



HOW TO PROFIT FROM REFERENCE MARKETING IN B2B MARKETS

BY ANDRE VILARES MORGADO

Reference marketing plays an important role in business markets. Customer references have a positive impact on vendors' reputations. It also portrays customer references as a source of competitive advantage, as a foundation for competitiveness and at the same time, they are presented as decreasing buyer uncertainty and perceived risk.

Many multinational companies are profiting from deploying large scale reference marketing programs. Among the first to pursue this path, one may find sound names like IBM or Siemens. Other firms have also joined this trend and are heavily promoting their customer references. Take for instance the example of the Swedish telecom vendor Ericsson – that only considers a project closed once they receive the reference from the customer – or the American cloud-based software company Salesforce.com, whose CEO

personally approves all the success stories the company discloses. Apart from these big and well-established companies, first customer references are also vital for start-up companies seeking to enter new markets and rounding up for new capital.

Recent research¹ allows uncovering the factors that affect the ability of reference marketing programs to deliver their expected purchasing benefits. After an examination of these factors, recommendations for reference marketing best practice and suggestions for improvement emerged.

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These practical recommendations help suppliers to pursue efficient reference marketing programs and help buyers to pursue effective organizational purchasing practices.

The role of customer referencing

Reputation and customer references serve the same purpose and are highly effective tools for both attracting new customers and creating strong links with existing customers. Firms operating in industrial markets should invest in reputation building, not only within the market segments they target, but also in the eyes of their various stakeholders. Existing relationships contain within them solid foundations that facilitate this crucial reputation building. The need for customer references is especially high in companies seeking entry into new markets, where their reputations have yet to be established. Suppliers also seek to demonstrate their ability to build strong relationships with their customers.

Status transfer is another key mechanism of customer reference marketing. The effects of status transference are greater in smaller companies and in firms that have more recently entered the market than in larger companies with more solid reputations. A vendor can close a deal with a low to no margin in anticipation of gaining a valuable customer reference.

Building a customer reference portfolio is therefore relevant to the extent that it demonstrates the value delivered to the customer and forms the basis for the development of credible value propositions. Customer value calculators and value case histories are extremely effective sales tools. Nevertheless, to be effective these tools must provide evidence to potential customers of the superior value of the vendor's offer. This evidence should be factual and based on the real business benefits that other customers have already received. As a result, the most adopted forms of customer reference marketing are case studies, customer cases and success stories. These forms involve a description of the problem faced by the customer, the solution generated by the vendor and the customer's assessment of the outcome or customer value.

By integrating the following set of suggestions into their marketing strategies, marketers can pursue selling approaches based on more effective customer referencing practices. In the same way, purchasers will be able to consolidate and improve their buying effectiveness.

Reference marketing best practice for marketers

Sales managers wishing to undertake more compelling customer engagement approaches need to implement enhanced processes for marketing resource usage. Reference marketing enhances the link between value-based selling efforts and performance outcomes. As a result, it is highly recommended that vendors invest in reference material and value assessment tools. Along the same lines, we can also look at reference management from a wider perspective. By integrating this broader view into their marketing strategies, managers can pursue marketing strategies based on more effective customer referencing practices.

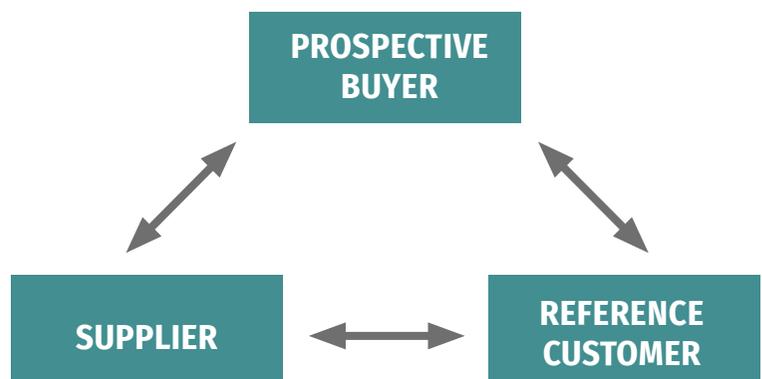
WHAT ARE CUSTOMER REFERENCES?

Customer references showcase suppliers' capabilities. They function as indirect evidence for a supplier's ability to provide a product, service or solution and demonstrate a supplier's relationship with a customer, such that the former can be evaluated by prospective customers on the basis of product performance, management and cooperation.

The principal recommendation is the need to manage the liabilities and conditions involved in customer referencing activity. This recommendation is made in the interest of helping firms to profit from the expenditures they make in the context of reference marketing programs. Purchasers base their evaluations in part on the consistency of reference lists. A good reference list will therefore be consistent. It should exhibit references for a certain project without regional or temporal gaps, as such gaps are viewed negatively by purchasing teams, who may become suspicious about the reasons for what they judge

THE REFERENCE TRIAD

One of the interesting facets of B2B transactions concerns the triadic relationship established during the generation, development, and promotion of customer references. This particular triadic unity involves three actors:



to be order interruptions. The geographic areas across which references span are also assessed by customers. Customers tend to feel more comfortable with references from their own geographic areas. When a certain region dominates others in a reference list, this may raise doubts in the purchaser's mind regarding the vendor's ability to serve other markets. This is even more relevant where the markets in which the vendor is present are less sophisticated than the target market.

The buying decision is the outcome of complex interactions between buyers and sellers. References should consider marketing elements within a broader persuasion strategy. Although they provide strong evidence for several lines of sales arguments, they should be combined with other marketing and sales tools. These other marketing tools can be used at the same time, enhancing the strength of the argument, or as separate pieces of a complex sales strategy, where any action is contingent on the competitive context shaped by customers and competitors. Suppliers should therefore incorporate references with other marketing tools since the positive effect of reference marketing increases to the degree that it is complemented by other marketing and sales efforts.

Suppliers should not forget to influence and/or manage the external mechanisms that affect reference marketing programs. In particular, the presence of external actors, informality and



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the opinions of peers should appear on the radar of sales teams. Every so often, a shareholder representative or an external consultant may infiltrate the buying center in charge of purchasing capital equipment. This presence is more relevant in situations where the procurement organization is not skilled enough to perform a specific buying task or does not have the purchasing capabilities to handle a specific project or technology. In these cases, the sales team should also be available and proactive in involving these external actors by making them targets of their referencing activity. If a reference visit is planned, for instance, sales teams should not forget to invite external consultants and shareholder representatives.

Informality and opinions from industry peers go hand-in-hand to the extent that both can jeopardize vendors' selling efforts. The existence of opinion leaders is a phenomenon that is well understood by firms operating in the context of B2C. An analogy might be established between opinion leaders and opinions from peers, the first of which is associated with the B2C context, the second with a B2B setting. Suppliers who wish to boost their reputations and credibility in a specific domain or technology should therefore direct their marketing efforts towards these industry experts and communicate their references as part of their strategy. Firms should be able to anticipate customer movement in the direction of their industry peers and should be able to ask for information on a vendor or on the viability of adopting a specific technology. Industry summits and exhibitions work as catalysts for this sort of activity as they facilitate the collection of opinions from various peers with low effort. Informality with regard to handling customer references increases the competitive advantage of less prepared and capable competitors. Firms that invest in reference marketing should thus make an effort to insist that purchasing departments include a referencing evidence request in their formal procurement processes.

The use of references in organizational purchasing

Purchasing managers who aim to improve their buying effectiveness need to implement





enhanced approaches to reference material usage. To achieve the goal of extracting full value from customer references, buying departments should be able to implement several measures for reaching complex solutions.

First, a good reference presents content that is relevant to the customer. Purchasing managers need customer references that feature challenges similar to their own. Both reference visits and success stories should therefore be requested from vendors as opportunities for customers to learn from others' experiences with a key issue. Putting in place reference visits and presenting success stories that do not address real customer needs is a waste of marketing expenditure and, most importantly, of the customer's time. This point should be kept in mind at workshops, and vendors should be invited to envisage this concern by selecting the right content and the most appropriate success stories to present to customers. Often, meetings with customers only serve the purpose of technology evangelization and include the presentation of irrelevant references by pilot customers. The usefulness of these meetings can be questioned, and their return is often non-existent. However, if the account management team works in advance to identify customer challenges, it will be able to organize useful workshops from which customers can gain relevant insights. Partnering with customers to share information and knowledge is a challenging process with which vendors

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About the Author



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must become comfortable. With this said, it is not often the chosen path.

Second, the use of reference materials should be managed according to the buying phase in which the firm is operating. In addition, purchasing departments should develop their buying practices by including formal demands for customer references during the vendor qualification process. Leaving room for dealing with reference material from an informal stance allows low-grade suppliers to access tendering opportunities. The burdens of this informality often only emerge when it is difficult to reverse the buying decision, and as a result, the company incurs high costs due to not being able to select the most appropriate suppliers to satisfy its buying needs.

Lastly, purchasing managers ought to undertake an accurate evaluation of the content provided by vendors in their referencing materials. Checking reference lists is a mandatory component of this process. Other actions should follow, however. Customer references should be regarded as a starting point for increasing the purchaser's familiarity with the supplier and the solution it is offering. That is to say, the use of customer references should be viewed not as an end in itself but as a starting point for accessing information beyond the content provided by the vendor. To achieve this objective, purchasers need to establish informal conversations with reference customers and explore the value available in the information provided by customers who have already had experience working with that vendor. 