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Key account relationships: An exploratory inquiry of customer-based evaluations

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ABSTRACT

The management and retention of key accounts is imperative in facilitating a firm's long-term viability. Previous examinations of key account relationships have revealed valuable insights into the factors facilitating key account management and driving relationship strength. However, account managers often fail to recognize weaknesses within their existing key accounts and the sources of their relationship vulnerabilities. Utilizing an exploratory inquiry of in-depth interviews with 99 executive decision makers across 52 key accounts cases, the authors assess customer relationship evaluations prior to contract expirations for account retention opportunities valued at over $1.3 billion. Unique positive and negative drivers of key account relationship evaluations are identified in a thematic categorization, along with a subsequent content analysis highlighting their patterned associations with positive and negative relationship evaluations, future business intentions, and business referral behaviors. These patterned associations reveal that positive and negative perceptions of relational drivers often affect outcomes in a differential manner, resulting in a classification of conventional constructs, prevention constructs, and promotion constructs. The results indicate that the desire of a supplier to maximize positive relational outcomes or minimize negative relational outcomes is driven by distinct underlying associations and allow for insights into resource allocation strategies within key account relationships.

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1. Introduction

Customer lifetime value and retention are focal points of relationship marketing because of the benefits offered by loyal customers, such as enhanced revenues (e.g., Reichheld & Teal, 1996), decreased costs (e.g., Page, Pitt, Berthon, & Money, 1996), and sustainable competitive advantages (e.g., Johnson, Barksdale, & Boles, 2001). However, relational strategies, which emphasize a focus on customer loyalty, should be selective because of the associated costs and risks (Day, 2000; Reinartz & Kumar, 2000; Sheth & Shah, 2003) and are thus most appropriate within key account contexts (Guenzi, Pardo, & Georges, 2007). Managers must consider their strategic goals and available resources in order to know which aspects of relationships to emphasize with key account customers.

In addition to suppliers embracing relationship marketing and an increasing emphasis on the customer (Homburg, Workman, & Jensen, 2000; Morgan & Hunt, 1994), a relational orientation to business is also driven by customers placing increasing demands on suppliers (Homburg et al., 2000). Customers stand to see returns on long-term relationships in the form of problem resolution, special accommodations, and reduced stress as relationships become increasingly predictable (Bitner, 1995). However, given the many benefits of relationships, Bitner (1995) questions whether there are underlying events which cause customers, satisfied and dissatisfied alike, to maintain or terminate relationships. The purpose of this research is to provide a better understanding of resource allocation strategies in existing key account relationships by conducting a comprehensive examination of customer relationship evaluations and their association with positive and negative relational outcomes (Table 1).

Research often examines the conceptualization of positive relational attributes which drive positive relational outcomes but generally fails to also take into consideration the negative relational attributes customers perceive when evaluating their existing relationships. Corresponding lines of research argue that knowledge about relationships is problematically unilateral and overly focused on the positive aspects of relationships (e.g., Cannon & Perreault, 1999; Hibbard, Brunel, Dant, & Iacobucci, 2001; Mitręga & Zolkiewski, 2012). In line with this assessment, the authors utilize an exploratory approach and in-depth interviews to contribute to the understanding of both the positive and negative drivers of existing key account customers' evaluations of suppliers prior to major contract expirations. Findings show that positive and negative relationship outcomes are uniquely associated with a varied pattern of the positive and negative dimensions, indicating that the desire by suppliers to maximize positive outcomes or minimize negative outcomes is based on distinct underlying relationships.

The findings are important because managers struggle to find useful ways to assess their relationships in order to predict how customers will behave, and therefore, how successful their businesses will be in the

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future (Hogan, 2001; Keiningham, Aksoy, Cooil, & Andreassen, 2008). A portion of this difficulty is potentially based on suppliers overlooking, or inaccurately explaining, their own adverse contributions to the relationship (i.e., attribution biases). Research has, in-turn, shown value in studying customer–supplier relationships from the customer's perspective (e.g., Tuli, Kohli, & Bharadwaj, 2007), particularly as this perspective relates to studying the darker side of relationships, such as negative consequences (e.g., Mitręga & Zolkiewski, 2012; Tähtinen & Blois, 2011). Researchers have called for examinations providing a greater emphasis on understanding the customer decision process, particularly across multiple customer and supplier organizations (Johnson et al., 2001). Most empirical examinations of key account relationships capture data within a single supplier firm and attempt to explain variance across customers (Sengupta, Krapfel, & Pusateri, 2000). The present examination, however, captures relationship data from multiple decision makers within 52 different customer organizations, each case in reference to an existing supplier, representing over $1.3 billion in account retention opportunities.

Researchers are also calling for a greater understanding of customer value determination and the resulting impact on customer decisions (Flint, 2002). Hibbard et al. (2001) indicate the need for better assessments of relationship performance in order to gauge whether investing in relationship marketing activities is worthwhile. The current research seeks to address these calls by exploring the patterns of positive and negative relational dimensions with positively and negatively valenced outcomes. The findings allow managers to create efficiencies by allocating resources to specific relational drivers which have a desired impact, while diverting resources away from relational drivers with minimal impact. The strategies are thus developed around clusters of positive and negative constructs with specifically-patterned associations, herein referred to as conventional constructs, prevention constructs, and promotion constructs. The findings show that while some constructs are consistent with the expected paradigm of positively valenced dimensions associated with positive relationship outcomes and negatively valenced dimensions associated with negative outcomes (i.e., conventional constructs), others show patterns in which the positive relational dimensions are associated with positive outcomes, but negatively valenced dimensions are not associated with negative relationship outcomes (i.e., promotion constructs), or vice versa (i.e., prevention constructs).

The paper is structured as follows. First, the literature review focuses on key account relationships and provides a framework for the exploratory inquiry. This is followed by a description of the research method, sample, data collection, and reliability and validity of the analysis. Following this, research findings are presented, highlighting the relational dimensions which do not possess a positive or negative inverse representation, as well as the patterned associations with relational outcomes. Finally, theoretical and managerial implications are discussed as they pertain to resource allocation strategies and avenues for future research are advanced.

2. Literature review

2.1. Key account relationships

Relationship marketing directs the attention of marketing to existing customers in order to increase retention through value-added benefits (Frankwick, Porter, & Crosby, 2001). Relational approaches are a primary driver of customer retention and have seen an increase in attention and adoption (Day, 2000; Garbarino & Johnson, 1999; Morgan & Hunt, 1994). Collaborative relationships are particularly vital at the key account level, as customers representing a high share of sales or profits should be given preferential attention in comparison to less impactful customers (Guenzi et al., 2007). Many suppliers therefore implement a relationship marketing strategy with key account customers (Ivens & Pardo, 2007).

Within a business-to-business context, customer–supplier relationship research has found value in utilizing employee turnover models to create extensions into customer retention models (e.g., Friend, Hamwi, & Rutherford, 2011; Johnson et al., 2001). One of the most influential variables related to employee turnover is employee satisfaction (Ragin, 1987; Rihoux & Ragin, 2008). However, theory substantiates that satisfaction is not a continuum of satisfaction and dissatisfaction at inverse ends of the spectrum, but rather that satisfaction and dissatisfaction are on separate, but parallel, continua (Herzberg, 1965, 1974). Thus, satisfaction and dissatisfaction should be studied independently and understanding the unique conceptualization of each construct is important. There is value in extending this phenomenon from the employee turnover context to the customer retention context (e.g., Johnson et al., 2001) as variables associated with customer retention and defection are likely also uniquely conceptualized on separate continua as opposed to being thought of as pure inverses.

The relationship marketing literature recognizes numerous drivers of relationship performance: commitment (Morgan & Hunt, 1994), trust (Morgan & Hunt, 1994), adaptability (Plouffe, Hulland, & Wachner, 2009), customer orientation (Jaramillo, Ladik, Marshall, & Mulki, 2007), communication (Richard, Thirkell, & Huff, 2007), partnership (Palmatier, Dant, & Grewal, 2007), and value (Kalwani & Narayandas, 1995). However, these constructs are generally conceptualized and operationalized based on dimensions which make them present within a relationship, which can be incomplete because decision makers likely take into consideration bundled assessments of positive and negative characteristics. These full assessments of ongoing relationships, particularly the negative attributes, extend knowledge in the relationship marketing literature.

> RQ1: Are the constructs associated with positive and negative evaluations of key account relationships conceptually the same or composed of unique dimensions?

In addition to shifting the focus of marketers toward existing customers, the theory of relationship marketing also conceptualizes positive effects on the nature and anticipation of continuous future interactions (Williams & Attaway, 1996). These future interactions associated with retention are important and are suggested to be among the most critical components that influence customer lifetime value (Reichheld & Teal, 1996). However, research has shown that purely looking at relationship strength or longevity may not provide a complete and accurate assessment of the full value of customers (e.g., Reinartz & Kumar, 2000). Long-term customers are also posed to provide benefits in the form of business expansion opportunities (Gupta et al., 2006) and positive word of mouth (WOM) (Kumar, Petersen, & Leone, 2010). The current study therefore moves beyond relationship classification as the final outcome by also capturing future business intentions and business referral behaviors.

The perception of the status of a relationship from the perspective of the key account customer is a fundamental concern of suppliers. The perceived positive relationship status insulates the supplier from adverse occurrences that may occur in the future (Ganesan, Brown, Mariadoss, & Ho, 2010). Accordingly, as a dichotomy, relationships are coded in the current research as *strong* or *vulnerable*. The dimensions of relationship evaluations also have the potential to impact future business. Existing customers represent an opportunity for suppliers to cross-sell and up-sell, therefore expanding the current relational exchange (Payne & Frow, 2005). Alternatively, customers often have alternate sources of supply or operate under a multi-source strategy, enabling them to reduce the existing relationship (Friend et al., 2011). Furthermore, many customers are in a state of maintenance, with no indication of further opportunities for suppliers to take advantage of or intentions to lower their demand. Future business intentions are coded in the