

Implementation of Key Account Management: Who, why, and how? An exploratory study on the current implementation of Key Account Management programs

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Abstract

Key Account Management, as currently described in relationship marketing literature, is an important approach to creating value, by implementing specific processes targeting most important customers. This exploratory study contributes to the understanding of Key Account Management by focusing on factors influencing the decision for implementing Key Account Management and the implementation-process. The findings suggest that the *intensity of competition* as well as the *intensity of coordination* are factors driving companies towards the adoption of Key Account Management programs, and that companies still pay too little attention to the selection of key accounts. The study also reveals the phenomenon of ‘hidden key accounts’: More than 80% of the investigated companies without Key Account Management offer their key customers special treatment without aligning their own internal organizational structures.

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1. Introduction

Relationship marketing (Berry, 2002; Sheth & Parvatiyar, 1995) has gained widespread acceptance in marketing management literature (Grönroos, 1994; Jackson, 1985; Weitz & Jap, 1995). Yet, marketing managers and researchers are still trying to understand which marketing concept, i.e. transactional or relational marketing, drives marketing performance in specific contexts best (Sharma & Pillai, 2003). Recent research has moved attention to certain moderating factors which favor the performance of specific relationship marketing approaches (Reinartz, Krafft, & Hoyer, 2004), as nearly every company uses some kind of relationship marketing, in order to adapt to its business environment (Coviello, Brodie, Danaher, & Johnston, 2002). Key Account Management is one of these relationship

marketing approaches. Though the Key Account Management concept is well-established in theory and practice, managers as well as researchers have considerable difficulties deciding when and how to implement Key Account Management (Kempeners & Hart, 1999; Sengupta, Krapfel, & Pusateri, 1997).

In this exploratory study, we investigate the conditions and circumstances motivating companies to apply a Key Account Management approach. As we analyze the current state of adopting Key Account Management in business-to-business markets and try to explore differences between business relationships with and without Key Account Management, we aim to contribute to the research material on relationship management by suggesting the decisive factors favoring the implementation of Key Account Management programs. In addition, we evaluate the key account managers’ perception of the Key Account Management implementation process, to derive critical aspects for setting up Key Account Management. As empirical research on the implementation issue has been of minor interest thus far, we try to fill this gap in Key Account Management research.

Our exploratory research encompasses a sample of 91 companies, which we investigated with regard to their Key

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Account Management, business relationship management as well as to their Key Account Management implementation activities. We primarily assessed contextual factors favoring the implementation of Key Account Management as well as the policies and measures taken by companies with regard to the implementation of Key Account Management programs.

In the following we will give an account of the Key Account Management concept before presenting the design and the results of our study. Finally we present managerial implications and areas for further research.

2. The development and current state of the Key Account Management concept

Key Account Management is a well established marketing management concept, which originated in the US. Various articles published from the late 1970s to the early 1980s (Pegram, 1972; Shapiro & Moriarty, 1980, 1982, 1984a,b; Shapiro & Posner, 1976; Stevenson, 1980, 1981; Stevenson & Page, 1979) laid the conceptual basis for Key Account Management, which is deeply rooted in personal selling research (Shapiro & Wyman, 1981). Due to its regional focus as well as its strong connection to the personal selling literature, there has hardly been any significant progress in the conception of Key Account Management. Instead, conceptual inconsistencies become increasingly evident due to the fragmentation and specialization of Key Account Management research (Kempeners & Hart, 1999)—and have hindered researchers from integrating their findings and conceptual ideas into a relationship marketing context.

As relationship marketing consists of relationship selling, as well as relationship buying (Jackson, 1985), the perspective on Key Account Management changes fundamentally—mutuality is increasingly emphasized in business relationships (Macneil, 1978) and alters Key Account Management from a simple selling to a value-adding marketing approach (McDonald, Millman, & Rogers, 1997). As a consequence, Key Account Management is perceived as a supplier's relationship marketing program focusing on a single customer. Its implementation is the result of a strategic marketing management decision with considerable internal organizational consequences.

Focusing on the implementation of Key Account Management, when reviewing empirical Key Account Management literature considerable deficits were revealed:

- (1) The last comprehensive empirical study on the status-quo of Key Account Management was done in the mid 1990s by Napolitano (1997), but was limited to global players. Particularly important were the performance related aspects of the study, which disclosed a missing application of more comprehensive key account evaluation methodologies (e.g. Boles, Johnston, & Gardner, 1999) and considerable efficiency as well as effectiveness deficits. Of considerable interest are the questions:
 - a) Has anything changed in the status-quo of Key Account Management since then?
 - b) Does Key Account Management represent also an appealing marketing management option for small- and medium-sized companies?
 - c) Can the reasons for implementing Key Account Management suggested by various researchers (e.g. Barrett, 1986; McDonald et al., 1997) be verified?

- (2) The Key Account Management implementation decision has only received scarce research attention, even though the majority of Key Account Management programs seem to be ineffective (Napolitano, 1997). The adequacy of the Key Account Management implementation decision has hardly ever been questioned. Instead, it is assumed that companies are able to correctly assess the necessity of implementing Key Account Management and merely require support in their decision on the correct Key Account Management approach (Homburg, Workman, & Jensen, 2002). It is thus of prime interest, if this assumption is correct, and which factors influence the Key Account Management implementation decision.
- (3) Furthermore, information on the implementation process of Key Account Management is rather limited. Though some conceptual ideas have been formulated to the implementation process, none of these issues have been approached by an empirical study so far.

As a consequence, we need a thorough understanding of when, why and how companies adopt Key Account Management programs. In the following section, we explored relevant aspects perceived by sales managers for and characteristics of implementing Key Account Management.

3. Study

3.1. Research objectives

The main objective was to give an account of the current share of Key Account Management in the business-to-business sector. Therefore we investigated if and how long the companies in our sample had implemented key account management programs, were planning or were deliberately refraining from its implementation. In addition we investigated the current state of Key Account Management programs; the factors influencing the decision to implement Key Account Management and its implementation process (see Table 1).

- *Current state of Key Account Management:* We asked informants about the development of the relevance of the Key Account Management concept within their company and the reasons for their implementation. Actual tasks assigned to key account managers or management teams and their position within the organizational structure were investigated. We were also interested in the valuation methods used for the identification of key accounts. As Key Account Management programs initially were developed to adapt to customer operating on a national or international level, the international dimension of Key Account Management was also investigated.

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