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**DIFFERENTIATION OF A CUSTOMER  
ENGAGEMENT MODEL FOR MID-MAR-  
KET AND ENTERPRISE CUSTOMERS IN  
A SOFTWARE-AS-A-SERVICE COMPANY**

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## ABSTRACT

Sahil Azher Rashid: Differentiation of a Customer Engagement Model for Mid-market and Enterprise Customers in a Software-as-a-Service Company  
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It is critical for a Software-as-a-Service (SaaS) company to meet its customers' expectations of level and quality of service and engagement or alternatively set their expectations right in order to meet them, as failure to do so can have critical consequences. It is also a challenge for SaaS firms to deal with numerous customers and their heterogenous needs. Faced with such a challenge, SaaS firms can look at segmenting their customers and differentiating their customer engagement model between more revenue-generating enterprise customers and less revenue-generating mid-market customers. To explore this problem area and develop a theory in the research field, the study aims at answering why and how a SaaS company should differentiate and customize its customer engagement model between smaller and mid-market customers and enterprise customers.

The empirical data was primarily collected through conducting qualitative semi-structured interviews with employees at the case company. Moreover, existing company processes were also analysed. The literature review together with the empirical results were used to propose and validate a theoretical framework and identify barriers in its implementation. The results uncover that there exist several external and internal factors that drive such a differentiation including differences in service needs of customers and differences in their profitability respectively. The study concluded that SaaS companies can use service modularity to offer more customization to enterprise while more standardization to mid-market. While there are certain limitations to the findings, the study is an insightful examination for academics and practitioners interested in the topic.

Keywords: Software-as-a-Service, Service Differentiation, Customer Engagement

The originality of this thesis has been checked using the Turnitin Originality Check service.

## PREFACE

While pursuing my master studies, I was presented with a very interesting opportunity to work at a Finnish SaaS company, based out of their Dubai office. While working there, I came across a very interesting problem that the company was looking at solving – differentiating the way it engages with larger enterprise customers and mid-market customers. The problem resonated with me and one thing led to another, and it finally took the shape of this thesis.

I would like to greatly thank Professor Nina Helander for supervising me and Assistant Professor Henri Pirkkalainen for mentoring and guiding me every step of the way and without whom, completion of my thesis would not be possible. I am also immensely grateful to all my amazing colleagues who let me interview them for my research process and sharing their insights and thoughts on the topic and contributing to my thesis. Working remotely on my thesis has not been easy. Here, I would like to appreciate and acknowledge my team lead for supporting me while I was working full-time throughout and keeping me motivated.

I would like to thank all my friends, acquaintances and faculty at Tampere University who contributed to my experience while studying in Finland. Finally, I would like to thank my beloved parents for everything they have done for me, for their prayers and without whom, nothing would be possible.

Tampere, 01.05.2019

Sahil Azher Rashid

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# 1. INTRODUCTION

Software-as-a-Software (SaaS) is a model where software applications are delivered as a service over the internet (Durkee, 2010). Also referred to as on-demand software, it has become an important business model in the age of information. SaaS is becoming an increasingly important channel for selling software for software providers and it challenges the conventional models of earlier software firms. (Benlian et al., 2011). For software buyers, the SaaS model presents numerous benefits as well including cost reductions, faster upgrade cycles, operational elasticity and easy implementation (Armburst et al., 2010). With the advent of the SaaS model, firms are also moving to recurring payments through subscription-based use of software and services from one-time licenses (Sukow and Grant, 2013). Typically, in SaaS, a subscription model constitutes monthly subscription fees with variable pricing tiers based on usage (Ge et al., 2017). Such a recurring revenue model inherently has different dynamics from that of a traditional software business.

While SaaS revenue continues to grow globally, according to Benlian et al. (2011), for SaaS adoption and revenue to keep growing, customers have to perceive SaaS as a viable and more efficient and effective alternative for traditional software delivery models. This establishes the service component of SaaS as pivotal to its continued success. The authors cite a report, according to which, issues of customers' service expectations not being fully met during provision of SaaS offering are becoming increasingly prevalent as SaaS grows (Weier, 2009). Another Gartner study which studied 333 organizations from United States and United Kingdom concluded that low-quality customer support was in the top three reasons why customers discontinue SaaS (Pring and Lo, 2009). Hence it is important to meet customers' expectations of level and quality of service or alternatively set their expectations right in order to meet them, as failure to do so can have critical consequences for both customer and software provider.

At the same time, it is a challenge for SaaS firms to deal with numerous customers who have their own set of needs. According to Kotler (1989) and Pine (1993), customization is an answer to the varying needs of customers from both product and service perspectives. Customization, which is an extreme form of differentiation, aims at identifying profitable market segments and then designing products and services to best meet needs of the target segments (Coelho and Henseler, 2012). Service customization represents a new important opportunity in order to create more value in the service provision process. Kannan and Healey (2011) argue that while research in production customization is quite extensive, research in customization of service is still being developed. While recently, there have been academic efforts to understand and develop theoretical frameworks for

service customization, research efforts in understanding service customization from a business-to-business perspective, especially through a SaaS perspective, have been sparse. Currently, in the academic literature, there is lack of empirical evidence as to why and how a SaaS firm should differentiate and customize its service for different customers. An extension of this challenge is that SaaS firms work with customers who have different levels of profitability. Hence, there also needs to be an understanding of how service should be differentiated between customers of high-profitability and customers of low-profitability. It's typical for a SaaS firm to categorize its customers based on revenue generated as enterprise and mid-market customers.

Customer engagement, as part of a SaaS's service offering, plays a crucial role in creation and provision of value for customers. As for any business, higher the value a SaaS company provides to its customers, higher are the chances that a customer grows and is retained (Wong, 2013). Hence, customer engagement, as part of service, is crucial to success of customers as well. Therefore, when talking about differentiation of services, it is important to look at customer engagement models as well and how service differentiation interacts with customer engagement. As mentioned previously, there is little to no research that specifically links service differentiation and customization to customer engagement particularly for a SaaS firm. This represents a research gap in literature which this thesis aims at covering to some extent. As a result, the overarching research question which guides the thesis is:

*Why and how should a SaaS company differentiate and customize its customer engagement model between smaller and mid-market customers and enterprise customers?*

For SaaS, it is also important to consider to customer engagement in the larger context of a SaaS customer's journey, which typically starts from deployment and implementation of the software (Ju et al., 2012), marking onboarding of the customer to the software, and goes onto post-deployment stages where the aim is to further drive the adoption of the product to ensure continuous success of customers (Ulaga, 2018). Hence, as part of the research question, differentiation of customer engagement also needs to be understood from perspectives of customer onboarding and product adoption. Perhaps, another aspect that needs attention is the theoretical linkage between service differentiation and customer engagement.

In order to understand and establish a theoretical linkage between the concepts, existing academic literature is relied on. Rest of the contribution to answering the research question comes from empirical data collected through qualitative interviews of individuals employed at a SaaS company, and from analyzing existing processes around customer engagement in the company. Eisenhardt and Graebner (2007) describe interviews as a very efficient way of gathering rich empirical data. The case company of the thesis is a Finnish software-as-a-service company in the advertising technology industry. Employees from different organizational hierarchical levels, functional areas and geographies



were chosen to be interviewed to provide relevant and rich insights into the topic of discussion.

The structure of the thesis contains six chapters to answer the research question. Most of the academic research is presented through chapters 2, 3 and 4. Chapter 2 looks at developing a conceptual understanding of service differentiation by looking at existing definitions of service differentiation and some of the prominent theoretical models. Further, service differentiation is understood from the point of view of differentiation of services based on customer segments of high-profitability and customers segments of low-profitability. In chapter 3, customer engagement is introduced through existing views on the concept and relevant theoretical frameworks. Further, its relevance to SaaS is established. In chapter 4, a theoretical link is drawn between service differentiation and customer engagement in the context of SaaS. In the fifth chapter, the research methodology used in research, together with the case company, is described. Chapter 6 is where the empirical data collected from the qualitative interviews is presented. The next chapter analyzes the empirical results in light of the academic research to conclude answering to the research question. Chapter 7 also includes theoretical and managerial contributions of the work, as well as limitations and directions for future research. Finally, chapter 8 concludes the thesis with some final remarks.

## 2. SERVICE DIFFERENTIATION

Customization or differentiation of services poses a new and interesting opportunity for firms as they try to achieve better outcomes in provision of services. The chapter tries to develop a conceptual understanding of service differentiation and customization. Current views of the ways, service differentiation is understood as in academic literature, are presented and different theoretical models are looked at. Finally, service customization is looked at in the context of providing differentiated services to mid-market customers and larger enterprise customers of a firm.

Academic scholars and practitioners agree that product and service differentiation represent a source of competitive advantage for firms. Varying product needs of customers provide a similar opportunity to firms to create more value for their customers by customization of services (Kannan and Healey, 2011). The authors suggest that differentiation and customization of services enable firms to provide service offerings in a manner that results in better profitability and as well as better results for customers. Hence, one can say that better profitability for the firm and superior value-creation for the customer are intended end-goals for differentiation of services for customers. Similarly, Ostrom and Iacobucci (1995), based on their research, suggest that differentiation and customization of services for customers can positively contribute to their satisfaction and loyalty towards a firm.

The central idea behind differentiation of services is identifying profitable market segments and designing and delivering services to satisfy needs of those target segments in the most optimal manner (Coelho and Henseler, 2012). Along the same lines, the concept of service customization defines “the degree to which the firm’s service offering is tailored to meet heterogeneous customers’ needs”. According to Simonson (2005), service differentiation aims to satisfy “as many needs as possible for each individual customer, in contrast to conventional techniques, which try to reach as many customers as possible while satisfying a rather limited number of customer needs.” Freeland (2003) states that due to the expected benefits of customization, it has become a cornerstone in managing customer relationships.

Services typically have different characteristics than products which also has an effect on service customization approaches (Bazzi, 2017). As per Rust and Chung (2006), the four major differences in characteristics between service and products include intangibility, heterogeneity, simultaneous nature of production and consumption, and perishability. Additionally, due to involvement of intense personal interaction between a service provider and customer and processing of information in services, not only customization of services is promoted, it becomes an important characteristic of service provision. Kannan and Healey (2011) categorize this kind of service differentiation between customers as

informal. Hence, there will always be some level of informal customization in every service provision. However, recent developments particularly in information technologies have fostered more formalized service customization approaches, offered new opportunities to customize service offering and have enabled better efficiency in differentiating services between customers.

According to Bettencourt and Gwinner (1996), one way of customizing services is by “altering or bundling service elements to better meet the customers’ needs and preferences, and where it is possible for the customer to choose from options.” As per Voss and Hsuan (2009), there exist two different approaches to configuration of service customization namely, menu-driven customization and combinatorial customization. In menu-driven customization process, a firm, which is a service provider, offers a variety of services from which a customer can choose which best serve their needs. Conversely, in combinatorial customization, the service provider presents a “starting point” as a basic module and a customer can configure on top of that by adding further service modules.

Kannan and Healey (2011) describe service customization based on the service model discussed by Frei (2008). Frei (2008) develops a service model consisting of four critical elements namely service offering, funding mechanism, employee management and customer management. Service offering describes the offering itself, characterized by unique characteristics where experience plays an important role. Funding mechanism includes the way services are monetized which are usually more complex than how products are. Services are characterized as being labor intensive and employee’s expertise and behavior are extremely important. Hence, employee management is crucial to success of any service offering. Customer management is also highly important as customers take part in the value-creation process and directly impact the quality of service.

Kannan and Healey (2011) look at how all the four service elements are affected by differentiating services. At the core of service customization is altering of the service offering. Customers are able to choose from different service elements and a distinct service offering is created. Since, the service offering can be customized, the pricing needs to be adjusted accordingly. In such a scenario, individual service elements can have their own pricing instead of having it at the full-offer level. Due to the increased complexity that comes with service customization, employees must be trained to develop the needed skills to efficiently sell and deliver customized service offerings. On the receiving end, customers also need to be prepped and trained as increased service customization can translate to higher involvement of customers in the value creation process.

Bask et al. (2001) link service customization with the concept of service modularity. They argue that the objectives for customization and modularity strategies go hand in hand. Modularity is understood as “building a complex product or process from smaller subsystems that can be designed independently yet function together as a whole” (Baldwin and Clark, 1997). Fredriksson and Gadde (2005) state that modularity is key to service

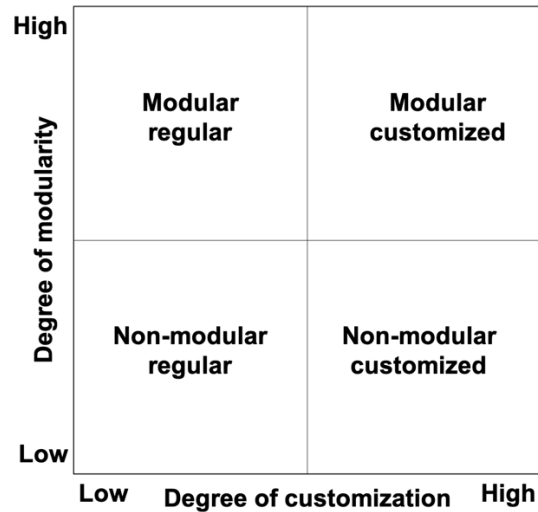
customization, to balance economies of scale and scope and customization by restricting the range of possible outcomes. Duray et al. (2000) explain that it is important to identify the exact stage at which a customer starts getting involved in the service design and delivery process as that determines the degree of service customization. Typically, the earlier the customer is involved and the deeper the involvement goes, the higher the level of customization is.

## **2.1 Models in Literature**

The models discussed in literature on service customization can be distinguished from each other based on their focus. Two of the prominent models from academic literature to explain service customization are presented by Bask et al. (2001), who focus on modularity as a basis of customization, and Kannan and Healey (2011), who focus on components of a service offering as basis of customization. Modularity is considered one of the most important methods to achieve mass customization in production industry. Building their theory on that, Bask et al. (2001) offer a systematic approach to analyze service modularity and customization. While modularity is a key component in Bask et al.'s (2001) framework, Kannan and Healey (2011) base their framework on four main components of a service offering, as presented by Rust and Oliver (1994), and add a key component of customers to it as an important determinant of service customization.

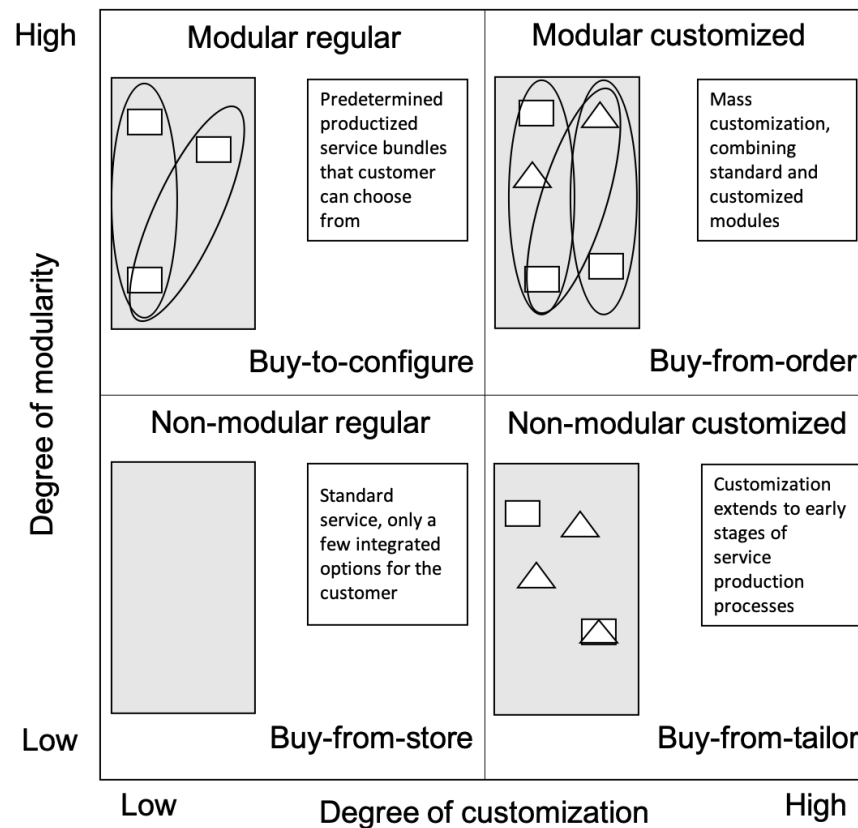
### **2.1.1 Modularity-based Service Customization Model**

Bask et al. (2001) link service customization with modularity to develop their framework. According to the authors, four extreme categories of service offerings appear as the degree of customization is combined with the degree of modularity namely, non-modular regular, modular regular, modular customized and non-modular customized service offerings. Regular represents a standardized and pre-determined element in the service, while customized represents a service element that is more customer-specific. The framework is illustrated in the next figure.



*Figure 1. A general framework combining service modularity and customization (Bask et al., 2001).*

It is also important to consider, as argued by Mikkola and Skjott-Larsen (2004), there exist different degrees to both service customization and modularity and neither of the dimensions is dichotomous. However, visualizing it this way helps describing the different strategies there are. Bask et al. (2001) further look at the framework in the previous figure in light of a service offering. The modified framework is as follows:



**Figure 2.** Combining modularity and customization in service offering (Bask et al., 2001).

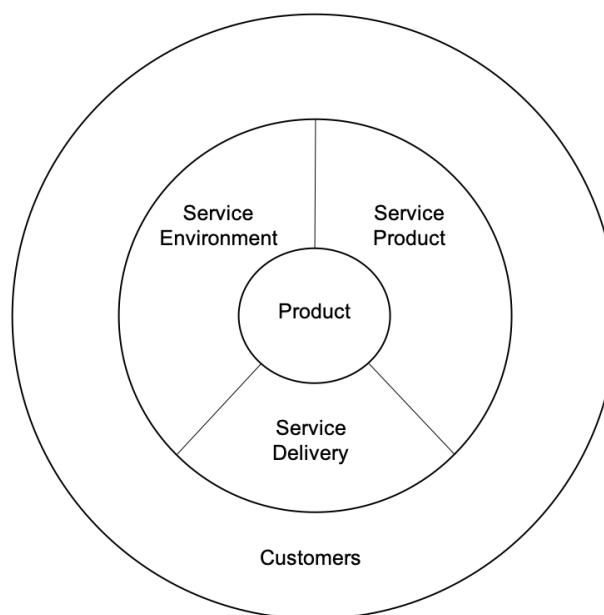
If a service offering is regular and non-modular, it means that customers do not influence the specifications of a service offering and they can only choose from a few pre-determined alternative services or combinations thereof. Bask et al. (2001) refer to this category as buy-from-store to emphasize on the predetermined alternatives. When a service offering is regular and modular, customers can choose from predetermined bundles of service or their combinations consisting of standard service modules. The degree of customization is lower in comparison to modular customized category, as the degree of involvement of customer is usually lower. Bask et al. (2001) refer to this category as buy-to-configure to illustrate the customer perspective of being able to pick an appropriate combination of varying alternatives.

If a service offering is customized and modular, there exists a significant number of options for customers to choose from. The alternative service offerings are created with both standard and customized modules that can be mixed or matched or bundled together to cater to more specific customer needs (Bask et al., 2001). The level of customization tends to be really high in this case. The authors refer to this category as buy-from-order. Finally, it is the non-modularized customized category. In this case, the services or their combination are fully customized to meet customer needs and customer involvement is very extensive. These are generally tailor-made solutions with little or no standardized modules. The authors call this category of service offering as buy-from tailor.

### 2.1.2 Service Offering-based Service Customization Model

Another theoretical framework for service customization is provided by Kannan and Healey (2011), who based their framework on Rust and Oliver's (1994) model for a service offering. According to Rust and Oliver (1994), a service offering of a firm can be broken down into four major components which are physical product, service product, service delivery, and service environment. The service product includes the outcome of a service (what customers get from the service as a result), overall perception of a customer of the service offering, and also any additional services that are part of its delivery. Service delivery signifies the consumption process of service and the interaction between a firm and its customer within the service setting, which also shapes customer's perception of service delivery. Finally, service environment includes the external and internal environment and the setting in which a service is delivered and consumed. In the context of an IT service provider, their supplied hardware is the product, service product includes the provided software package, service delivery would be installation of product, service quality and maintenance, and service environment could be an online Application Service Provider model.

Kannan and Healey (2011) analyze service customization from this perspective and how each of the components would be affected by differentiation of service. They also add a fifth component of customers to the framework to take into account the value co-creating role of customer in a service which also is an important determinant of service customization. Their revised framework is presented below.



**Figure 3.** Framework for service customization (Kannan and Healey, 2011).

As per Kannan and Healey (2011), customers have a crucial role in the framework for service customization, and the heterogeneity of their preferences, needs and values need to be accounted for through service customization. As evident from the framework, customers interact with all components of a service and also co-create value from service. The authors suggest that by analyzing how customers interact with each service component, opportunities for service customization can be identified and also the limits to customization. Another critical component is service product, which together with service environment, dictates limits of customization attainable within the service system. The authors state that during service delivery, “service can be customized only to the extent that service product is flexible enough to accommodate the customization in response to customer variability.” The framework also shows the interaction of the service components with each other to impact the variability of service offering and potential for service customization. Further analysis also highlights significance of selection of customers and their management to ensure service delivery is effective and profitable, and service customization is successful.

Both theoretical models presented by Bask et al. (2001) and Kannan and Healey (2011) provide a good understanding of service customization. Bask et al. (2001) combined modularity and customization to provide a useful framework for analysis while Kannan and Healey (2011) focus on the concept of customer variability in service customization to create greater value for customer and firm. Modularity and customer variability are integral concepts here and are analyzed further in the next section.

## **2.2 Differentiating services based on customer segments**

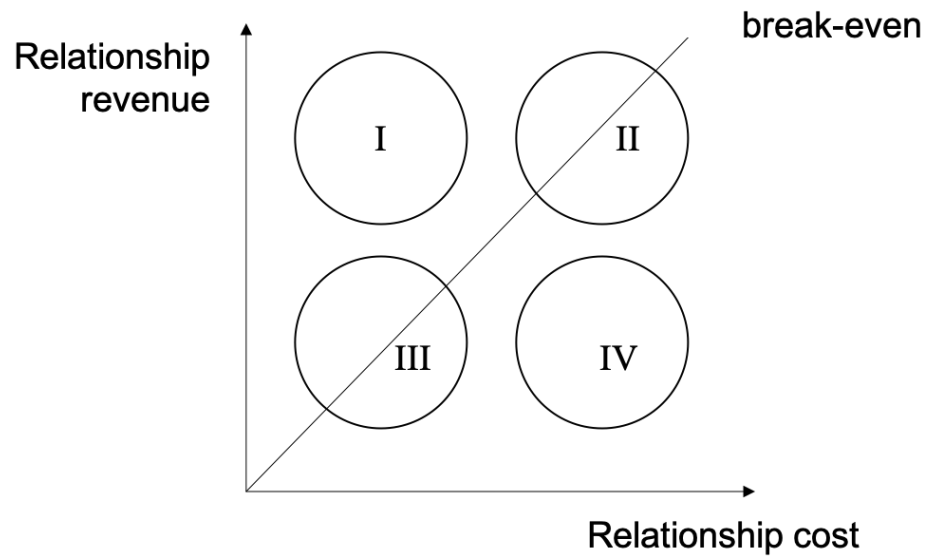
As was previously mentioned, the central idea behind differentiation of services is identifying profitable market segments and designing and delivering services to satisfy needs of those target segments in the most optimal manner (Coelho and Henseler, 2012). The purpose of distinguishing between more profitable customers and less profitable customers, is to be able to differentiate marketing effort and services towards these segments (Jonker et al., 2004). Hawkes (2000) also states that in order to retain customers and manage customers effectively, it is important to understand the value of customers and identify most profitable customers. Storbacka (1997) argue that:

*“The need for segmenting the customer base is a function of the differences between customers in terms of preferences, sales volume, transaction intensity, and customer profitability. We argue that the key attribute to be used in order to determine the need for segmenting the customer bases is the distribution of profitability within the customer base.”*

Storbacka (1997) presents an approach to segment customers based on profitability by combining relationship revenue and relationship cost. By using relationship revenue and



relationship cost, the author create two-dimensional grid into which customers can be placed. This approach of segmenting customers is presented below.



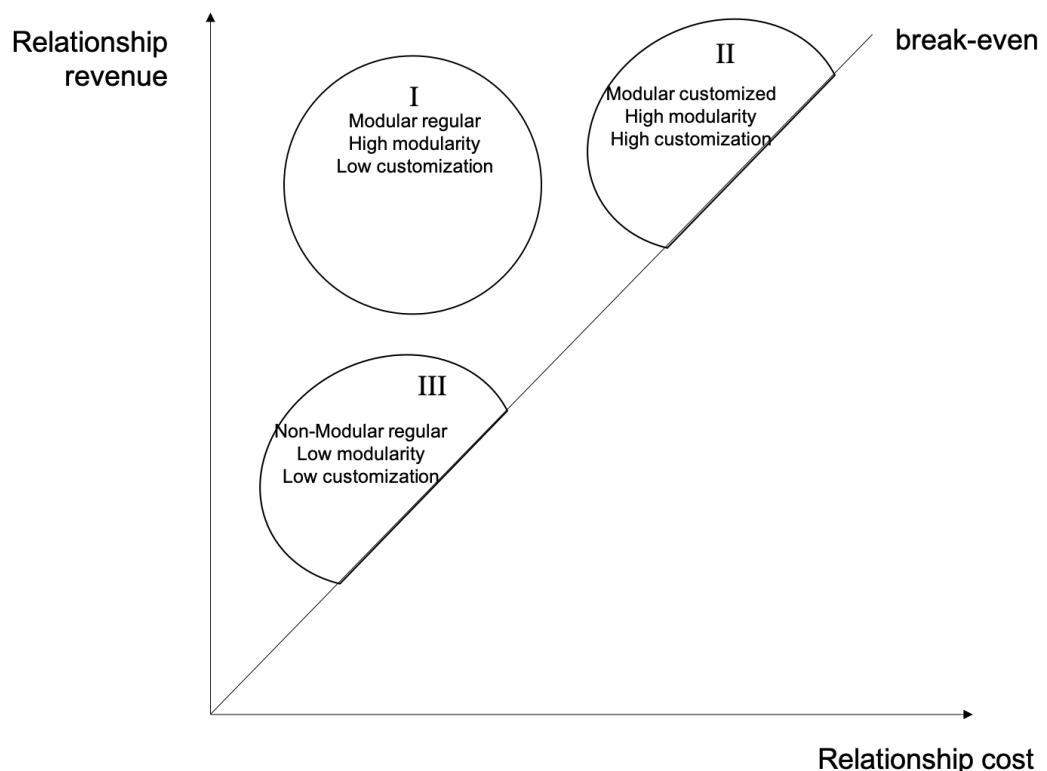
**Figure 4.** Segmenting customers by combining relationship revenue and cost (Storbacka, 1997).

As the models shows, customers can be categorized into four different clusters or groups. Cluster I comprises of customers who have high relationship revenue and low relationship cost. The author suggests that customers in this cluster tend to be passive in a relationship with a firm and the firm needs to focus on reducing customer churning and switching. Cluster II comprises of customers with high relationship revenue and high relationship cost. In this cluster, customers can be high or low profitable. As per Storbacka (1997), customers in this category are active and engaged in a relationship with the firm and have high potential to improve customer base profitability by changing the behaviors which result in high relationship cost. Cluster III consists if customers with low relationship revenue and low relationship cost. This cluster also includes both high profitable and low profitable customers, but their as their relationship revenue is limited, they do not represent high potential of profitability as customers from cluster II. The last cluster IV includes customer who are unprofitable with low relationship revenue and high relationship cost. Segmenting of customers done this way is static and hence, customers need to be observed and monitored over time to identify migration patterns between clusters.

Based on this approach to segment customers, the service customization models can be revisited to understand how services can be differentiated for different customer segments based on relationship revenue and cost. As the segmentation models splits customers into different quadrants along two dimensions, the general framework presented by Bask et al. (2001) which combines service modularity and service customization would fit better. The fifth component of customers in the service customization model by Kannan and

Healey (2011), would bridge the two frameworks of customer segmentation and service customization together.

For the sake of simplicity, let's keep the focus to the left of the break-even in the customer segmentation model where customers are profitable. Profitable customers from cluster III, whose relationship cost is low, are passive and also have low relationship revenue, likely need low level of service customization and can be offered no to low number of service modules to choose from. Profitable customers in cluster II who have high relationship cost and revenue, and are active and involved, are likely to require highly customized services combined with high modularity. As stated earlier for customers in cluster II, by reducing relationship cost by decreasing level of provided customization and increasing level of standardized modules, these customers can be made more profitable. Lastly, customers in cluster I, who have high relationship revenue and low relationship cost and are comparatively passive, are likely to be provided pre-determined productized service bundles that customers can choose from and hence, comparatively less customization. The figure below is a representation of how the models of customers segmentation and service customization would be juxtaposed.



**Figure 5.** Models for customers segmentation, based on relationship revenue and cost, and service customization juxtaposed.

As stated earlier, to keep the revised framework simply, customers of cluster IV and non-modular customized services have been excluded. It should not be inferred that customers who require high level of customization from early stages tend to have low relationship

revenue and high relationship cost. That relationship has neither been insinuated nor established as part of research.

### 3. CUSTOMER ENGAGEMENT

The aim of this chapter is to develop a conceptual understanding of customer engagement. In section 3.1, different definitions and views of customer engagement in existing literature are explored. Section 3.2 looks at the different models for and components of customer engagement that have been discussed in academic literature. In Section 3.3, the relevance of customer engagement to Software-as-a-Service and what it would mean in practice is discussed.

Customer relationships are considered strategic assets of any firm (Hohan et al., 2002). Nowadays, managers understand that long-term and quality relationships between customers and companies have the potential to be a significant source of profitability (Kumar et al., 2010). Hence, higher the value a company provides to its customers, higher are the chances that a customer grows and is retained (Wong, 2013). Customer engagement plays a crucial role in creation and provision of value for customers. The objective of customer engagement is to maximize the value of a firm's customers and through its objective, customer engagement is linked to customer value creation and management (Verhoef, Doorn and Dorotic, 2007). According to Sashi (2012), customer engagement helps in expanding role of customers by having them included in the value-adding process as value co-creators and helps in satisfying customers by delivering much higher value than competitors in long-term relationships.

Van Doorn et al. (2010, p. 254) have defined customer engagement as “customer behavioral manifestation that has a brand or firm focus beyond purchases resulting from motivational drivers”. It is important to notice that it is defined as taking place after the purchase or transaction process. Vivek et al. (2012) take a slightly different perspective and explain customer engagement as the intensity of a customer's involvement or participation in and connection with a seller company's activities and offering. This definition also keeps the idea of beyond purchase in focus but at the same time, also considers how ‘engaged’ or involved customers are. Hollebeek (2013) defines customer engagement as the “customer's state of mind characterized by specific levels of cognitive, emotional and behavioral activity between the customer and the product, brand and/or company”. According to this definition, customer engagement does not just encompass the interaction between a firm and its customer but also interactions between customer and product itself and any content created by the firm. Further studies have been done in the last decade or so to understand and measure behavioral aspect of customer engagement beyond purchase.

Another descriptive conceptualization of customer engagement is by Godman et al. (1995) who explains that the relationship between a company and its customers could

potentially be measured by the level and scale of involvement, and “defined in that context as a managerial construct and indicated by the number and types of actions in which two firms engage beyond their regular economic transactions.” This perspective is especially relevant for B2B cases, more so than for B2C cases.

Different authors from different disciplines conceptualize customer engagement slightly differently and one can come across various agreements and disagreements, as to the nature of customer engagement. Many of these conceptualizations agree on the existence of behavioral, cognitive and emotional dimensions comprising the concept of customer engagement. Further conceptualizations drawn from the literature, in addition to the ones already discussed, are summarized in the table on the next page.

Patterson et al. (2006) are very explicit in their mention of cognitive, emotional and behavioral dimensions of customer engagement. Vivek, Beatty and Morgan (2010) view customer engagement from a primarily behavioral perspective. Only the term “connection” in their definition give a sense of cognitive and emotional dimensions of customer engagement. Hollebeek’s (2013) definition of “customer brand engagement”, describes the customer’s state of mind as being “motivational, brand-related and context-dependent”. Further, as per Mollen and Wilson (2010), “online brand engagement” comprises of “sustained cognitive processing”, “instrumental value” (i.e., relevance and utility) and “experiential value”. The authors are also noted to differentiate between the concepts of customer engagement and “involvement.” Particularly, customer engagement is thought as extending beyond involvement and as encompassing a “proactive, interactive customer relationship with a specific engagement (e.g., a brand).” Bowden (2009) terms customer engagement as a “psychological process” which drives customer loyalty, while Van Doorn et al. (2010) emphasize specific engagement behaviors with reference to focal engagement activities. Additionally, the authors explicitly allude to the motivational nature of customer engagement, also implicit in other research work.

As the tables notes, authors have had difficulty deciding on a single name for the concept, and its true nature. Some refer to it as customer engagement process, or customer-brand engagement, while others look it as a process and still others view it as a behavior. Few of the authors choose to only view the media or online aspects, while others focus more broadly and consider it to encompass customers’ connections and interactions with a brand or with an organization’ offering. At the same time, there exist quite many similarities across conceptualizations, particularly, cocreation of value and the role of interactive customer experience as conceptual foundations. The preceding literature shows customer engagement involves connections, experiences and interactions between the customer (subject), and the object(s), which can be a brand, a brand’s social community, activities, or the service organization. Secondly, customer engagement encompasses “customers’ behavioral manifestation toward a brand or firm beyond purchase” (Van Doorn at al.

*Table 1. Conceptualization of customer engagement in literature.*

<b>Authors</b>	<b>Term Used</b>	<b>Definition</b>	<b>Dimensionality</b>
Patterson et al. (2006)	Customer engagement	The level of a customer's physical, cognitive, and emotional presence in their relationship with a service organisation	Cognitive, Emotional, Behavioural
Vivek, Beatty, and Morgan (2012)	Consumer engagement	The intensity of an individual's participation in and connection with an organization's offerings and/or organizational activities, which either the customer or the organization initiate.	Cognitive, Emotional, Behavioural
Mollen and Wilson (2010)	Online brand engagement	The customer's cognitive and affective commitment to an active relationship with the brand as personified by the website or other computer-mediated entities designed to communicate brand value	Cognitive, Emotional, Behavioural
Van Doorn et al. (2010)	Customer engagement behavior	Customers' behavioral manifestation toward a brand or firm, beyond purchase, resulting from motivational drivers	Behavioural
Hollebeek (2013)	Customer brand engagement	The level of customer's state of mind characterized by specific levels of cognitive, emotional and behavioral activity between the customer and the product, brand and/or company	Cognitive, Emotional, Behavioural
Bowden (2009a)	Customer engagement process	A psychological process that models the underlying mechanisms by which customer loyalty forms for new customers of a service brand as well as the mechanisms by which loyalty may be maintained for repeat purchase customers of a service brand	Cognitive, Emotional, Behavioural
Brodie et al. (2011b)	Consumer engagement	A psychological state that occurs by virtue of interactive, cocreative customer experiences with a focal agent/object (e.g., a brand) in focal service relationships.	Cognitive, Emotional, Behavioural

2010). Thirdly, customer engagement is believed to have a positive correlation with loyalty, commitment, and trust. Although, note that customers can be negatively engaged with a firm as well. However, this aspect will not be addressed further here.

According to Brodie et al. (2013) and Hollebeek (2011), involvement, interaction and absorption are precursors for customer engagement. They discussed that engagement with customers should lead to customer satisfaction, commitment and trust. Interestingly, as per Brodie et al. (2013), the engagement process is of an iterative nature, which means that the results of engagement can also work as precursors. This notion is also supported by Gummerus et al. (2012) who state that it is hard to distinguish between precursors and moderators and results of customer engagement in a relationship between firms. In line with that, Vivek et al. (2012), recognizes customer participation and involvement as precursors and trust, value, loyalty, word-of-mouth, brand involvement and commitment as potential resultants of customer engagement. The iterative nature of customer engagement in a service relationship is appreciated by the authors as well. Brodie et al. (2011) form a generalized definition of customer engagement which succinctly brings and ties together various aspects of engagement that have been covered earlier:

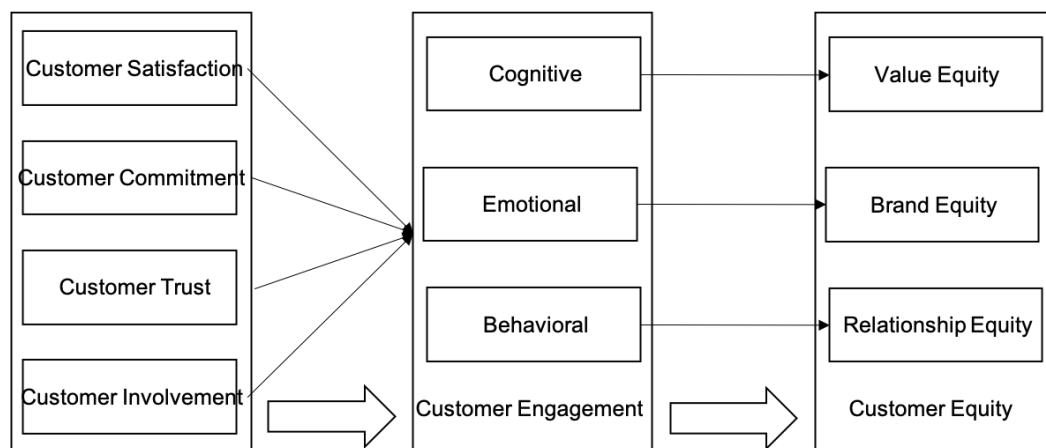
“Customer engagement is psychological state that occurs by virtue of interactive, co-creative customer experience with a focal object (e.g., a brand) in service relationships. It occurs under a specific set of context-dependent conditions generating differing engagement levels; and exists as a dynamic, iterative process within service relationships that co-create value. Customer engagement plays a central role in a nomological network, governing service relationships in which other relational concepts (e.g., involvement, loyalty) are antecedents and/or consequences in iterative engagement processes. It is a multi-dimensional concept subject to a context and/or stakeholder-specific expression of relevant cognitive, emotional and/or behavioral dimensions.”

### **3.1 Models in Literature**

There exist several conceptual frameworks of customer engagement that have been developed in literature. Many of these models take into account the antecedents and consequences which have been looked at in the previous section, and as well as the iterative nature of these. These models can be distinguished from each other based on what they identify as the antecedents and outcomes of customer engagement and the constituents of customer engagement itself. One of the models is presented by Youssef et al. (2018) and the model is directly relevant to business-to-business relationships. The authors investigate the conceptual relationship between customer engagement and customer equity through the role of cognitive, emotional and behavioral engagement. Perhaps, one of the most cited theoretical models for customer engagement is developed by Vivek et al. (2012) who offer a model where participation and involvement of customers serve as antecedents of customer engagement and value, trust, affective commitment, word of mouth, loyalty, and brand community involvement are consequences.

### 3.1.1 Customer Equity as Outcome of Customer Engagement

Youssef et al. (2018) have proposed quite a comprehensive framework to study customer engagement and its relationships, especially with customer equity. In their study, they try to determine if “customer engagement could be positively enhanced by business-to-business firms to maximize their customer equity, through examining the role of cognitive, emotional, and behavioral engagement.” Their findings agree with earlier studies that customer engagement is a multi-dimensional managerial construct with emotional, behavioral and cognitive dimensions. They propose that antecedents to customer engagement include customer’s satisfaction, trust, commitment and involvement, whereas consequence for customer engagement would include customer equity, which is further driven by value, brand and relationship equities. Their proposed conceptual framework for customer engagement and its relationships is illustrated below.



**Figure 6.** Conceptual framework of relationship between customer engagement and equity (Youssef et al., 2018).

As the figure shows, Youssef et al. (2018) suggest that there exists a positive relationship between each of the antecedents of customer engagement and customer engagement. The authors explain that customer satisfaction is a required condition and “satisfaction with interactions during a purchase process may precede or follow the purchase, and dissatisfaction at any stage can scatter the process and result in customer exit. Hence, customer engagement focuses on satisfying customers by providing much superior value than competitors to build trust and commitment in long-term relationships.” Trust and commitment are also observed as being central blocks, in relationship marketing theory, to achieve a strategic relationship. There is also a level of involvement that is also involved, where customer involvement is defined as “the degree of customer interest and personal relationship with a specific object.” Customer involvement is often regarded as the key antecedent to customer engagement according to academic literature, whereas satisfaction, commitment and trust could either be antecedents for existing customers or represent the



end-goal for both existing and new customers. All these antecedents positively affect the multiple dimensions of customer engagement at different levels.

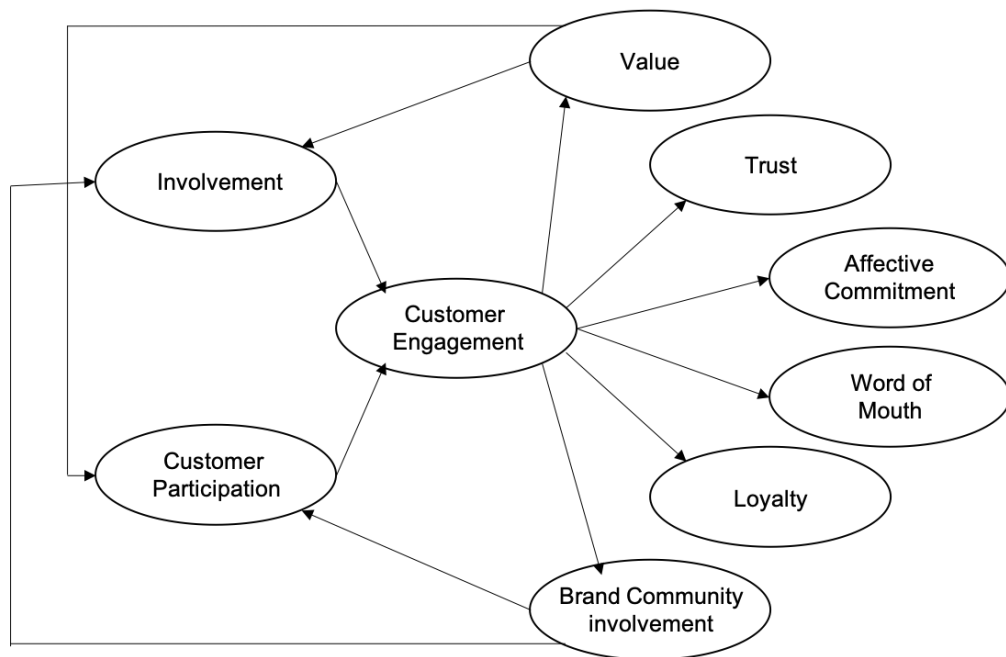
The figure also presents that customer equity is an outcome of customer engagement. According to Lemon et al. (2001), customer equity is used by firms and marketers as a useful tool to retain customers and achieve higher profits by understanding the reasons behind customers continuing their dealing with the firm. As per Rust et al. (2004), customer equity is “the total discounted lifetime value summed over all of the firm’s current and potential customers.” Rust et al. (2010) go on to explain that customer equity is an aggregated measure of summed customer lifetime values of customers of a firm which produce a firm’s customer equity.

Based on their research, Youssef et al. (2018) identify a total of three drivers for customer equity which are value equity, brand equity and relationship equity. The three drivers of customer equity also interact and affect each other (Dwivedi et al., 2012). Value equity is a customer’s objective assessment of a firm’s offering based on perceptions of what was given and what was received. Value equity is very important in the world of business-to-business because purchases are large and complex. As a result, B2B marketers face the challenge of ensuring customers continuously get value from a firm’s offering considering price, quality and convenience. The authors suggest that value equity can be improved by investing more in cognitive drivers through inclusion of customers in value-creation. Rust et al. (2004) define brand equity as a subjective and intangible assessment of a firm’s offering based on perceptions of brand awareness, brand image and a firm’s ethical and social responsibility. Rust et al. (2000) describes that brand equity can be improved by focusing on emotional and subjective drivers like advertisements in the marketing mix. Consequently, Youssef et al. (2018) propose that there exists a positive relationship between the emotional dimension of customer engagement and brand equity. The third driver of customer equity is of relationship equity which drives a customer’s intention to be loyal and an advocate and which measures strength of a relationship between a firm and its customer beyond objective and subjective assessments. As a result, there is a positive relationship between behavioral dimension of customer engagement and relationship equity.

The preceding discussions describes what the model presented by Youssef et al. (2018) is all about. They conclude that firms engaged in B2B relationships must understand the antecedents and outcomes of customer engagement and incorporate these in their marketing and service strategies. They encourage firms and marketers to consider customers as prized assets and work towards increasing customer equity, by two-way communications and effective ways of engagement.

### 3.1.2 Involvement and Participation as Antecedents of Customer Engagement

Another conceptual model for customer engagement has been developed and discussed by Vivek et al. (2012) based on their literature review and exploratory work. They define customer engagement as a customer's involvement and participation in and connection with a firm's offering and/or its activities, which either of them can initiate. They also agree that customer engagement comprises of cognitive, emotional, behavioral and social aspects as well. Cognitive and emotional aspects encompass experiences and feelings of customers, while behavioral and social aspects cover participation by customers, both outside of and within exchange situations. Their theoretical model for customer engagement suggests that participation and involvement of customers are antecedents of customer engagement, whereas value, trust, affective commitment, word of mouth, loyalty, and brand community involvement are possible outcomes. The following figure is a representation of their theoretical model.



*Figure 7. Theoretical model of customer engagement (Vivek et al., 2012).*

Vivek et al. (2012) research shows that participation from involved parties is integral to the concept of customer engagement. They also distinguish between participation and customer engagement and propose that participation precedes it. They define customer participation as the degree to which a customer takes part in producing or delivering of value, by being part of an interactive situation of common interest to both firm and customer (Dabholkar, 1990). Participation from the customer in such an interactive situation results in heightened enthusiasm and subsequently, greater engagement. Hence, Vivek et al. (2012) proposition is that customer's level of participation is positively associated

with customer engagement. They further define involvement as perceived personal relevance of customer and as a cognitive or motivational construct which indicates state of mind of customer. By providing opportunities of interaction, firms can enhance relevance in customers' minds, which can result in heightened engagement. So, they infer that involvement is an antecedent to engagement and has a positive influence on customer engagement.

Holbrook (2006) suggest that a customer's motivation towards engagement is based on the value they are expecting to get from the experience. When the act of engagement is self-justifying end in itself, the derived value is intrinsic. However, when engagement is means to an end, the derived value is extrinsic. Based on this, Vivek's at al. (2012) propose that intrinsic and/or extrinsic value is an outcome of customer engagement. Their findings further show that as customers perceive that they receive greater value from a firm's offering, they in turn participate more in the offering and get more involved, resulting in a feedback loop.

Vivek's at al. (2012) models shows that when customers are engaged in a satisfying interaction, it can lead to trust. Hence, one can infer that higher engagement should result in more trust in the relationship as customers will feel that a firm puts customers' interests first. The authors' next proposition is that customer engagement positively influences a customer's affective commitment towards a firm, where affective commitment is defined as a psychological bond or attachment which motivates customers to continue their relationship with a firm. Higher levels of benefits resulting from engagement between a firm and its customer will produce greater affective commitment. The authors go on to propose that customer engagement is positively associated with customer's word-of-mouth in regard to the firm it engages with, as highly engaged customers are more likely to spread positive word-of-mouth as advocates of a brand (Matos and Rossi, 2008). Vivek at al. (2012) further explain that engaged customers build stronger connections with a firm or brand associated with engagement and develop better attitudes toward a firm, its offering or brand and feel more loyalty towards it. Hence, loyalty is an intended outcome of customer engagement.

Lastly, the theoretical model developed by Vivek at al. (2012) also depicts the positive association of customer engagement with brand community involvement with a brand. This is supported by the notion that a customer who is connected to a brand and to others engaged with a brand, through positive experiences, is more likely to be a member of or be involved in a brand community. Such involvement in a brand community can further produce a feedback loop between brand communities and customer involvement and participation.

### 3.2 Relevance of Customer Engagement to Software-as-a-Service

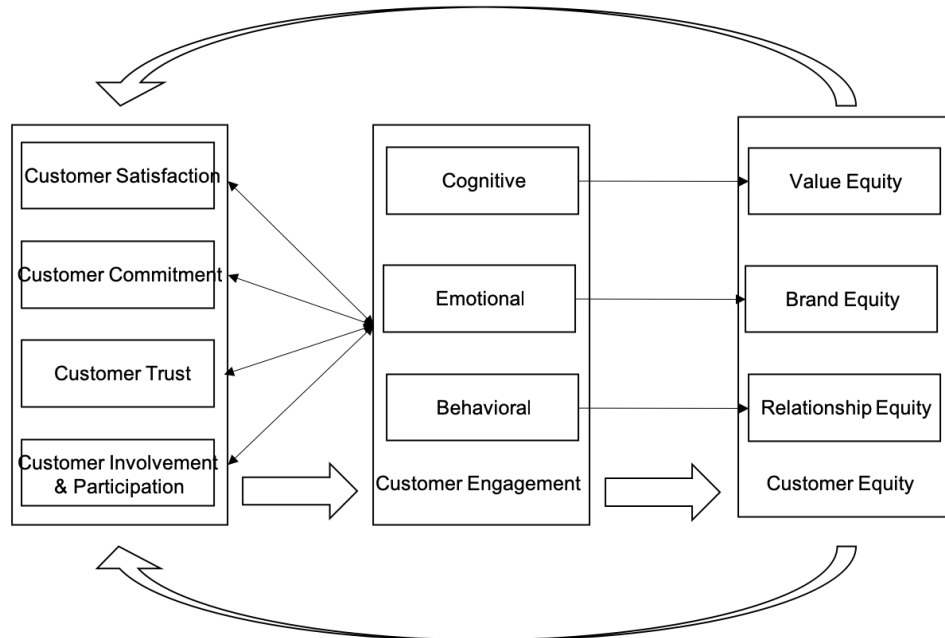
The previous sections aimed at developing a general conceptual understanding of customer engagement by looking at literature covering the topic and a few of the models that have been developed based on research. It would be useful to look at and understand these models in the light of B2B software-as-a-service businesses and the journey of their customers, and also to find synergies between the two models.

As has already been established in the introductory section, role of customers in SaaS businesses is shifting from being passive buyers to active business directors (Burrell, 2009). Nowadays, it is not enough for SaaS providers to just identify opportunities of value creation in their offering and solutions. Buyers and sellers need to not only identify value creation opportunities, but also co-create and deliver value throughout the customer journey (Ulaga, 2018). A win-win business relationship for both SaaS provider and customer will be where “new or added co-value is continually being created for a service offering” (Chen and Sorenson, 2011). Service is a significant component of SaaS offerings. Hence, customer engagement naturally has a role to play in service relationships between a SaaS firm and its customers.

Considering that the previous customer engagement models have been understood from the point of view of post-sales, a journey of a SaaS customer should be looked at from the same point of view to understand how customer engagement comes into play. At a broader level, typically, a SaaS customer’s journey starts with deployment and implementation of the software (Ju et al, 2012). This marks the onboarding of the customer to the software. After a successful onboarding, a SaaS provider must continue to create and deliver value to the customer in post-deployment stages (Ulaga, 2018). SaaS providers aim at further driving the adoption of their product to ensure continuous success of their customers. According to Ulaga (2018), customer success is a relatively new topic of growing importance in business markets. As per Ravi (2015), support provided by a SaaS provider to a customer throughout the product lifecycle and the provider’s participation in co-creation of value for customers are determining factors in driving product adoption in post-deployment phase. Haile and Altmann (2016) also support the notion and state “value needs to be created through service integration, user generated content, and network externalities from the interaction of users.”

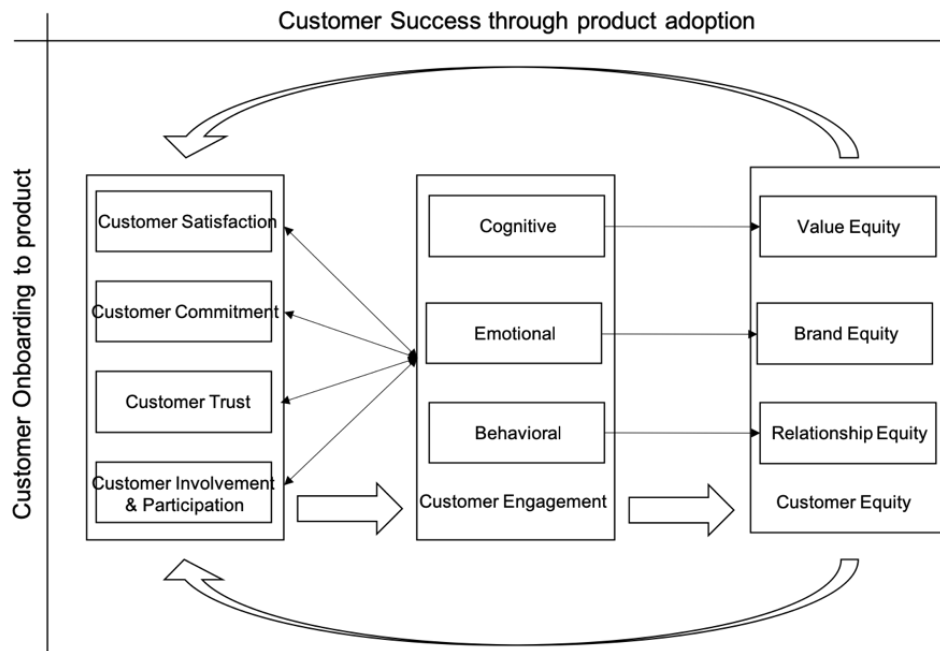
As suggested by previous models, customer engagement is directly linked to co-creation of value. Hence, it can be suggested that the level of customer engagement achieved between a SaaS provider and its customers is an important factor to contribute to adoption of the product. Now that a SaaS customer’s journey has been understood at the broader level as deployment and onboarding and then value co-creation and success of the customer through product adoption, the earlier discussed customer engagement models need to be revisited.

Out of the two earlier discussed models of customer engagement, the former took a business-to-business perspective. Hence, it holds more relevance to a SaaS use-case than the latter model. At the same time, there were important takeaways in the latter model as well that can be incorporated in the former model. The next figure is a revised model of customer engagement which is an amalgamation of the earlier models.



**Figure 8.** Revised theoretical model of customer engagement (adapted from Youssef *et al.*, 2018 and Vivek *et al.*, 2012).

The revised version takes into account the iterative nature of customer engagement, where antecedents and outcomes of customer engagement are linked in kind of a feedback loop. While customer satisfaction, commitment, trust, and involvement together with participation are antecedents of customer engagement, they are also directly and positively influenced by the multiple dimensions of customer engagement and also by the intended outcome, customer equity. For a SaaS firm and its customer, the model of customer engagement takes place in the context of customer onboarding and customer success through product adoption. Hence, it would be useful to highlight those in the previous model, as shown next.



**Figure 9.** Revised theoretical model of customer engagement in the context of a SaaS business.

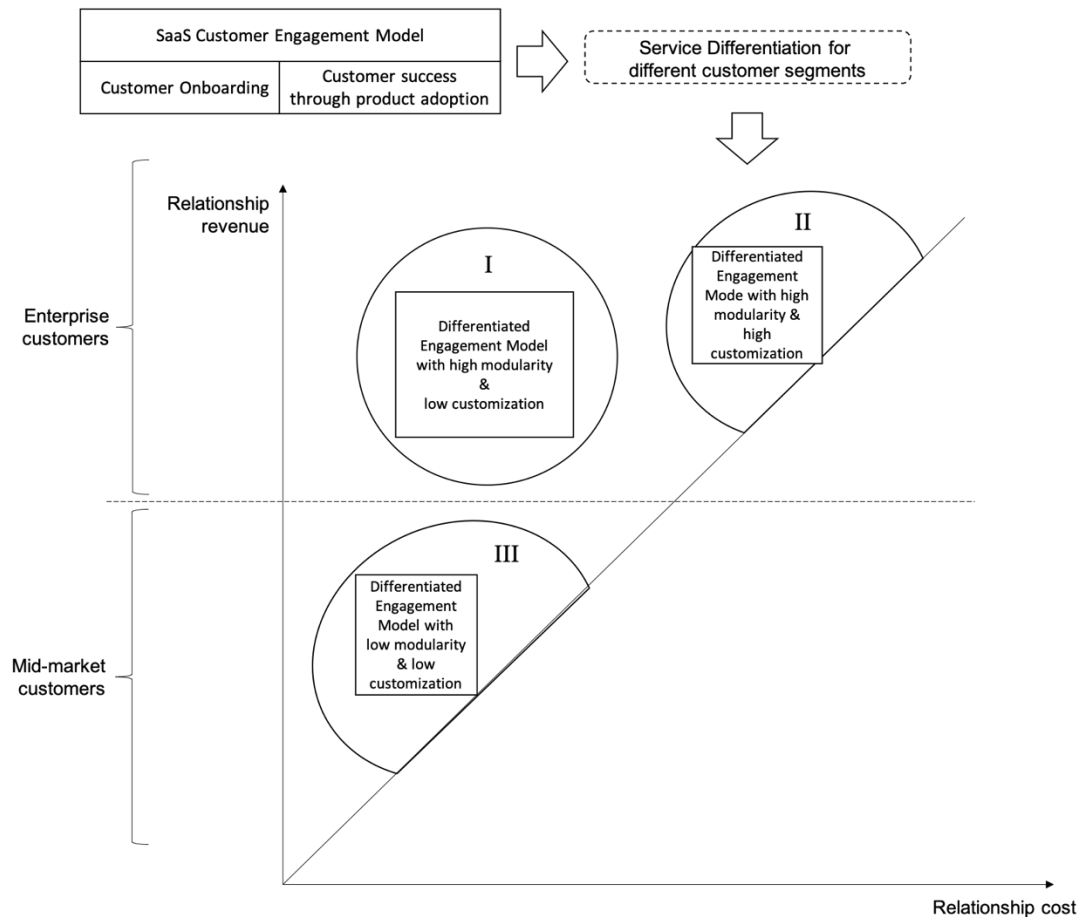
As the model suggests, customer engagement has an important role to play throughout the journey of a SaaS customer. It has significance during the initial onboarding of the customer to the product and then later in success of the customer and in driving product adoption. Intuitively, it would also make sense that different components of the models also behave differently during the onboarding phase and post-onboarding phase, and some components might be more relevant during onboarding and others during post-onboarding.

## 4. THEORETICAL FRAMEWORK FOR DIFFERENTIATION OF CUSTOMER ENGAGEMENT MODEL

As discussed in previous chapters, customer engagement is part of a SaaS business's service strategy. Hence, any kind of service differentiation for a SaaS provider would involve differentiation of its customer engagement model as well. From the firm's perspective, it would make sense to put in more efforts towards a customer with high relationship revenue and have a higher level of engagement with such a customer. Likewise, a customer with low relationship revenue should be on the lower end of customer engagement with less effort towards them. Hence, the nature of customer engagement of a SaaS firm with its customers should be different between customers with high relationship revenue and customers with low relationship revenue. At the same time, to lower the level of relationship cost, a SaaS firm should focus on modularity as well to balance customization by offering pre-determined service modules.

For a SaaS firm, customer engagement takes place in the larger context of customer onboarding to product and then value co-creation and customer success through product adoption. Hence, as part of service differentiation for a SaaS firm, the way customer onboarding is done, and product adoption is driven would also need to be differentiated based on levels of relationship revenue and relationship cost. Why it would make sense for a SaaS firm to do so and the external and internal reasons behind such a move are explored further in the empirical part of the paper. The general framework, from a broad perspective, for differentiation of customer engagement model for a SaaS firm is illustrated in the next figure.

SaaS firms tend to categorise customers with high relationship revenue as enterprise customers and customers with low relationship revenue, on the other hand, as mid-market customers. The figure presented is a more of a theoretical model and is simplified. In practice, a whole lot of other factors would need to be considered when differentiating a customer engagement model and there would definitely exist barriers and enablers in the process. Many of these aspects are covered later during empirical research, together with benefits and potential downsides of differentiating services.



**Figure 10.** General theoretical framework for differentiation of a SaaS firm's customer engagement model.

As was discussed in chapter 3, customer engagement positively influences customer equity and generally, customers satisfaction, commitment, trust, and involvement and participation act as antecedents and as well as outcomes of customer engagement. Hence, if a customer engagement model is differentiated between customers, it would naturally affect its antecedents and outcomes as well. The different levels of customization between different customer segments would also have an effect on customers satisfaction, commitment, trust, and involvement and participation. It is safe to argue that customization affects relationships between a firm and its customers, especially from the customer's perspective. As a necessary impact of the presented theoretical framework, the effects of customization on components of customer engagement model need to be considered as well, as that can add to the importance of the theoretical framework for practitioners.

Coelho and Henseler (2012) state that it is important for firms to make "a reasoned decision on the customization strategy – whether to customize the service offering at all, and if so, to what extent." The authors further argue that it is essential for service-providers to fully understand the effects of service customization on a firm-customer relationship, "in order to make use of service firms' customization abilities and to make deliberate



decisions on customization strategies.” Simonson (2005) specifically emphasizes examining the effects of service customization on long-term relationship with customers and customers’ commitment. Based on their findings, Coelho and Henseler (2012) suggest that “customization increases perceived service quality, customers satisfaction, customer trust, and ultimately customer loyalty towards a service provider as a co-creator of loyalty.” The authors further describe service customization as having both direct and indirect impact on customer loyalty and as interacting with effects of satisfaction and trust on customer loyalty.

Coelho and Henseler (2012) discuss that service customization positively influences service quality as it not only acts as a quality endorser but also “underlies several of the ten determinants of service quality (Parasuraman et al., 1985).” Further, service customization leads to higher satisfaction as a customized offering is more likely to satisfy a customer than a standardized offer and can offer a solution to customer’s unique needs. The authors mention that this is also supported by a large majority of empirical studies. They further argue that service customization also leads to increased customer trust, by decreasing customer uncertainty and vulnerability (Moorman et al., 1993). There also exists a positive relationship between higher service customization and higher customer loyalty. This is supported by the fact that a mutual investment is needed into the exchange relationship; for the customer to express their needs and wishes and for the firm to understand these needs and tailor their service accordingly. This results in other alternatives becoming less effective and at the same time, results in an increase in switching costs. Another one of the main findings discussed by the authors is that level of customization’s effect on customer loyalty is dictated by quality of relationship between firm and its customer. The most positive effect on loyalty is seen when trust is high while satisfaction might be low to moderate. Coelho and Henseler’s (2012) framework has important implications as it can help managers in deciding how to decide upon resource allocation towards service customization to positively impact customer satisfaction, trust and loyalty. As mentioned earlier, customization and resource allocation to customer segments can be done on basis of levels of relationship revenue and relationship cost. Later in the study, some parts of empirical discussion also explore the impact of service customization on engagement and on other aspects.

## 5. RESEARCH METHOD

This chapter aims to introduce the case company and explore the research methods that were used to establish the research questions, gather the academic literature and empirical data, and the research methodology in how that data was analysed and further, in how that data helped refine the scope of the master thesis. It is worth mentioning that throughout the duration of the master thesis, the author was employed at the case company. While that has definitely helped with accumulation of knowledge and access to resources, it also meant that some inevitable bias might have been involved while the empirical data was being collected and analysed.

### 5.1 Case Company

The case company of the thesis, which has already been mentioned that the author was employed at, is a Finnish software-as-a-service company in the advertising technology industry. The company, headquartered in Finland, was founded in 2013 with the aim to automate and optimize online advertising for the largest and most advanced advertisers globally. The platform that was introduced was used to advertise on Facebook and Instagram. At that point in time, Facebook's own native tools for advertising lacked sophistication that larger advertisers required and proved to be quite user-unfriendly. Facebook saw value in such companies who could help advertisers scale their advertising spend and hence, introduced the partner ecosystem. The case company was soon badged as a Facebook Marketing Partner (previously Preferred Facebook Partner).

The next five and a half years marked significant growth for the company. At the time of writing, the case company had over 700 customers from all major verticals including retail, e-commerce, travel, gaming, and agencies, with 15 offices globally from Americas to EMEA to APAC and had close to 300 employees. In terms of the total ad spend going through the platform, the case company was one of the largest, if not the largest, Facebook Marketing Partners in the world. The business model of the company is quite straightforward, where it charges advertisers a percentage fee based on their ad spend, and the fee goes down when the ad spend scales up. Furthermore, it's a month-on-month subscription without any contractual lock-ins.

The platform was developed by being very close to enterprise customers, by understanding their specific pain-points and building product solutions around that. Due to the increasing complexity of the product, it required a high level of hand-holding and service. Historically, there was no definition of and differentiation between larger enterprise customers and smaller mid-market customers. The same customer teams were looking after all types of customers. Every customer that signed-on had a dedicated account manager,

who not only handled the sales process, but also ran trials, helped the customer teams onboard themselves to the platform, ran trainings, help catch-ups at a regular cadence to provide consultation, and with other more complex and technical issues as well. At the same time, customers had access to 24/5 support chat and support center with instructional articles and documentation.

Over time, customer teams were split by geography naturally. Gradually, as more customers were signed-on, teams became vertical specific as well to offer specialized solutions and services. However, mid-market was never considered as a separate vertical. Mid-market customers were managed in the same way as enterprise customers. This resulted in a situation where company efficiency was decreasing as a lot of company time and efforts were being dedicated to these smaller customers who had low-revenue potential.

As a result, in mid of 2018, the case company decided to pursue what it called, the mid-market initiative. The purpose of the mid-market initiative was to analyze and propose the best way to manage mid-market customers and separate them from enterprise customers. How this separation was done was based primarily on the monthly revenue a customer was generating. A ‘task-force’ was assembled to lead the initiative, which comprised of two customer teams’ leads, lead of the service operations team, a service operations engineer, a customer success manager and a sales executive. The team directly reported to the COO of the company. By taking on this mid-market initiative, the company hoped to develop a sustainable and scalable service model for mid-market customers.

## 5.2 Qualitative Study

Miles and Huberman (1994) describe qualitative research as having three components which are data, analysis and documentation. Empirical data gathering is usually done through qualitative research methods which are described shortly. Analysis includes an interpretative procedure to make sense of the data to reach findings or validate theories, and finally, the findings of the research are documented mostly in a written form. Gummesson (1993) states that understanding complex phenomena is usually a reason for conducting case study research. He further argues that while qualitative methods are important for data gathering, case studies are not all about qualitative analysis. Many times, quantitative analysis and methods can contribute to case study research. According to the author, there are five methods by which data for research purposes in empirical studies can be gathered, which are as follows:

- Using existing material
- Questionnaire surveys
- Interviews
- Observation
- Action science

Gummesson (1993) explains that these methods do not exist in isolation and in practice when gathering data, a combination of these methods is used. The first method of using existing material for data gathering includes books, webpages, photos, and statistics. The benefit of using this method is that it saves time as the data is already in place and ready to be used for further analysis. Questionnaire surveys are another effective method of empirical data gathering and can also help in bettering qualitative interviews by making them more formalized and standardized. Questionnaire surveys have the most utility when problems are clearly defined. Interviews are the most commonly used method for empirical data collection. The author suggests that the topics of discussion during interviews should be studied properly the actual interviews take place. Although, interviews hold many similarities with questionnaires, interviews are usually more informal. As per Patton (2005), interviews result in direct quotations from people of their opinions, knowledge, experiences and feelings, and might reveal some implicit aspects that is not obvious through questionnaires. The fourth method of data gathering, observation, makes use of all five senses researcher, and is helpful in gathering data when it cannot be easily expressed and put in words. Patton (2005) also adds that observation encompasses “description of people’s activities, behaviors, actions, interactions and organizational processes.” The fifth and last method of data gathering involves active participation of researcher within a process and not just passive observation. With this method, knowledge can also be applied and validated in action. Researcher can also affect the process as well.

For the scope of this paper, qualitative interviews were relied heavily on. To some extent, existing materials were also used. Gill et al. (2008) also describe interviews as the most commonly used method for data collection. Patton (1990) suggests that interviews help researchers in entering into another person’s perspective. Gill et al. (2008) state that interviews can be of three types.

- Structured
- Semi-structured
- Unstructured

The interviews conducted as part of this paper were semi-structured. In semi-structured interviews, while several pre-determined questions are used to drive the interviews forward, maintain a flow and define the scope, individuals involved in an interview are free to pursue a specific idea or dig deeper into any response (Gill et al., 2008). Semi-structured interviews are also favored by Flick (2009) who argues that interviewees should be provided with a structure of things to talk about but at the same time, should have the flexibility and scope to reveal their opinions and views.

### 5.3 Data Collection

The empirical data was primarily collected through conducting qualitative semi-structured interviews. Moreover, existing company processes and relevant content regarding mid-market was studied as well, as the case company had been doing an analysis of their mid-market customers already. As per Eisenhardt and Graebner (2007), interviews are a very efficient way of gathering rich empirical data, especially about episodic and strategic phenomena. The authors admit that bias can be a challenge during the process and needs to be limited. They identify a key approach to limiting bias as making use of several and highly knowledgeable interviewees who have diverse perspectives to avoid convergent retrospective sensemaking. They stress the need of having interviewees from different organizational hierarchical levels, functional areas and even geographies. These factors were taken into account when conducting the interviews for the thesis in order to mitigate biases.

The data collection was initiated by diving into relevant academic literature first. Based on the relevant themes identified, a first set of questions was formulated. The purpose with the first set of interviews was to identify key focus areas for the thesis, set the direction of future work and realign the scope of the thesis. The first round of interviews, which went from September 2018 to October 2018, focused on why the mid-market initiative was being undertaken within the case company, internal and external reasons behind the initiative, what the drivers and barriers in service differentiation were, and what the advantages and disadvantages were. As Eisenhardt and Graebner (2007) emphasized that interviewees with different perspectives need to be interviewed, interviewees in the case company were identified from different organizational hierarchical levels, functional areas and office locations. The interviewee's relevance to mid-market was also taken into account.

A total of six individuals from the case company were identified and interviewed. The interviewees included the Team Lead for mid-market customers team in Austin, the Team Lead for MENA (Middle East and North Africa) customers team which included numerous small and mid-sized businesses, two Service Operations engineers who were involved in the mid-market initiative, the Customers Lead for the mid-market initiative and finally, the Chief Operating Office was interviewed as well to bring in the leadership perspective. The duration the interviewees had been working at the case company varied from almost 5 years to just over a year. The following table summarizes information about the interviewees and interviews conducted.

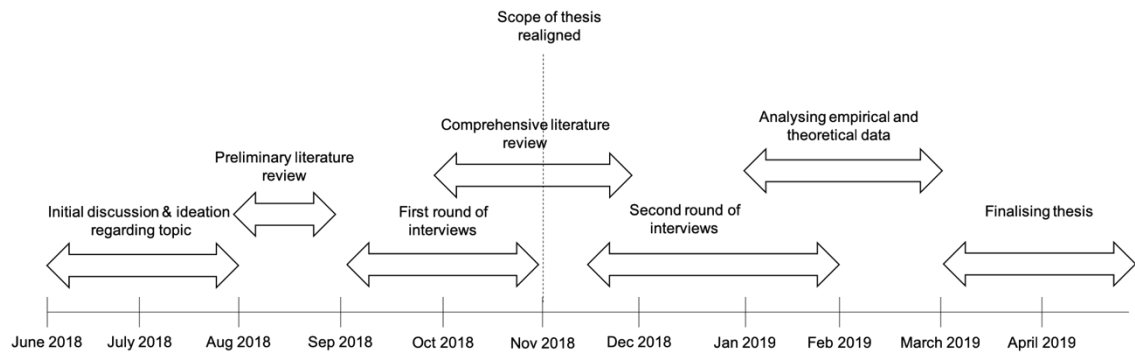
**Table 2.** *Summary of information about interviews and interviewees.*

	<b>Role</b>	<b>Base Office</b>	<b>Years in Case Company</b>	<b>Duration in first round</b>	<b>Duration in second round</b>
Interviewee 1	Customers Lead for Mid-Market initiative	Helsinki	4.86	40 min	37min
Interviewee 2	Lead for Austin customers team	Austin	3.31	36min	37min
Interviewee 3	Lead for MENA customers team	Dubai	1.39	34min	33min
Interviewee 4	Lead for Service Operations team	Helsinki	3.58	35min	30min
Interviewee 5	Service Operations Engineer	Austin	1.14	34min	29min
Interviewee 6	Chief Operating Officer	Helsinki	4.92	37min	32min

The interviews were semi-structured with questions being mostly open ended to allow the flexibility to linger on topics that interviewees had most level of knowledge about. In some cases, the questions for the interview were shared beforehand to allow time for reflection. With the exception of one interview conducted in person, all interviews were conducted through a video call and lasted between 30 to 40 minutes. The interviewees gave permission to record interviews in all cases. Although, notes were still taken during the interviews. The interviews were later transcribed as well for further analysis.

After the first batch of interviews, the objective of the research was clarified, and the scope was realigned. While there were several other aspects to service differentiation, the way the case company engaged with its customers and managed processes for customer onboarding and product adoption seemed to be the most relevant ones and these aspects helped set-up the direction of the study. Based on the newly found literature and missing perspectives after the first round, a second set of interview questions were readied. The second set of questions were also shared with the thesis supervisor to get input and feedback. The second round of interviews, which went from November 2018 to January 2019, focused on identifying differences in needs of small and mid-sized and enterprise customers, source of these differences, and because of these differences, how case company's value-proposition differed and how the case company should approach customer engagement differently for small and mid-sized customers and enterprise customers.

The same set of individuals were interviewed for the second round as well, for the sake of continuity and consistency. Mostly, the same processes were followed to conduct the second batch of interviews. As before, all interviews, except one, were conducted through a video call and were recorded. Each interview again lasted between 30 to 40 minutes and was later transcribed. The next figure shows the timeline of the thesis.



**Figure 11.** *Timeline of research process.*

Thesis work was started in June 2018 where initial discussions were held with the supervisor and ideas of interest were discussed. Over the next couple of weeks, a potential problem the company was working on was researched more into, and a general topic was finalized with the supervisor by August. During the month of August, some initial literature review was done to guide the formulation of questions for first round of interviews. The first round of interviews was conducted for the next two months. While the interview process was progressing, a comprehensive dive into academic literature was done. This helped re-align the scope and direction of the thesis. From November to January 2019, the second round of interviews was done. After that, some weeks were spent analyzing all the empirical and theoretical data collected. The last few weeks from March to April were spent in finalizing and completion of thesis.

## 5.4 Data Analysis

Eisenhardt and Graebner (2007) explain that theory is developed through “recognizing patterns of relationships among constructs within and across cases and their underlying arguments”. The authors go on to say that theory-building process happens through iteration of case data and emerging theory, and later supported by pre-existing academic literature. Eisenhardt (1989) suggests that by closely familiarising oneself with each individual case as a stand-alone, unique patterns emerge before these patterns are generalized across cases. This approach was used to analyse the transcribed interviews and relevant literature to identify common patterns and over-arching themes.

After the first round of interviews was done and interviews transcribed, the results were tabulated. There were tabulated to categorise internal and external factors of service differentiation, barriers to and facilitators of service differentiation, and advantages and disadvantages associated with service differentiation. The results were also analysed to identify the aspects to look at when doing service differentiation for mid-market and enterprise customers and to what extension differentiation is required. The table below is a depiction of how the interviews were tabulated and analysed.

**Table 3.** *Structure used to tabulate and analyze first interviews' results.*

	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4	Interviewee 5	Interviewee 6
<b>Service Differentiation</b>	External factors					
	Internal factors					
	Barriers					
	Enablers					
	Advantages					
	Disadvantages					
	Critical factors					
	Aspects to differentiate					
	Extent of differentiation					

The results were analyzed to identify what perspectives stood out, what the missing perspectives were and what perspectives to focus on. During this stage, academic literature was heavily relied on to see what existing literature there existed already that could potentially add a theoretical layer on top of the empirical data. Based on the analysis, a mind map was sketched out, to visualize different perspectives. Use of mind maps is considered highly relevant when it comes to developing an understanding of a subject matter and to supporting learning (Romlie et al, 2017). The developed mind map was also shared with the thesis supervisor to get further input and validation. The aim of the mind map was to really solidify the direction of the thesis, try to foresee the intended outcome of the thesis and finally to identify gaps in the data so far. Those gaps were then used as a starting point to initiate the second round of interviews.

The empirical data from the second round was also analyzed in a systematic way to identify common themes and patterns. For better visualization and analysis, the results were tabulated and separated into different areas of focus. Key focus areas included value-proposition for enterprise and mid-market customers, differences in customer onboarding between enterprise and mid-market, barriers to product adoption in mid-market, enablers of product adoption in mid-market, and then differences in barriers and drivers of mid-market from those of enterprise. The next table shows how the qualitative data was analyzed.



**Table 4.** *Structure used to tabulate and analyze second interviews' results.*

	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4	Interviewee 5	Interviewee 6
<b>Customer Engagement</b>	Value-proposition for mid-market & enterprise					
	Differences in customer onboarding					
	Barriers to product adoption in mid-market					
	Enablers of product adoption in mid-market					
	Difference in barriers and enablers between mid-market & enterprise					

The empirical results were then compared and combined with academic literature on the topic, also to serve as a validation for collected results. After the second analysis, the mind map was referred to then again and the gaps were filled in to configure a revised version of the mind map. The mind map was also used as a basis to propose the final theoretical framework.

## 6. RESULTS

This chapter discusses the relevant results that were acquired through the empirical data-gathering process of the thesis. The key information presented is used to set the stage for further analysis of the results. Most of the discussed results are a direct output of the interviews, but some information from existing company's processes and content is also presented. The results in the chapter are presented through the identified themes of service differentiation and customer engagement.

### 6.1 Service Differentiation

#### 6.1.1 External and Internal Factors behind Differentiating Services

One of the perspectives to be gained from interviews was why a SaaS company should differentiate its service for enterprise and mid-market customers and why the case company felt the need to do so. The interviewees were able to give a lot of valuable insights here and many reasons, both external and internal to the company, were identified. One of the most identified external factors behind service differentiation was the difference in needs of enterprise and mid-market customers, and the difference in needs is because the two types of customers are fundamentally different “in terms of how they operate and the problems they face”, as answered by one of the interviewees. These differences in needs of mid-market and enterprise customers warrant that a SaaS company differentiate its services as well towards both types of customers. The COO summarized this factor well:

*“If we look at our global customers, their expectations from our service and product, how they do advertising, and how their teams are structured, are very different compared to mid-market customers who might just have a few people in the team in the same location versus like globally distributed companies. So, there is a very natural need that the services that we provide for enterprise and the mid-market, they just are different.”*

This aspect of differences in needs of mid-market and enterprise customers respectively was further investigated in the second round of interviews, to identify what those differences were, and the aspect has been discussed in the following sub-section. Another external factor to differentiate services that was discussed was how Facebook approaches mid-market and the importance of the ‘vertical’ for Facebook. Many interviewees identified that “mid-market is the fastest growing market for Facebook” and that “Facebook has a lot of plans for the mid-market market and sees a lot of growth”. Again, the COO put it quite eloquently as:

*“Facebook has also been pushing mid-market as a segment and a huge opportunity and they are not going to build a service organization. So, there is naturally a lot of room for*

*partners to help in that area. It's nicely aligned with Facebook's approach and initiatives as well."*

One of the interviewees stated that the need to differentiate services was less driven by what competitors were doing. To conclude, difference in needs of mid-market and enterprise customers and Facebook's approach towards mid-market as a whole were identified as the external reasons for service differentiation.

Numerous internal factors were identified by the interviewees for service differentiation. One factor that almost all interviewees mentioned was the need to be more efficient when it comes to serving a large number of smaller mid-market customers. As the needs of these mid-market customers are different from those of enterprise customers, it means that a SaaS company also needs to approach serving these mid-market market customers differently. One of the interviewees put it as "making working with smaller customers more profitable, scalable and smarter". The Lead for Austin customer team stated:

*"The need of the (mid-market) customers are different and subsequently, how we work internally has to be different because it is not efficient to spend the same amount on a customer who spends low in comparison to a customer who spends a lot. If we keep working with mid-market customers as we do with enterprise customers, it will eat up our resources."*

Another interviewee, who is part of the Service Operations team in the company, answered as:

*"An account manager working with 50 customers requires a need different method of engagement. Comparing that with an enterprise account manager who might just have 5 or 6 customers, they can give a lot of time and dedication to those customers. Being able to provide value scalably and sustain that, with over 50 customers is obviously a difficult challenge. That's the primary driver behind why it needs a new service model."*

One interviewee also associated employee motivation with a more scalable and efficient way of serving mid-market customers "by making sure that account managers are equipped to handle the varying needs of their customers". The COO looked at a more scalable and efficient way of serving customers from a cost model point of view and stated that "for the bigger customers, the cost model is different from the mid-market customers." The COO also believed that mid-market customers usually do not have the same kind of needs and expectations as enterprise customers, hence it might make more sense and make it efficient to manage and serve mid-market customers from centralized locations, which was what the company was working towards. He further commented that this notion was supported by the fact that they see certain similarities in what each regional team was doing for their customers and there was a need to standardize that part and have a similar kind of approach and model towards all the mid-market customers globally.

Another internal factor to service differentiation that was common across all interviewees was the financial growth that was associated with mid-market. The COO commented that treating mid-market as a separate segment would open up new avenues for revenue and more room for growth. The Lead for Austin customer team observed:

*“The company wants to grow market share. It is obvious that growth is not going to keep coming from large customer and advanced customers only. If we want to accelerate growth, we need to focus more on volume with mid-market customers.”*

Another internal factor that was identified was that recognizing mid-market as a separate vertical and building a service model around that would help the company in expanding beyond their core type of customer, which usually had been large and complex advertisers. This was also asserted by the CEO that having a core base of customers, apart from enterprise, brings more stability and balance to the customer mix. The following table summarizes insights from the interviews pertaining to external and internal factors behind service differentiation.

**Table 5.** Summary of internal and external factors for service differentiation between mid-market and enterprise customers.

External Factors					
Difference in needs of mid-market & enterprise	Fastest growing market for Facebook	Less driven by competitors' behaviours			
The two types of customers are fundamentally different in terms of how they operate and the problems they face .	Facebook is pushing mid-market as a segment and a huge opportunity.	The company is not looking to compete with competitors over mid-market.			
Internal Factors					
Expand beyond core type of customers	Grow market share	Keep employees motivated	Work efficiently with smaller customers	Standardize & centralise service for mid-market globally	Difference in cost models
Having a core base of customers, apart from enterprise, brings more stability and balance to the customer mix.	Treating mid-market as a separate segment will open up new avenues for revenue and more room for growth.	Employee motivation is associated with a more scalable and efficient way of serving mid-market customers.	There is a need to make working with smaller customers more profitable, scalable and smarter.	It is more efficient to manage and serve mid-market customers from centralized locations.	For the bigger customers, the cost model is different from the mid-market customers.

As evident from the previous table, difference in needs of mid-market and enterprise customers was identified as one of the key factors behind service differentiation. The next section aims at exploring this further to pinpoint what those differences in needs entail and what the sources of these differences in needs are.

### 6.1.2 Differences in Needs of Mid-Market and Enterprise Customers

The aspect of differences in needs of mid-market and enterprise customers was explored further in the second round of interviews. The interviewees were asked to describe the differences both from product and service point of views. In terms of service, the most common answer was that enterprise customers require more tailored and customized services. On the other hand, with mid-market customers, it's more about standardization. For mid-market customers, standardization includes being made to know the best practices and what's working for similar customers in their respective vertical. One of the interviewees described this as, "sharing best practices is important for mid-market customers to help them scale but for enterprise, service needs to be tailored according to their needs. These customers might have very specific use-cases." This was also reasserted by another interviewee who stated, "for mid-market customers, we should package best practices, whereas an enterprise customer might question those, and would want to fine-tune things to find their own way and find what works and does not work for them."

Another difference in needs was the level of training required by mid-market and enterprise customers, not just for the tool but generally about advertising on Facebook and Instagram as well. One interviewee highlighted this as a fundamental difference and commented that enterprise customers are usually way advanced and fully understand their niche. The Lead for Service Operations team described this difference as:

*"Generally, enterprise customers are more well-versed in advertising because of scale and mid-market customers can be in a situation where they also need basic training and then jumping from basic training to advanced stuff is somewhat hard and not necessarily valuable for them."*

The Lead for MENA customers team observed that enterprise customers, because of the way they work, are interested in dealing with numerous specialists in the SaaS company who have deep knowledge of specific topics. This expectation is often times justified by the magnitude of the revenue generated by the enterprise customer for the SaaS company. On the other hand, mid-market customers' teams want to deal with a smaller number of people, who are multi-specialists and can understand lots of different things.

An interesting aspect highlighted in some of the interviews was that the difference in service needs can also come "from how much we are able to serve mid-market customers verses how much service they would need. While the differences are there, at the same time, there exist numerous common nominators between smaller customers and larger customers. Both of them would benefit from hand-holding but we can only do it with enterprise-sized accounts." This notion was also shared by another interviewee who stated, "we cannot have the same amount of resources dedicated to smaller customers because the revenue from them is not comparable to any enterprise customer. That means

that we need to scale our service and do it in a way where we do not end up overserving smaller customers.”

The interviewees were keen to highlight that difference in service needs were also correlated with difference in needs of product and both had effects on each other. This was an interesting aspect and was supported by the argument that as enterprise customer teams generally do not need basic knowledge in social advertising, they have the luxury and capacity to focus on what they are actually meant to be doing, while mid-market customers teams do not. Hence, anything that is done on the product side, if it is not intuitive and easy to adopt, mid-market customers will have a hard time to adopt, unless they clearly see the value. An interviewee aptly described this as:

*“Mid-market customers teams, as they are wearing many hats and often are very busy, they do not necessarily have as much capacity to learn ins and outs of everything. They need a simpler product and they just want to be able to switch on a button that automated things for them. Enterprise customers team have more capacity and they are more interested in control, so they want a lot more flexibility, control and ability to deep dive in the product.”*

Simplification of the product for mid-market was mentioned by majority if not all of the interviewees. This was described by the Lead for Service Operations team as:

*“Enterprise customers have really big scale. They need more advanced and power tools. On the contrary, mid-market customers would need simplification from product, and more explanatory user-interface and training on how stuff works, because the needs are simpler. Hence, an advanced tool like ours would need tuning and simplification to make mid-market customers comfortable by themselves.”*

To dig further into this topic, the interviewees were asked to share sources of these above-mentioned differences in service and product needs of mid-market and enterprise customers. Almost all the sources, that led to the differences, the interviewees mentioned were inherent characteristics of enterprise and mid-market customers. One of the sources included organizational complexity. Enterprise customers tend to have several specialized and verticalized teams responsible for their own specialized areas with numerous individuals in teams. Enterprise customers usually have a lot of stakeholders involved as well, including representatives from Facebook. On the other hand, mid-market customer teams are usually not specialized and tend to be jack-of-all-traits and are used to juggling many balls at the same time. Mid-market customers usually have much less resources than enterprise and hence, the teams might be just one or two individuals who are responsible for most of the things. The following quotation shows how an interviewee described this:

*“It’s an organizational thing. With enterprise, there is more muscle and established organization and specialized functional teams. With enterprise, there is also managing all the different relationships in the organization. So, it is much complex. So, our ways of*

*working with enterprise is justified not just by the revenue potential but also by their organization. We need to work closely with enterprise for us to understand where the customer is coming from and understand the organization. On the contrary, mid-market customers move much faster. So, if there is less complexity in the organization, we may be talking to the one person who handling most of the digital advertising.”*

One of the interviewees also included geographical complexity as part of organizational complexity by mentioning that “enterprise teams are often spread out globally, and hence, need more 24/7 cycle support and local support as well.” Another major source of differences pointed out by the interviewees was the scale of advertising activity. Enterprise customers tend to have much larger scale, when compared to mid-market customers, in terms of advertising activity they run on Facebook and Instagram. Some of the reasons behind this can include a greater number of markets being advertised to and/or much larger number of products/services to be advertised. How scale of advertising activity can lead to differences in needs was explained by an interviewee as:

*“For an enterprise customer, the sheer scale of advertising creates unique problems that are not there for a smaller customer. The number of ads, campaigns, countries, amount of everything will lead to a such where even the smallest of actions matter as their impact is manifold and substantial. For instance, sharing audience across ad accounts might not be a big deal for a smaller customer but for a larger client with a more complex set-up can be a huge time saver. This is not an issue for a smaller customer with small number of accounts and/or custom audiences.”*

Another source that can lead to differences in needs was identified as was the level of knowledge and expertise present in the teams. Many interviewees stated that there existed a direct correlation between product and service needs of a customer and the level of knowledge and expertise in their teams. Knowledge levels in mid-market team tend to be lower than those of enterprise teams understandably. And because of their expertise, enterprise customers tend to have advanced needs and usually have the technical setups in place as well. One interviewee also stated that “enterprise customers know their niche and the type of services they require. The questions that enterprise customers have and the kind of things they want to know from us are more advanced.”

Another major cause of difference, although not an inherent characteristic of a customer, is the potential of revenue they can generate for a SaaS company, as discussed by some interviewees. They explained that it might be that on paper, a customer was a typical enterprise customer and had all the advanced needs of an enterprise customer, but if the revenue potential was not quite significant, it would make sense for a SaaS company to dedicate any resources to that customer. Hence, a customer’s revenue potential can have a direct impact on the level of service that is dedicated.

### 6.1.3 Aspects to be Differentiated

For this section, not only discussions from the interviews would be looked at but also the company's newly developed service model for different tiers would be presented. One aspect that stood out in all conversation was how the company engages with customers and communicates with them. Considering the complexity of the product, there existed different touch points through which customers could get needed support. The interviews emphasized the need to redefine and standardize those service touch points. The engagement with customers can be categorized further, as evident from this statement:

*“We need to consider how we engage and communicate. While in enterprise, we have frequent call, that’s not a very sustainable way from our perspective if we were to do the same with mid-market. That should be different. We need to be very systematic in our engagement towards mid-market customers, examples include account audits, quarterly business reviews, frequency of catch up call. Another difference would be how we offer 24/5 support. At some point, we might need to reconsider if we can maintain the same level of support for mid-market customers.”*

Some interviewees also differentiated between onboarding and product adoption as part of customer engagement. The Lead for Mid-Market initiative commented, “in the past, we have had clients, who understood their needs and knew the questions needed to be asked. Now, increasingly, we get customers who do not understand their needs and do not know what questions to ask. Hence, onboarding needs to be more structured.” Another interviewee supported this by saying, “how do we make a more efficient and automated onboarding experience, and also how do we help them adopt the product after that.”

The Lead for Austin customers team was of the opinion that the process before a customer even signed-up needed to be differentiated between enterprise and mid-market. She supported this notion by stating:

*“Even the process before a customer start with us, the process from starting from sending in a demo request and going to trial execution will need to be differentiated as well. For instance, we could have a bot on our website who responds to these leads and qualifies them as well. They can then watch a demo themselves of the relevant value-adding features and then even do the trial themselves, where the platform is intuitive enough and guides them what do next. Closing an enterprise customer, on the other hand, needs much more human contact at different level and is a longer process.”*

Another important aspect which is important when it comes to differentiation of services for mid-market is the content that is being produced for them. The interviewees were of the opinion that for mid-market, most of the support needs to come from the product itself and documentation, and the value that is given to an enterprise customer by putting in a lot of time and effort needs to come from content. The Mid-Market Lead explained that



they were looking at building their own school of thought to establish the basics of advertising on Facebook and Instagram, and the content played a key role here, which could potentially include video tutorials, how-to blogs, support articles, an academy. The COO supported this as evident from his answer below:

*“We saw that we do not have an academy as support articles are not enough to help users improve their advertising activity and to help them use our product in a simple but optimal manner. The academy needs to complement the existing material that we have.”*

Most of the interviewees tended to agree on what aspects needed to be differentiated as part of service differentiation. A summary is presented in the table below.

**Table 6.** Summary of what aspects need to be differentiated.

Aspects of service					
Customers success & product adoption	Chat support	Learning content & documentation	Standardised & automated onboarding	Engagement & communication	Automated sales process
Product adoption as part of customer engagement needs to be differentiated.	Less frequent chat supported can be provided to mid-market and smaller customers.	Instead of through hand-holding of customer, value needs to be created with self-learning material.	Onboarding needs to be more structured for mid-market customers, so they can guide themselves through the process.	There is a need to redefine and standardize service touch points through which customers get support	The sales process for smaller customers need to be standardised and automated as well.

While the interviews were conducted, the company was already working on developing an engagement model for mid-market customers. The engagement model looked at a lot of those aspects which were brought up during interviews and summarized in the previous table. The engagement model was defined for three different tiers within mid-market. The model focused on initial onboarding when a customer starts, and then focused on engagement going forward to drive product adoption. The following figure is a representation of the customer engagement model that the company developed.

<p><b>TIER 1</b></p> <ul style="list-style-type: none"> <li>•Spend : 100k - 150k USD</li> <li>•High growth potential</li> <li>•Well known brand or brand has expansion opportunity</li> </ul>	<ul style="list-style-type: none"> <li>•Recommendations - Call every 2-3 weeks, QBR every quarter</li> <li>•Onboarding - Customized email checklist/sequence, checkpoint call</li> <li>•Email response time - 24h</li> <li>•Proactive email outreach - every 2 weeks or 1 per month (depending on client preference)               <ul style="list-style-type: none"> <li>• Latest product and Facebook feature updates</li> <li>• Vertical specific guides</li> </ul> </li> <li>•Self-learning - Learning Academy (webinars &amp; self-learning)</li> <li>•Support chat - 24/5</li> </ul>
<p><b>TIER 2</b></p> <ul style="list-style-type: none"> <li>•Spend : 50k - 100k USD</li> <li>•Moderate growth potential</li> </ul>	<ul style="list-style-type: none"> <li>•Recommendations - Call 1 per month, light QBR</li> <li>•Onboarding - Customized checklist/sequence, checkpoint call</li> <li>•Email response time - 24h</li> <li>•Proactive email outreach - 1 per month               <ul style="list-style-type: none"> <li>• Latest product and Facebook feature updates</li> <li>• Vertical specific guides</li> </ul> </li> <li>•Self-learning – Learning Academy (webinars &amp; self-learning)</li> <li>•Support chat - 24/5</li> </ul>
<p><b>TIER 3</b></p> <ul style="list-style-type: none"> <li>•Spend : 10k - 50k USD</li> <li>•Limited growth potential</li> </ul>	<ul style="list-style-type: none"> <li>•Recommendations - Quarterly account audit &amp; email</li> <li>•Onboarding - Vertical specific self-onboarding</li> <li>•Email response time - 24h</li> <li>•Proactive email outreach - 1 per month               <ul style="list-style-type: none"> <li>• Latest product and Facebook feature updates</li> <li>• Vertical specific guides</li> </ul> </li> <li>•Self-learning – Learning Academy (webinars &amp; self-learning)</li> <li>•Support chat - 24/5</li> </ul>

*Figure 12. Customer tiering and engagement model developed.*

As the figure shows that the mid-market customers were further tiered based on revenue. Tier 1 was characterized as the most important segment for finding fast growth opportunities and as needing more help to actualize revenue potential. Tier 2 included customer accounts that did not have significant immediate growth potential. Their growth was instead slow and steady but important for maintaining revenue. Tier 3 customers were characterized as having limited growth potential due to low resources and budget restraints. Customers in this tier were usually just starting out and social advertising was not a priority channel for them.

## 6.2 Customer Engagement

### 6.2.1 Value-Proposition for Mid-Market and Enterprise Customers

Given that value-creation is an important intended outcome of customer engagement, the interviewees were asked to share their opinion of differences, if any, between the value-propositions of the company for mid-market and enterprise customers. One of the most common answers was that with larger enterprise customers, the offering is positioned as

a partnership and it is the partnership which drives the value, while with mid-market customers, the value is driven from the product and the company is positioned as a technology provider, atleast that's how the company wanted it to be. One of the interviewees commented that in a partnership, "we are building features with larger customers in mind, rather than building features and getting customers to adapt these which is the case with smaller customers." The Lead for Austin mid-market customers team supported the notion and said:

*"Our value-proposition to enterprise is that we are your partners, we are an extension of your team, we work very closely with you to take your advertising forward and actually develop solutions for you. With mid-market, it's more like 'you have your business, you want to scale it, we will help you with the automation and take out the hassle, we will provide you with the best practices, so you can focus on more strategic and important aspects of your business.' However, unfortunately, our value proposition to mid-market is still quite heavily dependent on service and our knowledge. In a perfect scenario, we want the value-proposition for mid-market to be that the platform is truly self-serve. With enterprise, product is one part of our partnership with them. We bring in new ideas and keep them up-to-date with everything."*

The COO also pointed out that the value-proposition of partnership also makes sense for enterprise customers as "we give them more service. They need that service in order to use our platform efficiently for their advanced use-cases. There is also the aspect that larger companies pay more as well, and we increase the value that we provide for them by giving them more service." Although, the interviewees agreed on the differences in value-proposition to customers from the service side, the differences in value-proposition based on the product was somewhat unclear for them. One of the interviewees said that historically, the product had been developed for advanced advertisers with advanced use-cases and it was not easy to go from that legacy of so many years and simply the product for smaller and simpler advertisers. The ambiguity of interviewees on the value-proposition of the product was evident when they said, "definitely the value that is coming out is different but it is not packaged yet" and "we have a clear value-proposition for larger and advanced customers but not so much for mid-market customers."

### **6.2.2 Differences in Customer Onboarding**

As customer onboarding is an important part of customer engagement for a SaaS firm, interviewees were asked what they believed were the differences in customer onboarding of mid-market and enterprise customers. A common perspective was that the nature of customer onboarding itself was different for the two types of customers. Hence, it made sense to approach the processes differently for mid-market and enterprise customers. The COO noted that:

*“In mid-market, onboarding might mean that we onboard that single customer and that’s it. Whereas with enterprise, it might mean that we need to onboard these twenty people who have different roles and thus, different ways they would utilize the platform in. And since their set-up and how they do advertising might be different, there are a lot of things we need to take in to account when we onboard them. We need to identify what to teach and to whom. A challenge that we have from the produce and service perspective is that we need to identify the different roles and we need to onboard people to the product from different perspectives.”*

The interviewees also stated for smaller customers, onboarding might be a one-time process of a fixed and short duration. But for enterprise, the process is continuous, much longer and can take many months. Another perspective that was revealed was that for enterprise customers, the purpose was not to just have them comfortable with the product. For enterprise customer, a key purpose of customer onboarding is to build trust and partnership and making the provider’s footprint in the customer’s organization bigger. Some of the interviewees commented that onboarding could be even considered part of the sales process in case of larger customers.

The interviewees also agreed that content played an important role when onboarding smaller customers, as evident by the following statement, “the main difference is that smaller customers would need to be more self-serve. Onboarding would include demo videos and tutorials to get started, in-app push notifications to help with navigation and identification of useful features for their simpler use-cases.” Interviewees were also of the opinion that for mid-market, customer onboarding needed to be standardized and systematic and less service-dependent and that the product needed to play a larger role. The more central role of product in onboarding of mid-market customers is evident through the following statements:

*“In order for us to be operating efficiently and profitably, mid-market onboarding needs to be entirely automated and that for enterprise should continue to be consultative. I believe when a mid-market customer signs up for any SaaS service, they need to be able to see some good value in couple of days and if the onboarding or education process is too lengthy, they will lose interest and unsubscribe during the onboarding period.”*

*“For mid-market, the value from the tool needs to be shown during onboarding. It is important to get them really comfortable with the tool and for them to know what to do with the tool. The product needs to play an important role as well by having in-app tutorials or guides.”*

For enterprise, customer onboarding needed more service investment to build the relationship, to understand customer’s business, and needed more customization to tackle customer’s unique use-cases. One of the interviewees also noted that if an enterprise customer’s teams are spread across different locations, a SaaS firm might need to mobilize

local teams to take care of onboarding customer teams in those locations, which is rarely the case with mid-market customers.

### 6.2.3 Differences in driving Product Adoption

Another perspective that was explored during the interviews was difference in enabling product adoption through customer engagement for mid-market and enterprise customers. One aspect that was highlighted was the difference in levels of knowledge between mid-market and enterprise customer teams and which needed to be considered when engaging with customers. The low level of knowledge proves to be a barrier to smaller customers in adopting a product. This is evident from the following statements:

*“Enterprise understands the full picture in comparison to smaller customers and we don’t need to lecture them on why any feature is important in the larger context. That’s more of a barrier for mid-market.”*

*“The knowledge level is low and that is a barrier for mid-market customers. With enterprise, if they already understand how the ecosystem works, half of our job is done, and that barrier is taken away. But if you don’t understand the basics, which is a lot of our work with mid-market, going through the basics, then it is really difficult to adopt anything.”*

Some interviewees also noticed that timelines are typically shorter with mid-market, as they usually “don’t have time to implement something and wait for it to work and need to see results rather quickly” and that they “are more agile and can just put the tool to use and try it and discontinue, if they do not see the value.” The Lead for MENA customers team also noted that while enterprise customers prefer a more personal and consultative support as they tend to believe they have unique needs and typical recommendations would not be applicable to their special unique use-cases. Mid-market customers expect to be given a set of tested best practices that have worked with other customers in the vertical and industry, “kind of like a one size fits all solution.”

The COO stated that engaging with a larger customer which has specialized teams dealing with specific parts of the product was naturally going to be different than how a smaller customer was engaged to drive product adoption. He went on to say that engaging with smaller customers is simpler as often they have only a few people who have broad roles. “However, enterprise teams have specialized roles, it is much harder to do that. You need to present value to the right person who is interested in that area. It’s a tricky situation, when you have a powerful and complex tool like ours”, he commented. The Lead for Austin also seconded that by saying, “when it comes to enterprise, they have a bigger team and have more expertise, we work more closely with them and we do better and more systematic testing with them and everyone understands that there is no make me money button.”

When focusing on product adoption, the interviewees also agreed that communication and engagement with mid-market customers needed to be simplified by clearly communicating what a specific product feature was, why to use and how to use it, and without overwhelming them with too much information. The Lead for the mid-market initiative added, “we need to be very clear in our messaging to communicate benefits. I think we are a very engineering driven company that likes to talk about the features and not the benefits, then it makes it harder to grasp why a feature was made for smaller customers.” Another interviewee further added that ‘why’ part of adopting a feature was important mid-market customers. He explained that for enterprise sized customers, the company could ask questions and listen to them and customize, but for smaller customers, the value from product and use-cases of features needed to be clearly defined, and not customized in the same sense as enterprise.

It was also argued that it made sense for engagement towards larger customers to be more intensive and customized as the benefit of going through extra hassle is bigger for enterprise. Larger customers can go through multiple steps to achieve product adoption of certain features as the reward is also larger. For smaller customers, the reward is smaller and hence, only a smaller amount of effort can be put in by making it simple for them. The Lead of service operations team added, “for enterprise, we need to customize more as per their pain points. They pay us much more so the service to drive adoption is justified but for mid-market, we cannot do that, as the revenue per customer is significantly lower. We need to build more scalable ways of driving product adoption without the service component.”

The Lead for MENA customers team also touched upon product adoption from the product’s point of view as well, and not just customer engagement. She described the difference as:

*“Enterprise customers are less likely to be attracted to a product that takes away the choice whereas a mid-market customer is relieved if the product takes away some level of choice. Enterprise teams are used to pressing a lot of buttons and having control on so many different levels. Enterprise come to us asking for more workarounds and more control. A driver is promise of lot of control and flexibility and the social proof of the company being adopted by their enterprise peers.”*

## 7. DISCUSSION AND CONSIDERATIONS

This section dives into all the research done during the course of the thesis based on both literature review and qualitative interviews, to achieve the main research objective of the thesis. The initial part of the discussion focuses on the why part of the research question and summarizes the results of internal and external factors as to why a SaaS company should differentiate its customer engagement model for mid-market and enterprise customers, and further looks if the arguments are supported or challenged by theoretical literature. The latter part of the discussion revolves around how this differentiation can be achieved, where insights from both empirical and academic data are used to evaluate the feasibility of the earlier presented model. Finally, the last part of the discussion will look at establishing the theoretical importance and managerial implications of the findings of the thesis, look at limitations of the research and will suggest some possible areas for future research.

### 7.1 Why and How to Differentiate Customer Engagement Model

The factors behind why it makes sense for a SaaS company to differentiate its methods of customer engagement for mid-market and enterprise customers can be categorised as external and internal to the company. Based on the analysis of the empirical data, the factors are listed below:

- External factors
  1. Differences in service needs of mid-market and enterprise customers
  2. Growth of the respective customer segments
  3. Competitor behaviour
- Internal factors
  1. Differences in relationship revenue and relationship cost
  2. Efficient and scalable way of engaging
  3. Diversification and balancing of customer base
  4. Growth of market share and additional stream of revenue
  5. Standardisation and centralisation of service
  6. Employee motivation

The empirical analysis suggested that out of all the external factors, the difference in service needs of mid-market and enterprise customers was the most critical one. Kannan and Healey (2011) support the notion by arguing that variability in needs of customers provides an opportunity to firms to create more value for customers through differentiation of services. Coelho and Henseler (2012) also argue that the core idea behind differentiation of services is to optimally cater to the variable needs of target segments. As indicated,

theoretical literature seems to directly link customization of services based on customer needs with value created for customer (Broekhuizen & Alsem, 2002; Roth et al. 2006). These differences in service needs were later understood in subsequent interviews and are listed below:

1. More level of service customization for enterprise, while more level of standardization for mid-market
2. Larger scale of service for enterprise customers than mid-market due to larger scale of revenue, size and activity
3. Level of education and training needed
4. Support for enterprise customers from specialised teams for specific use-cases
5. Regional service and support for regional enterprise teams

Even though the differences in service needs mentioned above are quite contextual, they are still relevant for enterprise and mid-market companies in general. The empirical data further suggested the reasons behind the previously mentioned differences in service needs. The inherent characteristics of enterprise and mid-market customers played an important role behind differences in service needs. The differences in organizational complexity, differences in knowledge and expertise, and differences in scale of business activity were identified as key characteristics which led to varying service needs based on empirical analysis. Storbacka (1997) establish the need to segment customers as a direct function of their characteristics and thus, further validating why it makes sense to differentiate services based on these internal differences.

The literature also identifies competitive advantage as another factor behind differentiation of customer engagement model as part of its service offering. If a firm has a viable model for differentiating and customizing services for its customers, it can lead to higher value being co-created for customer based on competencies of the company, resulting in resources which are unique and not easily imitable (Vargo and Lusch, 2008). Hoopes et al. (2003) state that if service differentiation is combined with and based on customer centricity, it can be a source of competitive advantage and result in superior performance in industry as it is not easily substitutable. Competitor behavior, which arose as an external factor based on empirical discussion, can thus be merged with competitive advantage as a factor for service differentiation.

Another factor which literature highlights that is also key to any service provision is creation of superior value for a customer (Rahikka et al., 2011). According to the authors, value is interlaced with the outcome of the service and as well as the service process. Due the fact that mid-market and enterprise customers have different service needs, the same customer engagement model of service provision for both might not be the most optimal way of creating value for them. Additionally, the actual level of value created might need to be more for enterprise customers as the relationship revenue is high. Hence, optimal creation of superior value for mid-market and enterprise customers respectively based on

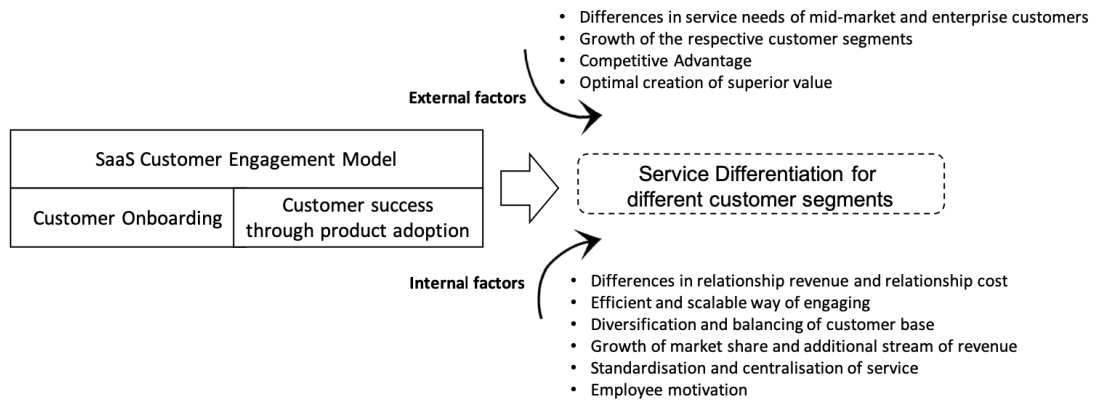


their different needs can be added to external factors differentiation of customer engagement model.

The differences in relationship revenue and relationship cost between enterprise and mid-market seemed to be the largest influencing internal factor behind service differentiation as evident from the results. This is directly tied with profitability. Intuitively, it would make sense for a service-providing firm to be more engaged with a customer who has higher profitability and thus, create more value for them. Storbacka (1997) agrees and states that distribution of profitability across customer base is a key aspect when determining the need to segments customers. This is also in line with the central idea behind differentiation of services - identifying profitable market segments and designing and delivering services to satisfy needs of those target segments in the most optimal manner (Coelho and Henseler, 2012).

Throughout discussions with interviewees, it was highlighted several times that same amount of time and resources as for enterprise customers cannot be dedicated towards serving and engaging with mid-market customers and that there was a need for more efficient and scalable way of engaging with and servicing them. This notion is supported by Anderson et al. (1997), who argue that a company is less likely to be productive if customer satisfaction for less profitable customers is dependent upon degree of customization – instead of standardisation, to meet varying customer needs, especially if it is costly and difficult to provide high level of service customization. Hence, there is both empirical and theoretical evidence to support the model in chapter 4 which proposes less customized and more standardised engagement model for mid-market customers and more customized and less standardised engagement model for enterprise customers.

The financial reasons behind differentiating customer engagement towards mid-market and enterprise also seem to be suggested both by empirical and theoretical research where literature discusses financial opportunities associated with service differentiation including additional service revenue throughout the customer lifecycle (Wise and Baumgartner, 1999; Potts, 1988). Based on the empirical and theoretical discussion of external and internal factors for differentiation of customer engagement model, the earlier model from chapter 4 can be revisited and these factors can be incorporated in the model as follows:



**Figure 13.** External and internal factors in the theoretical framework for differentiation of a SaaS firm's customer engagement model.

The rest of the theoretical framework focused on the how part of differentiation of customer engagement. To evaluate the utility and practicality of the framework, it needs to be compared with empirical and academic insights on the topic. As discussed earlier in the section, Anderson et al. (1997) put weight behind the argument that if customer value is co-created through customer engagement and if providing high level of customization in service is costly in terms of time and resources, less customized and more standardised services should be provided to customers with low relationship revenue and more customised and less standardised services should be provided to customers high relationship revenue.

The framework also suggests that modularity is central to differentiation of service between mid-market and enterprise customers, with the level of modularity being high towards enterprise customers and low towards mid-market customers. According to Rahikka et al. (2011), with modularity in services, the scope of the services is broadened, and it provides more flexibility to service offering and directly impacts value created for customers. Pekkarinen and Ulkuniemi (2008) also add that one of the objectives of modularity in service is to combine flexibility of customization and efficient methods of standardization and hence, effectively managing internal efficiency of service provider. Therefore, for enterprise customers, where higher value needs to be created because of higher relationship revenue, the degrees of modularity and customization in engagement model can be higher in comparison to mid-market customers, where less modularity and standardization can be more efficient in creating value for them.

To further evaluate the theoretical framework, it can be compared with the customer tiering and engagement model the case company had actually developed for mid-market customers, plus the differences in customer onboarding and product adoption processes can also be analysed. By looking at the case company's model for mid-market, it is already evident that standardisation is central to it. Instead of offering very customised services, the company is relying on standardisation and low-level of modularity by providing only a set of services to support mid-market customers. The engagement model was further

defined for three different tiers within mid-market based on revenue, where some modules are missing for customers in the lowest tier, like quarterly business reviews and catch-ups with account manager at regular cadence. Although not in this model but based on the discussions, the engagement model for enterprise customers had a much higher level of customization and more modularity.

The engagement model also defines a fixed method for customer onboarding - email sequences of check-lists, self-learning materials and check-point calls, some of which are also not present in the lowest tier. This is in line with the discussions with interviewees who emphasized that onboarding for mid-market customer needs to be standardized and systematic and less service-dependent. While for enterprise, customer onboarding tends to be more heavily dependent upon service and needs more customization and modularity to tackle customer's unique use-cases. The same notion was reflected across engagement processes for product adoption as well and the interviewees highlighted that engagement towards larger customers should be more service-intensive and customized "as the benefit of going through extra hassle is bigger for enterprise." Hence, the empirical data also supports the theoretical framework for differentiation of a SaaS firm's customer engagement model.

### **7.1.1 Barriers to Implementation of Framework**

While the proposed theoretical framework for differentiation of customer engagement seems to have support both from empirical insights and insights from theoretical literature, the feasibility of its implementation should also be considered and possible barriers in implementation of such a framework need to be understood. Based on the empirical discussions, some barriers faced by a SaaS company as it looked into differentiating its service model for mid-market and enterprise customers were identified as well. These discussions were very contextual, and the applicability of the identified barriers might vary case to case.

Perhaps, the most significant barrier that became evident through the empirical discussions was of the product complexity itself. Any change in the engagement model of mid-market customers cannot be achieved in isolation and significant strides have to be made in making the product also a better fit for mid-market. The reason the existing service model of the case company was so high-touch was because service had to make up for the short-comings in the product, and that consequently put a lot of pressure on teams engaging with customers. If the company was to differentiate its engagement model and move to a low-touch service model for mid-market, the product would need to fill those gaps. Any efforts in differentiating the service model without making changes to the product are not set for long-term success.

One of the barriers was that perception of the case company both towards its customers and other stakeholders (Facebook in its case) was very enterprise-centric. The company

was perceived as being geared towards the enterprise market and its platform was also considered a good fit for only advanced use-cases and meant for larger customers. Overcoming the perception of being an enterprise-focused company was identified as barrier and a challenge to service differentiation. Another possible barrier is of differentiating the engagement model for existing mid-market customers. Existing mid-market customers of the company had become accustomed to a certain kind of and level of service. So, they might not be very receptive or appreciative of the fact their service model was being changed. Another challenge that the company faced, again which was contextual and specific to the case-company, was the barrier of differentiating services in face of a fast-growing organization which was undergoing other transitions as well like pursuing an aggressive growth and hiring plan and going multi-platform by developing an offering for other social media platforms.

While these challenges are relevant to the SaaS case company and very contextual, they do have implications and can be generalized to some extent. Hence, they do serve as good additions to the literature if insights specifically for SaaS businesses are missing in terms of differentiating their customer engagement model. However, literature does touch upon challenges to service customization in a more general sense and hence, it is useful to look at those to gain further insights.

According to Åhlström and Westbrook (1999), service customization comes with increased cost. They explain that due to increased flexibility that comes with customization, the service system has to incur a premium cost, and perhaps, also because that customization and standardization exist in the same service system. As per Hou and Neely (2013), firms cannot expect to continuously increase their profits by increasing level of customization in service provision, especially if the range of service provision is wide. The barrier of increased cost is also evident from the theoretical model from chapter 4 which illustrates that high level of customization and modularity comes with high relationship cost.

Åhlström and Westbrook (1999) also highlight the common problems of organizational change. Having differentiated service models within the same company and separating the service organization for mid-market and enterprise could increase complexity as a whole. This problem could be amplified further if the product organization is also split between mid-market and enterprise. A whole new layer of complexity would be added. Turunen and Toivonen (2011) argue along the same line that differentiated service models also require different mind-sets from cultural perspective. While service standardization for mid-market requires employees to focus on economy of scales and efficiency, service customization for enterprise requires them to focus on flexibility and innovation.

Customers' cooperation and lack of acceptance can be another potential barrier (Hou and Neely, 2013). This is in line with empirical data which suggests that existing mid-market customers are accustomed to a certain kind of and level of engagement with the service-provider. The authors explain that while customers can be forced to transition to the new

service model, lack of control over customer's behaviors and their habits can still be concerning for service providers. The barriers in implementation of the theoretical framework drawn from both literature and empirical analysis are presented in the table on the next page. The table further tries to categorize the barriers and also identify if there is evidence from both literature and empirical data to support them. The identified barriers serve as caveats to practitioners and academics trying to understand differentiation of engagement models. While the discussion and the table do not present ways to overcome these barriers, their mere identification can serve as a starting point to strategize how to overcome them.

*Table 7. Barriers in implementation of theoretical framework.*

Barriers in implementation	Theoretical Support	Example from empirical data	Type of Barrier	Significance
Product complexity	-	“The challenge we are now facing is that implementing a lot of service side, requires a lot of product improvement. Shortcomings from the product end up draining on service side, which makes it difficult to service the customers. The challenge is how to align the product and engineering organization to make the service model feasible.”	Organisational	A differentiated engagement model for mid-market is not set-up for success without improvements and simplifications in product
Perception of the company towards customers and other stakeholders	-	“Our marketing collateral talks about us spending a lot of time with our customers closely, giving them incredible one on one support. We need to shift our marketing to focus slightly more on the tech bit because we are setting up false perceptions what it means to work with us.”	Psychological	A service model for mid-market will not be sustainable without overcoming the perception of being an enterprise-centric company
Expectation management with existing mid-market customers	Hou and Neely (2013)	“For existing customers that have a change in how they are managed, it could be seen as a downgrade rather an adjustment. So, how do we manage this transition and do proper expectation management?”	Managerial	Existing mid-market customers become accustomed to a certain kind of and level of service, and might not be very receptive or appreciative of the fact their service model is being changed
Organizational complexity	Åhlström and Westbrook (1999)	“One of the barriers includes that the organization is growing quite fast and huge. It takes a lot of effort and time to do such changes in organization like ours. So pursuing this initiative now constitutes a bigger change in comparison to what it could have been in the earlier days.”	Organisational	Differentiated service models within the same company and separate service organizations for mid-market and enterprise could increase complexity as a whole
Increased cost	Åhlström and Westbrook (1999), Hou and Neely (2013)	-	Financial	Without financial resources, an effective customisation cannot be achieved as due to increased flexibility that comes with customization, the service system has to incur a premium cost
Need of different mind set and skills	Turunen and Toivonen (2011)	“For people within the company, who are used to working closely with clients on advanced use-cases, working with mid-market might not seem very exciting and challenging. It might seem as doing more of the same.”	Cultural	The two types of engagement models require a different approach and the same mind set will not fit for both

### 7.1.2 Considerations of the Effects

Chapter 4 further discussed the effects of service customization on antecedents and outcomes of customer engagement, where the antecedents and outcomes are customers satisfaction, commitment, trust, and involvement and participation and customer equity respectively. As mentioned previously, as per Coelho and Henseler (2012), “customization increases perceived service quality, customers satisfaction, customer trust, and ultimately customer loyalty towards a service provider as a co-creator of loyalty.” During the interviews, value propositions of the case company were also discussed, together with impact of service customization on both the case company and its customers. Hence, it would be useful to consider the theoretical prepositions in the light of the discussions on the topic with interviewees.

Value created for customer seems to be central to both service differentiation and customer engagement. While value is a direct outcome of customer engagement (Youssef et al., 2018), added perceived value to customer is the predominant logic, as per Coelho and Henseler (2012), for using service customization. In terms of value proposition of the case company towards enterprise and mid-market, the empirical data indicated value for enterprise coming from more customized services and customized service, as part of the partnership, was a key component to drive value for the customer. For mid-market, the value needed to be driven less by customized service and engagement, but from the product itself and the company should be positioned as a technology provider. This seems to be in line with the discussion from chapter 4 that service customization is a way of creating more perceived value for customers.

As mentioned already, the company positioned its offering as a partnership towards enterprise customers. For any partnership, trust is a key component. According to Hillman and Huston (1990), an atmosphere of mutual trust between partners is central to a successful partnership. While, Coelho and Henseler (2012) argue that service customization can lead to increased customer trust, by decreasing customer uncertainty and vulnerability. Hence, it can be inferred that service customization would be important for ensuring an effective partnership between the case company and its enterprise customers and the product would be one part of the partnership – a notion also supported by interviewees.

Coelho and Henseler (2012) also highlight that service customization positively influences service quality and as a result, customer satisfaction as well. Ostrom and Iacobucci (1995) also support that customization can be a driver and endorser of service quality. Likewise, the interviewees highlighted that differentiating and standardizing service models for mid-market and enterprise, will actually help in provision of the service and improve the customer experience. With a defined service model for mid-market, engagement expectations would be set right from the very beginning. Hence, this seems to be in

line with Coelho and Henseler's argument. Another benefit tied with this aspect that manifested from discussions was that the right service expectations and a customer engagement model in place will streamline a lot of account management work for employees dealing with customers.

## **7.2 Theoretical Implications**

The first and foremost theoretical contribution is the theoretical framework for differentiation of a customer engagement model that has been proposed by combining whatever existing and relevant literature was available on the topic. The study adds to this by providing empirical support for the fruitfulness of the framework. The paper found strong empirical evidence to support differentiation of customer engagement models towards mid-market and enterprise customers respectively.

The framework also establishes the theoretical linkage between service differentiation & customization with customer engagement, and especially in the context of SaaS. While the two concepts are quite well understood and there has been substantial research into the topics respectively, to the best of the author's knowledge, there is little to no academic research into establishing a direct linkage between service differentiation and customer engagement. Hence, that is an important contribution to research as engaging with customers is a part of any service model and how the two concepts interlace provides key insights.

Another theoretical contribution of the study is understanding and mapping out external and internal factors behind differentiating a customer engagement model. The research on the area in literature seemed quite scarce and the study provides value addition in the area in shape of both theoretical and empirical evidence. The reasons behind and the 'why' component of any managerial construct are significant as they provide much needed context and give more weight to the arguments and why they matter.

The study is also able to build an understanding of customer engagement in the context of SaaS and a customer's high-level journey. While the concept of customer engagement is understood quite well in literature, it's relevance to SaaS was lacking in literature. As a whole, the study provides an initial conceptual model for differentiating customer engagement models in the SaaS context, articulating the external and internal factors that drive such a differentiation and barriers as well that might come along the way.

## **7.3 Managerial Implications**

The study has direct implications for SaaS firms dealing with customers of heterogeneous service needs. A SaaS firm's business excellence can be defined by its responsiveness and flexibility to varying customer needs. However, providing customized offerings to all customers irrespective of their profitability and other factors to meet their demands is



not always an optimal strategy and in the business interests of a SaaS firm, especially if company resources are limited. It is important to recognize the most profitable customer segments and strive to create more value for them through service customization. The proposed framework presented for differentiation of the engagement model for mid-market and enterprise customers can serve as a scheme for managers and executives looking to develop differentiated engagement models in their companies based on revenue generated from customers. In the proposed framework, the degree of modularity and customization in service is integral to how needs of customers are met. The findings of the study also equip managers and executives to take better informed decisions by analyzing effects of service customization on perceived quality, customer satisfaction and trust.

For SaaS firms, the study provides an understanding of the engagement model in terms of the customer journey, where the journey is divided into two high level parts. The first part being onboarding of a customer and the second part being creating value and ensuring customer success by driving product adoption. Customer success is a relatively new topic of growing importance in business markets (Ulaga, 2018). Hence, when looking at differentiation of engagement model, managers and executives can keep a holistic view and understand how differentiation would affect engagement from the perspective of the customer journey and how processes for onboarding and product adoption need to be different between mid-market and enterprise customers.

The external and internal factors for the differentiation of an engagement model can also help SaaS firms understand if they are doing differentiation for the right reasons. An important managerial implication is that while it is important that differentiation of engagement models helps SaaS firms streamline their ways of working, it is critical to consider if it also streamlines customers' way of working and creates more value for them. Hence, thinking about the customers first while differentiating services and how it will help them is important. At the same time, these factors can also help firms understand their respective situations better and if it makes sense for them to differentiate their engagement models.

Given that empirical data is a strong component of the findings and recommendations of the study, SaaS firms are in a position to observe and decide if the findings resonate with them. The customer tiering and engagement model of the case company that was presented also serves as a benchmark for other SaaS when developing engagement models for mid-market. Customers. The barriers to implementation of service differentiation are also insightful to SaaS firms so they can strategize and work towards overcoming these in their implementation of the model. Role of the product was identified as being crucial here to sustain the differentiated engagement models. The service part of the organization will not be able to scale mid-market customers without help from the product organization. To conclude managerial implications, following is a quote by the COO of the case company which captures the essence of the discussion quite well:

*“The service model for enterprise customers is like an ala carte type of approach at a fine dining restaurant where they can ask for anything and we try to accommodate their requests. On the other hand, the analogy of service model for mid-market is of a buffet which is more standardized.”*

## **7.4 Research Limitations**

While the study aims at presenting a framework based on empirical and theoretical insights, there still exist some observable limitations which are worth noting. For the scope of the empirical research, only one case company was relied upon and that too was one where the author of the thesis was employed at. The proposed model although was in line with the empirical findings from the case company, it should also be tested for other case companies as well. Since the research was aimed to developing an initial conceptualization of differentiation of an engagement model, instead of establishing scope or strength of the research area, the sampling with the case company is reasonable. However, further research needs to be done with help of larger sample to explore the extent to which the findings and propositions made in the study are reasonable and can be generalized.

It has already been mentioned the author was employed at the case company. While it may have helped with accumulation of knowledge and access to resources, it also meant that some inevitable bias was involved while the empirical data was being collected and analysed. Hence, there is still room for the empirical data to be collected and analysed in a more impartial way. The empirical data was collected through qualitative interviews which were semi-structured and such a research methodology has its own set of limitations. A downside of semi-structured qualitative interviews is pinpointed by Bryman & Bell (2011) who argue that the unstructured nature of the empirical data collected can somewhat reduce reliability. Hence, those limitations can manifest themselves in reliability of results and findings.

It is also important to highlight that most of the interviews were conducted online via video calls, where it is hard to observe any behavioural cues. While the individuals selected for the qualitative interviews had relevance to and expertise on the subject matter, there is always the chance that personal biases and opinions of the interviewees might seep in. It is also important to acknowledge the lack of customer participation in empirical data collection. All of the data collected was from the service provider’s point of view and hence, biased towards that. Including customer’s point of view can a possible next step to validate the findings and assumptions made as part of the proposition.

A limitation faced during data collection from literature was that the existing literature did not exactly address the same problem area as of the thesis which focused on service differentiation in a SaaS firm for mid-market and enterprise customers. The problem area was highly contextual and specific and hence, it was difficult to find relevant academic

data sources. One of the reasons was lack of previous studies on the topic and customer success and engagement models in SaaS being new topics but of increasing importance.

## **7.5 Future Research Directions**

The study aimed at developing a conceptualization of an engagement model differentiation for a SaaS company. While the study did achieve in doing that, there are still certain limitations like lack of existing literature on the topic and existing empirical evidence to support the propositions. Hence, there is surely more room for validating the findings of the study further and especially their practical application with more case companies. For the scope of the thesis, a SaaS company was focused on but the utility of the framework for other business models and industries can also be investigated. Going forward, there is a need for more research into the topic as well to establish a more concrete theoretical link between service differentiation and customer engagement.

There is also potential to bring in the customer perspective in the framework and focus on understanding how elements of the framework can help practitioners build more customer-centric engagement strategies. The potential advantages and disadvantages of differentiation of engagement models are still unexplored both from the service-provider's and customer's perspectives and can add more depth to research in the area. Finally, customer success in SaaS business as a whole is a new and untapped topic and to the best of the author's knowledge, research and literature on the topic are very scarce. At the same time, it seems to be very relevant to businesses, so there is a need for further research into the topic from academics.

## 8. CONCLUSION

This study aimed at providing an initial conceptualization of a theoretical framework for differentiation of a customer engagement model in the context of SaaS, and also aimed at providing empirical evidence to support the theoretical framework. In order to do so, the study looked at answering the ‘why to’ and ‘how to’ components of such a framework. While the initial results are promising and the findings seem convincing, there is certainly a need for more research into the topic as existing literature is sparse and a need for more empirical validation to evaluate the utility and practicality of the proposed theoretical framework. Only then can the full potential of the findings of the study be realised. However, the study can still serve as an insightful examination for academics and practitioners interested in the topic and can work as a foundation which can be built further upon.

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## APPENDIX A: INTERVIEW QUESTIONS

### Questions from first round of interviews

- What are the external and internal factors that have led to this need of having different service models for mid-market and enterprise?
- For the customer engagement model, can you identify key areas where the service needs to be differentiated?
- To what extent do we need to differentiate our services? Can we make the model work if we just repackage our solution for enterprise?
- What are the inherent company characteristics, processes, systems that enable and facilitate differentiation of services?
- What are the barriers & challenges that exist? How do we overcome these barriers?
- How will the customers benefit from differentiating of services for mid-market and enterprise?
- What are some of the downsides/negatives for the company or the customer that might come out of this?
- What has the perception of the company been in the market? Is it considered a very enterprise-centric platform?
- Was this initiative started on time? not too late or not early?
- What are some of the critical factors/pitfalls we need to consider making this successful?

### Questions from second round of interviews

- What are the underlying differences in needs of mid-market and enterprise customers? from service and product point of views?
- What is the source of these differences in the needs of mid-market and enterprise customers?
- Is the value-proposition of the company's offering for the two types of customers different?
- How should customer/user onboarding be different between mid-market and enterprise customers?

- Let's look at product adoption from a customer's point of view. What are the barriers for a mid-market customer and how can the company overcome those barriers?
- What are the drivers of product adoption for a mid-market customer and how can the company facilitate those drivers?
- How are these barriers and drivers different from those of enterprise customers?