one chose a norwegian company in Germany or Switzerland”.*

Case Company 1 lost much of its credibility that was increased by C3 and LP when crossing the Atlantic, and with that the level of the social distance increased.

In this new market, Case Company 2 worked towards establishing customer relationships with recognized and reputable institutions within the educational industry. A similar strategy for what we identified in the entry market about gaining central customers and opinion leaders as early customers can be recognized (Gomez-Arias and Monterroso, 2007). Unlike the somewhat coincidental reference customer process that was obtained in the entry market, this approach is on a more strategic level. The impact that C3 had on the next customer relationship initiation processes are clearly transmitted to the strategy of which concerns the US market. Similarly to the C3 customer, they had a strategy to work very closely with these initial customers to develop a good relationship so they would serve well as reference customers. They also formalized a strategy to acquire customers with similar purchase problem characteristics to exploit their reference customers in a more optimal way. This is a result of the switch costs that they learned was a challenge in the early market. Now, Case Company 1, strategically promote their customers in the US by promoting them on their website, using newsletters and press releases and referring to these customers. Case Company 2 also established a new office on US soil to reduce the social distance effects to the US

companies.

The signaling effect of reference customers proved efficient for Case Company 2 in removing psychological barriers, switching costs and uncertainties. After having established relationships with prominent actors in the new market, Case Company 2 now focus establishing relationships within same product segments. The interviewee refers to this as a *group reference strategy*. By bundling similar institutions to make it psychologically easier for the next customer to be convinced. This way, the company aims to double and triple the signaling effects that has previously proved efficient for them, and through this they expect to get a snowballing effect. Aarikka-Stenroos and Lehtimaki (2014) found that similar pieces of work particularly indicate and understanding of the customer’s segment. The existence of hearing positive word-of-mouth evaluations within special industries indicates that a seller party possesses the skills and capabilities necessary for a specific industry.

In a larger perspective it appears as if Case Company 2 has drawn from its experiences from its market entry in Europe, and applied a similar approach to the US market. However what is interesting is their group referencing strategy, which is applied to reduce psychological barriers to initiation even more for potential customers. This could mean that the external effects that Case Company 2 gained from LP and C3 was even stronger than the external effects of the top tier customer relationships that Case Company 2 has acquired in the US.

The customer pattern and the use of reference customers in Case Company 1 are illustrated in the Figure 8. Figure 8 illustrate how a group of reference customers impact the next potential customer. The tie to the reference customer group is not bolded out, because it is not the point that the individual relationships will affect the relationship with the next, but rather the group as a whole. The dotted arrow shows how these customers influence the relationship of the next.

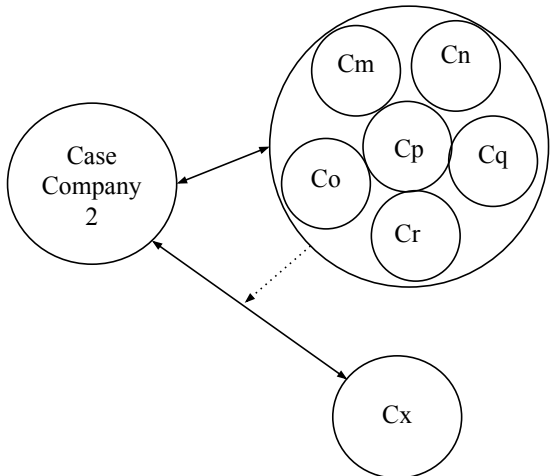


FIGURE 8 - CUSTOMER RELATIONSHIP PATTERN - CASE COMPANY 2

## 5.3 CASE COMPANY 3

### *5.3.1 THE RELATIONSHIP BETWEEN THE NEW VENTURE AND ITS INITIAL REFERENCE CUSTOMER*

Case Company 3 was established as a result of a long-term cooperation with C1, a promising proof of concept and on the premise that C1 would be Case Company 3's first customer if the company were established. These factors imply that a relationship between the two actors had already been established prior to initiation of the contractual relationship. Prior relations were also present due to previous cooperation between the actors. For all of the previous as well as the present projects, the actors had been active in the same social network connected to the C1 institution. This social and a personal identification is identified as identity-based networks (Hite, 2005).

Prior to contract initiation the actors had worked closely together, with both actors committing resources to the product. According to Ruokolainen and Igel (2004), the anticipated benefits of a first-reference can be attained only if the customer is willing to invest in the cooperation and shows sufficiently strong commitment. C1 even paid parts of the development. Ruokolainen and Igel (2004) says that in practice it seems that, building the necessary commitment entails the customer paying part of the development costs. The fact that C1 paid the development costs shows commitment in the relationship also from C1's perspective. Throughout the research program the actors were involved in many interaction episodes, and throughout the period the roles and expectations were cleared for both actors. As a result, expectations was clarified ahead of initiation and made good prerequisites for fulfilling expectations. This identified in the literature as routinization of exchange episodes (Håkansson and Group, 1982). The context of which C1 wanted to initiate a contract could be seen as more than economic incentives. The actor bonds between C1 and Case Company 3 can be understood as embedded ties, where interaction between ties are not primarily economically motivated (Granovetter, 1985). That is not to say that economic incentives are absent in relationship, however other motivations can be understood as equally important. These motivations for C1 are seen are more strategic and image building, because of the innovativeness of the product and C1's position in the industry.

The research program lasted for about two years, and the frequent interactions between the actors it is therefore sensible to assume even stronger ties, less uncertainties and less social distance at the point of initiation. Granovetter (1985) argues that economic decisions are often based upon a history of past dealings and ongoing social interactions, and hence influenced by pre-existing social ties (Granovetter, 1985) Based on the given information about several years of close cooperation in this and in other projects, this seems to have been the situation in this case. The contractual relationship was therefore established based on strong ties and a valid proof of concept, trust and commitment. The usual wish for buyers to reduce risk and uncertainty in initiation processes (e.g. Dwyer et al., 1987; Larson, 1992) were thus reduced in the contract initiation with C1.

The circumstances of prior relations and professional experiences made for a low degree of

social distance and a high degree of trust can be identified between the two actors. Trust has been emphasized in the literature as one of the most important features for reducing uncertainties, reducing conflicts and to building strong relationships with customers (e.g. Dwyer et al., 1987).

As presented above, the contractual relationship with C1 was based on prior relations, mutual commitment and trust. Larson (1992) found that relationships that had been established on prior relations had more personal and cooperative relations. This influences a relationship in the way that it reduces uncertainties and clears expectations. Because of the common ground, and trust and commitment being present from the beginning, there has been little turbulence and a large degree of satisfaction in the C1/Case Company 3 relationship.

Figure 9 illustrates the connection with Case Company 3 and C1. The bolded arrow between Case Company 3 and C1 illustrates their close relationship. The two circles illustrate their experience with the previous cooperation through developing other new ventures. The influence of these previous experiences is illustrated by the dotted line.

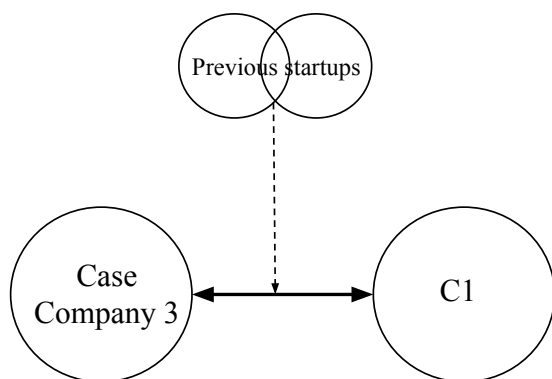


FIGURE 9 - INITIAL REFERENCE CUSTOMER RELATIONSHIP – CASE COMPANY 3

### 5.3.2 THIRD ACTOR ROLES

After launching the service with C1, three other customer relationships with pilot customers were initiated. These actors were established in three different market segments, and could be seen as opinion leaders (Gomez-Arias and Monterroso, 2007) within their industry. These customers were intrigued with the innovativeness of the product, and had a self-motivation to be an pioneer within their respective industries with this service. The proof of concept that was achieved with C1 can be understood as *a provider of concrete evidence*, while C1 played the passive role as a *risk reducer* through representing established social and organizational relations and by exemplifying successful works. Because of the long-term relationship with C1, C1 sends a statement of trustworthiness and C1 could therefore be seen as a trust builder.

The next initiation process, after the four pilot customers, was C5, who Case Company 3 got in touch with through a cold call. This customer was located in another city then Case

Company 3. Case Company 3 made sure to research ahead of the call to understand out who were the decision makers, who might be involved and are they conservative or not. During this cold call, they pitched their product and their previous experiences with C1-C4, and numbers on how many users they had had a week. They therefore presented on both *delivery level* and on the *relationship level* of the reference marketing (Jalkala and Salminen, 2010). When Case Company 3 were invited to the meeting to present the product, Case Company 3 knew that this customer is a similar institution to C1, with the same purpose and similar organizational structure and culture. In the sales pitch Case Company 3 therefore focused on presenting the value propositions, challenges and pains that they had learned from C1. This is recognized in the literature as internal activity mode of reference marketing, that the new venture has benefited from learning sales capabilities, sales arguments and the business logic of the industry (Ruokolainen, 2004; Salminen and Moller, 2006).

Case Company 3 presented the relationship initiation and development with C1 as well as the proof of concept they had received with C1, which may be explained by both the *relationship level* and *delivery level* of reference marketing (Jalkala and Salminen, 2010). The way Case Company 3 uses its previous experiences also hits home with (Helm and Salminen, 2010) who says that direct communication between the two actors is not necessarily necessary to increase reputation and credibility. This could also be done through indirect communication. In the presentation Case Company 3 also presented their experiences with the other actors in a superficial way to describe the various ways the solution could be used. This may have functioned as credibility increasing references because of the strength in numbers. These then worked passively as *proofs of evidence* towards C5.

Case company 1 presented all of the success stories with their pilot customers, how many users they had had and how many used it daily, weekly etc. These worked as credibility increasing references due to the strength in numbers. C2-C4 could be argued to have played a role in the initiation processes, however the interviewee does not see that these actors had a significant impact on the initiation process of C5. C1 on the other hand is regarded the most influential reference customer to C5.

*“we have used C1 as a reference, and now we are in 60-70% of universities and colleges in Norway”*, the interviewee, Case Company 3

Salminen and Moller (2006) highlight the importance of similarity when buyers are facing a new and unfamiliar supplier. Similarities are described through the purchase problem characteristics, which are connected to the importance of the purchase of the product, the complexity of the product, the innovativeness of the product, the familiarity of the supplier as well as the purchasing frequency of the buyer. The similarity of C1 and C5 could be seen as high because they work within the same industry and segment, with similar institutions and similar environments. The long and close relationship, combined with the proof of concept

that was achieved at C1, could according to this be a part of reducing perceived uncertainty in this buying situation.

The interviewee used the word piggybacking (riding on relations backs) as a conscious strategy, but has never been introduced to new potential customers. They have mostly acquired new customers through cold calling. This piggybacking strategy may however have come from press releases and press coverage. Case Company 3 received great press coverage with the initiation and launch with C1 and C2, describing the service as groundbreaking and innovative. Case Company 3 experienced that when they did the cold calls, the customers were intrigued by the new innovation and the value proposition it brought, but was also influenced by media and press coverage. C1 is the largest university in Norway, and is recognized as the most innovative and technological institution in Norway. This is the signalement that was appealing to the customers, not the quality of education, but its reputation for new technologies. Some researchers (e.g. Jalkala and Salminen, 2010; Stuart et al., 1999) argue that the marketing value of a reference customer is higher the more prominent the organization is, because these signal the endorsement of a reputable, credible organization and helps overcome the liability of newness. C1 is known to be a highly technologically competent and innovative institution in this geographical market, and a technological product developed with this institution therefore signals credibility of technology and innovation. C1 could therefore be seen as an opinion leader with a high degree of lead user status and innovativeness within this industry (Gomez-Arias and Montermoso, 2007).

The importance of proofs of evidence from other institutions could be seen as important, not to illustrate the varieties of uses, but rather the proofs of concepts of which it is used by the users can be seen as the most influential influencer in the Case Company 3 case. This is recognized in the delivery level (Jalkala and Salminen, 2010). The *relationship level* (Jalkala and Salminen, 2010) with the customers is also evaluated to be influential because of the higher implementation and switching costs, and the larger importance connected to the relationship. Thus both of these activity modes of reference marketing is considered influential in Case Company 3.

This is illustrated by the Figure 10. The bolded but dotted line towards the Case Company 3/C5 relationship tie refers to both the relationship level and the delivery level that was attained through the C1 customer. The larger C1 circle shows the importance of the C1 actor, which due to the relationship level and delivery level, and the similar purchase problem characteristics. The other customers are illustrated as well as they are believed to influence C5 through various examples of proofs of need and delivery.



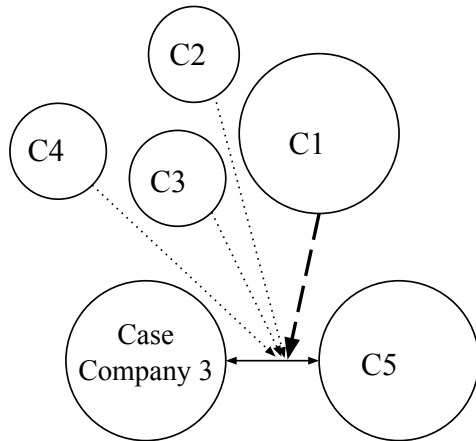


FIGURE 10 - REFERENCE CUSTOMER ROLES - CASE COMPANY 3

### 5.3.3 CUSTOMER RELATIONSHIP PATTERN

After C5, the Case Company 3 customer portfolio has continued to acquire customers within the educational sector. They have now established customer relationship with 70% of the Norwegian educational market, and are establishing new relationships in several different countries. As explained above, the interviewee view C1 as their most important reference in Norway, and because of its long-term relationship it is also the closest relationship. There are many different factors that can contribute to understand this customer relationship pattern.

The industry of which they have chosen to continue their customer relationships within is within the educational market, which is similar to the C1 institution. This could be explained by the hypothesis that this industry has the larger need or that C5 was the next institution that wanted the service. It is however reasonable to hypothesize that the long-term relationship with C1 was influential to the development of this pattern. The service offering of Case Company 3 was developed and first implemented at C1, and as a result aimed to fit the needs and challenges of C1. This may have shaped the product as well as the competence of the employees at Case Company 3. This long-term relationship also contributed to enhancing internal knowledge about selling arguments and buyer challenges, as well as the industrial knowledge and purchase characteristics connected to the product for this segment. These arguments could also hold for the C2-C4 customer relationships, the long-term cooperation and high frequency of interaction between C1 and Case Company 3 can be assumed to be highly influential to the knowledge of C1. Because this was the first customer, a higher learning curve and establishment of cognitive maps could also be argued to be influential to the knowledge of Case Company 3.

The notion of knowledge is also closely connected to the importance of purchase problem characteristics, which captures the importance of similarities when using reference customers (Salminen and Moller, 2006). These characteristics are highlighted as especially important when the buyer is facing a new and unfamiliar buyer (Salminen and Moller, 2006). The higher the similarities between the reference customer and the potential

new customer the more influential the reference customer is. In this situation the enhanced insight and knowledge about the purchase problem characteristics of C1 through several years of close cooperation are argued to be influential to the next customer, both through the selling arguments of Case Company 3, but also because the new institution can identify with the previous customer. The notion of the importance of the similarities can also be connected to the industry and the number of similar actors within that industry. While the C1 and the C5 institution are part of a larger industry of similar institutions, C2-C4 is necessarily not. This is a reason why the C1 industry may have been chosen to the market to focus on.

After having established customer relationships in the Norwegian market, they have had to move internationally. As recalled from above, Case Company 3 has experienced reference great marketing effects with C1 due to C1's position in the market, however they have experienced that these effects has not worked in other countries. Case company now has a "flagship strategy", which the interviewee refers to as a "*classical text book theory*". As a result of these initial tries, Case Company 3 planned a strategy to position the company in several markets around the world that they think is attractive to be in. This means that they establish good customer relationships with reputable and prominent actors in the industry and piggyback from these references.

*"Our goal last year was to get references in different countries, it was a conscious strategy. We will put our flag here, use it as cross in USA, and then we will use it down her, then we will use it in Africa, then in New Zealand, and then we will put our flag in UK and use it as a reference in UK, continue in Germany, Poland. But you can't do everything at once, when I have done the first sales here or here, attain a good relationship with these customers and proved that it works, got up a reference, then I can put people on here who can piggyback on the others",* the interviewee, Case Company 3

Several patterns from this strategy from the experiences in Norway can be identified. First, the signalements that they work to achieve in these countries, which they believed they achieved with C1 in Norway. Second is the "*prove that it works*" statement. Proof of concepts is recognized as important to prove for the customers in the new markets. Third is the relationship factor, the strategy to making these very customers satisfied so that they will be good piggybacking actors. They spend a long time working on these long sales, to understand their customers and to understand the culture and to establish a solid relationship so that they will speak well about it. Case Company 3 experienced the same thing with US, which is "*an incredibly hard marked to attack from Norway without having a local presence*". This happened with other customers, they say;

*"We liked your product from day one when we talked, but you don't have offices in the US and no references, we did not dare to go for you. When we got back with a reference they are pleased and the situation is completely turned around, then they want to talk again".*

Now they have established relationships with three prominent actors at both coasts, and "*now we have found partners that uses that case as reference, takes it out to other customers and talks about it*".

Ahead of each customer meeting they do a lot of research to establish the customer's frequency rate of purchasing, their pains and needs, the stakeholders involved and decision makers, in order to better prepare their customer meetings. Many people are involved in the sales processes, and there it is about creating credibility and validate proof of concept. The industry internationally is in many cases quite conservative, and prone to go for best-case solutions. With a new and innovative product, Case Company 3 is forced to be *credible* and convincing, and validate the proof of concept. The early purchasers in this market are innovators and they have to be in a decision making spot. When trying to reach the most prominent universities in order to get the best signaling effects, this often proves to be hard, because of the large and traditional schools. They have also dismissed the most prominent potential customers because they would not provide the wanted referencing effects. One of their experiences from the US was when they tried to acquire two of the Ivy League schools, and they were interested. But, they had a policy that they would not promote any new innovative products that they had purchased, not on their website and not on their own website. These were two prominent actors in the US, but they had policies not to promote their suppliers. These would not help significantly in the US market. Instead they went for tier two and got two other actors who was not at the same level, but still quite recognized in the US. Then Case Company 3 decided that it would not be a good strategy to pursue this, because it would not give the signaling effects that they were seeking. Instead they went for a class B school, which could do these things, and they would achieve a better effect.

In a larger perspective it can appear as if Case Company 3 has drawn from its experiences and knowledge from its entry market in Norway, and applied the similar process to other countries to achieve similar results. In a smaller prospective, customer relationship pattern of Case Company 3 can be traced back to the initial customer relationship with C1. We found that the long-term cooperation with Case Company 3 gave the founders knowledge and insights into the purchase problem characteristics of such institutions. The many similar actors, and the importance of the opinion leader signaling effect within this industry, can explain the choice of industry.

Figure 11 illustrates Case Company 3's flagship cross-reference strategy. The new venture establishes a close relationship with a prominent and reputable actor within each country to provide a proximity effect as well as a signaling effect. The relationship between the new venture and Cx is marked by a bold arrow, which symbolizes the strength of the relationship. The boxes C2, C3 and C4 and Cy, Cz, Cw is drawn from the new venture, while C1 and Cx hits the arrow of the relationship to illustrate how it affects the signaling effects that affects the relationship.

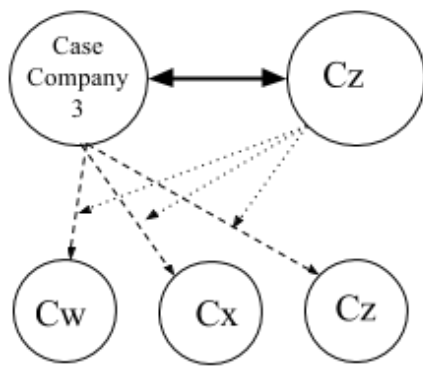


FIGURE 11 - CUSTOMER RELATIONSHIP PATTERN - CASE COMPANY 3

## 5.4 CASE COMPANY 4

### 5.4.1 THE RELATIONSHIP BETWEEN THE NEW VENTURE AND ITS EARLY REFERENCE CUSTOMER

The introduction to RP1 was a result of prior relations, knowledge and experience with the RP1 industry. These prior relations existed within the Case Company 4 Company however not with the interviewee himself. However this knowledge and these experiences were the main contributor to the choice of industry and to the introduction to RP1. According to the interviewee, the introduction that the interviewee got through the existing tie from an employee at Case Company 4 to an employee at RP1 was *“incredibly important to break the ice”*. This connection was a result of this employee’s previous experience within the industry and close relations with this employee. In that sense, the interviewee and the decision maker was connected via two strong ties (Granovetter, 1973). This sort of introduction can also be recognized in literature as the go-between in the network theories (e.g. Uzzi, 1997), which works as a transferor of trust. The introduction of him, and more importantly his technical team, and their combined experience within the RP1 industry inarguably reduced the social distance which are identified as an important feature in relationship initiation theories (Dwyer et al., 1987). As a result the respondent at RP1 agreed to meet at the RP1 offices, where the interviewee explained more about their offering and the features of the partnership agreement. Due to the prior relations and experience within the network, a social and personal identification is identified in the network environment. Therefore the network is assumed to be identity-based networks (Hite, 2005).

The risk connected to this partnership with Case Company 4 is can understood as relatively low, due to the low commitment of financial resources by RP1. The cooperation does neither affect the daily operations of RP1. This reduced the level of risk and uncertainties connected to the partnership initiation, which have become known to be two of the main distinguishing factors in partnership initiation (Ford, 1980; Dwyer et al., 1987; Larson, 1992; Edvardsson et al., 2008; Ruokolainen, 2008). The level of the product complexity and the importance of the purchase for the buyer is inarguably connected to the level of uncertainties connected with

the purchase. The previous knowledge and experience in the business industry could be assumed to have reduced the social distance between the two actors, which is another factor that has been revealed as a third distinguishing factor in partnership initiation (Ford, 1980; Dwyer et al., 1987; Larson, 1992; Edvardsson et al., 2008).

In the partnership agreement, RP1 would be the lead research partner in the development and therefore got to be hands on the development. This, combined with the innovativeness and attractiveness of the solution offering, are evaluated to be the main interest by PR1. Ruokolainen (2004) argues that partnerships and collaborative practices often lead to better results than the traditional purchasing methods. The partner can potentially gain positive arguments for their own marketing, if the customer cases go well, as well as to be the first in the market with a new type of solution or to have something competitors don't have. RP1 is recognized as one of the larger, but not necessarily prominent actor within this industry.

The circumstances of the partnership expectations cleared and established ahead of partnership initiation. According to Håkansson and Group (1982) social episodes are critical in the build up of long-term relations. Routinization of exchange episodes over a period of time leads to clear expectations in both parties of the roles or responsibilities of the opposite actor. In a sense, the partner cooperation between Case Company 4 and RP1 could be seen as a pre-made routinization of such episodes, which made both actors secure and aware of what to expect from the other party. RP1 was well aware of the circumstances of Case Company 4, that they would use RP1 to develop the product and not deliver a product. Due to these circumstances, the development of the partnership was predictable. Also, because this was a partnership where both parties had more to gain than to lose, there were no asymmetrical expectations and demands from one of the parties.

Throughout the partnership Case Company 4 was conscious to show commitment and to understand the needs of the users. Case Company 4 was dedicated to showing this to RP1 to show their commitment, and therefore they were firm to listen and follow up tightly on the questions of RP1.

*“We have turned it around compared to how the suppliers normally operate within the segments, it's about listening to what the customer want, what do they need, what they say is the most interesting idea. They get to be in charge”.*

The interviewee feels that resulted in a more dedicated partner with ownership to the project. This also resulted in a newly developed product that is based on ideas from RP1. The result is that RP1 has had a commitment and ownership to the service, and has therefore been just as eager to cooperate throughout the relationship. This has benefited Case Company 4 in that they have received gratitude and increased credibility among the employees at RP1, as well as from the other actors in the industry.

The importance of relations, individual and as well as professional, was repeated several times during the interview, and should thus be understood as important in this industry. The close cooperation between Case Company 4 and RP1 has made these become “business friends” in so-called embedded relationships, which is concerned also with the personal

nature of the relationships. Embedded ties are primarily developed out of third party referral networks and previous personal relation (Uzzi, 1997), which is what happened in the initiation with RP1.

Figure 12 the relationship between case company 4 and RP1. The bolded arrow illustrates the close relationship between the actors illustrates this relationship. The smaller nodes within the actor nodes represent the individual actors that contributed to the initiation of the customer relationship. The node represented by the number 1 illustrates the actor at Case Company 4 who knew someone at RP1, actor 2. Actor 3 represents the interviewee, who got in touch with 4 through 2. The dotted arrow towards the 3/4 relationships illustrates the influence on the relationship.

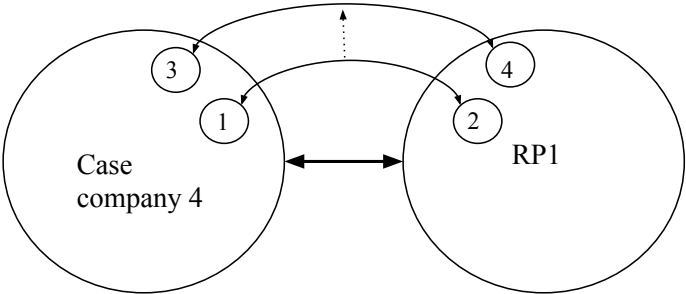


FIGURE 12 - INITIAL REFERENCE CUSTOMER RELATIONSHIP - CASE COMPANY 4

5.4.2 THIRD ACTOR ROLES

RP1 has been the most important business partner of Case Company 4. In the early phases of the initiation process with RP1, RP1 asked Case Company 4 to join a user meeting for all the public transport companies in Norway. This informal introduction by RP1 gave Case Company 4 the opportunity to make relations and meet others actors in the industry in an informal and nice way which increased trustworthiness and credibility with the actors. This action can be explained by literature concerned with *embedded* and *cohesive networks*. Cohesive networks are characterized by high density, mutuality among ties and a higher relative frequency of ties among group members than nonmembers (Ronald, 1992). This type of industry is closely connected to what is called embedded networks. Embedded ties are networks made up of economic investments, friendships and altruistic attachments (Uzzi, 1997). Coleman (1988) argue that these sort of embedded markets, actors trust each other, uncertainty is diminished and ability to cooperate is the pursuit of both interests. These embedded ties are primarily developed out of third-party referral networks and previous personal relations, which we saw was the case in the introduction to the relationship with RP1. In this regard, by inviting Case Company 4 to introduce them can be understood as an act of reciprocity by RP1. The prior introduction gave them the opportunity to be friendly and get right on the personal note, and could skip the presentations and feeling like a seller. This could be seen as an

act of reciprocity and RP1 could be understood as a third party actor and introducer to next potential customers. In this regard, RP1 acted as an *access provider* and *introducer* towards the next potential customers. After this meeting, they got a list of all the representatives who had been present at the meeting. This sort of introduction gave credibility and a personal connection to all of the actors in the business.

“Everyone knows everyone in this industry”, is the general perception of the industry, and as a result social distance is low within these networks. In regards to reference customer relationships this means that everyone involved in the customer relations are active reference customers. This means that having a good relationship with everyone and being liked is important in this industry. Also the fact that Case Company 4 has the strategy of being responsive to feedback and problems and being humble towards their industry is believed to be important. A reference customer perspective and in an embedded network of reciprocity this means that people will talk whether they are pleased or not and act actively as *awareness builders*, because it can be assumed that by talking about the service, this builds awareness.

Case Company 4 has strategically used its relations and partners in their network to reach the operating suppliers. These are also considered part of the embedded network due to their close relations with the public transport suppliers. C1 is a close partner of RP1, and the relationship between RP1 and C1 is very connected, and Case Company 4 has used RP1 to get closer to RP1 because they are the most interesting customers. By doing this, Case Company 4 uses the public transport offices actively as *access providers* to these potential customers. In the initiation processes with C1 and C2 he has used them against the others, saying the other one is interested. Because “everyone knows everyone” in the industry, Case Company 4 must actively use personal references.

In both these processes he has gotten contact information to potential relevant people from existing relationships at RP1. In the meetings they refer to the other actors, expressing things like “xx is interested” and oppositely. The experience with RP1 makes Case Company 4 certain of the customer needs and specific selling points.

The industry of which Case Company 4 operates appears to have a large effect on the use reference marketing of the customer relationships. Personal relationships beyond the professional relationships appear to be important because of the frequent connections among the actors in the industry. This way the individuals are active references for the company, and can function as awareness builders, advocate sellers, matchmakers and trust builders, and thus the personal referring functions of reference customer marketing are evaluated as most important within these markets.

#### 4.4.3 CUSTOMER RELATIONSHIP PATTERN

RP1 has been the longest and closest relationship of Case Company 4, and is also their most important relationship to date, due to the close collaboration and relations to the other potential customers.

Case Company 4 has focused on keeping it personal with their partners at RP1 and everyone in the industry. This is because they know that this is a close and embedded market where

everyone knows and talks with each other. They have done this to develop their product in line with the user needs, but also to reach the suppliers and the business partners of the actors in the industry. The operators, who own the buses and the physical investments, are their real and most important customers. They have therefore used their RP's strategically as marketing and reference assets to reach this market. The introductions and the close industry have been decisive in which way the company has developed.

The newness and innovativeness of the product combined with the low competitiveness in the market has been important for the Case Company 4, and thus the nature of the product is highly relevant.

*“When you come with a game changer in the industry, you have to say that you talked to him and him, because they know each other, they meet in other occasions, and you can't say something to someone and something else to someone else”*, the interviewee, case company 4

Information does not spread evenly in a competitive arena, because these players are unevenly connected to each other (Ronald, 1992). The lack of competitiveness therefore structures networks in the way that they share information in a more open and structural way. These circumstances have made it easy for all of the actors to be open and honest about collaboration and the service. Due to the innovativeness of the new service, it also reflects positively on RP1, who was willing to commit to a project like this. This also signals innovation and forward thinking by RP1.

Figure 13 illustrates how the new venture has gained access into the embedded market of transporters through its existing RP1. The circle around RP1 and the customers illustrates the embeddedness of the market. The bolded arrow between the new venture and RP1 shows that the relationship is strong, and RP1's close relations to the other actors in the industry is also shown by the bolded arrow to the group of customers which are the other public transport offices. The dotted line from the new venture to these actors with the arrow from RP1 to this customer group shows the introduction of the new venture.

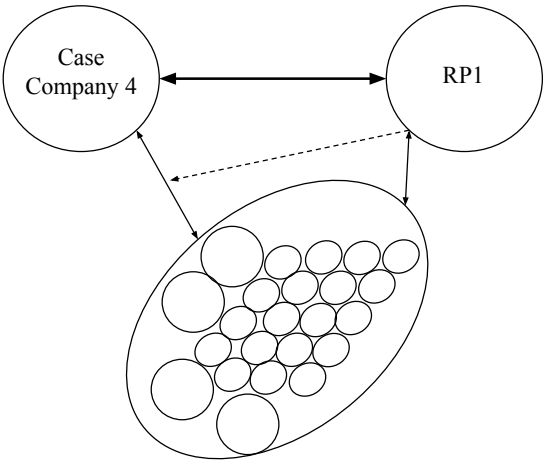


FIGURE 13 - REFERENCE CUSTOMER ROLES - CASE COMPANY 4



## 5.5 CASE COMPANY 5

### *5.5.1 THE RELATIONSHIP BETWEEN THE NEW VENTURE AND ITS EARLY REFERENCE CUSTOMER*

The needs for the solution that Case Company 5 offers had been expressed indirectly several times from MC's existing customers, and expressed directly by C1. As a result, Case Company 5 was initiated as a result of market needs. The relationship between Case Company 5 and C1 was rooted in a long-term contractual relationship long prior to the establishments of Case Company 5. The high complexity of the product and the pursuit for long-term relationships, it can be assumed that this relationship was interdependent.

The relationship with C1 was thus established prior to the contractual relationship. The factors of social distance, prior relations and trust that are known to influence the initiation of customer relationships (e.g. Dwyer et al., 1987) are therefore evaluated to be low in this initiation process. The context of the industry and the nature of the product are can be seen as important factors in this business relationship. The nature of the product is not complex in nature, however Case Company 4 operates in a complex environment with high importance connected to deliveries. This type of industry however is dependent on long-term and trustworthy suppliers due to the risk that is at stake. The industry of which Case Company 5 operates can be seen as cohesive network due to the degree of mutual identification, a sense of social obligation and 'enforceable trust' (Ronald, 1992) because of the strong connections to its business partners. The enforceable trust lowers the risk of dealing with an emerging firm because the closure and cohesion of the network ensure that an opportunistic firm faces the prospect of sanctions from others within the network. The previous history of MC, and their fulfilling commitments, can be seen as especially influential in this initiation process. Due to the close collaboration within the industry through MC, the founders of Case Company 5 had long experience and knowledge about the industry, and the needs and behaviors of the actors involved. The establishment of Case Company 5 could be seen as an act of reciprocity, which of course gained benefits for the founders, but it also strengthens the relationship with C1.

After the contractual agreement, the relationship between the actors has continued to be close. The interviewee view the need for physical and personal contact to maintain a strong relationship as irrelevant to their situation, however there is a layer of personal interaction due to the close operations and the obligations to each other. This can also be explained by the nature of the network of which they operate, and because the product did not need learning and implementation introductions and low follow-up, and most of the interactions between the actors are solved through web support.

Figure 14 illustrates the relationship between the actors involved in the relationship. The Case Company 5 circle and the mother company circle as close to illustrate that they are different companies but are the same people and are therefore connected. The tie to C1 are illustrated by bold lines is to illustrate that the relationship between them are just as strong.

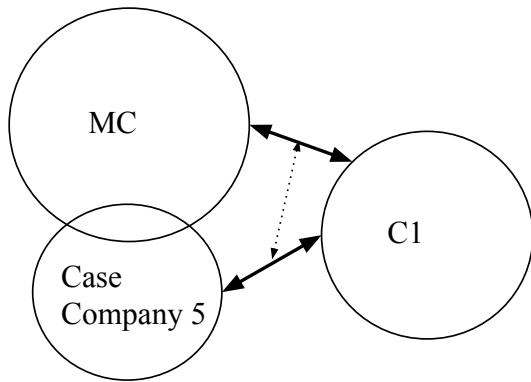


FIGURE 14 - INITIAL REFERENCE CUSTOMER RELATIONSHIP - CASE COMPANY 5

### 5.5.2 THIRD ACTOR ROLES

C1 was the first customer of Case Company 5, and from the analysis above it was concluded that this relationship was based on strong ties, trust and commitment already ahead of contract initiation. When Case Company 5 was launched, the founders published the news in the MC newsletters and press releases, aiming to reach the existing customers and network of MC. Ahead of establishing Case Company 5, they knew that their existing customer base was an important prerequisite when establishing the company, knowing that these customers had the need for a service like this. These customers were all long-term customers of MC, and in the interviewee's opinion had strong ties to. The interviewee claims that MC is the market leader within this niche. In this perspective, MC had important external signaling effects, and can be understood as an *advocate seller*, a *matchmaker*, a *trust builder*, an *evaluation assistant*, an *access provider* and a *risk reducer* in this regard. This appears as to be a very dedicated third actor, but it is important to remember that these are the same people as in Case Company 5. Distinguishing between third party and the focal actor is therefore somewhat blurred. Nevertheless, the mother company can be understood Case Company 5's most important third actor because of the existing network.

Another important third actor to Case Company 5 is BP, who both Case Company 5 and MC has a partnership where BP is responsible for the company's marketing and service offerings. Case Company 5 maps out the market and potential actors, sends their information to BP and BP is responsible for the initial cold calls. According to the interviewee, BP is incredibly important for the marketing efforts. In addition to cutting the new venture's marketing costs, BP is also a large and credible actor in the market who signals credibility and quality. BP is an opinion leader within the industry, because of its tradition in supplying its markets and because of its size (Helm and Salminen, 2010). Such institutions are perceived to have strong evaluation skills and evaluate their suppliers thoroughly, as well as signaling reliability (Jalkala and Salminen, 2010; Stuart et al., 1999). Having an alliance with a powerful initial partner that is highly regarded in the network may further legitimize the new venture (Milanov and Fernhaber, 2009). When BP refers to Case Company 5, it is therefore reasonable to assume that these perceptions are transferred to the Case Company 5, and Case Company 5 is perceived as

being a reliable actor. BP can be identified as a *scouter* because the thirds look for potential customers for sellers, a *need creator* because the third is aware of the need that Case Company 5 possesses, an *access provider* because the third helps offer access to the connection between the initiating partners and an advocate seller because it promotes good performance of Case Company 5 (Aarikka-Stenroos and Makkonen, 2014).

Another beneficial factor for this relationship is that the connection to BP signals that Case Company 5 is a part of a larger network of actors. Network perspective highlights the notion of embeddedness and closed networks as beneficial as they promote a higher level of effectiveness and cooperation of the actors involved and engaged in network. The cooperation with BP signals a degree of embeddedness because of the reciprocity given by transferring knowledge and suggested partners (Håkansson and Group, 1982). The fact that Case Company 5 is positioned as a part of a broader network gives credibility and trust towards the company. A highly central initial partner is likely to benefit a new venture's subsequent network size because of its facilitative role in the network (Milanov and Fernhaber, 2009). They argue that a central partner is likely to receive a wider scope of information in the network and may be in a better position to identify potential partners for the new ventures. The new venture's visibility is likely to be further enhanced as the information emitted by central organizations travels extensively through the network, again increasing access to a wide pool of potential partners (Milanov and Fernhaber, 2009). This could be argued to be the advantage with having BP as a partner within this network.

The suppliers of Case Company 5 and MC are also part of this broader business network, and needs also to be considered a valuable third actor. The suppliers of Case Company 5 often refer their customers to Case Company 5 if their customer's needs help in something that they know they can deliver. These suppliers have been suppliers of MC for a longer period of time, and therefore their relationship ties are considered to be relatively strong. The suppliers know what Case Company 5 can deliver. According to the roles of (Aarikka-Stenroos and Makkonen, 2014). The suppliers therefore act as *advocate sellers*, *access providers* and *need creators*. One important aspect of this is that the suppliers have credibility and trust in the deliveries of Case Company 5, otherwise they would not recommend them further. Also, the suppliers gain from referring both because of the appreciation of the help from their customers but also for the wellbeing of Case Company 5. This way BP also acts as a *trust builder* and an *evaluation assistant* (Aarikka-Stenroos and Makkonen, 2014).

Another way that Case Company 5 also captures the marketing benefits of a customer relationship is to make themselves known towards next customers through the employees from existing customer relationships. For instance EC2 has brought in much value, because the employees at this company are often headhunted and employed at other companies. This way the word about Case Company 5 spreads because the employees bring with them their knowledge of the suppliers. These could be seen as *awareness builders*, *advocate sellers* and *matchmakers* (Aarikka-Stenroos and Makkonen, 2014).

Milanov and Fernhaber (2009) says that one cannot infer the structural advantages that the firm enjoys in a network by merely focusing on its network size. One of the key concepts reflecting a firm’s position and importance in the network is centrality. In Case Company 5’s case it appears as if the business network that surrounds it are the most important influencers to Case Company 5, including the suppliers and the business partners. Through these close alliances, and with the established MC, Case Company 5 has positioned itself in the middle of an business network that transfer trust and legitimacy. The business network view assumes that business relationships consist of a network of interdependent relationships, and these actors that are mentioned are clearly embedded in and connected to other relationships (Håkansson and Group, 1982). It is evident that the connectivity between the actors are divided and formed by their resources, the actor’s position and their activities. This is clearly connected to the nature of the product and the industry. The industry is characterized by established and traditional actors, long-term relationships and with an importance connected to purchases. Trust and commitment are therefore factors that are necessary to establish new relationships, and the referring behavior of suppliers and business partners are therefore a natural behavior in these markets. In this market the most important thing is trustworthiness and credibility due to the importance of the product. This means that their long-term establishment in the company and previous credible clients of the mother company had played a more important role in the sales of Case Company 5 than the individual customers of which Case Company 5 has, although these are still a part of the network and build trust.

Figure 15 is a simplified illustration of the actors in the market that Case Company 5 operates in, and influence initiation processes of the new venture. In this case, all actors act as referrers and introducers. This is based on the nature of the industry, which is based on long-term relations and importance connected to the product. Bold arrows are connected to all of the actors to illustrate this interdependence among the actors.

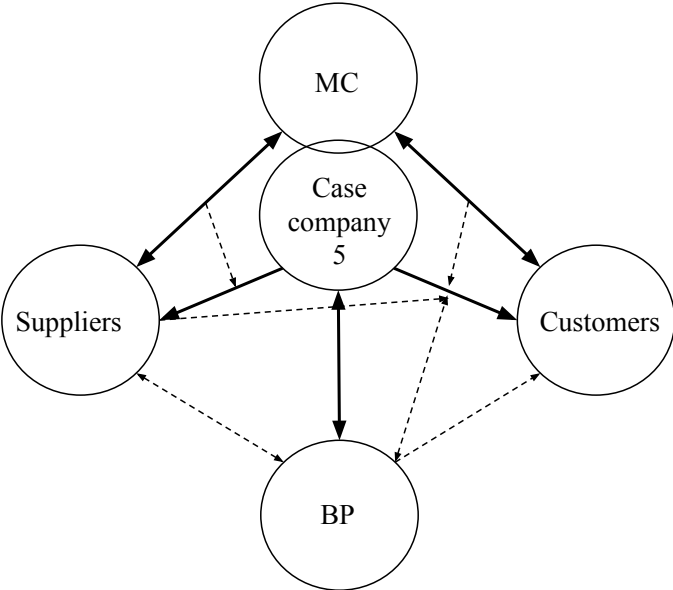


FIGURE 15 - REFERENCE CUSTOMER ROLES - CASE COMPANY 5

### *5.5.3 CUSTOMER RELATIONSHIP PATTERN*

After C1, Case Company 5 has established more relationships within actors in the business network. These customers have come from both previous and existing relationships of MC, from referrals from Case Company 5 and MC's suppliers as well as through BP. In short, the further customers have come from different parts of the network of which Case Company 5 operates. This means that the Case Company 5's position in the business network has been more central for the Case Company 5's customer relationship pattern, than necessarily C1 alone.

Long-term relations are important in the industry, and actors are interdependent of each other. As a result, Case Company 5 has built strong and long-term relationships with its customers, its business partners and its suppliers. The factors of reciprocity and communicating positioning within this network, Case Company 5 refers to and is referred to by its connected actors. The importance connected to the delivery of the service as well as its complexity has led to a need for many interactions between the Case Company 5 and its customers. These close connections have influenced the relationships to be committed and strong because of this interdependence between the actors. The personal relations however do not appear to be significant within this network, and the interviewee does not feel that the actors are on personal terms. The technology and delivery are the main focus, while the personal layer comes as an added feature.

The business network appears to be central in this case due to the interdependence and interconnectivity among firms. Long-term relations are a necessary mean for the actors in this network. Because of the close interaction among the companies, the parallel organizations and Case Company 5's position in the business network, Case Company 5 is not looking to expand their business and grow their customer base. The entry into the hard market within oil and gas, has forced Case Company 5 to change both offerings markets. Macro swings in the industry impact the customer relationship pattern of Case Company 5. However the MC have had a long-term agreement with the research industry with CX in the forefront, and therefore Case Company 5 is heading towards this industry at this point.

## 6. DISCUSSION

In this chapter, the empirical findings will be discussed in light of literature. The discussion will be structured based on the research questions that were presented in the introduction. The first topic will discuss the findings that concern the nature of the relationship between the new venture and the initial reference customers. The second topic will discuss the roles and contributions of the reference customers, and understand how these contribute differently varying on the nature of the industry and the product. The third and last topic will discuss how the customer relationship pattern of the new venture, and understand the variables that have affected this pattern within the perspective of the reference customer.

### 6.1 HOW IS THE NATURE OF THE RELATIONSHIP BETWEEN THE NEW VENTURE AND ITS INITIAL REFERENCE CUSTOMER?

The aim of this research question is to investigate the features of the relationship between the initial reference customers and the new venture to better understand how these influence the new venture and next customer relationships. Two interesting findings have appeared when analyzing the initial reference customer relationships of the new ventures. First, new ventures often regard their first customer as their initial reference customer. Second, this customer is the same customer that the new ventures evaluate as their most significant customer. These discoveries may not be surprising to the reader, and is also recognized in the reference customer literature often understand research the phenomenon of reference customers as the first customers of the new venture (e.g. Ruokolainen and Igel, 2004). These researchers have however investigated how these first customers may be used as reference customers, more than understanding these actually are reference customers of the new venture. Due to the retrospective view of the analysis, the study finds that the initial customer is seen as the most significant customer due to its subsequent commercial influence of the new ventures entering the market (Pitkänen et al., 2014). Another finding of this thesis supports this understanding. One of the companies regarded its third customer as its most important initial reference customer, due to the higher internal learning due to the sales process it experiences as well as the significant external value towards further customer relationships. This is another argument that insinuate that there is a strong connection to both the learning effects internally such as sales arguments and sales processes as well as the external impact when regarding the significance of the initial reference customer of the new venture.

The initial reference customer reference customers of new ventures are closely connected to the early geographical and social networks of new ventures. Social and personal identification are recognized within all of the case companies, and as thus founded within identity-based networks (Hite, 2005). As a result, a low level of social distance was identified within the new ventures initial reference customer relationships. Previous relations were a common denominator within these relationships, however the background and nature of the ties did however differed and were found to influence the nature of the relationships. The previous relations were either social or professional, and connected to the circumstances of which the relationships has been established and developed. The nature of these prior relations, combined with the nature of the product, was found to be influencing the nature of these relationships. Two of the case companies initial reference customer relationships was

established founded on a common agreement of cooperation based on a common vision to create a new and innovative product, while two of the case companies with their reference customer relationship was based on the need for a solution.

The case companies (1,3,4) that were based on previous social ties reported that they had personal relationship with their initial reference customers. These delivered products with a low degree of risks and uncertainties connected to them, and were also characterized as new, innovative and revolutionary within their industry segment. The reference customers of these new ventures were motivated by self-promotion and own status within their industry. In practice this means that the reference customers had a personal self-interest in the product to keep up their innovative image. The customer's own motivations are regarded as a main influencer to the development of the relationships. The case companies based professional ties, evaluated the need for a personal relationship as less important for the quality of the relationship. These companies have the most complex solutions with the largest degree of risk and uncertainties connected to them. However these companies were still characterized by a high degree of commitment and trust among them. These findings support the relationship theories (e.g. Håkansson and Group, 1982) on the notion that the personal relation is developed through the exchange of social episodes. The differences in the nature of the relationships are therefore heavily influenced by the nature of the relationships, and also the nature of cooperation. This does not however mean that some of the relationships were better or worse, however different aspects are important in the different relationships.

The notion of *internal learning* and enhancing internal capabilities also appeared as important throughout the analysis. The general understanding is that all companies benefit from learning about organizational culture and industrial knowledge within the industry of which the initial reference customer operates. However, the importance and appreciation of these enhanced capabilities were particularly important for the case companies that had no previous professional or startup experience. Within these companies, the extracted knowledge from the initial reference customer had been formulated and formalized, and implemented in the new venture's sales strategy. Case Company 5 reported no new learning, however the interviewee had had long experience within the business and industry. The learning effects concern both internal capabilities such as enhanced understanding of the industry of which they operate and the sales processes that they are involved in and dynamics of the actors involved. As a result, the early reference customers are important to enhance internal company capabilities, and the effects are larger the lower the case company's professional experience is.

### *6.1.1 SUMMARY*

Several aspects connected to the initial reference customer of new ventures have been uncovered throughout this discussion. First, new ventures view their initial customer relationship as their most important initial reference customer due to the significance on the external and the internal growth of the new venture. The initial reference customer relationship has a clear connection to the new venture's social or professional network. The connection to these relations and the nature of the product are found to be strongly correlated to the nature of the relationships and influence among others the layer of personal relations to the relationships. A distinction between social ties and professional ties can be made to

understand the nature of the relationship, and this is strongly correlated with the nature of the product, including aspects such as how much risk and uncertainties are connected with the product as well as the actor's motivations for investing in the relationship.

## 5.2 HOW DO REFERENCE CUSTOMERS CONTRIBUTE TO THE INITIATION OF CUSTOMER RELATIONSHIPS?

The aim of this research question is to investigate how reference customers of new ventures contribute to the initiation of customer relationships, and which factors influence this. First of all, there is a general consensus and understanding that all of the reference customers of the new ventures contribute with initiation of new customer relationships when both the internal enhanced capabilities as well as external reference marketing is included. It is however evident that the way that the reference customers of new ventures contribute to initiation of new relationships differ from case to case. The nature of the industry and the nature of the product are found to be two of the most central influencers to impacting how reference customers contribute externally to new customer relationships. Internally, the background and experience of the founders of the new ventures are the main factors to impact how the reference customers are utilized by the new ventures. The first paragraph will focus on the new venture's relationship with their utilization of the initial reference customers.

The case companies with previous professional experience appeared to be less concerned with the aspect of reference customers than the case companies with no previous professional experience. It was evident that these new ventures had a more relaxed relationship to the knowledge of reference customers, and however were satisfied with leaning on existing network. The case companies with no previous professional experience had formulated strategies on how to utilize their reference customers. These also appeared to be of the understanding that they use reference customers differently than others do it, or through classical teaching book theories. New ventures with founders with previous professional experience more actively aims learn and translate to action the learning provided by reference customers. It also appears as founders with previous startup experience but without professional experience have a more developed sense of how they should utilize their reference customers. The case companies with previous professional experience seem to have a pragmatic view to how they use their reference customers. This group seems to have developed a network of which they know they can rely on. As a result of these factors, the practices of how the new ventures uses their customers differ, and the background of the entrepreneurs is influential to the utilization of reference customers.

Externally, the uses of reference customers also differ, influenced by the nature of the product and the nature of the industry. In the cases where there is a high novelty connected to the product and the application areas of these, unfamiliar buyers need to be convinced of the application areas. The external value within these circumstances is also evaluated to be important because it signals trustworthiness of the product. In novel industries with a new and unfamiliar product therefore the buyers needs to be informed and convinced by previous practices and examples of how it can be used. This means that the delivery level and the reference customers as providers of evidence are important within this industry. However the external value of the reference customer plays an important role within this industry to



convince the customer with the various ways of usage. The impact of *opinion leaders* are also seen to be important within the industries where the delivery level of reference customer marketing is understood as the most important. The opinion leaders impact new potential customers with the signalement of quality and need of the product. However the characteristics of the relationship with the reference customer is less important. This is due to the low risk connected to the product. Summarized, in industries with high novelty to the product and the application areas but with low risk connected to the implementation of the product, providers of evidence combined with high reputation actors in the industry is considered the most important.

In industries with higher risks connected to implementation, and with higher switching costs, the relationship level of the reference customers appears as to be the most important for a new venture. The characteristics of the relationships are important because the actors are looking for long-term relations. Findings show that actors within this industry are to a larger degree interconnected both horizontally and vertically. This industry is as dependent on its customers as it is on its suppliers and its business partners, and is thus positioned business webs of interdependent relationships of which all are connected. Such new ventures are connected to business partnerships that prove as beneficial towards further growth and thus further customers. These new ventures uses its business partners and reference customers to decrease uncertainties connected to the technology offering as well as to the credibility of the new venture. The external value of the reference customers has also been revealed as important for such companies. This is because a relationship with a prominent and reputable actor within an industry signals that the company is a reliable and trustworthy partner.

In industries which are socially and professionally embedded, with a product that requires cooperation and dedication to implement but lower risks connected to it reveals a third type of reference customer behavior and importance. Within these circumstances personal relations and social identification stood out as central elements, and when embraced in these networks actors are happy to introduce and give access to resources. These networks can also not be reserved to reference customers; they need to consider every actor in this industry as involved and active referrers. Therefore liability and meeting obligations are important for further actors.

### *6.2.1 SUMMARY*

Based on previous literature regarding the phenomenon on reference customers, the author hypothesized that the characteristics of the early reference customer relationship would benefit the influence of the reference customer in the new venture's pursuit towards new relationships. It appears however that previous literature presents us with a too narrow assumption. The reference customer relationship cannot be seen in isolation from the context of which it operates. The context is particularly impacted by the background of the founders of the new venture, the nature of the product and the nature of the industry.

### 6.3 HOW DOES THE INITIAL REFERENCE CUSTOMER INFLUENCE THE CUSTOMER RELATIONSHIP PATTERN?

The aim of this research question is to investigate how the customer pattern can be understood as a result of the initial reference customer of the new venture. A clear connection to the initial reference customer and the new ventures' further customer relationships has appeared throughout this study. Two major aspects have appeared within this topic. The first aspect is that the actor characteristics and the industry are similar to that of the initial reference customer. The second aspect is that the new ventures recreate and formalize a reference customer strategy based on the experiences from the entry market when entering a new market where the acquired reference customers have less effect. This means that the initial reference customer influence not only individual potential customers of the new venture, but also the customer acquisition strategy of the new venture. These two aspects will be discussed further in order in the following paragraphs, although it is necessary to note that these aspects are not separate from each other.

The first aspect found that ventures' relationship with its initial reference customer is established within the new venture's social or professional networks can be remembered. Hite (2005) found that emerging firms operate in identity-based, path dependent networks before the emergence to more calculative, international networks during early growth. After this initial reference customer the new ventures continue to operate within the similar social identify sphere. The new venture's long experience with its reference customer has especially been important for providing the industry knowledge, which reduces social distance. This can be understood as a contributor to the path-dependency of the new venture.

Similarities between the initial reference customer and the new venture can also be explained by the reference customer literature, which highlight the notion of similarities between the reference customer and the new potential customers (Salminen and Moller, 2006). The similarities presented by Salminen and Moller (2006) mainly focuses on the external similarities of the reference customer and the new venture. Such similarities can be identified within this study as well. However within this perspective and seen from a new venture perspective, the internal capabilities are also important to remember here due to the new venture's liability of newness (Stinchcombe, 1965). The initial reference customer of the new venture is understood to provide the new venture with enhanced sales capabilities. As a result and due to the limited knowledge, the new ventures seek similar institutions to utilize its gained knowledge on reference customers. The internal as well as the external contributions of the reference customer are assumed to contribute to initiation processes with new customers. This may explain the similarity of the reference customer relationship and the new venture's further customer relationship.

The second point regards the connection of the initial reference customer and the customer acquisition strategy of the new venture. This shift in strategy is shown to typically happen as a reaction to expanding into a new market, with the realization that the previous reference customers have less impact of initiation of customer relationships. This shift can also be understood as the shift where new ventures move from path-dependency to more calculative, international networks (Hite, 2005). In this shift, the focus turns from how the companies has

used its customer references previously convince the next customer to implementing a customer acquisition strategy as a whole in a new market. To transfer to this shift, the new venture analyzes what worked in the entry market, and captures these experiences into a new market customer acquisition strategy. The package of experience and accumulated knowledge is thus turned into strategy on how to influence the new market. As a result, the case companies implement strategies that are clearly similar to the experiences of the influence of the initial reference customer.

### 6.3.1 SUMMARY:

There is a clear connection to initial reference customer and the further customer relationship development of the new venture. The discussion revealed two topics that appeared as central within this discussion. The first topic was the similarities between the initial reference customer and the new ventures further customer relationships. This was explained by both enhanced internal capabilities and the external effects regarding higher influence the higher the reference customer was, due to the notion of identification. The second aspect is that new ventures recreate and formalize a reference customer strategy based on the experiences from the entry market when entering a new market, as the new ventures experience less effect from its existing reference customers. Concluding, the initial reference customer influences not only individual potential customers of the new venture, but also the customer acquisition strategy of the new venture.

### 6.4 REVISITING THE PURPOSE

The purpose of this thesis was to investigate how the reference customer of a new venture contributes to initiation of customer relationships. This thesis has uncovered several factors that influence this contribution. The reference customer influences new ventures both internally and externally. The internal contributions of new ventures concern the enhanced internal capabilities of the new venture related so sales processes and industry knowledge. The third research question even revealed that the enhanced competence of the new ventures impact their customer acquisition strategy as they recreate and formulate their reference customer strategy based on experiences from the entry market when entering new markets where the existing reference customers have less impact.

The internal contributions of reference customers is not contradictive, nor separated, from the external contributions of reference customers. Along with enhanced internal sales competencies, the external contributions of the reference customers also impact the new venture internally as these bring experiences and awareness to the new venture on what works and what does not in initiation of reference customers.

Similarities between the reference customer and the next potential customer are influential to the degree of influence on customer initiation processes. Externally, the reference customers contribute more the more similar the actors (the potential customer and the reference customer) are. Strategically new ventures seek firms that are similar to that of the new ventures in order to increase the influence of the reference customers. Due to limited capacities the liability of newness of the new venture, they find it more sensible to apply their acquired knowledge from previous customers to similar institutions. When entering new

markets however, the new ventures are met with challenges in the initiation processes, and experience less effect from the reference customers it has acquired in the entry market. As a result, they analyze and recreate the reference customer utilization that they achieved in the entry market. As recalled, the initial reference customer plays a large part of the contribution of initiating reference customer relationships in the entry market. The new venture's relationship with its initial reference customer can thus be understood as having a severe impact on the new venture even after its contributions externally is reduced. In conclusion, the similarities between the initial reference customer and the further customer relationships of the new ventures can be understood as predetermined from the beginning of its early reference customer relationship.

## 7. CONCLUSION AND IMPLICATIONS

This thesis has explored how reference customers of new ventures contribute to initiation of customer relationships. This chapter will conclude the findings of the thesis based on the purpose and the contributing research questions. The chapter will also present managerial and theoretical implications for managers and for further research.

### 7.1 CONCLUSION

The initial reference customer has a particular impact on the development of the new venture. This reference customer often is devoted particular effort by the new venture, either through product development or dedicated customer follow-up. Due to limited experience and sales capabilities of the new venture, important sales arguments and capabilities is also drawn from this initial reference customer. The relationship with the initial reference customer is often established based on previous social or personal networks of new ventures, and on either professional or social ties. Whether the relationship is established on professional or social ties and the nature of the product impacts the nature of the relationship between these two actors. These factors are also connected to the motivations of the initial reference customer to whether they are motivated to enhance brand and reputation or whether there are economical, transactional motivations. These motivations influence the level of the actor's personal interest to develop the service, share knowledge and to which degree the personal relations are present. The study does not find that these factors impact whether the relationship is "good" or "bad", they rather impacts how the actors relate and interact.

Previous literature has distinguished among different roles and modes of the reference customers. These roles cannot be seen in isolation from the context of which the actor operates. The background of the founders, the nature of the product and the industry of which the actors operate are found to be influential. In cases where there is high novelty connected to the product and its application areas, the *delivery level combined with opinion leaders* as reference customers are important. In industries with higher risks connected to implementation, and thus higher switching costs, the *relationships level* are identified as significant because actors are looking for long term relationships. In embedded industries with lower risks connected to the initiation, *personal relations* are prominent. These findings do not mean to exclude the other contributions, in reality these will be blurred and influenced

by each other. The findings do however imply that there are differences in the contributions of the reference customers of the new ventures, and that these differences are connected to the contexts of which the actors operate.

There is a distinct pattern connected to the initial reference customer of the new venture and its further customer relationships. The similarities in the actor characteristics and the industry between the initial reference customer and the new ventures further customer relationships are evident. New ventures seem recreate and formalize a customer acquisition strategy based on the experiences from the entry market when entering a new market, when new ventures experience less effect from its existing reference customers. In conclusion, the initial reference customer influences not only individual potential customers of the new venture, but also the customer acquisition strategy of the new venture. The thesis finds that reference customers of new ventures are important for further growth. In conclusion, the customer relationships of the new ventures can be understood as predetermined from the beginning of its early reference customer relationship.

## 8. IMPLICATIONS AND FURTHER RESEARCH

The thesis has discussed empirical findings in light of existing literature on reference customers and network perspectives. This chapter presents managerial implications for emerging new ventures and suggestions for further research.

### 8.1 MANAGERIAL IMPLICATIONS FOR NEW VENTURES

This study has contributed to adding a broader understanding about reference customers for new ventures, and carries interesting implications for emerging new ventures. Early reference customer contribute to the new venture with a lot more than the financial value, ...

For new ventures the process of acquiring customers is hard because of the low reputation and credibility in the market, as well as limited industry and knowledge about the potential buyers in the market. The new ventures are thus encouraged to be humble to the first potential customer relationship, to learn about sales processes, customer needs and industry knowledge and to increase the internal capabilities of the new ventures. This way, the new venture will be have more persuasive sales arguments and show a deeper understanding of the customer needs in the next initiation processes. The new venture should also be aware of the many potential gained benefits that this early customer can provide within all aspects that are relevant for the new venture such as network, introductions to potential customers, increased credibility and not at least the potential for extracting knowledge from this customer.

A good customer relationship is a prerequisite for a reference customer relationship. This produces several implications for the new venture, as it faces the liability of newness and lack of resources and capabilities. The author suggests that much time and devotion are devoted with the initial reference customer to make this actor satisfied. The author suggests that the new venture is eager to respond to the requests and needs of the customer. This will increase the satisfaction with the customer, and consequently increase the actor's interest in investing more time and effort with the new venture.

The new ventures are also suggested work to understand how reference customers are optimally utilized in their own industry, and what the actors are concerned with when implementing the service of the new venture. The author suggests to conduct and develop a reference customer analysis prior and throughout customers relationships to understand the impact to optimize this utilization. This knowledge should be used strategically when utilizing the reference customers as marketing assets. The conceptual framework by Husefest (2015) could be used as a reference point.

## 8.2 LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Several areas for further research have been identified throughout the work on this thesis. The author presents

This study was conducted from new venture in a network perspective, as the aim of the study was to understand the initial reference customer's impact on the development of the new venture. LaPlaca and Katrichis (2009) identified six major areas of business marketing discourses: sales and sales management, buyer behavior, innovation, marketing strategy and management, channels and distribution and buyer-seller relationships. This study has mainly focused on and based its literature on previous literature from buyer-seller relationships, however it appeared as if it would be interesting to include marketing strategy and sales marketing when studying this phenomenon. Further research could also include the buying behavior to understand the buyer's perspective of the new ventures and the contributions of the reference customers.

This study was conducted from the perspective of the new venture. The author suggests that further research include the perspectives the initial reference customer and potentially the potential customer that the reference customer. This would provide a more wholesome image of the phenomenon, and could potentially provide completely different views of their own and the new ventures actions. By including the perspective of the phenomenon, research could also be done on the motivation of the reference customers, as previous literature on this is very limited.

Throughout the literature review, the research found was scarce and fragmented. The author therefore suggests that a uniform terminology on the phenomenon should be implemented and used. In this thesis, "reference customers" has been used ahead of other potential terms such as thirds. This description could be seen as a too narrow description. In reality it has been found that other actors than the customers of the new ventures may be involved in the same network and can contribute with similar work as the reference customer. This is especially found within the long-term business network. In this respect, future researchers may be inspired by Aarikka-Stenroos and Makkonen (2014), who include the reference customer in a larger group of *thirds* of which all are solving the same job. Lastly, the implication of the connection to the initial reference customer and the next customer has been identified as important, as well as different roles that the reference customer has in different new venture contexts. In reality there are many variables connected to the context of reference customers that impact the perspective.

The author of the thesis have investigated the phenomenon through five new ventures and gathered interview from one-time interviews. This resulted in an understanding of the whole picture and the larger events and perceptions the new ventures had of the different relationships. Further researchers are suggested to investigate the actor(s) over a longer period of time, preferably from the time of the initial reference customer initiation process until expanding into a new market. This way the researchers would be able to gather both a detailed impression of the all the initiation processes, and consequently understand more in detail the contributions of the reference customer, and how the new ventures developed throughout the process.



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## APPENDIX 1: INTERVJUGUIDE

### Individuell bakgrunnsinformasjon

- a. Navn
- b. Posisjon
- c. Tidligere erfaring

### Oppstart bakgrunnsinformasjon

- d. Navn
- e. Alder på bedrift
- f. Industri
- g. Antall i bedriften
- h. Product/service
- i. Kundebase
- j. Bakgrunn og oppbygging av selskapet

## INTERVJUGUIDE

### Bakgrunn, teknologi og bedrift

*Dette temaet innleder temaet om salg og relasjoner, sier litt om produktet og hvor utviklet produktet er.*

- a. Kan du fortelle litt om bakgrunnen din?
- b. Hvordan endte du opp i \*bedriften\*?
- c. Kan du fortelle litt om teknologien dere arbeider med?
- d. Hvor utviklet vil du si at teknologien er?
- e. I hvilken fase begynte dere å arbeide med/mot salg?
- f. I hvilken industri arbeider dere mot?
- g. Er det noe spesielt med denne industrien med tanke på salg?
- h. Hvordan ser kundeporteføljen ut i dag?

### Theme 1: Initiation and development of the early customer relationship

*Dette temaet handler om initiering og utvikling av tidligere kundeforhold, og forholdet mellom dere.*

*Ta gjerne utgangspunkt i et spesifikt forhold. Navn på dette forholdet.*

- a. Hvordan oppstod det første/de første kundeforholdene deres?
- b. Hvordan ble disse til? Hvem initierte kontakt?
- c. Hvordan opplevde du denne salgsprosessen?
- d. Hvor lang var initeringsprosessen fra første møte til kontrakt?
- e. Hvem var involvert i denne prosessen?
- f. Hvem fortsatte å være involvert i prosessen etter at kontrakt var inngått?
- g. Hvor ofte møttes dere?
- h. Møtte du på noen utfordringer i denne salgsprosessen?
- i. Hadde du noen tiltak for å overbevise kunden om å signere med dere?
- j. Hvordan opplevde du at det personlige forholdet mellom deg og denne kunden utviklet seg? Påvirket dette samarbeidet på noe vis?

### Theme 2: Use of customer relationships towards next customer relationships

- a. Opplever du at tidligere kundeforhold har påvirket initiering av de neste?

- b. Opplever du endringer i initieringsprosessene med kundene? Ex. andre spørsmål, større tillit etc.
- c. Opplever du at tidligere forhold påvirket disse prosessene på noen måte? Hvordan?
- d. Har dere brukt tidligere kundeforhold aktivt inn mot neste salg?
- e. Har disse eksisterende forholdene bidratt på eget initiativ eller har dere vært iverksetterne, eller begge deler? Hvordan?
- f. Hva tror du deres motivasjon har vært for å bidra med dette?

**2. Andre referansekunder og referansemåter**

- a. Hvordan er kundeporteføljen deres i dag?
- b. Opplever du deres kundeforhold som ulike? Hvordan? Hvorfor?
- c. Har noen kundeforhold vært mer verdifull for dere? Hvorfor?
- d. Har du opplevd at kundene har vært ulike i hvordan de har brandet dere?
- e. Hva tror du er grunnen til dette?
- f. Har noen av deres eksisterende kundeforhold ledet til videre kundeforhold?

**3. Further comments**

- a. Er det noe annet du ønsker å tilføye?
- b. Er det noen andre du tenker jeg bør prate med?
- c. Er det ok å sende mail eller ringe om jeg har flere spørsmål?
- d. Er det noe du lurer på?