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ScienceDirect

Industrial Marketing Management 36 (2007) 241 – 248

INDUSTRIAL MARKETING MANAGEMENT

Managing customer relationships: Account manager turnover and effective account management

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Received 11 March 2004; received in revised form 25 February 2005; accepted 10 May 2005
Available online 2 November 2005

Abstract

Managing relationships with customers and clients is a critical task for industrial sales organizations. This paper reports on research that focuses on improving client relationships through effective handling of account manager turnover and improved account management. Even in situations where account manager turnover is high, the relationship between the company and the SME client does not suffer if the account management turnover process is well managed. When account manager turnover is not well managed, customer satisfaction suffers. The research also identifies eleven specific management activities that are highly related to supplier satisfaction with both the account manager and the supplier financial institution.

Keywords: Client relationships; Turnover; SMEs; Customer satisfaction; Account management

1. Introduction

Managing relationships with customers and clients is a critical task for industrial sales organizations. Account managers (including global account managers, key account managers as well as sales representatives) are charged with managing these relationships on behalf of the firms that employ them. In spite of the importance of the management of customer relationships as an integral facet of industrial firms' relationship marketing efforts, little research has focused on how account management practice can contribute to more successful client/customer relationships. In particular, although it is recognized that "salespeople turnover is a pervasive and costly problem that affects most salesforces", ((Darmon, 2004, page 291) and references therein), almost no empirical research has studied the effect of account manager turnover on relationships with customers. It is known that "for a variety of reasons, turnover in sales staff has typically been higher than many other employee groups." (Mathews & Redman, 2001, page 541). The main purpose of this paper is to report on research that focuses on improving client relationships through effective administration of account management.

Specifically, the research focuses on:

1. How account manager turnover is related to the satisfaction of customers and clients with their supplier companies,
2. Exploring how specific tasks that account managers perform in managing relationships with their customers are related to the satisfaction of customers and clients with account managers and their supplier companies.

The context chosen for the study is the financial services sector and the relationship between financial institutions and their small and medium sized enterprise (SME) customers. The next section of the paper reviews the context for the study and the relevant literature. This section is followed by a description of the methodologies employed and data used. The research findings are presented subsequently and the paper closes with a discussion of findings and draws conclusions.

The work shows that even in situations where account manager turnover is high, the relationship between the

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doi:10.1016/j.indmarman.2005.05.015

company and the SME client does not suffer if the account management turnover process is well managed. When account manager turnover is not well managed, customer satisfaction suffers with the concomitant likelihood of the financial institution losing what had been a long-term customer. The research also identifies eleven specific management activities that are highly related to supplier satisfaction with both the account manager and the supplier financial institution.

2. Literature review and context for the work

2.1. The importance of managing relationships in industrial selling

The literature shows that a relationship is more than just a high frequency of transactions. Rather, it involves recognition of the existence of a relationship by both parties (Barnes & Howlett, 1998; Berry, 1997; Morris, Brunyee, & Page, 1998; Worthington & Horne, 1998; Zineldin, 1996). Previous research has also found (Perrien & Ricard, 1995) that a company may have a relationship with as many as five supplying companies, but one is typically perceived as the leading or main supplier.

It has been argued that strong relationships between suppliers and their business clients may have advantages for both. Advantages for the sellers include the ability to maximize profits by reducing risks, improving information flows, increasing customer satisfaction and enhancing loyalty (Binks & Ennew, 1997; Ennew & Binks, 1999; Petersen & Rajan, 1994; Sharpe, 1990; Tyler & Stanley, 1999a; Zeithaml, Berry, & Parasuraman, 1996a; Zeithaml, Berry, & Parasuraman, 1996b). Advantages for the buyers consist of greater access to supply, favorable rates, higher perceived quality of service, reduced stress, avoidance of switching costs, and increased convenience (Binks & Ennew, 1997; Binks, Ennew, & Reed, 1992; Bitner, 1995; Ennew & Binks, 1999; Petersen & Rajan, 1994). It is important to recognize that the benefits that accrue to both buyers and sellers in relationships are not immediate. Rather, they emerge as the relationship develops from early stages through maturity (Tyler & Stanley, 1999a; Zineldin, 1996).

It is also important to recognize that relationships differ. For example, some are characterized by higher levels of interaction and participation than others. Previous research (Binks & Ennew, 1997; Ennew & Binks, 1999) has shown that client perceptions of quality of service are partially determined by interaction levels between suppliers and consumers.

Previous research has also suggested that effective management of a relationship can affect client/customer perceptions of quality of service (Gronroos, 1996; Parasuraman, Zeithaml, & Berry, 1988). The satisfaction of the SME consumer will be dependent, at least in part, on the way the supplier interacts with the customer and manages the relationship (Ennew & Binks, 1999; Gronroos, 1990, 1996).

2.2. Account manager turnover and satisfaction with suppliers

The key individuals involved in managing relationships are account managers. Much of the current research on account management focuses on global account management (Wilson & Millman, 2003). Recent research on the role of global account managers shows that they occupy boundary-spanning positions between headquarters account management personnel and local account management personnel as well as between the selling company and the dispersed activities that the selling company engages in. However, very little research has examined the impact of account manager turnover. Wilson and Millman (2003:154) state "At the individual level, changes in just a handful of key staff on both sides can dramatically alter the network of personal relationships. . . . many years of relationship building and commercial arrangements can be undone by dislocations related to mergers/acquisitions, strategic alliances, downsizing, delayering, etc."

Mathews and Redman (2001) summarize that high turnover rates can be costly, where costs fall into two broad areas. Firstly, there are recruiting and training costs. Secondly, there are costs associated with the impact of the havoc caused by turnover among upset customers, lost sales and disharmony amongst the remaining staff. Traditionally, this second area of cost concerns has been viewed as being virtually impossible to measure.

Haines and Riding (1994), in a study of Canadian bank SME relationships, found that the more account managers that SME firms have to deal with, the more likely these firms were to be turned down for a term loan, a line of credit increase, and a new line of credit. However, Perrien and Ricard (1995) found (in their qualitative research involving both partners in a commercial banking relationship) that although account managers emphasize turnover as a major negative factor, surprisingly enough, it was not perceived by any participating client company as a real threat to the quality of the relationship. One of the areas of focus for this study was understanding why both of these empirical results may be legitimate.

2.3. The role of account managers and SME satisfaction with their main suppliers

Developing satisfactory relationships with SME clients is expected to result in higher satisfaction on the part of those clients. In turn, satisfaction leads SME clients to give referrals to others and a decreased likelihood of switching to the services of another financial institution (Barnes & Howlett, 1998; Berry, 1997; Ennew & Binks, 1999; Morgan & Hunt, 1994; Seal, 1998; Sharma, Tzokas, Saren, & Kyziridis, 1999; Zineldin, 1996). The empirical work of Paulin, Perrien, Ferguson, Salazar, and Seruya (1998) found that the stronger the client–company assessment of the strength of the bank–client relationship measured by relational norms, the higher the client–company rated the external effectiveness of the commercial bank and the less likely the client–company was to switch to another bank. Perrien, Paradis, and Banting (1995) studied the reasons why buyers and sellers disengage from relationships in the commercial financial services industry. Based on qualitative research with account managers, it was reported that the customer's disengagement decision depends primarily on the account manager, credit policies and customer service policies.