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Are key account relationships different? Empirical results on supplier strategies and customer reactions

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Abstract

In this paper, the authors analyze 91 key account relationships and 206 ordinary supplier–buyer dyads regarding differences in suppliers' *relational behaviors* and customers' perceptions of *relationship quality* (satisfaction, trust, and commitment). The results suggest that while – as compared to ordinary relationships – suppliers put significantly more effort in "*value-creating behaviors*" in key account relationships, they do not modify their "*value-claiming behaviors*" in those dyads. On the customer side, suppliers' increased value creating activities lead to increased *commitment.* However, customers are neither more satisfied, nor do they *trust* their suppliers more when they receive key account status.

Keywords: Key account management; Business-to-business; Relationship; Relational treatment; Relationship quality

1. Introduction

As a reaction to changes in environmental factors, in their customers' purchasing behavior, and also because of their own evolution toward more complex offerings, many suppliers in the business-to-business field have introduced key account management programs. The aim of these programs is to serve strategically important customers in a more individual manner than ordinary accounts. A core assumption in the key account literature is that supplier companies are willing to increase their input into important customer relationships because they hope to enhance the relationship outcome. This paper presents the results of an empirical study among 297 purchasing managers in which this assumption was tested. Based upon the relational exchange framework, the authors analyze whether suppliers dedicate *more relational behavior* to their key accounts than to their ordinary accounts (input side). This research also examines whether the quality of the relationship (satisfaction, trust, commitment) as perceived by key accounts is higher than that perceived by ordinary accounts (output side).

2. Key account management as a resource-oriented management concept

Resource-oriented management theories increasingly interpret customers as part of a company's assets, particularly when these customers contribute to the creation of competitive advantages. Some customers are also believed to be of higher value to the firm than others: "*relational market-based assets are outcomes of the relationship between a firm and* key *external stakeholders. (...) The bonds constituting the relationships and the sources of them can vary*" (Srivastava, Shervani, & Fahey, 1998, p. 5). This focus on a customer's value is reflected by recent contributions to relationship marketing. Different authors have proposed measurement models and studies linking a customer's value to outcome variables such as loyalty (e.g. Cornelsen, 2000; Krafft, 2002; Werani, 2000).

In a slightly different perspective, resource advantage theory (RAT) posits that – in addition to customer relationships – specific organizational solutions a supplier company implements in order to serve its customers may be interpreted as resources. These solutions may be based upon "*specific*

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organizational policies and procedures and the skills and knowledge of specific employees" (Hunt, 2000, p. 189). For an organizational solution to become a valuable resource, it must permit the owning company to serve its customers more efficiently and/or more effectively than its competitors (Hunt & Morgan, 1995). According to RAT, companies having such comparative advantages in organizational resources are able to occupy superior marketplace positions and, in turn, to achieve superior financial performance (Hunt & Morgan, 1996).

Both, the interpretation of customers as well as organizational solutions as valuable resources, contribute to the explanation of the increasing attention suppliers pay to the maintenance and enhancement of important customer relationships. This particular attention is often manifested by the establishment of key account programs (Kempeners & van der Hart, 1999). The suppliers' objective is to occupy marketplace positions of competitive advantage.

In the extant literature, a panoply of different terms are being used to design the specific organizational solutions this paper deals with, e.g. national account management, large account management or strategic account management (Boles, Johnston, & Gardner, 1999). Based upon a discussion of these terms, Pardo (1999) pleads for the use of key account management (KAM), a position shared in this paper. The central characteristics of key account management are summarized by Pardo (2001, p. 2): "*In a firm's customer portfolio, there is a central core (of customers). The supplier believes that if the exchanges with these customers are managed in a specific way, they can offer greater commercial efficiency. These are the customers the supplier designates as his firm's key accounts. To manage them in a specific way means a different form of management than that usually used for his customers. More specifically, this means the creation of a new mission (thus the creation of a new job, new practices, etc.) and its integration into the existing structure. This mission involves coordinating supplier information and action in time and space in relation to a customer in its entirety*".

In this perspective, KAM merges a specific organizational solution with the selection and prioritization of important customers. Hence, it integrates two categories of potential resources, customers and organizational structures and capabilities. Accordingly, Diller (1992, p. 239) interprets KAM as a sales-oriented management concept comprising organizational as well as relational aspects. In order to increase the commitment of one valuable resource (the customer), a specific organizational solution (the KAM program) is created. It becomes a valuable resource too, if it reduces the competitors' access to the key customer by serving the account more efficiently and/or more effectively. The design of this organizational solution can take various forms (Jensen, 2001; Kempeners & van der Hart, 1999; Shapiro & Moriarty, 1984) and does not necessarily have to be implemented as a formal structure (Homburg, Workman, & Jensen, 2002).

In the RAT perspective, resources may lose their value because their effectiveness for generating competitive advantage may erode. For example, competitors may try to imitate critical resources or they may manage to substitute them by alternative resources. Hence, in order to maintain and enhance their competitiveness companies must continuously work on the development and safeguarding of valuable resources (Hunt & Morgan, 1996). For KAM this implies that the concept may lose its impact when a customer is better served by competitors than by the focal supplier. In addition, it can only become effective if – from the customer's vantage point – it creates relevant advantages.

3. Key account management and customer prioritization

For a long time, neo-classical economists have narrowed the analysis of exchange acts to a utilitarian perspective (Macneil 1985, p. 484). The increasing interest for relational phenomena in marketing has led to the emergence of relationship marketing. This research stream posits that "*all marketing activities be oriented at individual customer relationships rather than anonymous markets*" (Diller, 1995, p. 442). Relationship marketing differs from the traditional, transaction-oriented approach to marketing in that individual customers are being prioritized, in that interactions are being emphasized, and in that customers are increasingly integrated into suppliers' value creating activities (Diller, 1994, p.2). Today, it is often interpreted as a cross-functional and process-oriented concept which represents the convergence of total quality approaches, customer service management, and marketing in order to satisfy and retain customers (Christopher, Payne, & Ballantyne, 1991).

The increased interest in relationship marketing has many roots which may be summarized by an intensification of competition observable on numerous markets. On business-to-business markets, relevant trends are (among others) mergers and acquisitions, concentration and centralization processes in purchasing organizations, and the increasing internationalization of purchasing activities (Müllner, 2002, p. 30). As a consequence, customer satisfaction, penetration, and loyalty have become important goals in sales departments. In order to achieve these goals, many suppliers develop concepts through which they feel they show closeness to the customer (Homburg, 1995).

KAM is a concept through which companies introduce the principles of relationship marketing into their customer policy and become closer to the customer. They select important customers in order to – based upon an increased individualization of business processes – better interact with them and possibly integrate them into value creation.

It seems important to stress that a customer's importance for the supplier may stem from various factors. Many companies still rely solely upon sales volume to identify key accounts. However, given KAM's holistic perspective, this approach is too narrow (Spencer, 1999). KAM's strategic dimension implies the necessity for a future-oriented selection of key accounts and it does not allow limiting selection criteria to economic features. Along with turnover, a set of other reasons exist that make customers become key accounts (Stevenson, 1980; Walter, Ritter, & Gemünden, 2001), e.g.:

- Lead user function: particularly advanced customers may serve as partners in R and D cooperations. Their know-how