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Master Degree Project in Knowledge-based Entrepreneurship

Software-as-a-Service:
strategizing for customer loyalty

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Abstract

Nowadays, almost all IT operations are cloud-based, and it is obviously reshaping the arena for the software service providers. Business customers expect great value-creating features, flexibility and customizable softwares without having to invest in any hardware, skilled programmers or pay for lengthy licenses. Is it possible to meet those desires and still secure revenue streams and grow the venture within this booming niche?

This study focuses on what an entrepreneurial firm in the rapidly growing service niche of Software-as-a-Service can do in order to secure loyal customer relations through strategic actions. The study includes the perspective of five active companies and their ways of managing these challenges.

The authors report that formal agreements through licensing is highly regarded and perhaps becoming a standard in the niche. They also claim that different levels of deliberate strategies such as success processes, measuring loyalty indicators and monitoring the actions of customers is key aspects to consider. There are also indications of a link between market competition and the use of formalized retention strategies.

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1. Introduction

1.1 Background

A common notion is that in early stages of a new entrepreneurial venture, the founders of the firm focus more of their efforts on the actual offering and execution than on the bigger picture activities such as strategizing. Of course, providing your service to the market, and hope for an increasing demand through hard work is at the core of every service offering, especially so in early stages of the venture's life cycle. But is that mindset sufficient in order to create loyal relations with your existing customers? Is it possible to delineate any differences between the ventures that actually do use a strategy for customer loyalty and their success rate at doing so, and the ones that don't?

Most people have their own perception of what a loyal customer is, but perhaps not always why that customer chooses to be loyal to its supplier. Loyalty as a business concept can be quantified and measured in many ways, and some may be more relevant and significant than others. Different customers will also have different reasons for staying with or cutting ties with a service supplier. What will come out as a result if existing theories of business strategies is combined with notions of what loyalty means in a modern, fast-paced knowledge-intensive business niche (Zaefarian et al., 2013) where service suppliers often do not even meet their customers in person?

The niche of Software-as-a-Service, *SaaS*, has some unique aspects to it - these companies offer their services through the cloud, thus creating relationships online rather than in person. The niche is considered knowledge-intensive since the solutions are based on previous knowledge and often develop over time together with their customers and end users (Zaefarian et al., 2013). In an early research paper on internet-based services, Chen and Hitt (2002) stated that *"a competitor is just one click away"*, making the cloud an even more interesting arena for loyalty and strategy research. It is perhaps also more difficult for online-service entrepreneurs to attract customers, since their business niche, according to Li (2015), is built on intangibles and heterogeneous factors. This might lead to customer perceiving a higher risk than in face-to-face transactions.

The trend of cloud services is very interesting from a customer perspective. These services are most often available day and night and with low or no up-front investment cost (Rader, 2012; Gupta et al., 2013). The focus is on the usage and value-creating activities only, not including any ownership or management of the underlying hardware (Rader, 2012; Gupta et al., 2013). For the cloud suppliers, on the other hand, the venture's profitability is closely connected to the life-time value of the customer relations, because according Sagar et al. (2013), customer defection will have negative effects on future revenues, and acquiring new customers is a costly process. The SaaS niche does however also provide interesting opportunities with a potential for large revenues for actors successfully bringing unique offerings to a rapidly growing digital market, capturing market shares from incumbent actors. This statement from PwC's report of Global Software Leaders 2016 (PwC.com) highlights this notion:

"Lots of startups are bubbling and lots will die. That's the rule of the game. They face established companies that have spent years developing a deep core of trust, resources and customers."

- Pierre Marty, European Software Leader at PwC (2016)

The SaaS arena is clearly in a phase of rapid growth and change, currently with global revenues of well over $140 billion (Synergy Research Group, 2017). What does it take for entrepreneurial firms in this niche to create loyal customer bonds and recurring revenue streams, if there is always another actor nearby, ready to acquire your customers?

Is the key to long-lasting relations to have a superior software that everybody likes to use or is it to create a warm and personal connection with the customers to gain their trust and exceed their expectations? Or perhaps a combination? And what strategies and methods can a SaaS supplier apply to manage the loyalty that is created?

1.2 Purpose and research question

The purpose of this study is to examine how entrepreneurial ventures active in the niche of SaaS use strategy to manage existing customer relations and loyalty creation. We want to investigate the supplier-side of the business relationship and to understand how, why and in what extent they apply strategies in order to achieve loyalty. Do they convert their intentions

into deliberate plans and processes with the purpose to make their customers wanting to stay longer, or do they rather apply formalized strategies to lock the customer into binding agreements?

We have stated the following main research question:

"How do Software-as-a-Service suppliers manage customer loyalty?"

In order to answer the main research question, we will use three sub-questions:

- *What methods do Software-as-a-Service suppliers use in order to retain their active customer relations?*
- *What level of strategizing is applied and how does it shape their loyalty creation?*
- *What are the main sources and drivers of customer loyalty in these firms?*

1.3 Limitations and delimitations

The study has the following limitations and delimitations:

- The multiple-case study only includes domestic actors from the country of the study (Sweden)
- It does not in any way include attitudinal loyalty that is disassociated with a repurchasing behavior by the customer
- It does not include the customer-side of the business relationship

2. Theory

In this section, we present our areas of theory together with the framework that has been used to create a foundation of existing research and knowledge in the fields of our study

2.1 Cloud computing

Cloud computing is an emerging field within IT, with wide benefits extending to diverse areas of cost-cutting and better management of business (Sagar et al., 2013). The field is currently undergoing a phase of rapid growth, up to 25% annually, putting the global market to a total of $148 billion in revenues (Synergy Research Group, 2017). The research agency Gartner (2016) estimates that 55% of large enterprises will adopt an all-in cloud strategy by the year 2025 (Gartner.com, 2016).

In short, cloud computing is a service-based computing model that enables convenient on-demand network access to a shared pool of server resources including storage and applications (Lee & Mautz, 2012). Cloud computing can be divided into three subsets of systems which is referred to as SPI cloud classification. There are cloud software systems (SaaS), cloud platform systems (PaaS) and cloud infrastructure systems (IaaS). The common factor of all three is the connectivity and multi-user access (Ahson and Ilyas, 2010).

There are several reasons for companies to use cloud services, and they are often seen as a way of outsourcing functionality to actors specializing in it, instead of having a department and complete hardware infrastructure for the function in question in-house. Almost any department have enabled cloud services, such as human capital management, accounting, backup and more (Lee & Mautz, 2013).

Furthermore, there are also many industry specific challenges related to cloud computing such as contracting and legal aspects, security, privacy, etc (Schewe et al, 2011). Due to this, ventures whose main offering is cloud-based will be required to cope with these risk and challenges in order to stay competitive.

2.1.1 The niche of SaaS

There is a wide range of online services that can be labeled as SaaS or, in full, Software as a Service. Famous examples that everyone know today is Facebook, Flickr, Dropbox among many others. Their common ground is that they all enable the user with 24/7 access through the cloud, meaning that the access to the service is operated fully online, without the need of any physical installations or any hardware on the client side, granting immediate access to these hardware resources without up-front capital investments (Rader, 2012; Gupta, 2013). The way the client accesses the service also varies a lot, depending on the nature of the service and what platforms are used. Sometimes the client connects using username and password, but some are more technically restricted, using private VPNs or other encrypted tunnels, especially on the B2B side of cloud computing and SaaS (softwareadvice.com).

Cloud-based business models can also vary a lot, depending on where the revenues come from. Facebook for example, does not charge its consumers, but they do charge the companies that want to use Facebook as an advertising platform. Google uses a similar revenue model for their search engine, where consumers can search for free, but companies pay for being found easier online by their intended customers. In a business-to-business climate, it is very common to use different license agreements for SaaS solutions. One popular agreement design is the "pay as you go" approach according to Sagar et al. (2013). Gutierrez et al. (2015) state that this approach is very beneficial for customers with a low or constantly varying need of IT services, since it has no fixed costs and can be seamlessly scaled up when the need arises.

2.2 The concept of customer loyalty

The definition of customer loyalty is widely debated and also expressed slightly different by various sources. Cossio-Silva et al (2016) describes loyalty as one of the most valuable intangible assets that a company can possess. The basic definition of loyalty can be explained as a customer's willingness to make repeated purchases of a product or service that they desire and care to promote (Cossio-Silva et al, 2016). Also, the longer a customer has been loyal to a certain supplier, the more likely it is for her to maintain her loyalty towards that particular supplier and in the meantime ignore offers from competitors (Lam et al., 2004). We argue that Oliver's (1997) definition is a well-articulated one and suitable for our research purpose:

"Loyalty is a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause a switching behavior" (Oliver, 1997)

The concept can be extended further, and a popular argument in recent academics is that it is a multidimensional concept in the sense that it includes both behavioral and attitudinal aspects (Cossio-Silva et al, 2016). Attitudinal loyalty is more closely linked to a customer's emotional perceptions towards a certain supplier, while behavioral loyalty is instead based on a customer's purchase behavior. In other words, attitudinal loyalty relates to a customer's feelings and attitudes towards a supplier, and behavioral loyalty relates to the customers behavior towards a certain supplier (Cossio-Silva et al, 2016).

2.2.1 Loyalty in the B2B context

Loyal customers are important for all profit-seeking ventures, and the loyalty concept takes place all phases of the customer life cycle, which starts with customer acquisition (Ang and Buttle, 2006). The acquisition phase is very important even in markets where retention generally poses the bigger challenge (Ang and Buttle, 2006). Dowling (2002) states that business customers usually have little time and focus on keeping a strong relationship with their suppliers, and that they might even fear being locked into long agreements and suspect getting a hard time when trying to change to another cloud supplier (Gutierrez et al., 2015). These are obviously factors working as a counterweight in the acquisition phase.

In order for a supplier to achieve customer loyalty in a B2B context by keeping customers over a long period of time, it is important to have a deeper understanding of customer needs and at the same time focus on nurturing business relationships. If a supplier is able to successfully create and maintain loyal customers, big rewards will be waiting (Rauyruen and Miller, 2007). Furthermore, the importance of customer loyalty has become obvious for many successful firms today, and these companies are dedicating a lot of resources focused on customer retention (Russo et al, 2016). These strategies with means of increased retention are often labeled as CRM strategies or Customer Loyalty Marketing, and has been considered

more appreciated by the customers than acquisition-related strategies (Reichheld and Teal, 1996).

2.2.2 Key performance indicators and measures of loyalty

How can a company ensure that they have loyal customer relations if they do not measure and quantify the relations into indicators of loyalty? Some might argue that the fewer customers a company has, the easier it is to keep track without ratios and calculations. However, some indicators still might show in which direction an active customer relationship is heading even if the customer is still active and extending its contract.

2.2.2.1 Customer satisfaction

A customer's satisfaction is the response derived from the fulfillment of a certain need, desire or expectation perceived by the customer. The fulfillment can also be considered insufficient or overly fulfilled in relation to the customer's felt expectation or desire (Keiningham et al., 2014). Tse and Wilton (1988) stated the same thing as *"evaluation of the perceived discrepancy between prior experiences and the actual performance of the product"*. However, it's important to understand that the measure of customer satisfaction does not linearly translate into loyalty (Oliver, 1999). The reasons behind that asymmetric is that customer might switch supplier for other reasons than dissatisfaction or stay with a supplier relation that she does not necessarily feel satisfied with (Oliver, 1999). It's also argued that satisfaction is a measure more purposeful for one-time events and not for ongoing buyer-seller relationships (Oliver, 1999).

2.2.2.2 Utility

The utility of any service is an economic term derived from customer behavior theory. In short, it means that the bigger the satisfaction given by consuming a product or service, the more the customer is willing to pay for it. If the customer has two options at the same price level, she will always choose the one yielding her the biggest utility (Investopedia.com, 2017).

Research of IT solutions in general and SaaS specifically show that if you give your customers more functions and features to raise their perceived utility of your software, without raising the price charged, the churn rates go down (Yang, 2015). However, since the static profits go down by giving away more functionality per dollar charged, you must make sure it's made up for through the increases in loyalty in the long run. Otherwise, it's not a very strategically sound business decision (Yang, 2015).

2.2.2.3 Net promoter score, NPS

The net promoter score is a popular measure of customer perceptions of a company. The measure was developed by Reichheld (2003) back in 2003 and is considered a simple and straightforward measure based on one question only for the customer to answer - *"how likely is it that you would recommend Company X to a friend?"*. The score is derived from the balance between the promoters who answer a score of likelihood of 9 or 10 minus the detractors, answering a score of likelihood of 0-6 (see image X below for a visual representation).
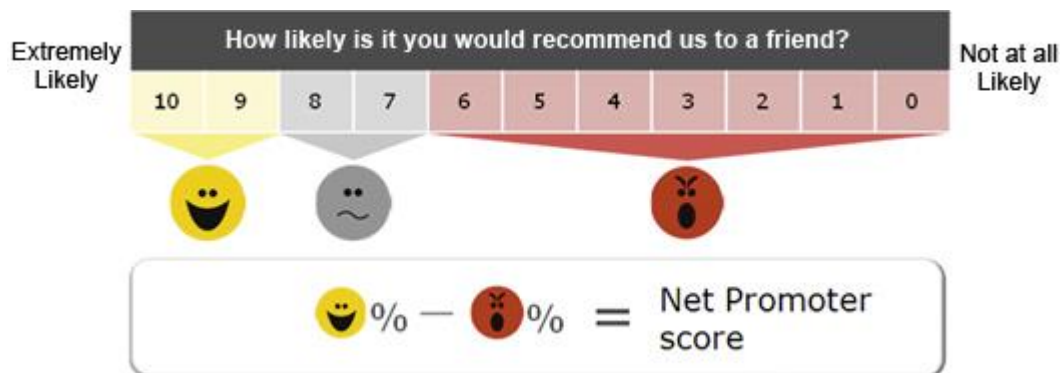

Image 1 - Net Promoter Score (Source: netpromotersystem.com)

Reichheld (2003) states that there is a clear link between growth and share of customers who are considered net promoters and thus willing to promote the company offering and brand to friends. However, more and more practitioners criticize the measure and its acclaimed links to the loyalty concept.

2.2.2.4 Retention and churn

The term retention is the measure of maintaining a customer relationship through a repeated purchase or an extended agreement. Failing to retain a customer is defined as customer defection or the more common term; customer churn - *"the tendency for customers to defect or cease business with a company"* (Kamakura et al., 2005). With our chosen definition of loyalty, following Oliver's (1997) definition discussed in section 2.2, "*commitment to rebuy or a preferred service consistently in the future"*, churn becomes the very opposite of loyalty.

Focusing on retention measures as an indicator of growth can be very misleading according to Reichheld (2003) since it's focusing on the analogy with the bucket of water, and the drilled holes where the water pours out. Retention then focuses on how the bucket is emptying rather than filling up. It is especially a poor measures for companies who attempts to lock their customers in in order to create high switching costs, which we will elaborate further on in section 2.3.1. under the topic of negative retention strategies.

2.3 The concept of business strategy

Business strategy, or more specifically strategic management, is the management of strategic actions in a profit-seeking business venture. It is often assumed that the reasons a company uses strategies of different kinds is as means to outperform competitors and to deliver greater value to a range of stakeholders (Rosén, 2011). Porter (1996) states that strategies has the purpose to create a unique and valuable position through different sets of activities, for the entity in question. It includes formulation and effectuation of mid- to long-term objectives and initiatives set up by leading shareholders. These goals and initiatives includes the utilization of resources in relation to the environment they are operative in (Nag et al., 2007). We dare to claim that all companies use some kind of strategy to successfully run their business. However, the amount, the types, the sources and their underlying reasons for applying them can vary immensely.

It might be hard to distinguish what actions and methods classify as strategic and what is simply operations of the company, but Michael Porter (1996) distinguishes strategy from operations as to the fact that operational effectiveness is performing activities better than

competitors, and that strategy means performing different activities or performing them in a different way.

2.3.1 Retention strategy

In business today, it is more and more accepted and agreed upon that a company's focus, efforts and financial resources is better spent on retaining an active customer compared to attracting new ones (Jahromi et al., 2014). The main reasons for this claim is that acquiring new customers is a costly procedure and the total profit margin for a certain customer increases with time, creating incentives to retain the active ones for as long as possible (Jahromi et al., 2014). Retaining customers can be done in several ways, and in this section, two main dimensions of retention strategies will be presented. These two dimensions discussed by Buttle and Maklan (2015) are called negative retention strategies and positive retention strategies

2.3.1.1 Positive retention strategies

Positive retention strategies involves aspects such as creating customer delight, creating social and structural bonds, adding customer-perceived value, and building customer engagement. These are strategies focused on rewarding customers for staying loyal to a certain supplier.

Customer delight is related to the customer's experience of doing business with a company. In other words, when the customer perceive the experience of doing business as superior to the expectations, customer delight is created (Buttle and Maklan, 2015). Yang (2011) emphasize the importance of being able to delight customers in today's competitive environment and states that simply satisfying customers is no longer enough. Companies that manage to exceed customer expectations have succeeded with bringing something that is beyond what the customer commonly expects. Important to mention is that being able to intentionally delight customers is impossible if you don't know the customers basic expectations.

Adding customer-perceived value is accomplished if customers get added value when using or buying a product or service. Loyalty schemes, sales promotions and customer communities are all different activities for creating additional value. Ford et al (2011) also argue that some

customers may demand that a supplier can fulfill certain requirements that goes beyond what can be considered as essential. Such requirements can be a supplier's ability to adapt or reconfigure the existing offering, a supplier's ability to offer technologies novel to the customer, or the ability to adapt the offering to large variations in a certain customer's work load.

Bonding with customers in different ways is another way of affecting the retention in business relationships (Buttle and Maklan, 2015). Different forms of bonds can exist in business relationships such as technological bonds, interpersonal bonds, legal bonds and process bonds, and these can be either structural or social (Buttle and Maklan, 2015). Social bonds will likely emerge if there are many aspects linking the supplier and customer together such as culture, location and firm size. Multiple strong links between companies will likely create trust and commitment, which in turn builds positive interpersonal relationships Buttle and Maklan, 2015). Structural bonds on the other hand are established when resources are committed to a business relationship. Efforts involving resource commitment from both parties could be for example be joint investments that are aimed at strengthening the business relationship.

2.3.1.2 Negative retention strategies

While positive retention strategies are aimed at positively affect customers attitudes and willingness to stay loyal to a certain supplier, retention strategies normally considered negative are more focused on locking the customer to an agreement not focusing as much on activities purely aimed at creating customer satisfaction (Buttle and Maklan, 2015; Jones et al 2007) . So instead of focusing on giving customers positive incentives to stay loyal to a company, negative retention strategies are focused on keeping customers through more formal methods. The main purpose with negative retention strategies is to minimize the risk of customer defection by establishing different exit barriers (Buttle and Maklan, 2015). This type of formalization of the agreements was not very common in the very beginning of cloud services, but have grown more and more common, according to Kaplan (2017).

Negative retention strategies are often associated with switching costs which are factors that might makes it more difficult for customers to leave one supplier for another. According to Jones et al (2007) switching costs can be defined as *"the sacrifices or penalties consumers*

feel they may incur in moving from one provider to the next". As mentioned, switching costs will make it more difficult for existing customers to choose a different company to do business with, and it may also force the customer to pay exit penalties if they decide to leave before the contract expires. Keskin and Taskin (2015) states that switching costs includes more aspects than exit penalties and formal agreements. For example, switching to another cloud service provider may entail challenges related to complementary services and training for new systems. They further state that switching costs do not have to be only related to technical barriers. According to Keskin and Taskin (2015), yearly service agreements is just one layer of switching costs a supplier can choose to include in their strategy.

2.3.2 Strategy level

Mintzberg and Waters (1985) discusses strategy as a concept and its different dimensions. Initially, he tries to conceptualize strategy as *"a pattern in a stream of decisions"* (Mintzberg, 1978). He later on published research, suggesting that there are two main types of strategies: emergent and deliberate (Mintzberg and Waters, 1985).

Perfectly emergent and perfectly deliberate could be seen as two extremes of strategy. Mintzberg and Waters (1985) states that it is rare that companies use any of these extremes and instead argue that it is more common to use strategies that to some degree are a mix between emergent and deliberate. Just like Mintzberg and Waters (1985) argues in their paper, we will also look for tendencies of the two rather than expect to find these extremes. Important to mention is that their theory applies to internal organizational strategy, which means they look at how the strategic work is shaped internally to successfully execute the intended strategies. Our study will focus on what kind of strategies are applied by Saas ventures to manage customer relations and loyalty. Hence, we will base our reasoning on the theory by Mintzberg and Waters (1985) knowing that our research area is related to external contact with customers, making it something different than the field the research was initially intended for. We do however argue that the characteristics of their strategy theory can still be applied from a different angle to fit the scope of our research. In this study, we will therefore still refer to the two extremes for clarity as "emergent" and "deliberate" according to the levels of intention, formalization and structure according to the description in the following sections.

2.3.2.1 The emergent strategy level

As described by Mintzberg and Waters (1985) the conditions for a perfectly emergent strategy is that there must be a consistency in action over time and actions should be seen as unintentional. If there is no consistency, there is no strategy. It is suggested that a total absence of intention is probably not a viable option for a commercial business, since it means that there are no underlying intentions guiding any of the actions in the operations of the venture (Mintzberg and Waters, 1985).

Dyson et al., (2007) discusses the topics of emergent and deliberate strategies in relation to the realized strategies as a development of the theories and publishings of Mintzberg among others. They state how pitfalls and unintended consequences in the operations of a venture result in a difference between the desired direction and the realized direction. There are many examples to be made on this, such as short-term incentives affecting managerial decisions, such as quarterly salary bonuses, rather than long-term financial targets such as penetration of new markets and segments. In the model below, Dyson et al., (2007) shows the relationship between the intentions and desires, the articulated efforts and objectives and how unintended consequences and events influence them.
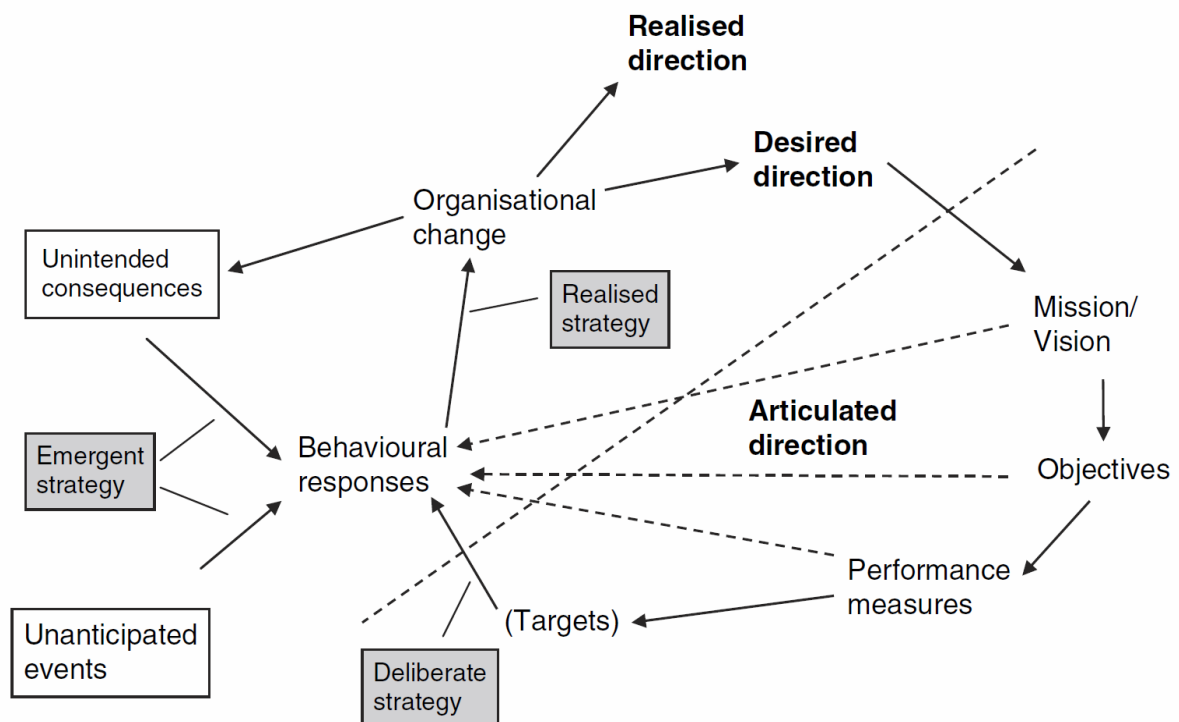

Image 2 - Strategy relations (Source: Dyson et al., 2007)

We would like to pose the argument that all of these factors influencing the intended strategies and the forces that demands a pivoting motion and enforcing a level of flexibility into the operations of a firm, is to be considered emergent strategizing.

2.3.2.2 The deliberate strategy level

A perfectly deliberate strategy is obviously the opposite of perfectly emergent, which means the strategy should be realized following exact intentions in a structured manner. According to Mintzberg and Waters (1985), if a strategy can be considered perfectly deliberate will be determined by three conditions. First, intentions should be well articulated so that no misconceptions can be made within the organization about what strategic actions to take. Secondly, it is important that the organizational intentions are accepted or shared by all actors in order to avoid any doubts about whether the intentions were organizational. Finally, these organizational intentions have to be realized exactly in line with the intentions, and this means that they cannot be affected by externalities like politics, technology, etc. (Mintzberg and Waters, 1985).

Combining the two will help explain a combination of how the case company works with loyalty creation. Once emergent strategies are openly used, they are subject to planned actions, tweaks and improvements by traditional design and methods. When that happens, it's beginning to move from emergent to deliberate (Hurtado and Mukherji, 2013). Agent based theories state that agents act on basis of decision rules and depend on information derived from the perceived state in the local environment (Hurtado and Mukherji, 2013). We interpret that statement as the fact that employees and managers in a business setting tend to adapt and act according to tacit firm knowledge, behavior of colleagues and predetermined routines.

2.4 Business relationships and related success factors

In order for a business relation between a supplier and its customer to be truly successful, the supplier must understand the needs of the customer on a deeper level. Woodburn and McDonald (2011) state what they refer to as desired points of mutual understanding, including an understanding of the customer's marketplace and strategies, what the customer's customers want, how the partnership will add value for the customer and where the customer

makes its money. This will put extra responsibility for SaaS suppliers' managers to prioritize between activities and make sure that the interactions remain effective over time, since allocation of time and resources will decrease the total profitability of the customer relationship (Ford et al., 2011). In this section, we will focus on factors or sides of a business relationship that have positive effects for both parties. These factors could be divided into two categories: product factors and supportive factors, both of which we will elaborate further on.

Product factors can be seen as specifically related to the software itself and those are factors that are required in order to build the foundation of the relationship. Supportive factors on the other hand are more related to the emotional values that directly affects the attitudes in a relationship. In other words, product factors are requirements that needs to be fulfilled for the relationship to work, and the supportive factors are more related to quality and attitudes in a working relationship.

The distinction of the two sides is one that we have created on our own, to help categorize and clarify the input factors of loyalty in this niche specifically. The split between the different factors is partially based on the literature by Grönroos (1984) where he explains the two concepts *"functional quality"* and *"technical quality"* which are two dimensions of the total offering. The functional quality refers to aspects such as communication, delivery, and other administrative activities. The technical quality on the other hand refers to the result of service itself. Making this distinction in loyalty focus between product factors and support factors is not an easy task since both concepts can include attitudinal and behavioral values depending on what is truly valued by the customer in each individual case. However, in the sections below we state some of the differences between the two concepts, and also how they can be interpreted. We start by exemplifying this distinction with a quote by Grönroos (1984):

"A hotel guest gets a room and a bed to sleep in. And clearly, this technical outcome of the process is what the customer receives as a result of his interactions with the service firm. However, as the service is produced in interaction with the customer, this dimension will not count for the total quality that the customer perceives he gets. The accessibility of and behavior of the hotel employees, what they say and how they say it do also have an impact on the customer's view of the service."

2.4.1 Supportive factors

The term supportive factors to refer to all activities and operations related to human contact between the supplier and customer. This includes attitudes, availability, individual focus, levels of commitment and trust and much more. It excludes all aspects of the actual service offering and technical details related to the field of business. Goodstadt (1990) referred to this as service suppliers being a *"support system"* for its customer rather than focusing on the actual offering only.

Prior literature on business relationships suggest that there are some crucial factors that are needed in a successful agreement between two parties. Trust and commitment are two of the most frequently mentioned attributes in previous research related to highly developed business relationships. Furthermore, Zaefarian et al (2017) also identifies several so called relationship characteristics that determines the structure of a business relationship. They also emphasize trust and commitment as two of the most important attributes in a relationship. The importance of trust and commitment specifically seem to be established in most literature on business relationship and relationship quality. Chumpitaz Caceres et al. (2007) state that relationship quality is what determines the degree of loyalty in a business relationship, and the relationship quality is created through trust, commitment and relationship satisfaction and how a supplier handles service recovery (Schoefer and Diamantopoulos, 2009). They further state that the matters of customer service and relationship quality are relatively unexplored areas when it comes to the business-to-business context. Brynko (2012) adds that some behaviors can help add a feeling of trust and commitment in a B2B settings, such as always taking notes once you have a physical meeting with the customer and keep a continuous contact and check in every now and then even if there is no critical need to do so (Brynko, 2012).

Research shows that trust is an important factor for healthy customer relationships and customer retention, and even more so when it comes to business-to-business relationships (Doney et al, 2007). Creating strong trust between supplier and customer can also help strengthen customer loyalty which most ventures seek to achieve (Rauyruen and Miller,

2007). In business-to-business relationships customers need to feel that they can rely on their supplier and that both parties act as agreed upon in order to maintain long-term relations. Furthermore, as mentioned by Rauyruen and Miller (2007) loyalty commitment and opportunity creation is positively affected by trust which is why it can be argued that superior services or products does not have to be the sole reason why customer loyalty is achieved. In her research on service failures and its effect on customer loyalty in online services, Li (2015) suggested that online business actors should encourage their employees to create friendship-like relations with their customers through sympathizing with their needs, patiently answer all their questions and showing a deep concern for their desires. This will create a stronger and more reliable relationship than with suppliers who only promote service satisfaction or general contractual trust (Li, 2015; Woodburn and McDonald, 2011). In service relationships including the SaaS niche it is likely that a deeper trust plays an important role in maintaining a strong connection with long-term benefits for both sides of the table (Woodburn and McDonald, 2011).

2.4.2 Product factors

The factors referred to as product factors are the ones directly related to the software service. There are a several factors that can be included, such as IT security, accessibility levels, bugs and errors, range of features, configurability, general usability etc. These are the factors that are not related to the human contact between customer and supplier and their mutual relationship. According to Vidhyalakshmi and Kumar (2017), trusting the software is key for a successful SaaS adoption. They also state that some features are specific creators of trust and reliability in a SaaS solution. These are mentioned among many others; automatic updates, high availability, fault tolerance, work flow matching, scalability, usability, integration and log file access (Vidhyalakshmi and Kumar, 2017).

Sagar et al. (2013) discuss void of loyalty due to missing implicit and explicit benefits. With these benefits, they refer to both technical and agreement-related factors in a cloud service-based supplier-customer relationship that will lead to dissatisfaction with the partnership. In descending order of importance, these are the factors mentioned by Sagar et al. (2013) in their article; information security, server location, pricing, service reliability and integration capacity. The operability of these service features are taken for granted by the customer, and

any problems occurring associated to them are considered an issue for the customer and its loyalty towards the SaaS supplier. Li's (2015) paper on switching barriers and its connection to customer retention added an extra layer to Sagar et al.'s (2013) statement, proving that repurchase intentions after successful service-failure recovery was kept intact and that repurchase intentions after a failed service-failure recovery was strongly decreased, telling us that service levels and stated product-related benefits are very important in relation to customer loyalty in terms of repurchasing patterns.

2.5 Conceptual framework and predetermined themes

In this paper, we will translate our concepts into categories through tree predetermined themes. These themes will function as tools to assist the data collection in the multiple-case study presented in section 3. These three themes all exist as a result of our theoretical framework, and its purpose is to clarify different ways the case companies handle the topics of different strategic methods to create loyal customer relationships.
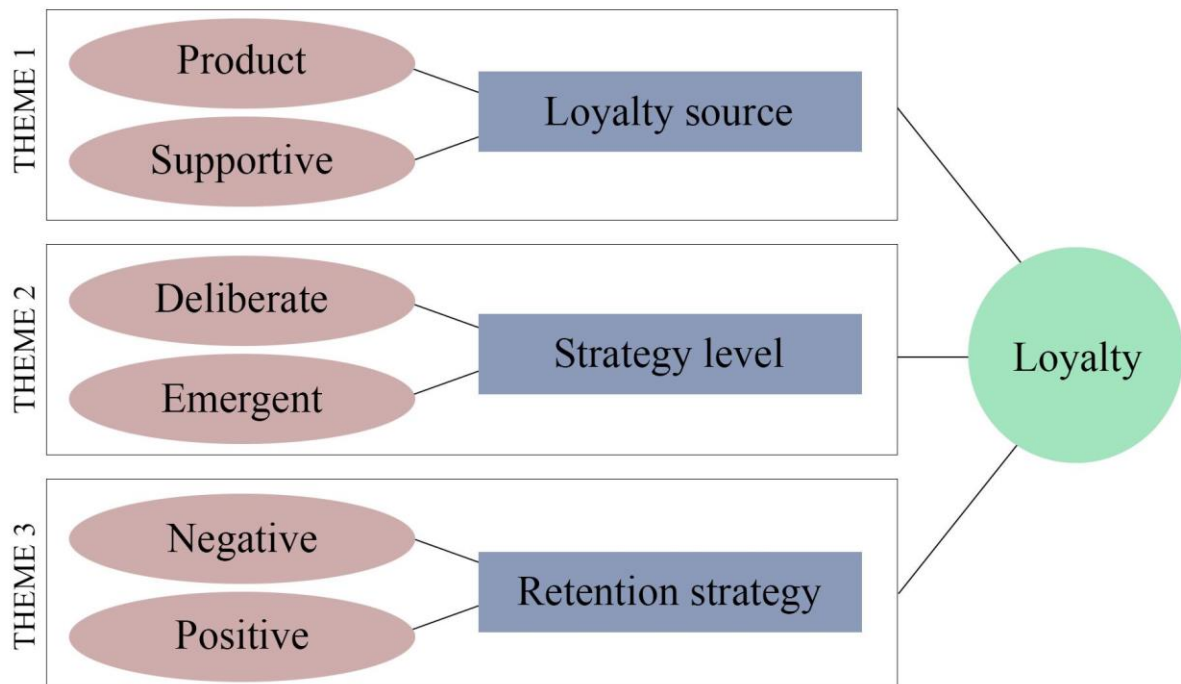

Image 3 - The conceptual framework

Theme 1: Retention strategy

Theory regarding retention strategy stated in 2.3.1

Theme 2: Strategy level

Theory regarding strategy level stated in 2.3.2

Theme 3: Loyalty source

Theory regarding loyalty source stated in 2.4.1 and 2.4.2

3. Methodology

In this section, we elaborate on the methodology we have chosen for our study. It describes reasons behind the choice of philosophy and approach. It also describes the data collection and how and in what order the case study was executed.

3.1 Research philosophy and approach

In this paper, we have chosen to use a qualitative research method. The reasons behind choosing the qualitative method was that we found it genuinely interesting and because the topics we had in mind during our topic selection process were all more suitable for qualitative approaches.

We consider our research philosophy to be interpretivistic in nature, since we are focusing on describing social constructions and phenomenon between related parties, such as the relationship of supplier and customer and the relation between the entrepreneur and his/her firm. Interpretivism is overall a suitable philosophy for interviews and observations (Bryman and Bell, 2011).

The approach to this study is inductive. The underlying reasons for choosing an inductive approach is because it is generally suitable in combination with qualitative data collection and reaching a conclusion about the research topic after gathering the empirical data and comparing it to existing theory to see whether new discussions and conclusions about the

field can be derived from it. In our case, the study required understanding and interpreting specific dynamics that exist only within the context of the chosen field, and those dynamics are created through social interaction between business actors. Since our goal was to get a more in-depth understanding of these dynamics and the phenomena described, we believe it can be achieved through a qualitative method and the inductive approach.

3.2 Research design

In order to answer our research question, we chose to conduct a multiple-case study. The study was based on semi-structured interviews with five informant companies who operate within the boundaries of our research topics, and all five had to follow the conditions stated in section 3.2.1.

Case studies as research method, aim to contribute to the knowledge of individuals, groups, organizations. They also aim in helping to understand social, political and in other ways related phenomena (Yin, 2009). The main reason for using the case study is to attempt to understand and describe the complex social phenomenon of loyalty derived from business relations and the contexts and links between suppliers and its customers that they are based upon. We believe that our research questions might be too complex to analyze and answer using surveys or experimental research strategies, and thus we need to draw our conclusions from qualitative primary data derived from real-life case interviews.

We also firmly believe that the multiple-case study is an appropriate method for our study since it can help answer our research question.

3.2.1 Case study design

Our units of analysis are companies, all active in cloud computing niche of the IT sector, offering their software services to other companies. To help create relevance for our chosen field of research in general and the multiple-case study specifically, we created a set of guidelines and conditions for selection of companies:

The company had to:

- *Have a core offering that is a cloud-based software, following the business characteristics of SaaS*
- *Direct their business towards other businesses and governmental customers*
- *Have left the start-up phase, meaning they have substantial sales and thus confirmed a sound market demand*

The informant that represented its company in the case study had to:

- *Be a founding member or employee that is currently or have recently been working in direct contact with customers*
- *Be a founding member or employee that has worked at least six months at the company*
- *Be a founding member or employee that has insight in company strategy and vision*

3.3 Data collection

3.3.1 Primary sources

Our primary qualitative data was derived from interviews with case company informants our different case companies. These interviews were performed over phone calls or online phone/video calls.

Due to the privilege of anonymity, we will not state the case companies or the informants by name. We will refer to the companies as Company A-E where the letters follow the chronological order of which the interviews were performed. Once an informant is discussed, we will refer to him/her as "the informant" in relation to a given case, or we will discuss the case companies directly according to our findings.

3.3.1.1 Case company descriptions

Case company A

The company works with solutions for customer support aimed at making it easier for users to administer customer relations through a combination of different modules within their

offering. They target mainly large and medium-sized firms both within the public and the private sector. The company was founded less than 10 years ago and currently employs a bit more than 20 people.

Case company B

Company B offer a software solution for product valuation in a certain industry. Their target customers are large and medium-sized domestic ventures that perform activities associated with the products this software valuates. The company was founded more than 10 years ago and they currently employ less than 20 people.

Case company C

The product offered by Company C is designed for human resource management. The current customer base includes large and medium-sized firms within the private and public sector. The company was founded more than 10 years ago and currently employs less than 50 people.

Case company D

Company D's offering is designed to make logistics easier and more efficiently administered. The target customer are mainly large national and international corporations. The company has been on the market for more than 10 years and employ less than 10 people.

Case company E

The product offered by Company E is designed to enable digitization and automatization of business processes within different areas. The customer base includes small and large corporations. Less than 50 people are currently working within the organization and the company was founded more than 10 years ago.

Interview characteristics:

Case #	Interview date	Informant's role/title	Duration
Case A	March 28	Co-founder & CEO	43 min
Case B	March 28	Co-founder & CEO	37 min
Case C	March 28	VP Customer Success	52 min
Case D	March 31	Co-founder & CEO	41 min
Case E	April 26	Marketing manager	57 min

Table 1 - Interview characteristics

3.3.1.2 Processing of case study findings

The sound from all five interviews were recorded using our smartphones' built in recording function and saved digitally, named according to the case letter naming logic mentioned above.

All five interviews were transcribed in full, but without sounds as coughs, sighs and other non-verbal noises. The interviewers' voices were transcribed in bold text and the informant in normal text to highlight it in an effective way.

3.3.1.3 Validation of case study findings

After transcription and aggregating our empirical findings, we sent each case section to the informant. All five informants read and commented on their document. Three of them replied that everything was acceptable without changes, and two wanted us to make some changes due to secrecy and anonymity and interpreting errors.

3.3.2 Secondary sources

Our secondary qualitative data was derived from a combination of academic sources and relevant reports and posts from the business industry. Some of our secondary sources have been obtained after performing our case study, as aid for our analysis of the unanticipated content, that we refer to as the emerging themes.

3.3.2.1 Keywords used for database research

These are examples of words and terms that we used during our search for relevant secondary sources of theory:

Cloud computing, Software-as-a-Service, SaaS, customer loyalty, customer retention, customer acquisition, churn, B2B relationships, customer relationship management, CRM, key account management, KAM, business loyalty

Databases used for searching purposes were mainly Göteborgs Universitetsbibliotek Supersök and EmeraldInsight.

3.4 Data analysis

The transcribed data from the case study was coded manually using colors. Each color manifested a theme, either a predetermined theme fully in line with our theoretical framework presented in section 2.6, or themes classified and presented as additional findings, thus falling outside the aforementioned themes. These codes were then grouped together to easier assist our empirical findings section and finally performing our analysis.

The color coding system was developed by and agreed upon by the both of us, and we took turns in making the actual coding, and the other person acted as controller so that we could uphold a high level of inter-case consistency.

3.5 Research quality

3.5.1 Reliability

The degree to which a study can be replicated in future research, and if the results of the study would be the same if the research was done again, is referred to as reliability.

Reliability is known to be an issue in qualitative research because of the social context and time-specific conditions of the initial study (Bryman & Bell, 2011). It is also more closely related to quantitative research, since it is related to testing calculations. In this case, our multiple-case study is influenced by a range of different factors, making it unlikely to replicate the same context and setting in another research situation in the future. Other than that, we believe our constructions of the conceptual and theoretical framework, our predetermined themes and a clear description of the research areas would enable other researchers to reproduce a similar study.

3.5.2 Validity

Validity refers to the degree to which the researcher is able to measure what he or her intend and claim to measure (Bryman & Bell, 2011). Credibility of the research is closely connected to the validity, and it states whether the results have a level of generalizability or not, meaning if it can be applied outside the scope of this particular study (Bryman & Bell, 2011).

Validity can be both internal and external, and in qualitative research the internal validity is often stronger than the external validity (Bryman & Bell, 2011). In order to manage the internal validity we made sure to be well prepared for each interview, we used the same interview guide for all five interviews and the entire case study was designed and executed according to a clear set of criteria. All these factors should arguably lead to an acceptable level of validity. However, the number of cases in the case study is small and it is always a threat to validity to try to generalize conclusions derived from a selection and sample based on a small number of informants (Bryman & Bell, 2011).

3.5.3 Limitations

- *Informant bias* - the case study only involves the suppliers, not the customers. This means that our conclusions are only based on empirical findings on one of the two sides of the relationships that are discussed
- *Survivor bias* - only case companies who made it through the initial start-up phase was included in the multiple-case study. This means that strategic actions that eventually lead to the demise of the venture perhaps is not captured in the study.

- *Purposive sampling* - only case companies selected by us from a range of predetermined criteria was contacted, thus potentially limiting the audience and width of our results.
- *Inter-case discrepancies* - what role the informant has in the case company, whether he/she is directly involved in the customer processes or only manages them etc. will have an influence on his/her answers in the interviews.
- Due to large geographical distances and several scheduling conflicts, we did not consider it possible to meet with the informants face to face.

4. Empirical findings

In this section, we present our empirical findings from our conducted interviews.

4.1 Results

In the section below, we present the findings from the conducted interviews with the different case company. The results follow a structure based on the predetermined themes presented in section 2.6.

4.1.1 Case A

Theme 1: Retention strategy

Company A have a clear focus on delivering additional value to their customers. By additional value we refer to aspects that go beyond the purely product-related benefits of the offering. They emphasize their personal contact, face-to-face meetings, training, etc. They uphold the good functionality and benefits of their product as important, but they still believe that close continuous contact with their customers is what makes them appealing as a supplier. According to their customers they are seen as a partner rather than a supplier, and that is completely in line with their intentions and strategies.

Company A have a strong focus on making sure that every customer relationship is profitable and that the acquisition costs are covered as fast as possible without compromising the

quality of the initial "success" phase. In order to enable doing so, their agreements are license-based and the license length is normally 12 to 24 months. The subscription fee is paid in advance on a yearly basis, and if a customer wants to end the agreement a three month period of notice is applied, otherwise the agreement is renewed automatically.

When a customer cancels a subscription, a structured process is used to investigate why they chose to unsubscribe and also what could have been done differently. This process includes an interview with the customer where Company A seek information about how to work differently in the future and if certain processes might need to be changed.

Theme 2: Strategy level

The strategic work has developed over time to become more focused on sales and customer service. In the beginning, there were no structured ways to attract new customers or to increase sales. The growth in the early stages was accomplished mainly through word-of-mouth where satisfied customers recommended the software to others in their network.

Today's operations are based on more deliberate strategic work when it comes to sales, customer support, customer segmentation, etc. The sales process involves contacting new potential customers using dedicated sales staff that reaches out to those who could have an interest in their product. Furthermore, different account levels are used to make some kind of distinction between customers. This allows the company to keep track on what modules the customers use and how much revenue each customer brings to the total turnover. The informant further states that he, as CEO, together with customer success managers are responsible for the strategic work related to customer relations.

Theme 3: Loyalty source

As mentioned previously, the informant clearly states the additional benefits of their solution that goes beyond the product itself. The informant said that the supportive aspects of the partnership should be valued by customers in order for them to really appreciate and prefer Company A's product over other alternatives such as international SaaS competitors. There seem to be a strong focus on the personal relationship, and all customers are also assigned a

contact person that can provide immediate service if needed. Customers should feel that Company A puts a lot of effort into providing good customer service.

Furthermore, Company A highly emphasize the functionality and easiness of combining the different modules of their offering. The different modules included in the offering are integrated in a way that everything works both seamlessly and efficiently. The goal is to have a product that is simple and easy to use which in turn should increase people's willingness to use it in their daily operations.

Additional findings

The founders all come from a technical background and started out as consultants and project leaders, gaining relevant knowledge that they have applied in the creation of their company.

A strong focus and emphasis is being put on the customer success process and the onboarding, the absolute beginning of the customer journey. They have established a separate department just for customer success. Informant A states that if the customer does not get a good onboarding and overall first impression and quickly gain value from using the software, it will result a drastically increased risk of churning.

They also mention the value of the "project champion" and that the risk of churning increases if that person leaves the client company. They say that if a champion quits, they almost restart their onboarding process in order to capture and convert the person that replaces the old champion into a new champion to sustain the strength of the relationship.

4.1.2 Case B

Theme 1: Retention strategy

The agreement used by Company B is designed differently compared to the other case companies in the study. There is no annual or monthly fee that the customers have to pay, instead they pay when they actively use the system. A small fixed fee is charged in addition to the fee of actively using the system. According to the informant, they see this as something

positive since it increases the pressure to do a good job and to be responsive in order to maintain high levels of customer usage.

The informant argues that they as a supplier always deliver value that goes beyond customer expectations. There is also a proactive focus including regular meetings with staff from the companies which is a big part in making sure customer needs are being covered. These activities enable continuous improvements to the system which makes the user's processes more efficient. According to the informant, these continuous improvements and new features does not change the price towards customers. Furthermore, Company B is always open to honest discussions with their customers. If a customer wants to end the relationship, they are free to do so. The informant also states that they only want to keep customers who want to use their services and not focus on binding anyone to an agreement just to secure the relationship.

Theme 2: Strategy level

Company B have no explicitly stated strategies for managing customer relations and sales. There is no focus on having sales staff that goes full force on bringing in new customers, however, more emphasis is instead aimed at developing communication channels such as the website, LinkedIn, etc. Instead of having structured ways of executing strategies, developments are made continuously to both the product and to other aspects related to delivery of the offering.

Furthermore, which potential customers they should and should not target in their sales process is something Company B have a clear strategy for. Their own market research and experience has shown that certain customer requirements are important for a successful partnership, which is why they are selective in the search for new prospects. Their software solution is designed for a very specific type of customers and since most of the Swedish market is already covered, strategies for international expansion are being planned.

The strategic management in Company B is led by our informant, but also a newly recruited key person who will soon take over the position as CEO. They believe this will be crucial for their international expansion, and that our informant can keep the focus on the software solution.

Theme 3: Loyalty source

Company B have a clear focus on the actual benefits of the product itself. According to the informant, there are no similar products on the market that solves the same problem the way their system does. The design of the software is simplistic by intention, to make it easy for all users to understand how it is operated. Instructions of how to use the system is provided through short video clips, and after watching those clips the user should be ready to operate the system. Stability and reliability of the system is extremely important which is why a lot of work is focused on creating a system that never suffers from various malfunctions.

If there are issues experienced by the user, Company B are always standby with necessary support. Direct contact with all customers enable information about what customers like about the offering but also if they want improvements or have other requests. Furthermore, Company B claims that most of their customers feel no need for a deeper personal contact as long as the system work as intended.

Additional findings

The solution started out as a database that was offered for free online for anyone to use. After a while, they got informed about the database's current users and usage areas, and a growing commercial potential presented itself to the founders. After some time in development, their current SaaS offering and business model was beginning to take form, thus replacing the initial database solution.

In order to enable continuous product improvements that makes the user's processes better, Company B uses monitoring and physical meetings with users to successfully adapt the solution to changing demands and requirements.

Company B do not individualize or configure their software according to the needs and wishes by each customer. They are in full control and mandate over what is changed. However, they clearly state that they want to understand the desires of the end users in order to understand what can be improved and developed.

4.1.3 Case C

Theme 1: Retention strategy

Company C use a license-based subscription strategy towards their customers. The most common length of an agreement is 12 months with a three month period of notice, and sometimes agreements longer than this can occur. Agreements shorter than 12 months are not accepted. If the customer fails to cancel the subscription within the given time frame, it will automatically be extended into a new agreement.

Furthermore, thorough research is done about all customers in order to make sure that the offering fits the specific requirements of each customer. When Company C have identified what the customers' needs and requirements are, they move on to the next step where the agreement is made. According to the informant, the features included in the software solution are so well integrated that it is hard for customers to stop using it. Also, most often it delivers so much value that they don't want to stop using it.

The informant further states that if a customer is dissatisfied and plan on leaving the business relationship, they will perform certain actions to increase the probability that the customer stays loyal. Such actions can for example be periods of free usage of certain features that they normally charge customers for.

Theme 2: Strategy level

When it comes to the strategic work related to managing customer relations, Company C apply structured ways of handling these matters. The organization is divided into different departments all focusing on specific business areas. The process of acquiring new customers follows certain steps that enables stability and accuracy when determining customer needs and demands. Customer segmentation is also used to divide accounts into categories based on the contract value, and the purpose is to determine how to prioritize and focus both current and future efforts.

Strategies are applied when it comes to ensuring the loyalty in quantifiable ways. Tools are used to measure key indicators of loyalty such as net promoter score, and another important aspect is how and when the product is used by customers, which is why Company C have

structured measurement techniques specifically designed for that purpose. As mentioned previously, if a customer wants to cancel an agreement there is a strategic plan designed to convert the customer if possible, and if not, just to learn and gain insight of what to improve or change in the future.

In Company C's strategic work towards successful customer relations, our informant plays an important and central role. He designs the overall processes for activities such as onboarding and churn together with their CEO, but always involves the entire department before making any major changes. However, every manager involved with a certain customer has a degree of flexibility in the daily operations on how to handle them in the best way possible.

Theme 3: Loyalty source

Company C have a strong focus on making a product that includes many different features that delivers additional value to their customers. The product itself and its related features is highly appreciated by customers since it makes their work easier and more convenient. Company C also states that they believe the product and its features to be more important than a personal connection with their customers. However, they still believe that it is important to really know their customer and to focus on establishing a personal connection built on trust.

Company C emphasize the importance of making customers feel satisfied with the product right from the point they start using it, stating that the "time to first wow" is crucial. In order to accomplish this goal, customers will receive surveys where they can express their opinions very early in the process of using the system. Customers have the options to leave feedback and comments in the surveys which Company C then will be sure to answer. The informant said that in order to save time they prefer to communicate with their customer through digital channels, however, if customer want to meet face-to-face Company C will make sure they do so.

Additional findings

They focus a lot on the user behavior in the homepage and in the software. Potential customers are converted into a lead score based on what material they downloaded, what

pages they visited and so on, and if the score is sufficient, they are targeted by the marketing team and their direct marketing process is initiated.

Company C states that they feel a large presence from competitors, both small and big companies. Some offer lightweight versions of SaaS solutions for a specific function in HR and some offer larger ones more similar to theirs.

Company C have a very clear focus on the customer success process and all its associated activities, which is why they have an established department for the customer success process. As mentioned earlier, they believe that factors such as the "time to wow" and a successful onboarding is crucial for a successful relationship.

4.1.4 Case D

Theme 1: Retention strategy

Company D apply different methods to keep their customers for as long as possible. As standard, they try to use agreements that are longer than normal, and the main purpose of this is to minimize the risk that a customer churns only because the initial contact person might leave the company and thereby disrupt the relationship. As stated by the informant, Company D's main goal is to keep customers for as long as possible, however, the most common length of an agreement is one year.

When it comes to adapting the offering to the needs of each customer, Company D puts great effort into making that process as good as possible. According to the informant, they have one product that is simpler than the bigger and more extensive one. The simpler product might be more suitable for companies that do not require the full range of features of the more extensive product, and the simpler product also offers more flexibility in terms of commitment. The informant states that the relations with customers using the less extensive product are not dependent on a deeper relationship with the customer, and as a customer it is easier to stop using that product if they want to.

Furthermore, Company D invites their customers a couple of times per years for open conversations and lunch. The informant also said that some customers might not need to use the product for a whole year, and in that case Company D can let them use the simpler

product during the period of less need for the extensive product. They will also store all customer information so that it facilities a potential switch back to the bigger product. This together with loyalty discounts are strategies used to create customers loyalty.

Theme 2: Strategy level

Company D have a clear strategy regarding which customers to target with their product. They know that only companies with a certain degree of complexity in their logistics processes would benefit from using the solution and that the value gained from it usually grows with the level of complexity. Company D emphasize the importance of delivering exactly what the company brand stands for, which is why the strategic work focused on nurturing customer relations is structured to reflect that image. Furthermore, the complete offering includes products with different functions and price levels, and one purpose with this is to reach and attract different customer segments. Depending on which product a customer purchases, the efforts put into the customer relationship will be adapted to that specific relationship.

When it comes to measuring loyalty, Company D do not use any specific tools for that purpose. The informant states that they can see indications of increased sales through promoters but it is not something they actively measure. Overall, customer relations are not managed in any formal ways, instead each customer will be handled the way the company deems appropriate. According to the informant, the way customer relations are managed will vary between different cases, and therefore the strategic work is more of a continuous process adapted to the specific characteristics of each customer.

Theme 3: Loyalty source

Our informant states that Company D certainly have experienced some competition on the market. The competition is managed by having a product that is user-friendly and simple, and this has enabled them to acquire the market position they currently possess. The reasons customers keep choosing Company D as a supplier is partially the product itself, but as stated by the informant, aspects including good dialogues, personal treatment and contact, are equally important. As argued by the informant, when you deliver a high-value solution that costs them lots of money, your customers will expect a certain degree of regular contact. This

is why Company D arrange different forums and meetings where they help build customer knowledge and at the same time comes with support. They further state that they might not be able to offer the best price but they can however offer the largest value to companies in their target audience.

Additional findings

The founders started out as consultants in IT or project management and through those experiences, they reached the conclusion that there existed a gap in the market, which they later on pursued.

At first the company was more product- and consultancy-based but then pivoted into a more solution-based company. Just like many other SaaS-based companies, their business model and customer approach has changed a lot now compared to five years ago.

4.1.5 Case E

Theme 1: Retention strategy

The informant expresses that they believe that a good product is no longer enough to retain customers, and that they are in a bit of a shift in focus due to that notion. He believes that it's all related to understanding and committing to their common goals of what the solution is supposed to solve for the customer and where the value is created for them.

The agreement used by Company E is designed like many of the other companies in this study. They use an annual subscription model and prefer to have contracts longer than one year. However, shorter agreements lengths do occur as well. The informant expresses no intentions of making it harder for their customers to leave. If they notice that an existing customer might churn, they make an effort to solve problems or issues related to the customer's decision to cancel the business relationship. If it's associated with a key contact person or "champion", they try to invoke something new and emphasize their value creating activities to re-evangelize the customer and perhaps the new contact person, making him or her a new champion.

Another aspect that the informant mentioned related to churn was that if they don't manage to deliver according to a certain customer's expectations, they sometimes offer the product for free for a period of time. By doing so they hope to turn the customer to avoid churn.

Theme 2: Strategy level

When it comes to measuring loyalty, Company E use a few measures for that purpose such as churn, expansion rate and net retention rate. They do not actively use measures that involves and evaluates their work in relation to customer experience such as for example net promoter score, but the informant expresses a willingness to start using such measures. The informant also said that due to the nature of the product and customer differences it becomes quite hard to apply some of the more common measurement techniques.

Furthermore, the process of customizing the product to the unique needs of each customer is a structured process done by using an established method. They make sure to sit down with their customers and its end users and discuss how they want to use the system and how they as a supplier can customize the product according to the desired requirements. More recently Company E decided to have a person appointed as COO whom will have the main responsibility to manage partnerships and sales. By doing so, they are able to create better allocation of responsibilities and at the same time structure the way customer relations are managed.

Theme 3: Loyalty source

Company E emphasize the diversity of their product as one of the primary benefits of choosing them as a supplier. The informant states that they might not be the best at one certain thing, but instead they are able to adapt their product to various usage areas at a good price. As stated by the informant, the ability to deliver a product that is customized according to the unique needs of each customer is one aspect that they believe creates loyalty.

Furthermore, the informant mention that offering a product that works without technical complications is not enough to create loyalty. They use both inbound- and content marketing to give customers knowledge and insights that might affect the long-term loyalty. Company E do not talk much about personal contact or support, however, they recently decided to have a dedicated customer success manager in order to focus more on other aspects beyond the

product itself. The customer success managers have as a goal to affect the overall customer satisfaction with the business relationship.

Additional findings

The informant describes a deliberate strategy that he has identified among SaaS solutions that they use, where two or more softwares can be combined seamlessly in what he describes as an "ecosystem". This provides an environment where the customer might feel a need for and value from both systems but for different reasons and perhaps need both system instead of one in exchange of the other one. By successfully adapting this strategy, you can "piggyback" on bigger and more widespread software solutions instead of trying to penetrate their existing customer base through competition.

Today, Company E monitor their customer's' usage levels in the software as a tool for analysis. However, the informant states that there are very different conclusions to be made from these measures. Some customers use the system more or less through automated functions and the levels of usage vary very little from day to day, while another customer have very manual use of the software. There are a range of KPIs that can be used to understand how and how much their customers use the software to create value in their operations.

5. Analysis

In this section, we conduct our analysis between our theoretical framework and our empirical findings. The analysis will serve as the main foundation in answering the research questions stated in section 1.1.

5.1 Model of thematic analysis

We have chosen to create a graphic model of our own to support and visualize the analysis of our three predetermined themes presented in section 2.5. The model consists of a color coded

logic and each theme can take the shape of either a black, grey or white dot, according to Image 4 below.
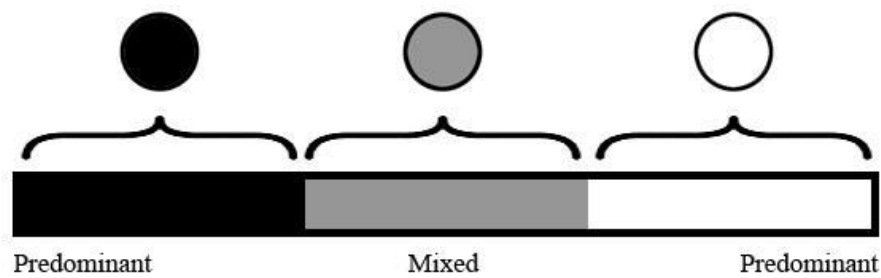

Image 4 - Model of thematic analysis

The color grading is assigned by ourselves according to a qualitative judgment on where along the floating scale we believe the case company to place themselves in relation to the three theoretical themes discussed. The dots assigned are the result of an estimation of what third of the floating scale we believe them to fit within. This cognitive reasoning and manual assessment from our side means that there is room for differences also between cases placed within the same dot.

The use and purpose of using this model and its underlying logics is only as support for visualization of the outcomes of our analysis - it does not in any way replace or dispute with it.

5.1.1 Thematic assignment logic

Theme 1: Retention strategies

Black dot: The case shows predominant signs of applying formalized ways to "lock" the customer into contracts and to form obstacles to prohibit them from churning prematurely and to keep control over future revenues.

Grey dot: The case shows signs of mixing agreement strategies with flexibility and openness in their contracts with their customers. The relationships are more individualized and what is agreed upon with one customer does not necessarily apply for another customer.

White dot: The case shows predominant signs of not applying any formal agreements, but rather build their relationship with each customer on mutual understanding, exceeding expectations and building delight to keep them as customers.

Theme 2: Strategy level

Black dot: The case shows predominant signs of having deliberate and formal loyalty strategies applied in their operations. The strategic actions, processes and routines are planned and executed by the founding team and/or executives rather than by middle management or sales representatives, who merely follow these as operational guidelines.

Grey dot: The case shows signs of mixing deliberate and emergent strategies for customer loyalty creation. The responsibilities of strategic actions is fully or partially split between the founding team and/or executives and lower level employees such as middle management and sales representatives. Processes and routines are only partially developed and/or followed.

White dot: The case shows predominant signs of using emergent loyalty strategies. They often do not formalize their strategic actions through plans and processes, but rather strategize and act on a daily basis when needed to. Middle management and sales representatives also contribute actively in these strategic actions.

Theme 3: Loyalty source

Black dot: The case shows predominant signs of relying on their product offering to create satisfaction and loyalty for the company. Crucial aspects highlighted by the informant are functionality, features and product development within the software solution. They do not believe that the relationships with their customers is what creates loyalty for them.

Grey dot: The case shows signs of mixing product-related and supportive factors as drivers of loyalty in the company's relationships with its customers. They both highlight the product and its features and their relationship qualities as drivers of loyalty from their customers.

White dot: The case shows predominant signs that the company's human capital and relationship qualities as the main reason why they retain their customers. They do not believe that the software and its associated features are their main keys to success and loyalty.

5.2 Data distribution

Here we present how the data derived from coding the interviews is distributed according to our predetermined themes presented in section 2.5. What color is chosen for the specific case company is fully based upon the coding of the case interviews and our own judgment and the criteria for each assigned color code follows the logic described in section 5.1.1.

Case #	T1: Retention strategy	T2: Strategy level	T3: Loyalty source
Case A	(gray)	(black)	(white)
Case B	(white)	(white)	(black)
Case C	(black)	(black)	(gray)
Case D	(gray)	(white)	(gray)
Case E	(gray)	(gray)	(black)

Table 2 - Thematic analysis with visual data distribution

5.3 Individual case analysis

The analysis performed in this section is made individually on each of the different cases in our multiple-case study. We focus on analyzing the content of the three predetermined themes stated in section 2.6, but mainly analyze each case's most prominent and significant findings from section 4.2.

5.3.1 Case A

The market that Company A currently operate in is one of immense competition. We believe that this requires them to be more dependent on having formal agreements as a strategy to tie their customer for a certain period of time. We argue this because of what Rosén (2011) states about certain strategies being *"means to outperform competitors"*, and that Keskin and Taskin (2015) mention formal agreements as one kind of switching costs that can be classified as a negative retention strategy. Besides having formal agreements we see no clear indications of other strict negative retention strategies. They do not force their customers to extend an agreement, but they apply an automatic renewal as standard, if the agreement is not cancelled within the given time frame. The informant states no other direct difficulties or challenges when it comes to switching to another supplier, and according to how Keskin and Taskin (2015) defines switching costs, Company A's reasoning indicates no obvious attempts to create switching costs.

The fact that Company A are aware of the current competitive situation has enabled them to focus harder on aspects that we classify as positive retention strategies as discussed by Buttle and Maklan (2015). For example, Company A want customers to feel that they as a supplier really makes an effort to create good customer service, and they emphasize that customers should trust them as a partner by building up a strong personal relationship. This will arguably create strong social bonds between the two parties, and according to Buttle and Maklan (2015), focusing on creating bonds is one kind of positive retention strategies, and also in line with Goodstadt's (1990) description of the role of the supplier being a support system rather than only selling a service.

Our view of Company A is that their decisions and actions taken by the company involves a high degree of strategic thinking. Strategies aimed at managing customer relations are planned and deliberately executed, and behind each action there is a planned intention which is what Mintzberg & Waters (1985) states as one requirement for deliberate strategies. We argue that Company A currently apply strategies that can be classified as more deliberate, however, the use of clearly stated strategies is something that has emerged over time. According to Hurtado & Mukherji (2013), when emergent strategies are modified and improved they are moving from emergent to deliberate, and this is what Company A have done over the years. Furthermore, as both the business landscape and the company itself has

evolved, more attention seem to have been directed to the fact that creating and maintaining customer relations will bring big rewards, supported by the research by Rauyruen and Miller (2007).

When analyzing the sources of loyalty creation in Company A, trying to understand how whether they emphasize the product factors more than the supportive factors or vice versa, it becomes clear that a mix between the two is present in their combined efforts for loyalty creation. According to the informant, the individual support, personal contact, and focused efforts directed towards superior customer service, are factors they believe to be extra important for customers. According to the information extracted from the case interview, we see a pattern indicating that certain supportive activities are what delivers additional value to customers, and those activities seem to affect the value of using the product in a positive way. All of these aspects is in line with much of business relationship research stated in our theory section, f.e. Zaefarian et al. (2017), Chumpitaz Caceres et al. (2007) and Rauyruen and Miller (2007). We also believe that their interview answers relate to the theory from Grönroos (1984) about the functional quality and that aspects related to this affects how customers perceive the overall service quality. Hence, our conclusion is that Company A have a strong service offering but an even stronger supportive loyalty-building activities.

5.3.2 Case B

Compared to the other companies in this study, Company B's have a different approach in their licensing strategy. Since they do not tie customers through yearly subscriptions, according to Keskin and Teskin (2015), it could be one way of avoiding a increase in perceived switching costs. The informant states that customers can stop using their software and exit the business relationship whenever they want, much like a *"pay as you go"* approach, which Sagar et al. (2013) and Gutierrez et al. (2015) claim is a more economically appealing form of agreement for the customer. However, since that approach decreases the overall switching costs associated, it can also result in an increase in customer defection. The informant stated clearly that they always deliver value that goes beyond customer expectations. We believe it is related to how Buttle and Maklan (2015) defines the creation of customer delight, a part of their theory on positive retention strategies. Furthermore, we would like to argue that if a company makes efforts to create customer delight, it may show

commitment, which in turn can create trust, and those are arguably important factors in a business relationship.

Out of all the companies in this study, we would argue that Company B apply the lowest level of formal retention strategies when applying the theory by Buttle and Maklan (2015). We argue that this is due to the fact that they are the case company that experience the least amount of competition. Rosén (2011) states that one of the reasons companies use certain strategies is because they need to outperform competitors, and in Company B's case there are no obvious competitors, which is why we argue that the need for retention strategies diminishes. Another aspect that might enable Company B to retain their customers is when the way they make updates and add features to their product without increasing the license price. According to Yang (2015) this can raise the perceived utility, which in turn decrease churn rates.

When it comes to the level of strategies applied by Company B it is clear to us that actions related to customer relationship management are more emergent than deliberate. When examining how strategies related expansion and communication are managed, we can however see that those areas are handled more deliberately. However, most actions strictly related to customer relationship management are more emergent. For example, they do not use any structured customer acquisition processes, and existing customers are not managed in any predetermined way. Those observations together with the fact that the informant expresses no usage of formal processes for developing strategies is almost purely deliberate strategic work according to Mintzberg and Waters (1985). In their research about strategies, they refer to one of the possible mixes between emergent and deliberate strategies as the "entrepreneurial strategy". Here the founder use the ability to impose his visions in the company, and enable them to find safe niches in the market environment Mintzberg and Waters (1985), something we believe that have Company B succeeded in doing. We would dare to think that this strategy will be somewhat diluted in the upcoming expansion, partially through assigning this discussed key person the role as CEO, and thus making a shift to being more deliberate in the strategizing than before.

When discussing with Company B about why they think customers choose them as a supplier, they seem convinced that the product itself is what customers value the most. As mentioned, there are no similar products on the market, which makes it easier to compete

based on the product rather than supportive factors. As stated by the informant, they are able to offer a product that works without complications, delivers efficiency and availability, and they also focus on offering a reliable service which according to Sagar et al (2013) is one factor that affects customer loyalty in cloud computing. We argue that their focus on the product as driver of trust and reliability is in line with the research by Vidhyalakshmi and Kumar (2017), who stated that product factors such as automatic updates, high availability and usability is key in creating a trust and reliable bond to the customer and its end users. We believe that Company B succeed very well in doing just that.

5.3.3 Case C

According to the theory presented by Buttle and Maklan (2015) we would say that some of Company C's actions are more formal in the sense that they focus on rather strict formalities. However, besides having a standardized agreement that run over a certain period of time, they do nothing to make it more difficult for their customers to cancel the business relationship. This tells us that if we would follow the pure definition by Buttle and Maklan (2015) it would be misleading to say that Company C strictly apply negative retention strategies. We would rather conclude that based on the information from the informant, there seem to be a strong focus on formal agreements which is one factors related to negative retention strategies (Buttle and Maklan, 2015).

Company C most certainly apply deliberate strategies for managing customer relations. If we follow the definition by Mintzberg and Waters (1985), we would conclude that the strategic work can be considered much more deliberate rather than emergent. It does not follow the exact definition of a purely deliberate strategy as mentioned by Mintzberg and Waters (1985). However, the way Company C manage both customer relations and loyalty follows a predefined structure which in turn leads to strategies being realized according to the planned intentions. Furthermore, when there is a risk that a customer defects or shows signs of intentions to cancel an agreement, Company C have strategies specifically designed to investigate the possibility of converting the customer and thus avoiding churn.

Due to the fact that the informant accentuates the importance of combining both the technical quality and the functional quality (Grönroos, 1984) of their offering, we argue that both the

product and the related supportive factors are almost equally important to Company C. The informant stated that "*If we had to choose between only having a great product or great supportive factors, we would choose product*". This statement does not necessarily mean that Company C's product factors are superior to their supportive factors, however, we argue that it illustrates how they perceive themselves in their business environment. The importance of creating trust is another aspect emphasized by the informant, and according to Chumpitaz Caceres et al. (2007) and Rauyruen and Miller (2007), trust can positively affect the relationship quality which in turn affects the business loyalty. After taking all these aspects into consideration, we would argue that Company C apply a mixed focus between the product and the related supportive factors, and this reasoning is based on the information extracted from the interview.

5.3.4 Case D

When first looking at how Company D chooses to apply strategies related to the agreement, we notice that they seem to apply a mix between positive and negative retention strategies as discussed by Buttle and Maklan (2015). According to Jahromi et al. (2014), acquiring customers is a costly processes which is why it creates incentives to retain existing customers for as long as possible. Company D focus on having as long agreement periods as possible which forces the customer to stay loyal for certain period of time, and this coincide with the reasoning made by Jahromi et al. (2014) . Furthermore, as stated by Buttle and Maklan (2015), the main purpose with negative retention strategies is minimize the risk of churn and customer defection. According to the informant, their primary goal with tying up the customer for as long as possible is to avoid customer churn, and the way Company D emphasize formalities in the agreement is supported by how Buttle and Maklan (2015) describes the purpose of negative retention strategies.

Furthermore, Company D also focus a lot on making it easy and convenient for their customers to use the product by adapting it to each customer's needs. The way the informant explains this process indicates that they want to deliver additional value to customers, which according to Buttle and Maklan (2015) can be defined as a positive retention strategy. Other activities such as personal meetings and lunches are used as pampering activities to positively affect customers' experiences. Buttle and Maklan (2015) mention the concept of customer delight which is when you are able to deliver value beyond customer expectations. In this

case, we believe that Company D manages to accomplish some of the aspects related to customer delight and positive retention strategies as mentioned by Buttle and Maklan (2015).

Some parts of the strategic work used by Company D to manage customer relations could be classified as deliberate. However, there is also a high degree of emergence in the actions used to handle loyalty and customer satisfaction. For example, the informant states that customers often have different characteristics which makes it more difficult to apply formal and standardized processes. Therefore they act more spontaneously based on what each customer needs, and depending on the specific customer requirements they try to adapt the offering to that specific customer. This approach used towards their customers indicates a higher degree of emergence according to the reasoning by Mintzberg and Waters (1985). Furthermore, Company D do not really monitor or measure loyalty in any quantitative way. These aspects mentioned led us to the conclusion that Company D have more of an emergent approach to strategic actions related to loyalty and customer management, by the definitions stated by Mintzberg and Waters (1985).

Regarding the aspects of product and supportive factors which relates to "*technical functionality*" and "*functional quality*" further described by Grönroos (1984), our impression is that both aspects are important to Company D. They emphasize a mixture between their product-related and supportive factors as important in the process of creating customer loyalty. However, the informant states that the way they have been able to create a product that is simple and user-friendly is what they believe has enabled the market position they currently possess. When asked the informant that he thinks affects the retention in positive way, he said that the product is the main reason customers keep extending the partnership.

5.3.5 Case E

When analyzing the retention strategies used by Company E, we noticed some aspects that distinguished their way of handling possible churn situations. For example, if a customer is dissatisfied with the product, Company E always try to solve any issues, if possible. They also state that they can opt to let the customer use the product without charge, the so called "pro bono" approach, for a period of time. We argue that these actions are things customers

might not expect as part of the business relationship, which is why it relates to the positive retention strategies described by Buttle and Maklan (2015).

Our impression is that Company E seem to be in a transition phase from emergent to more deliberate strategic work. The process they apply in order to customize the product to each customer's needs follows a clear structure, and this aspects is arguably more deliberate rather than emergent if we follow our own and Mintzberg and Waters'(1985) reasoning. The fact that they have customers with differing requirements certainly makes it harder to follow standardized processes the same way as other ventures might be able to do. This is one reason why we argue that some of Company E's actions should be classified as deliberate considering the more complicated circumstances they face. However, due to the fact that they currently are transitioning from emergent to deliberate strategizing we conclude that Company E use a mixture of deliberate and emergent strategies. Hurtado & Mukherji (2013) states that when emergent strategies are openly used, they are subject to improvements, planned actions and modifications, and this is also when it starts moving from emergent to deliberate as discussed by Mintzberg and Waters (1985). We believe that Company E currently are at this transition stage in their strategic development.

After the interview it became quite obvious for us that Company E seem to focus more on the benefits of their product as a source of loyalty creation. They emphasize the flexibility and diversity of their product, and the fact that it can be customized to each customer's operations and needs is something they believe customers value. According to the informant, the product and its features seem to be what they focus most on, and this can be referred to as the technical quality as described by Grönroos (1984). It also correlates well of the very definition of a knowledge-intensive business service by Zaefarian et al. (2013), where the supplier and the customer are continuously involved in the development of the solution with the customer's problems in the center of attention. This development must be based knowledge and information that the customer share with its supplier in order to successfully do so (Zaefarian et al., 2013), which we find accurate in the case of Company E.

The informant does mention the importance of activities to support the product, however, in the case of Company E we feel that they do not mention any concrete examples of what supportive activities they use. The informant does not elaborate on whether they have

continuous contact and regular physical meetings with customers. If they were to focus more on these actions it could according to Brynko (2012) help create a feeling of commitment and trust. This together with the informants recurrent focus on the product led us to the conclusion that Company E mainly leverage their product factors, and these factors is also what they seem to view as the primary reason for their loyalty creation.

5.4 Conceptual analysis

The analysis performed in this section is an aggregation, combining all cases in our multiple-case study. The purpose is to create a deeper understanding of how the theoretical base relates to the empirical findings on an aggregated level. First we look at the three predetermined themes presented in section 2.5, and then we analyze additional themes that emerge as a result of the case study.

5.4.1 Retention strategy

When it comes to securing revenues, it's clear to us that actors in the SaaS niche often apply deliberate strategies through licensing agreements. One reason for applying such methods to secure revenues is probably due to some the challenges and uncertainties related to the cloud service industry. Püschel et al (2015) states that cloud service providers face the challenges of being able to compete based on price while at the same time having to preserve high service levels, and while doing this they have to be able to deliver sufficient access and flexible scaling possibilities. Their statement "*services will remain available in the long run only if this business generates a stable revenue stream*" indicates why SaaS ventures have incentives to use licensing agreements that generates stable revenues. In this study, cases A, C, D and E uses strict licensing agreements over minimum 12 months. The reasons for doing so, is both what was mentioned previously, but also to secure the costs of the initial phase of the customer relationship. These costs are referred to as the custom acquisition costs, CAC. For Cases A, C, D and E, they keep these licensing agreements even for existing customers as a standard procedure, enabling better cash flow planning and revenue forecasting. Payment in advance seems to be the standard procedure.

We believe that Case B's market situation without specific domestic competition is a rare climate to run a SaaS solution in, which gives them unique opportunities to have flexibility in their levels of formalized agreements, which is supported by the interview. The informant

states that *"we only want customers who wants to be customers"*, which we think is in line with the theories on trust by Doney et al (2007) and also more generally what builds relationship quality by Chumpitaz Caceres et al. (2007).

Furthermore, prior research suggest that one of the benefits with software solutions is that it enables a pay-as-you-go approach (Püschel et al, 2015; Schewe et al, 2011; Gutierrez et al., 2015). However, we noticed that almost all of the case companies in our study does not apply this kind of revenue strategy. As mentioned previously, four out of five case companies use strict licensing agreements. We believe that the way SaaS ventures designed their revenue strategies in the past is no longer the way it is normally done. We argue that the need for negative retention strategies such as licensing agreements have grown more important as the both the industry and the competitive environment have evolved. According to the interviews performed in this study, it seems like licence agreements have become almost standard, while the pay-as-you-go approach is no longer used to the same extent. This assumption is supported by a statement from Kaplan (2017), stating that formalization of agreements is used more and more often now, compared to the early days of cloud services.

The importance of customer loyalty has gotten more attention, and companies now use focused efforts to apply different kinds of retention strategies (Russo et al, 2016). According to Yang (2011), only satisfying customers is no longer enough to achieve long-term success in today's competitive environment. Instead, delighting customers has become an essential part in the journey towards success in the current business landscape, which according to Buttle and Maklan (2015) is one kind of positive retention strategy.

In our case study, we are prone to say that the negative retention strategies emerged more clearly than the positive ones, even if most cases apply a sound mixture of both. Examples of pampering and actions intended to delight the customers were observed, but perhaps less than in other business niches. We believe it could be a result from the rapid development of the niche of SaaS. It is inhabited by a lot of young companies, struggling to make profits and grow their customer base each year. We believe that a more mature niche would have had its time to transition more into a positive retention-related behavior than what we could observe in our case study.

5.4.2 Strategy level

All five informants in this thesis show some extent of deliberate planning and strategizing to reach their goals of retaining their customer relations. This was concluded in part by using the theory by Mintzberg and Waters (1985), but also through our own reasoning. We believe that Case A and C have stronger deliberate actions, and Case B take their business more as it comes. They do however have a clear strategy regarding not shaping their software according to the wishes and desires of their customers, but rather keep a solid plan for their product development internally. Case D have a very high level of individual customer adaptation and customization, and they do not rely much on formalized measurements of loyalty, giving us a indications of a more emergent strategy level. Case E showed signs of being in a state of development where their organizational structure was evolving from a technological firm with low levels of internal strategizing, to a more outwards-and-in approach with more formalized procedures and a more deliberate level of strategy towards their goals of customer success and loyalty.

What we can conclude from performing this case study, is that there is a stronger predominance for deliberate strategic efforts in the attempts of creating loyal customer relations. However, we can clearly see that even in this small sample, there is no alternative that clearly sticks out as being the one best alternative for SaaS ventures. We believe this to be very much in line with Zaefarian et al. (2013), stating that firm performance is not dependent on a particular strategy, but rather on how well the firm's chose strategies are implemented, implying that every viable way of strategizing can yield superior results (Zaefarian et al., 2013). We would also like to argue that factors such as firm size, pressure from competition and characteristics of the founders influence the choice of what strategy level to apply in the firm.

5.4.3 Loyalty source

The question of what factors that primarily creates loyalty in the niche of SaaS is a rather complicated matter. From what we could see in our empirical findings regarding if SaaS ventures focus more on the product or the supportive activities, we noticed some differences between the case companies in those areas. Some of them focus more on leveraging their product while some put more emphasis on their supportive activities. We believe that depending on what the competitive environment looks like for a certain company it can

determine the way the choose to focus on having a superior product or superior supportive factors. One company in our study stood out in the sense that they did experience a very low degree of competition. We suggest that the low degree of competition could be one reason why they are able to focus less on supportive activities, and instead compete mainly based on their product which according to the informant offers high level of software reliability which according to Sagar et al. (2013) is one success factor for loyalty creation in cloud computing.

We further discovered that all companies in the study express a mixed focus on both the product and the supportive activities. Čater and Čater (2010) state that *"customers do not have the motivation to continue the relationship merely for the relationship itself (or any of its components) unless they receive a product that meets their standards",* and we believe that this statement reflects our empirical findings and the ways in which entrepreneurs and managers of SaaS ventures operate. All of the informants stated the importance and benefits of their product, but all of them also emphasized the importance their supportive activities such as personal contact, availability, responsiveness, etc. Doney et al (2007) explores the relationships between customers and suppliers in the business-to-business service industry and state that *"it is safe to say that buyers do not necessarily develop loyalty to, nor extend broader business opportunities to service providers based solely on superior offerings"*.

These statements from Čater and Čater (2010) and Doney et al (2007) illustrates why it is important for SaaS ventures to able to deliver an offering that is complete both in terms of product-related benefits and supportive factors. Even though our case companies focus on these aspects in slightly different ways, they all seem to be aware of the importance of delivering a complete solution including when it comes to both product factors and supportive factors. Our findings also show that to some degree all case companies focus on having both at least a good product and sufficient supportive factors.

5.4.4 Emerging themes

Besides the predetermined themes analyzed in this study, other aspects were discovered during the empirical work that likely have an important role in the customer loyalty creation process for SaaS ventures. Those aspects presented below will further be referred to as emerging themes.

5.4.4.1 Customer Success

One theme that is recurring especially from interviews with Case A and C is the term known as Customer Success, as described by Smilansky (2016) as *"the strategy and a process to ensure that customers are properly onboarded and getting maximum economic value from their purchase."*. Both case companies focus a lot on their customer success processes, and have formed specific departments in their organizations with the sole purpose of customer success. Case B did not state that they work in the same fashion, either through deliberate processes or through a certain department. Case E are also giving more focus to the success process and have recruited a customer success manager. They have not had a deliberate success focus before that.

Case C talks about decreasing the success team's "time to wow", which is a term or saying described by Skok (2014) as follows:

"The wow is the moment when your buyer suddenly sees the benefit they get from using your product, and says to themselves "Wow! This is great!".
It's also the moment where you have converted them into a fan".

The time it takes from initial purchase until the "wow" is achieved, is therefore described as "time to wow". The informant for Case C highlights how difficult it is to know for sure when the customer has reached the "wow", and therefore it's a bit arbitrary and perhaps not the most quantifiable of measures, but rather a feeling that the supplier has.

5.4.4.2 User monitoring

One of the benefits of offering a web based service is the possibility to monitor and track the behaviors, traffic and patterns that the customer and its end users create in the software. This is usually referred to as user engagement. Brynko (2011) states the importance of this in SaaS solutions and connects it to retention; *"critical times are during the first few months when a customer has signed on with the service or at renewal time"* which we can make a distinct connection with the "time to first wow" mentioned by our informant in case company C, even if that moment is very hard to quantify, according to the informant.

Rollins et al. (2012) investigated the use of customer information usage, and concluded that knowledge-enhancing customer usage information may have long-term benefits for the supplier, such as learning about a change in preferences over time, whereas the more action-oriented customer usage information provides short-term benefits that help shape accurate offers thanks to momentary insight (Rollins et al., 2012). We argue that these two time distinctions is interesting for SaaS actors, where the long-term can help build a strong relationship over time, and the short-term factors can be a tool for anti-churn activities.

All five case companies highlight the importance to analyze different measures in order to understand whether everything looks in order or not, from the client's perspective. Informant B stated that the Informant C stated that a decrease in traffic in the software is a direct signal that something is wrong and that it could potentially be an early sign that the customer's satisfaction and perceived value is decreasing. Case A stated that they have automated alerts in order to prevent for a decrease in usage volume to happen without them noticing it.

Zorn et al. (2010) state that it is often easy to notice differences between "stayers" and "quitters" in subscription-based offerings due to distinct differences in behavior. We believe that these theories of a decrease in user engagement is also in line with this statement by Brynko (2012) *"monitoring the relationship can ensure it's on good footing every step of the way. Relationships don't typically explode, they fade away"*. We think it highlights the importance of a deeper managerial understanding beyond things such as bug reports, lack of desired functions and other more direct failures to facilitate the customer's desires of the software's functionality.

5.4.4.3 External software integration

One interesting finding from the empirical analysis in this study is what was mentioned regarding integrating different software solutions from different suppliers. One informant expressed a need to become part of a SaaS ecosystem, meaning that solutions from different software suppliers are integrated in way that the can complement each other. Brodkin (2007) states that one issue with software-as-a-service is that suppliers struggle to find ways of integrating their own solution with solutions offered by other suppliers. Brodkin (2007) further states that, as customers are beginning to require this kind of integration, and as more

companies transform their offerings into SaaS solutions, the possibilities to integrate software services from different suppliers becomes important.

5.4.4.4 The proximity factor

Before making our study, one of our preconceived notions was that cloud services had the clear benefit of a global and constantly connected marketplace, and that the market had a massive amount of potential customers readily waiting for the next great software solution. In a blog post by Talbot (2015), he states pros versus cons when choosing between international and local cloud service suppliers. One of the factors where the local suppliers were the superior option was the personal contact and the possibility to get attention on urgent matters (Talbot, 2015). In our case study, two informants stated that their companies have experienced that the physical distance between them and their customers have a negative correlation on the possibilities of building a strong relationship. One informant stated that customers nearby get more face time and access to personal service than other customers further away. The other informant stated that they found it harder to deliver full quality in terms of the supportive factors analyzed in this paper, than for customers located closer to them.

6. Conclusions

In this section, we conclude what the analysis has been able to tell us, and how we answer our research questions stated in section 1.1. Suggestions for future research will further be provided.

6.1 Remarks and discussion

In service businesses, like any other businesses, there are a lot of different aspects shaping motivation in customers' and therefore, also their buying behavior. In this thesis, we feel like we have made some headway regarding how suppliers of a software-as-a-service solution strategize in order to create and sustain loyalty, and we will elaborate and discuss the different aspects categorically in the subsection below.

6.1.1 Subscriptions and fixed license agreements

Research on strategies for business relationships in knowledge-intensive business services state that there is no one best strategy in these types of firms. What strategy is applied is less important than how it is actually executed in a firm's relationship with their customer. We support that notion through our own findings in this paper, since it is clear that there are several ways to address problem areas such as how to shield yourselves against competitors, fortify customer retention and what level of formalization to apply in the role as leader and/or founder of the entrepreneurial venture.

In our case study, we got a clear image of how the firms use a mix of strategic tools and methods in order to shape their own best way of approaching their customers. Some stated that there were improvements planned for the future, and that their work was constantly evolving. A way to find a strategic and functional fit, in many cases. The mixing of strategic action is one important take away for us, even if it might not sound as a very surprising one at that. We could clearly tell that regardless of the target market and the customer's characteristics, there was no clear pattern for how SaaS companies strategize on an aggregated basis. Same arguments can be stated regarding how the strategies are formed and carried out, where we discussed that the extremes of purely emergent and purely deliberate strategies, as according to Mintzberg & Waters (1985), were not applicable in the case study, but rather combinations of the two.

6.1.2 Negative retention strategies - negative or wise?

Enabling the security of revenues for a certain time period is a key aspect of resource planning and cash flow management, and it's an asset in a growing stage of any entrepreneurial venture. In the niche of SaaS, using licensing agreements for a set period of time is a way to tie the customer into what we have referred to as a negative retention strategy. These strategies might come across as just that, negative, and people within the IT industry pointed out that the "vendor lock-in effect" is scaring the customers to sign such agreements. We do in fact argue that it's a wise way of forcing the customer to stay for a set period of time, and its benefits outweigh the risks associated. And even if the "pay as you go" approach seemed like one of the clear benefits with SaaS solutions in the early days, it does not seem very common to apply it in practice. The more standardized the fixed agreements

become, the more prepared the potential customer will be for signing up for a full year and paying in advance instead of paying for the usage only.

However, during the the first license period, it's very important to take the customer to his first "wow" - the moment when they truly experience the values added by the software for the first time. Failing to do so will quickly and aggressively decrease the chances of achieving a loyal customer relationship.

6.1.3 Customer success - a process towards loyal customers

The deliberate process referred to as customer success means just like the name suggests, that the customer must be handled successfully by the supplier. In our study, we had not come across the actual term before we performed our data collection through the case study. Three of our informants applied direct strategies of customer success already, and all agreed that the first phase in the customer lifetime as the absolutely most critical one - successfully taking the customer to their "first wow" as users of the software solution.

The role "customer success manager" seem to play an important role in many SaaS ventures today. Customer success managers have the responsibility to manage the customer relationships so that each customer's experience from doing business with a certain supplier is good enough to stimulate continuous revenue streams.

6.1.4 Strategy level adaptation

Our study has shown that some of the companies in our case study applies more deliberate rather than emergent levels of strategy in the management of customer loyalty. This shows itself in the shape of plans and routines, schedules events and follow-ups, everything according to founders' and managers' intentions to achieve loyalty from their customers. However, a few of the informants expressed that due to high levels of heterogeneity and complexity in their customers' operations, a certain room for emergent action must always exist in order to achieve high levels of satisfaction. The importance of customer loyalty and retention seem to have gotten more attention in the cloud computing industry, and this is why we believe that there is a greater need for deliberate planned and executed strategies aimed at managing customer relationships. This belief is partially confirmed in our case study.

One of our informants in the case study showed evidence of acting more according to emergent strategies and acted more in real-time when needed to rather than following plans and procedures. We believe that the specific market conditions that the company is active in creates less needs for structured behavior towards their customers, compared to if they had been under bigger threat from competition. The other cases are experiencing heavier competition, which we believe creates a larger need for deliberate customer strategies and structured processes, exemplified well by the aforementioned customer success process.

Measuring loyalty is, as described in section 2.2.2, not as simple as it may sound. Different measures may reflect different outcomes and some might reflect attitudes rather than behavior through retention and repeated purchases. Some measures are strictly statistics over time, such as net churn, whereas the Net Promoter Score includes the customer for evaluation. The NPS measure is popularly used and is considered an appropriate measure for loyalty by some of our informants in the case study. There are clear benefits of measuring loyalty, however, we noticed in our case study that applying loyalty measures can sometimes be difficult due to the complex nature of some of their customer relationships and high levels of customized software solutions.

6.1.5 Monitoring for insight

Another strategic action applied by SaaS ventures that we identified as highly significant for SaaS suppliers and their loyalty creation is the way they monitor customer behavior and usage levels digitally through their own software. In this case, the term monitoring is including all activities performed without direct knowledge and cooperation by the customer, with the purpose of extracting business intelligence and gaining insight for the own operations and the mutual interests of the relation with the customer that is being monitored. In our multiple-case study, we saw that the application of aggregated monitoring is a good way to anticipate customer churn in a stage where it can still be handled through meetings and action plans. It can also give insights and feedback on factors such as customer growth, software satisfaction and system usability. Therefore, we argue that monitoring can be a useful or even crucial tool in the process of creating customer loyalty for SaaS ventures.

6.1.6 Competition as a driver of strategic considerations

In our predetermined themes, we distinguished between the two sides that we consider to make up the coin of loyalty; the product factors and the supportive factors. Both have proven themselves truly important in our multiple-case study. However, our conclusions regarding their internal values in the chase for loyal customers is that the more competition a SaaS supplier has, the more it must rely on adding supportive factors on top of its offering. Just having a stellar software is often not enough when there are several viable alternatives, all offering somewhat similar features and modules as yours.

Our case study only had one informant whose company did not have any domestic competition from other firms, and thus they did not have to rely on supportive factors as much as the other four firms. They stated that the customers stayed loyal as long as the service was working according to their expectations.

6.2 Recommendations

Our suggestions for actors in this business niche is to closely analyze the market situation and the threats from competitors. The higher levels of close competition, the more need of a deliberate strategies in general and a customer success process specifically. When it comes to strategizing for customer retention, we suggest a combination of positive and negative retention strategies. We believe that applying a subscription-based revenue model with annual or bi-annual renewal can be classified as a negative retention strategy that is more or less shaping up as standard procedure on the SaaS market. Therefore, we suggest to apply it, since it will create switching costs and should help decreasing customer defection rates. In combination with the subscription model, exceeding expectations and creating customer delight through positive retention strategies will help create a successful mix optimized for long and loyal customer relations.

6.3 Suggestions for future research

Studying a relationship qualitatively by only examining one of the parties will always bring less clarity to a phenomenon or behavior than if you would cross-examine both. We would therefore recommend studying strategic methods and actions by including the recipient of this actions as well. How would a SaaS customer describe their customer success experience? How would they rate the product versus the supportive aspects from the viewpoint of reasons for staying in an agreement with a certain cloud service supplier?

We would also like to recommend a quantitative research project, looking more specifically at how loyalty is being measured in the SaaS niche and how suppliers use monitoring as a source of and method for gaining valuable insight. A suitable methodology could be a survey design, where the informants are asked to rank what measures and monitoring methods they are using and how well they believe it reflects the loyalty of their customers.

Pricing strategies is another important factor, and as soon as there are several alternatives to choose from, the price level becomes a deciding factor in the software selection process. We did not include the price factor on loyalty in this paper, but our empirical findings suggest a need for future research to emphasize different pricing models and what a high versus low price level does for its demand and also for growth of the venture.

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